



Michalis Avraam
& Partners Limited
AUDITORS AND BUSINESS ADVISORS

Cyprus Tax Facts 2014

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2 Business Taxation

INCOME TAX

Charge of Tax

Cyprus Tax Resident

Tax is imposed on worldwide income accrued or derived from sources both within and outside Cyprus in respect of:

- any profits or other benefits from any business;
- any profits or other benefits from any office or employment;
- any dividend, interest or discount;
- any pension, amounts of income payable in accordance with a court decision or in accordance with a term included in a will or agreement, as well as an annuity;
- any rents, royalties, remuneration or other profits arising from property;
- any amount or consideration in respect of any trade goodwill reduced by any amount incurred for the purchasing of such trade goodwill.
- Benefit in kind equal to 9% per annum on the monthly balance of loans or other financial facility granted to an individual, director or shareholder (including the spouse and relatives up to the second degree of kindred).

Non-Cyprus Tax Resident

Tax is imposed on income accrued or derived from business activities carried out through a permanent establishment in Cyprus and on certain income accruing or arising from sources in Cyprus in respect of:

- any profits or other benefits from a permanent establishment situated in Cyprus;
- profits or other benefits from any office or employment exercised in Cyprus;
- pensions deriving from a past employment exercised in Cyprus;
- any amount or consideration in respect of any trade goodwill reduced by any amount incurred for the purchasing of such trade goodwill;
- rental income from property situated in Cyprus;
- the gross income derived by an individual from the exercise in Cyprus of any profession or vocation, the remuneration of public entertainers, and the gross receipts of any theatrical or musical or other group of public entertainers, including football clubs and other athletic missions from abroad, derived from performances in Cyprus.
- Benefit in kind equal to 9% per annum on the monthly balance of loans or other financial facility granted to an individual, director or shareholder (including the spouse and relatives up to the second degree of kindred).

“Resident in Cyprus”: A Company whose management and control is exercised in Cyprus.

“Permanent establishment”: A fixed place of business through which the business of an enterprise is wholly or partly carried on, and includes especially a place of management, branch, office, factory, workshop, mine, oil or gas well, quarry or any other place of extraction of natural resources.

Rate	
Corporate Income Tax	12,5%

Exemptions	Limit
Interest income In the case of interest income accruing or arising in the ordinary carrying on of any business including interest closely connected with the ordinary carrying on of the business and interest earned by open-ended or closed-ended Collective Investment Schemes, is not considered as interest but is treated as trading profit and is not exempted.	100%
Dividend income	100%
Profit from the sale of securities (refer to list of investment instruments)	100%
Profits from a permanent establishment maintained outside Cyprus. If the permanent establishment directly or indirectly engages more than 50% in activities that lead to investment income, and the foreign tax burden on its income is substantially lower than the tax burden in Cyprus, then profits are not exempted.	100%

Tax Credit for Foreign Tax Paid

In case where foreign tax was paid on income subject to Cyprus income tax, the tax suffered abroad can be given as credit against any income tax liability payable in Cyprus on that income, irrespective of the existence of a Double Tax treaty with the foreign country.



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Allowable Deductions

In computing the taxable income, all expenses incurred **wholly and exclusively** by the Company for the production of income are allowed as a deduction, including:

	Limit
Interest incurred for the acquisition of a fixed asset used in the business	100%
Interest incurred for the direct or indirect acquisition of 100% of the shares in a subsidiary company provided that the subsidiary does not own any assets that are not used in the business	100%
Donations to approved charities (with receipts)	100%
Employer's contributions to social insurance and approved funds on employees' salaries	100%
Business entertainment expenses including hospitality expenses of any kind	Lower of €17.086 or 1% of gross income
Bad debts of any business	100%
Expenditure on patents, patent rights, intellectual property rights	100%
Expenditure for scientific research	100%

Non- Allowable Deductions	Limit
Private motor vehicle (saloon car) expenses	100%
Professional tax	100%
Interest applicable to the cost of acquiring a private motor vehicle (irrespective of whether it is used in the business or not) and to the cost of acquiring any other asset not used in the business.	100% for 7 years. The restriction is lifted after 7 years from the date of purchase of the asset
Immovable property tax	100%
Contributions to social cohesion fund	100%
Taxes and related penalties and interests	100%
Expenditure incurred for additions, improvements, alterations to immovable property	100%
Cost of goods taken out of the business for private use	100%
Payments of a voluntary nature	100%
Salaries relating to services offered within the tax year for which contributions to the provident fund, social security and other related funds were not paid by the due date for payment. In case contributions are paid within 2 years from their due date, then the salaries and the related contributions expenditure will be tax deductible in the tax year in which they are paid	100%

Note: Any expenditure which is not supported by invoice or relevant receipts or other supporting documentation as required by the relevant regulations will not be treated as deductible expense for income tax purposes.

