

Tax and statutory annual obligations of a Cyprus company

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A Cyprus company can offer to its owners a great number of legal and tax advantages. However, in order to be able to enjoy these advantages, all annual obligations must be fulfilled.

We present below an overview of the statutory and tax obligations of a Cyprus company

Statutory obligations

Annual General Meeting (AGM)

Every company must hold an Annual General Meeting each year. No more than 15 months must lapse between one AGM and the following one.

The first AGM may be held within a time limit of 18 months from the incorporation of the company. If a company holds its first AGM within 18 months from its incorporation, then there is no need to hold this first AGM during the year of its incorporation or the subsequent year.

Timely notice of at least 21 days must be given to all shareholders. The agenda usually includes a review of the audit financial statements, approval of dividend payments, appointment of board of directors and auditors. Any resolutions passed should be documented in the minutes of the meeting by the company secretary and filed at the registered office.

Annual Return (form HE 32) filed with the Registrar of Companies

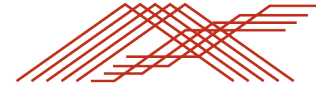
Every company must prepare and file with the Registrar of Companies an Annual Return (HE32) once a year which includes, among others, information as to the registered office of the company, Registered Shareholders, share capital, debentures, directors and secretary.

The company must prepare its Annual Return (HE32) within 14 days after the Annual General Meeting and within a time limit of 28 days from that date the Annual Return should be filed with the Registrar of Companies. In effect, the Annual Return must be completed and filed with the Registrar of Companies within a time limit of 42 days from the Annual General Meeting of the company. Any delay will result in financial penalties.

Statutory records

All Cyprus companies are legally required to keep and maintain their statutory records at their registered office. Statutory records include information for Shareholders, directors, secretary and share capital.





- **Annual General Meeting (AGM)**
- **Annual Return (form HE 32) filed with the Registrar of Companies**
- **Statutory records and audited Financial Statements**
- **Annual fixed payment to the Registrar of Companies**

Financial Statements filed with Annual Returns

The financial statements of the previous year must be filed with the Registrar of Companies together with the Annual Return of the current year. Companies must be up to date with their legal obligation to prepare financial statements and annual tax returns. On the contrary, the Registrar of Companies will refuse to issue certificates connected with the Annual Returns of the company and information listed therein, as the Annual Returns will not be accepted for filing without the financial statements.

Annual fixed charge

All registered Cyprus companies are obliged to pay an annual charge of €350,00 by end of June of each year, in order for the companies to be in good standing order and to remain on the Register of Cyprus companies at the Registrar of Companies. For group companies the corresponding amount is limited up to €20.000, evenly divided among the companies.

In case of a delay of payment up to two months there is a 10% penalty and in case of a delay between two and five months there is an additional 30% penalty.

If a company does not comply with the obligation for the payment of the above charge within the aforementioned time limits, the Registrar of Companies shall proceed with striking off the company from the Register of Companies.

A company may be re-instated within two years from the date of strike off from the register automatically provided a fee of €500,00 (in addition to the outstanding amounts of the charge) is paid.

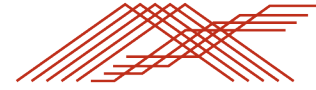
A company may be re-instated following the two years from the date of strike off from the register provided a fee of €750,00 (in addition to the outstanding amounts of the charge) is paid.

Exemptions subject to the discretion of the Registrar of Companies, the annual charge of €350, 00 shall not apply to the following companies:

A company which owns property located in areas which are not controlled by the Republic of Cyprus, e.g. Turkish occupied areas of Cyprus.

In case a company undergoes a liquidation procedure that has started before the end of June, it is not required to pay this levy and if the company is incorporated after the end of June is not required to pay the levy for this year.





- **Tax Returns filed with the Income Tax Authorities**
- **Tax obligations for Tax resident companies**
- **Obligations for companies having an office in Cyprus**

Tax compliance obligations

Tax Returns filed with the Income Tax Authorities

The company must prepare and file annually with the Income Tax Authorities tax returns prepared by registered qualified auditors.

The Income Tax Authorities request that tax returns are audited and in practice they reject tax returns that are not prepared and approved by Qualified Auditors. In order for the auditors to prepare the audited tax returns demanded by the Income Tax Authorities, audited financial statements must be prepared.

