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AUDITORS AND BUSINESS ADVISORS

Cyprus Tax Facts 2019

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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% ¹
Dividend income In the case the relevant dividend is allowed as a tax deduction in the jurisdiction of the dividend paying company, the dividend income is not exempted.	100% ¹
Profit from the sale of securities.	100% ²
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%
Foreign exchange gains (realised and unrealised) unless they result from trading in currencies and/or currency derivatives.	100%

1. Such income may be subject to special contribution for defence.

2. For list of investment instruments considered as qualifying titles refer to page 19.

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.



4 Business Taxation

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 (as of 1.1.2012) provided that the subsidiary does not own any assets that are not used in the business	100%
Expenditure on repairs of premises, plant and machinery, means of transport	100%
Expenses in relation to rental income	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%
Notional Interest Deduction (NID) (effective as of 1.1.2015)	Refer to NID, page 5

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,	100%

then the salaries and the related contributions expenditure will be tax deductible in the tax year in which they are paid	
Rent of premises owned and used by the person carrying on a business	100%
Remuneration or interest on capital paid or credited by the person carrying on a business	100%
Any sum employed or intended to be employed as capital	100%
Foreign exchange losses (realised or unrealised) are treated as tax neutral (unless they result from trading in currencies and/or currency derivatives)	100%
Taxes	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.

Notional Interest Deduction (NID)

Notional Interest Deduction (NID) on “new” equity is a tax allowable deduction against a company’s taxable profits. All Cyprus registered companies (residents and not residents but with permanent establishment) are entitled to NID.

The meaning of “new” equity covers for funds or in-kind payments introduced into the share capital or share premium of the company after 1.1.2015 and which have actually been paid or used in the operations of the company. Any new equity introduced that directly/indirectly emanates from reserves existing as at 31.12.2014 but does not relate to the financing of new assets used in the business is not deemed as new equity.

The rate to be used for the calculation of the NID is the yield of the 10 year government bond of the country in which the new equity is invested plus 3% premium, with the minimum rate being the equivalent of the 10 year Cyprus government bond as at 31 December of the tax year preceding the relevant tax year plus 3% premium.

It should be noted that the interest of the 10 year government bond of Cyprus at 31.12.2014 is 5.037%.

The NID is tax deductible to the extent that it relates to business assets and cannot exceed 80% of the taxable income of the company for the year.



6 Business Taxation

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 the companies are members of the same group for the whole of the tax year. A company incorporated by its parent company during the year is considered as a member of the group for the whole 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.

As of 1.1.2015, losses may be surrendered to a Cyprus resident company by an EU resident company, provided that such company has exhausted all possibilities available for using the losses in its respective country of tax residency or in another EU country where an intermediary holding company may be based.

■ **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.

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

- 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.
- 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 6,25%).

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

- 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.



8 Business Taxation

- Defence contribution of 3% is applicable on deemed dividend distribution of Collective Investment Schemes.
- Deemed distribution applies in respect of profits attributable to ultimate direct/indirect shareholders who are both Cyprus tax residents and Cyprus domiciled individuals.

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 both a Cyprus resident and domicile, 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 both residents and domiciled 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 both residents and domiciled 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.

CAPITAL GAINS TAX

Capital Gains Tax (CGT) is imposed on profits from the disposal of:

- Immovable property situated in Cyprus.
- Shares of companies whose property consists of, inter alia, immovable property situated in Cyprus.
- Shares of companies which either directly or indirectly participate in a company or companies which own immovable property situated in Cyprus and at least 50% of the market value of such shares is derived from the relevant property.

Any profits of a trading nature derived from sale of shares of companies which directly/indirectly own immovable property in Cyprus that are exempt from income tax are subject to CGT.

In the case of disposal of shares of a company which directly/indirectly holds immovable property in Cyprus, the disposal proceeds subject to CGT will be calculated based on the market value of the immovable property held directly/indirectly by the company of which its shares are sold.

In the case of disposal of immovable property between related parties, where the declared proceeds are lower than the market value of the property, the disposal proceeds subject to CGT will be determined by reference to the market value of the immovable property at the date of the disposal.

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.

An exemption from capital gains tax is granted on gains from disposal of immovable property acquired between 17.7.2015 to 31.12.2016 provided that:

- the property consists of land and/or buildings.
- it is acquired from an independent third party.
- it is not acquired through an exchange of property or through donation/gift.
- it does not apply to sales of immovable property that has been acquired under foreclosure procedures.
- it does not apply to the disposal of shares in companies that own immovable property.