Tax Losses:

■ Carry Forward:

The tax loss incurred during a tax year which cannot be set off against income of the same year, is carried forward and set off against profits of future years. Losses can be carried forward for relief over the next 5 year period.

In case of change in the ownership and a substantial change in the nature of activities of a company within any three year period from the year of the loss, then the loss cannot be carried forward to the following years.

■ Group Relief:

The current year tax loss of one company can be set off against the current year profit of another company provided that both companies are Cyprus tax residents and are members of the same group for the whole of the tax year.

Two Companies are considered to be members of a group if:

- one is a 75% subsidiary of the other, or
- both companies are 75% subsidiaries of a 3rd company

■ Permanent establishment outside Cyprus:

Losses arising from a permanent establishment outside Cyprus can be offset against profits of the company arising in Cyprus. However, in case where a profit arises in a subsequent year from the overseas permanent establishment, an amount equal to the losses that have been utilised in the past against profits arising from the company in Cyprus will be included in taxable income.

■ Partnership or sole trader:

An owner of a business may carry forward any accumulated tax losses for future utilisation once the business is converted into a company.

Approved Reorganisations

Under an approved company reorganisation, the transfers of assets and liabilities between companies can be effected without any tax consequences. Any tax losses can be carried forward by the receiving entity.

The term reorganisation includes mergers and demergers, transfer of assets, partial divisions, exchange of shares and transfer of registered office.



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SPECIAL CONTRIBUTION TO THE DEFENCE FUND

Special contribution for defence is imposed on income earned by Cyprus tax residents. Non Cyprus tax residents are exempt. Special contribution is charged at the sources of income as shown below:

	Rates
Dividends received from a company resident in Cyprus	Nil ¹
Dividends received from abroad	Nil ²
Interest income accruing from the ordinary activities or closely connected to the ordinary activities of the business	Nil ³
Interest earned by open-ended or closed-ended collective investment schemes	Nil
Other interest income	30%
Interest income accruing to provident funds or to the social insurance fund	3%
Interest income from Cyprus government savings bonds and development bonds	3%
Rental income (reduced by 25%)	3% ³

1. Dividends declared after the lapse of four years from the end of the year in which the profits were generated are subject to 17% special contribution to the defence fund. Any future dividends emanating directly or indirectly out of dividends on which special contribution for defence was previously suffered are exempt.
2. Dividends received from abroad are exempt from special contribution to the defence fund. This exemption does not apply if:
 - the company paying the dividend engages directly or indirectly more than 50% in activities that lead to investment income, and
 - the foreign tax burden on the income of the company paying the dividend is substantially lower than the tax burden of the company that receives the dividend (i.e. the foreign tax burden is lower than 5%).

When the exemption does not apply, dividends received from abroad are subject to special contribution to the defence fund at the rate of 17%.

3. Included in taxable income and is subject to income tax.

Tax Credit for Foreign Tax Paid

In case where foreign tax was paid on income subject to Cyprus special contribution to the defence fund, the tax suffered abroad can be given as credit against the special contribution liability payable in Cyprus on that income, irrespective of the existence of a Double Tax treaty with the foreign country.

Deemed Distribution

A company resident in Cyprus is deemed to have made a distribution of 70% of its accounting profits after tax (with some adjustments) in the form of dividends. The deemed distribution takes place two years after the end of the tax year in which the profits relate.

- Defence contribution of 17% is imposed on the deemed dividend distribution applicable to shareholders who are residents of Cyprus.

- Defence contribution of 3% is applicable on deemed dividend distribution of Collective Investment Schemes.
- Deemed distribution does not apply in respect of profits attributable to shareholders who are not residents (directly or indirectly) of Cyprus.

Notes

1. For the purpose of arriving at the amount of deemed distribution, "profits" means the accounting profits after tax (includes corporation tax, special defence contribution, capital gains tax and foreign taxes) derived after the deduction of any transfers to reserves as specified by any law, before set-off of losses brought forward from prior years and before any amounts, including additional depreciation, which are the result of revaluation of movable and immovable property.
2. Deemed distribution is reduced with payments of actual dividends made by the end of the two year period from the end of the tax year to which the profits relate, including any interim dividends paid during the tax year.
3. In case when an actual dividend is paid after the deemed dividend distribution, then defence contribution is imposed only on the additional dividend paid that was not previously subject to deemed dividend distribution.
4. In the case where a person who is not a Cyprus resident, receives dividends from a Cyprus company from profits that have been subject to deemed distribution at any stage, the defence contribution which is attributable to that person is refundable.
5. In case a company disposes an asset to an individual shareholder, or a relative of up to the second degree or spouse, for a consideration below the market value of the asset, then the difference between consideration and market value will be deemed as dividend distributed by the company to its shareholder.