In case of non-compliance with the above obligations, the Income Tax Authorities may take criminal court proceedings against the company and its directors and the company will face penalties for no or late filings.

Tax obligations for Tax resident companies

Provisional Income Tax Declaration

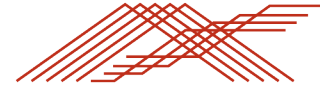
As at 31st July of each year, every company that expects to have taxable profits during the year, must submit its provisional income tax declaration for the current year of assessment. The provisional tax liability is payable in 2 equal instalments. Payment of the first instalment of provisional income tax liability should be made as at 31st of July of the year and the second instalment is paid in December.

As at 1st of August of each year the company with tax liability, can proceed with the filing of the self-assessment declaration of final income tax liability for the previous year as determined by the financial statements and income tax returns and proceed with the payment.

As at 31st of December of each year the company will proceed with the payment of the second instalment of the provisional tax liability and submission of the financial statements and income tax returns for the previous year.

For Special Defence Contribution Tax, if interest and dividends are received gross without any deduction at source, any amount due is payable at the end of the month following the month in which they were received or credited. The above applies only to passive interest income.





- **Vat and Tax registration**
- **Provisional income tax declaration**
- **PAYE**
- **Social Insurance**
- **Employer's Return**
- **Employer's Liability insurance**
- **Withholdin tax on Rents**

Obligations for companies having an office in Cyprus

PAYE – Pay as You Earn System

At the end of each month the payment of employees' tax is effected which is deducted directly from the employees' salary (PAYE). The deductions made are related to the salary of the previous month - For companies having a real office in Cyprus with employees.

Social Insurance

Social Insurance contributions are paid monthly for all employees working in Cyprus. Employees of Cyprus companies working outside Cyprus are not obliged to be registered and pay Social Insurance.

Employer's Return

Until the 31st July electronic submission of Employer's return as to the total payroll and employees' details of the previous year (IR7 and IR7 Analysis) – for companies having an office in Cyprus and employees in Cyprus.

Employer's Liability Insurance

An insurance covering the employees for possible accidents during work must be maintained.

Incentive of employment of high salary non tax residents in the Republic

Non tax resident persons who take up residency in Cyprus for employment are entitled to an exemption of 50% of their annual salary earned from Income Tax. This exemption is granted to employees' salaries which exceed Euro 100.000 annually and it is valid for a period of 10 years from the year of commencement of employment.

For types of income which are exempt from income tax reference can be made to the annual tax publication as published by our website <http://shiakas.com/library/>



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Chartered Certified Accountants

Accounting records

The directors of the company are responsible for the maintenance of proper accounting records which are considered necessary to prepare the financial statements of the company at the end of each Financial year. The records must be updated (not later than four months from the month that the transaction was made.

Withholding tax on Rent

The withholding tax is applicable when the rent is paid by companies, partnership, the Republic and Local Authorities.

Withholding tax on Rent

The lessee of the property has a withholding obligation under which any company paying rents on property situated in Cyprus is obliged to withhold defense tax and for the contributions to the NHS and submit such tax to the tax authorities until the end of the next month following the month of the payment of rent.

The SDCT rate on rents is 3% on the 75% of gross rent amount and the contributions rates for the NHS is 1.70% and 2.65% for March 2020 and then from July 2020 and afterwards.

If the company is receiving rental income, dividends and interest the payment of defense tax is made as at 30 June and 31 December if such is not withheld at source.

Vat registration

Companies may be legally obliged, either now or in the future, to register for VAT, and/or to charge VAT on the goods or services they supply.

Audited Financial Statements filed with the Registrar of Companies

The company must prepare and submit annually to the Registrar of Companies, Financial Statements according to International Financial Reporting Standards (IFRS) showing the true and fair picture of the affairs of the company and explaining its transactions. Even if the company had no operations for a particular year it is obliged to prepare and file financial statements and tax returns and, in such case, Dormant Financial Statements must be prepared.

Consolidated Financial Statements

Cyprus companies which have subsidiaries must consolidate their audited financial statements with the financial statements of their subsidiaries according to IFRS.

The above obligation does not apply if the group meets the requirements of the law to be qualified as a small or medium group.

The Financial Statements must be audited by an independent registered auditor in accordance with International Standards of Auditing (ISA's)

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June 2020