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

CAPITAL DUTY

Incorporation of a Cyprus Company

- Authorised share capital: flat duty of €105
- Issued share capital: no capital duty payable if shares are issued at their nominal value, flat duty of €20 if shares are issued at premium

Subsequent increases of capital

- Authorised share capital: Nil
- Issued share capital: flat duty of €20

TRANSFER 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		

- No transfer fees are payable when the immovable property being transferred is subject to VAT
- Transfer fees are reduced by 50% for any purchase of immovable property

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	Nil
Between spouses	0,1%
Between third degree relatives	0,1%
To trustees	€50

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 are 1% calculated on the current market 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.

NEW CYPRUS IP BOX REGIME

The new IP regime is effective as from 1 July 2016 and provides for an 80% deduction for qualifying profits arising from qualifying assets.

Qualifying Assets

Are those assets that are acquired, developed or exploited by a person in the course of its business, that relate to IP, are a result of R&D expenditure and for which the person is the economic owner.

The regulations set out the types of assets that constitute qualifying assets, and the categories are as follows:

- Patents
- Copyrighted software
- Utility models
- IP assets that grant protection to plants and generic material
- Orphan drug designations
- Extensions of patent protection
- Other IP which are non-obvious, useful and novel, that are certified as such by a designated authority

The qualifying IP assets need to be legally and or economically owned.

The regulations clearly clarify that tradenames including brands, trademarks, image rights and other IP rights used for the marketing of goods and services do not qualify.

Qualifying Profits

The following types of profits are considered as qualifying under the new Cyprus IP Box:

- Royalties or other amounts in relation to the use of qualifying IP
- Amounts for the grant of a license for the exploitation of a qualifying IP
- Amounts derived from insurance/compensation in relation to qualifying IP
- Trading income from the sale of qualifying IP
- IP income embedded in the sale of products, services or the use of processes directly related with qualifying IP

The qualifying profits are calculated based on the “Nexus Approach” whereby the level of profits eligible for the 80% tax exemption will depend on the level of R&D expenditure carried out by the taxpayer to develop the qualifying asset.

The qualifying profits are calculated based on the following R&D fraction:

$$\frac{QA \times (QE+UE)}{OE}$$

Where:

QA – Qualifying Asset’s IP profits

QE – Qualifying Expenditure on relevant R&D incurred in any tax year wholly and exclusively for the development and enhancement or creation of a qualifying asset

UE – Uplift Expenditure of a qualified asset is the lower of 30% of QE, total acquisition cost of the qualifying asset and any R&D costs outsourced to related parties

OE – Overall expenditure is the sum of QE and UE

Qualifying Taxpayers

A qualifying taxpayer eligible for the new Cyprus IP Box Regime is a Cyprus Tax Resident, a Cyprus Permanent Establishment of non-resident persons, or a Foreign Permanent Establishment that is subject to tax in Cyprus.



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 and hotel buildings	4 ¹
Agricultural buildings	4
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, new airplanes, new helicopters	8
New passenger ships and motor yachts	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 to 2018.
2. Deduction for wear and tear at 20% per annum will be allowed for all plant & machinery acquired during 2012 to 2018.

VALUE ADDED TAX

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

- Immovable property (except disposal of new buildings and non-developed building land intended for the construction of structures in the course of business)
- Used buildings and new building for which an application for a building permit was made prior to 1 May 2004
- Rentals (subject to conditions in relation to rentals for business persons)
- 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%
- Reduced rate 9%
- 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



MINI ONE STOP SHOP (MOSS)

From 1.1.2015 all supplies of telecommunications, broadcasting and electronic services will be taxable at the place where the customer belongs. In order to ensure the correct taxation of these services, all businesses will need to determine the status of their customer (a taxable or a non-taxable person) and the place (in which country of the EU or outside the EU) where that customer belongs:

- For a business (taxable person): either the country where it is registered or the country where it has fixed premises receiving the service.
- For a consumer (non-taxable person): the country where they are registered, have their permanent address or usually live.

The Mini One Stop Shop allows taxable persons supplying telecommunication services, television and radio broadcasting services and electronically supplied services to non-taxable persons in Member States in which they do not have an establishment to account for the VAT due on those supplies via a web-portal in the Member State in which they are identified.