The above does not apply for assets that were originally gifted to the company by its individual shareholder or relative up to the second degree or spouse.

Company Liquidations

The aggregate amount of profits of the last five years prior to the liquidation of a Company which have not been distributed or deemed to have been distributed, will be considered as distributed upon liquidation and will be subject to defence contribution at the rate of 17% (3% applies for Collective Investment Schemes). This provision does not apply in the case of liquidation under reorganisation or where the shareholders are not residents in Cyprus.

Reduction of Capital

In the case of a reduction of capital, any amounts due or paid to the shareholders in excess of the amount of share capital that was actually paid, will be considered as distributed dividend subject to defence contribution at 17% after deducting any amounts which have been deemed as distributable profits. This provision does not apply where the shareholders are not residents in Cyprus.

The buy back or redemption of a unit or share in an open-ended or close-ended Collective Investment Scheme does not constitute a reduction of capital and is not therefore subject to Defence contribution.



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CAPITAL GAINS TAX

Capital gains tax is imposed on gains from disposal of immovable property situated in Cyprus, including shares of companies (not listed on any recognised stock exchange) which own immovable property in Cyprus.

Rate

Capital Gains Tax	20%
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The gain is calculated as the disposal gross proceeds less the market value on 1 January 1980, or the cost of acquisition and the cost of any improvements on the property, if made after 1 January 1980, as adjusted for inflation (calculated using the official Retail Price Index) up to the date of disposal. Expenses related to the disposal of immovable property are also deducted, e.g. transfer and legal fees.

The following disposals of immovable property are not subject to Capital gains tax:

- Transfers arising on death.
- Gifts made from parent to child, between husband and wife, or between relatives up to third degree.
- Gifts to a company where the company's shareholders are members of the donor's family and continue to be members of the family for a period of five years from the day of the gift.
- Gifts by a family company to its shareholders provided the property was originally acquired as donation. The property must be kept by the shareholders for at least three years otherwise they will not be entitled to deductions as listed below.
- Gifts to charities and the Government.
- Transfers of ownership and share transfers as a result of an approved company reorganisation.
- Exchange or disposal of immovable property under the Agricultural Land (Consolidation) Laws.
- Expropriations.
- Gain on disposal of shares listed on any Stock Exchange.
- Gain from the exchange of properties provided that the whole of the gain made on the exchange is used to acquire the other property. The gain from the exchange reduces the cost of the new property and the payment of tax is deferred until the new property is disposed.

Lifetime Deductions for Individuals

Disposal of private residence (subject to conditions)	€85.430
Disposal of agricultural land by a farmer	€25.629
Other disposals	€17.086

IMMOVABLE PROPERTY TAX

Immovable property tax is imposed on the owner (individuals and companies) of immovable property in Cyprus as at 1 January every year and is payable by 30 September in the year. It is calculated on the market value of the immovable property as at 1 January 1980.

Bands €	Rate %	Tax €	Cumulative Tax €
1 - 40.000*	0,6	240	240
40.001 - 120.000	0,8	640	880
120.001 - 170.000	0,9	450	1.330
170.001 - 300.000	0,11	1.430	2.760
300.001 - 500.000	0,13	2.600	5.360
500.001 - 800.000	0,15	4.500	9.800
800.001 - 3.000.000	0,17	37.400	47.260
over 3.000.001	0,19		

* Property owners with total property not exceeding €12.500 (using values of 1 January 1980) are exempt.

LAND REGISTRY FEES

In the case of transfers of immovable properties the fees charged by the Department of Land and Surveys are as follows:

Value €	Rate %	Fee €	Accumulated fees €
Up to 85.000	3	2.550	2.550
85.001 – 170.000	5	4.250	6.800
Over 170.001	8		

In the case where immovable property is transferred to a family company, the transfer fees arising will be refundable after the lapse of 5 years and provided that the shareholders remain the same and the property remains with the Company.

On the transfer of immovable property from a family company whose shareholders are spouses and/or their children, to one of the shareholders or to a relative up to the third degree of relation, the transfer fees are calculated on the estimated value (refers to values as at 1 January 1980) of the property as follows:

Transfer is to spouse	8%
Transfer is to a child	4%
Transfer is to a relative	8%



On the free transfer of immovable property, the transfer fees are calculated on the estimated value of the property as follows:

From parent to children	0,2%
Between spouses	0,4%
Between third degree relatives	0,4%

Transfers of immovable property from one company to another company are exempt from transfer fees if the transfer is for the purpose of an approved company reorganisation.

MORTGAGE FEES

Mortgage registration fees on loans are 1% calculated on the value of the loan. In the case of an approved company reorganisation, any transfers of immovable property are not subject to mortgage registration fees.

STAMP DUTIES

Stamp duties are payable on certain documents as follows:

Documents	
Receipts: over €4	7 cents
Cheques	5 cents
Bills of lading	€4
Letter of credit	€2
Letter of guarantee	€4
Bills of exchange (payable within 3 days, at sight or on demand)	€1
Charterparty	€18
Customs documents	€18 - €35
Contracts:	
€1 - €5.000	-
€5.001 - €170.000	0,15%
Over €170.001	0,2% (maximum duty €20.000)
Without fixed sum	€35
Issue of tax residency certificate by the Inland Revenue department	€80

Agreements relating to assets that are not situated in Cyprus, business transactions that take place abroad, and transactions in the course of an approved company reorganisation are exempt from stamp duty.

SPECIAL MODES OF TAXATION

Insurance Companies

Profits of insurance companies are taxable in the same way as all other companies except in the case where for life insurance business the tax payable is less than 1,5% of the gross premium then the insurance company has to pay the difference as additional corporation tax.

Intellectual Property Rights

1. Any expenditure (of a capital nature) incurred for the development or acquisition of intangible assets as defined in the Patent Rights Law, the Intellectual Property Law and the Trademarks Law is amortised equally over a 5 year period including the year of acquisition.

Eighty per cent (80%) of the profit arising from the use of owned intangible assets (trademarks, patents, IP rights including scientific work, literary work, musical work, artistic work, recording, publication, broadcast, movies, database), including compensation for improper use of such assets, and 80% of the profit from the sale of intangible assets is deemed as an expense in arriving at the taxable income.

The 80% deduction applies on the profit after deducting all direct expenses, such as amortization of the assets, interest expense incurred to finance the acquisition or development of the intangible assets, and other direct expenses.

2. The gross income of a person who is not resident in Cyprus, arising from intellectual property rights, other exploitation rights, compensations, or other similar income arising from sources within Cyprus is subject to 10% withholding tax. Rights granted for use outside Cyprus are not subject to any withholding tax.
3. Royalties received by a connected company registered in the EU are exempted from tax (subject to conditions).

Film Royalties

The gross income of a person who is not resident in Cyprus, arising from royalties from the film projection in Cyprus is subject to 5% withholding tax.



CAPITAL ALLOWANCES – ANNUAL WEAR & TEAR

Annual allowances at the following rates are given on the acquisition cost of assets and are deducted from taxable income:

	%
Industrial, Agricultural and hotel buildings	4 ¹
Commercial buildings	3
Flats	3
Plant & machinery	10 ²
Tools	33 1/3
Furniture, fixtures and fittings	10
Computer hardware and operating systems	20
Application software	33 1/3 (100% if less than €1.709)
Motor vehicles (excluding saloon cars)	20
Excavators, fork-lifts, loading vehicles, tractors, bulldozers, self-propelled loaders and drums for petrol companies	25
New cargo ships	8
New passenger ships	6
Used cargo and passenger ships	Over their expected useful lives

1. Deduction for wear and tear at 7% per annum will be allowed for all industrial and hotel buildings acquired during 2012, 2013 and 2014.
2. Deduction for wear and tear at 20% per annum will be allowed for all plant & machinery acquired during 2012, 2013 and 2014.

VALUE ADDED TAX

Value Added Tax is imposed on the acquisition of goods from the European Union, on the provision of goods and services within Cyprus (other than an exempt supply) and on the importation of goods into Cyprus (from countries outside the European Union).

Obligation to register

Is compulsory where:

- a) At the end of any month the turnover of taxable supplies is in excess of €15.600 during the 12 preceding months,
- b) At any point in time the turnover of taxable supplies is expected to exceed €15.600 within the next 30 days,
- c) Business making acquisition of goods from EU member states in excess of €10.252 during any calendar year,
- d) Business supplying intra-EU services which are taxable in the customer's member state. Such business will be required to electronically complete and submit a monthly VIES declaration for services which are taxed by the recipient under the reverse charge provisions,
- e) Business receiving services from abroad for which an obligation to account for VAT under the reverse charge provision exists.

Right of registration

- a) Business trading outside Cyprus in goods or services which would have been taxable if they were provided in Cyprus,
- b) Group of companies and company divisions.

VAT returns and payment of VAT

VAT registered person must submit on a quarterly basis a VAT return and must pay the VAT due.

Exemptions

- Land
- Used buildings and new building for which an application for a building permit was made prior to 1 May 2004
- Rentals
- Most banking insurance and financial services
- Medical and hospital care services
- Education and sports activities
- Lottery tickets, betting for football and horse racing
- Management services provided to mutual funds
- Postal services

Rates:

- Standard rate 19% from 13 January 2014
(18% from 14 January 2013 to 12 January 2014)
- Reduced rate 9% from 13 January 2014 (previously 8%)
- Reduced rate 5%
- Zero rate 0%

Standard rated transactions: Applies to any provision of goods and services in Cyprus not subject to the reduced rates, the zero rate and is not exempt. Businesses making exempt supplies are not entitled to recover the VAT charged on their purchases, expenses or imports.

Non-recoverable VAT

- Acquisitions used for making exempt supplies
- Purchase of private saloon cars
- Entertainment expenses for persons other than staff
- Housing expenses of directors
- Private or non business activities



TAX TREATIES

	Received in Cyprus			Paid from Cyprus
	Dividends %	Interest %	Royalties %	Royalties %
Armenia	0/5	5	5	5
Austria	10	0	0	0
Belarus	5/10/15	5	5	5
Belgium	10/15	10	0	0
Bulgaria	5/10	7	10	10
Canada	15	0/15	0/10	0/10
China	10	10	10	10
Czech Republic	0/5	0	10	10
Denmark	0/15	0	0	0
Egypt	15	15	10	10
Estonia	0	0	0	0
Finland	5/15	0	0	0
France	10/15	0/10	0/5	0/5
Germany	5/15	0	0	0/5
Greece	25	10	0/5	0/5
Hungary	5/15	0/10	0	0
India	10/15	0/10	15	10
Ireland	0	0	0/5	0/5
Italy	15	10	0	0
Kuwait	0	0	5	5
Lebanon	5	5	0	0
Malta	0	0/10	10	10
Mauritius	0	0	0	0
Moldova	5/10	5	5	5
Norway	0/5	0	0	0
Poland	0/5	5	5	5
Portugal	10	10	10	10
Qatar	0	0	5	5
Romania	10	0/10	0/5	0/5
Russia	5/10	0	0	0
San Marino	0	0	0	0
Seychelles	0	0	5	5
Singapore	0	7/10	10	10
Slovakia	10	0/10	0/5	0/5
Slovenia	5	5	5	5
South Africa	0	0	0	0
Soviet Union	0	0	0	0
Sweden	5/15	0/10	0	0
Syria	0/15	0/10	10/15	10
Thailand	10	10/15	5/10/15	5/10
Ukraine	5	2	5	5
United Kingdom	0/15	10	0/5	0/5
United States of America	5/15	0/10	0	0
Yugoslavia	10	10	10	10

Notes

- For payments of interest and dividends to non-residents in Cyprus, there is no withholding tax.
- No tax is withheld when the royalty is paid for use outside Cyprus.
- Armenia, Kyrgyzstan, and Tadjikistan apply the USSR/Cyprus Treaty
- Montenegro and Serbia apply the Yugoslavia/Cyprus treaty.

LIST OF INVESTMENT INSTRUMENTS CONSIDERED AS QUALIFYING TITLES

On 17 December 2008 the Commissioner of Income Tax has issued a circular listing the financial instruments that fall within the definition of “titles” of the Income Tax Law N118(I)/2002. In accordance with the provisions of article 8 (22) of the Income Tax Law N118(I)/2002 as amended, profit from sale of “titles” is exempt from taxes.

Below is a list of investments that fall under the term “titles”

- | | |
|--|---|
| <ol style="list-style-type: none"> 1. Ordinary shares 2. Founder’s shares 3. Preference shares 4. Options on titles 5. Debentures 6. Bonds 7. Short positions on titles 8. Futures/ forwards on titles 9. Swaps on titles 10. Depositary receipts on titles, like ADRs & GDRs 11. Rights of claims on bonds and debentures, which, however, exclude the rights on the interest of these titles 12. Index participations only if they represent titles 13. Repurchase agreements or repos on titles 14. Participations in companies capital, like the Russian OOO & ZAO, the American | <p>LLC provided that these companies are not transparent entities for the purpose of taxation on their income, the Romanian SA & SRL and the Bulgarian AD & OOD</p> <ol style="list-style-type: none"> 15. Units in open-end or closed-end collective investment schemes that have been incorporated/registered and are operating in accordance to the provisions of the relevant/particular laws in the country of incorporation/registration. The following are examples of such schemes: <ol style="list-style-type: none"> a. Investment trusts, investment funds, mutual funds, unit trusts, real estate investment trusts b. International Collective Investment Schemes (ICIS) c. Undertakings for Collective Investments in Transferable Securities (UCITS) d. Other similar investment schemes |
|--|---|

Note that Bills of Exchange and Promissory Notes are not considered as “titles” by the Tax Authorities.

The circular applies for tax years 2003 onwards. Cases that have already been settled shall not be re-examined. It is important to note that the circular states that tax returns submitted before the date of issue of the circular and which are not under objection will not be revised with regards to the tax treatment of titles as defined in the circular.

In cases where it is not certain whether a specific financial instrument falls under any of the above mentioned categories, a request for a ruling should be submitted to the Commissioner of Income tax.



List of Filings Required by a Cyprus Company

DIRECTOR OF SOCIAL INSURANCE

Due Date	Obligations	Form	Penalties / Fines
By the end of the following month	<ul style="list-style-type: none"> Payment of Social Insurance deducted from employees' emoluments and employer's contributions (Social Insurance fund, Cohesion fund, Industrial Training fund, Redundancy fund, Leave fund) 	Y.K.A. 2-002	<ul style="list-style-type: none"> Late payment: Penalty 3% for each month of delay as long as the delay continues (e.g. for one month delay 3%, for 3 months delay 9%). The total amount of the penalty cannot exceed 27% of the amount due

VAT AUTHORITIES

Due Date	Obligations	Form	Penalties / Fines
By the 10th of the second month after the end of the VAT period	<ul style="list-style-type: none"> Submission of VAT Return and payment of VAT due 	VAT4	<ul style="list-style-type: none"> Late submission of return: Penalty EUR51 per VAT return Late payment of outstanding VAT: Penalty 10% of the outstanding amount and interest on the outstanding amount and the penalty (interest is calculated for complete months)
	<ul style="list-style-type: none"> Submission of VIES for goods and services 	VIES1	<ul style="list-style-type: none"> Late submission of VIES: Penalty of EUR51 per month. If the form is not submitted for 3 months and Company is charged with criminal offence then fine up to EUR2.562 may be imposed
By the 10th of the next month after the end of the period	<ul style="list-style-type: none"> Submission of Intrastat 	INTRASTAT 1.1 INTRASTAT 1.2	<ul style="list-style-type: none"> Late submission of Intrastat: Penalty of EUR15 for each Intrastat form

COMMISSIONER OF INCOME TAX

Due Date	Obligations	Form	Penalties / Fines
By the end of the following month	<ul style="list-style-type: none"> Payment of tax deducted from employees' emoluments 	IR61	<ul style="list-style-type: none"> Late payment: Interest is imposed from the due date plus an additional penalty of 1% per month for as long as the delay continues (interest is calculated for complete months)
	<ul style="list-style-type: none"> Payment of Contribution to the Defence Fund: (i) that was withheld from interest, dividends and rents paid by the Company (ii) on interest and dividends received by the company without deduction 	IR601	<ul style="list-style-type: none"> Not withheld or withheld but not paid: Interest is imposed from the end of the month which follows the month to which it relates (interest is calculated daily)

COMMISSIONER OF INCOME TAX (CONTINUED)

Due Date	Obligations	Form	Penalties / Fines
Within 30 days	<ul style="list-style-type: none"> ■ Payment of capital gains tax 		<ul style="list-style-type: none"> ■ No payment: Interest is imposed from the due date
30 June	<ul style="list-style-type: none"> ■ Payment of Contribution to the Defence Fund on overseas interest, overseas dividends and rents received during the first half of the current year 	IR601	<ul style="list-style-type: none"> ■ No payment: Interest is imposed from the first day after the end of the 6 month period (interest is calculated daily)
31 July	<ul style="list-style-type: none"> ■ Submission of Employers return (electronic submission) 	IR7	Late submission of return: Penalty of EUR100
	<ul style="list-style-type: none"> ■ Submission of Temporary Income Tax Assessment for the current year. The year of assessment corresponds to the calendar year. The provisional income tax liability is payable in two equal instalments. The provisional income tax assessment may be revised at any time before the 31 December of the year of assessment and the outstanding instalment can be adjusted accordingly to the adjusted amount of provisional income tax liability 	IR6	<ul style="list-style-type: none"> ■ If the temporary taxable income is less than 75% of the taxable income per the final assessment: Penalty equal to 10% of the difference between the tax due per the final assessment and the tax per the temporary assessment
	<ul style="list-style-type: none"> ■ Payment of first instalment of tax based on the current year Temporary Tax Assessment 		<ul style="list-style-type: none"> ■ If any instalment of the temporary tax assessment is not paid by due date: Interest is imposed (interest is calculated for complete months)
1 August	<ul style="list-style-type: none"> ■ Filing of self-assessment declaration of final income tax liability for the previous year of assessment as determined by the Audited Financial Statements ■ Payment of final income tax liability (as per above point) 	IR158	<ul style="list-style-type: none"> ■ Income Tax not paid by due date: Interest is imposed from 1 August (interest calculated for complete months)
30 September	<ul style="list-style-type: none"> ■ Payment of Immovable Property tax for current year 	IR301 IR302	<ul style="list-style-type: none"> ■ No payment: Interest is imposed from due date



List of Filings Required by a Cyprus Company

COMMISSIONER OF INCOME TAX (CONTINUED)

Due Date	Obligations	Form	Penalties / Fines
31 December (deadline is extended by 3 months in case of electronic submission via the TAXISNET system)	<ul style="list-style-type: none"> ■ Submission of Company Income Tax Return for the previous tax year 	IR4	<ul style="list-style-type: none"> ■ Upon conviction for failure to submit a return: Fine up to EUR17 per day for as long as failure continues and/or imprisonment up to 12 months ■ Upon conviction for omission without excuse of any object of the tax from the return: Fine up to EUR3.417 plus the tax due plus an amount equal to twice the difference between the amount of tax properly imposed and the tax per the tax return submitted ■ Tax return not submitted within 30 days after the deadline of submission of return and payment of tax due is not made: Additional tax of 5% on any outstanding tax due ■ Tax return submitted timely, tax due based on tax return is timely paid and the Inland Revenue makes an assessment after the lapse of 3 years from the date of submission as prescribed by law: No penalty is imposed ■ Late submission of return: Penalty of EUR100
	<ul style="list-style-type: none"> ■ Submission of revised Temporary Tax Assessment for the current year, if considered necessary 	IR6	<ul style="list-style-type: none"> ■ If temporary tax assessment was not submitted and an assessment is issued by the IR: Interest is payable on overdue instalment plus an additional penalty of 5% on the whole amount of temporary tax ■ If the temporary taxable income is less than 75% of the taxable income per the final assessment: Penalty equal to 10% of the difference between the tax due per the final assessment and the tax per the temporary assessment (interest is calculated for complete months)
	<ul style="list-style-type: none"> ■ Payment of second instalment of Tax based on the current year Temporary Tax Assessment 		<ul style="list-style-type: none"> ■ If any instalment of the temporary tax assessment is not paid by due date: Interest is imposed (interest is calculated for complete months)

COMMISSIONER OF INCOME TAX (CONTINUED)

Due Date	Obligations	Form	Penalties / Fines
	<ul style="list-style-type: none"> ■ Payment of Contribution to the Defence Fund on overseas interest, overseas dividends and rents received during the second half of the current year 	IR601	No payment: Interest is imposed from the first day after the end of the 6 month period (interest is calculated daily)
31 January	<ul style="list-style-type: none"> ■ As from 1.1.2003: Filing of Deemed Distribution of Dividends return and payment of the special contribution of defence by the 31 January following the 31 December of the 2nd year following the year of assessment in which the profits are deemed to have been distributed (e.g. profits of 2013 are deemed to have been distributed by 31.12.2015 => the return and the resulting defence must be filed and paid respectively by 31.1.2016) 	IR623	<ul style="list-style-type: none"> ■ No filing of return or no payment of defence or errors in return filed: Interest is imposed from 1 February following the deadline for submission of return and payment of resulting defence
Four months from the month of the transaction	<ul style="list-style-type: none"> ■ Update of books and records by business 		<ul style="list-style-type: none"> ■ Late update of books and records: Penalty EUR100 (on a quarterly basis)
Within 30 days	<ul style="list-style-type: none"> ■ Issue invoice within 30 days from the date the transaction was made 		<ul style="list-style-type: none"> ■ Late issuance of invoice: Penalty EUR100 (imposed on a monthly basis irrespective of the number of invoices failed to be issued within a month)
Within 60 days	<ul style="list-style-type: none"> ■ Register with the Inland Revenue Department and obtain a Tax Identification Code within 60 days from the date of incorporation with the Registrar of Companies ■ Notification of changes of details of companies (i.e. auditors, activities, registered office, etc) 	IR162	<ul style="list-style-type: none"> ■ Late registration: Penalty EUR100 ■ Late notification of changes: Penalty EUR100 (imposed on each change not communicated)
End of financial period/year	<ul style="list-style-type: none"> ■ Stocktake to be performed on an annual basis by businesses which have inventory 		<ul style="list-style-type: none"> ■ No stocktake performed: Penalty EUR100

Note: The official rate set by the Minister of Finance applicable as of 1.1.2014 is 4,50% (4,75% for the year 2013, 5% for the years 2011 to 2012, 5,35% for the year 2010, 8% for the years 2007 to 2009 and previously 9%)



List of Filings Required by a Cyprus Company

Administrative Penalties

- Penalties of EUR100 and EUR200 will be imposed to a person (company or individual) for late submission of returns/declarations and late submission of supporting information requested by the Inland Revenue Department respectively.
- Any person (company or individual) omitting to pay any tax due by the due date of payment is liable to an additional penalty of 5% on the amount of unpaid tax due.

REGISTRAR OF COMPANIES

Due Date	Obligations	Reference	Penalties / Fines
	<ul style="list-style-type: none"> ■ Prepare financial statements / consolidated financial statements in accordance with IFRSs' as adopted by the EU 	Section 142	
<ul style="list-style-type: none"> ■ Every year ■ Not more than 15 months from the previous AGM ■ If first AGM: within 18 months after incorporation of the Company 	<ul style="list-style-type: none"> ■ Hold an Annual General Meeting (AGM) 	Section 125	
As above	<ul style="list-style-type: none"> ■ Submit at AGM: Financial Statements, Directors' report and Auditors' report 	Section 152	<ul style="list-style-type: none"> ■ Failure to lay before the Company at an AGM the mentioned documents: Criminal offence for each responsible director, liable to a fine up to EUR8.543
21 days before the AGM	<ul style="list-style-type: none"> ■ Send a copy of abovementioned documents to all members and debenture holders 	Section 152	<ul style="list-style-type: none"> ■ Failure to send to all members and debenture holders of the Company the mentioned documents not less than 21 days before the AGM: Criminal offence for the Company and each responsible officer, liable to a fine up to EUR5.126
<ul style="list-style-type: none"> ■ Every year ■ If first Annual Return: follow rules for first AGM 	<ul style="list-style-type: none"> ■ Prepare the Annual Return (IR32) 	Section 118	

REGISTRAR OF COMPANIES (CONTINUED)

Due Date	Obligations	Reference	Penalties / Fines
<ul style="list-style-type: none"> ■ 42 days after the AGM ■ Filing of Annual Return must be done within 15 months from the previous Annual Return (at a maximum) without disregarding the calendar year 	<ul style="list-style-type: none"> ■ Annexe the Financial Statements, Directors' Report and Auditors' Report (translated in Greek) to the Annual Return and submit to the Registrar of Companies (Director's & Auditors' Report may not be signed) 	Sections 120/121	<ul style="list-style-type: none"> ■ Failure to forward the Annual Return to the Registrar of Companies within 42 days after the AGM, and/or failure to annexe the mentioned documents to the Annual Return: Criminal offence for the Company and each responsible officer, who on conviction are liable to a default fine. In addition and irrespective of the above, the Registrar of Companies can impose on the Company an administrative fine up to EUR8.543
Within 1 month after the passing of the relevant resolution	Notice of the following must be given to the Registrar of Companies: <ul style="list-style-type: none"> ■ Redemption of preference shares, ■ Increase in authorised share capital, ■ Issuance of new shares 		
Within 14 days of the relevant change	Changes in: <ul style="list-style-type: none"> ■ Board of Directors, ■ Secretary, ■ Registered Office address, ■ Shareholders 		
30 June during the year	<ul style="list-style-type: none"> ■ Annual duty of EUR350 for all companies incorporated in Cyprus . For group of companies the maximum duty is EUR20.000 		<ul style="list-style-type: none"> ■ Financial penalty of 10% if the levy is paid within 2 months from due date and 30% if the levy is paid within 5 months from due date. If the levy is not paid within 5 months the company is removed from registry ■ The return of the Company to the registry can be effected within 2 years with the payment of a fee of EUR500 and thereafter with the payment of a fee of EUR750. The payment of the fee is in addition to the outstanding amount of the levy and penalty



Michalis Avraam & Partners Limited has taken all reasonable care to ensure that this booklet is accurate. The information contained herein is a summary of the relevant laws and is designed to increase the general awareness of the Cyprus Tax System. Readers are advised to verify this information to ensure that it applies in their particular circumstances.

For specialist advice or further clarifications you may contact one of our professional consultants.

Michalis Avraam & Partners Limited

8 Digenis Akritas Avenue, Office 403 | CY-1045 Nicosia, Cyprus

Tel: +357 22346080 | Fax: +357 22346020 | E-mail: info@amicha.com

www.amicha.com