A taxable person which is registered for the Mini One Stop Shop in Cyprus (the Member State of Identification) electronically submits quarterly Mini One Stop Shop VAT returns detailing supplies of telecommunications, broadcasting and electronically supplied services to non-taxable persons in other Member States (the Member State(s) of consumption), along with the VAT due. These returns, along with the VAT paid, are then transmitted by the Member State of Identification to the corresponding Member States of consumption via a secure communications network.

TAX TREATIES

	Received in Cyprus			Paid from Cyprus
	Dividends	Interest	Royalties	Royalties
	%	%	%	%
Armenia	0/5	5	5	5
Austria	10	0	0	0
Bahrain	0	0	0	0
Barbados	0	0	0	0
Belarus	5/10/15	5	5	5
Belgium	10/15	0/10	0	0
Bulgaria	5/10	0/7	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
Georgia	0	0	0	0
Germany	5/15	0	0	0
Greece	25	10	0/5	0/5
Guernsey	0	0	0	0
Hungary	5/15	0/10	0	0
Iceland	5/10	0	5	5
India	10	0/10	10	10
Iran	5/10	5	6	6
Ireland	0	0	0/5	0/5
Italy	15	10	0	0
Jersey	0	0	0	0
Kuwait	0	0	5	5
Latvia	0/10	0/10	0/5	0/5
Lebanon	5	5	0	0
Lithuania	0/5	0	5	5
Malta	0	0/10	10	10
Mauritius	0	0	0	0
Moldova	5/10	5	5	5
Norway	0/15	0	0	0
Poland	0/5	5	5	5



TAX TREATIES (CONTINUED)

	Received in Cyprus			Paid from Cyprus
	Dividends	Interest	Royalties	Royalties
	%	%	%	%
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
Serbia	10	10	10	10
Spain	0/5	0	0	0
Seychelles	0	0	5	5
Singapore	0	0/7/10	10	10
Slovakia	10	10	5	0/5
Slovenia	5	5	5	5
South Africa	5/10	0	0	0
Sweden	5/15	0/10	0	0
Switzerland	0/15	0	0	0
Syria	0/15	0/10	10/15	10/15
Thailand	10	10/15	5/10/15	5/10/15
Ukraine	5/15	2	5/10	5/10
United Arab Emirates	0	0	0	0
United Kingdom	0/15	10	0/5	0/5
United States of America	5/15	0/10	0	0

- 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.

LIST OF INVESTMENT INSTRUMENTS CONSIDERED AS QUALIFYING TITLES

On 17.12.2008 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”

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 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
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:
 - 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

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% on the outstanding amount and interest on the outstanding amount and the penalty (interest is calculated for complete months)
By the 15th of the next month after the end of the month	<ul style="list-style-type: none"> ■ Submission of VIES form for goods and services 	VIES1	<ul style="list-style-type: none"> ■ Late submission of VIES: Penalty of EUR50 for each VIES form ■ Omission to submit the VIES form constitutes a criminal offence and in case of conviction the penalty is up to EUR 850
By the 10th of the next month after the end of the month	<ul style="list-style-type: none"> ■ Submission of Intrastat form 	INTRASTAT 1.1 INTRASTAT 1.2	<ul style="list-style-type: none"> ■ Late submission of Intrastat: Penalty of EUR15 for each Intrastat form ■ Omission or delay in submission for a period beyond 30 days constitutes a criminal offence and in case of conviction the penalty is up to EUR2.562

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 ■ 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 	IR61 IR601	<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) ■ 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)

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
31 March	<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 ■ An additional tax of 5% is imposed in the case where the tax due (as this is declared on the tax return) is not paid within 30 days from the date the tax return is due for filing ■ 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
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	<ul style="list-style-type: none"> ■ Late submission of return: Penalty of EUR100



List of Filings Required by a Cyprus Company

TAX (CONTINUED)

Due Date	Obligations	Form	Penalties / Fines
	<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 within 30 days from 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)
31 December	<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 within 30 days from due date: Interest is imposed (interest is calculated for complete months)

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 2016 are deemed to have been distributed by 31.12.2018 => the return and the resulting defence must be filed and paid respectively by 31.1.2019) 	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 ■ Late submission of return: Penalty of EUR 100
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 Tax 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) 	TD 2001 TD 2003	<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 1.1.2015 is 4% (4,5% for the year 2014, 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

- Penalty of EUR100 will be imposed to a person (company or individual) for late submission of returns/declarations.
- Penalty of EUR200 will be imposed to a person (company or individual) for late submission of supporting information requested by the Tax Department.
- 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. An additional monetary charge of 5% is imposed in case of delay of 2 months from the deadline for payment.

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 levy of EUR350 for all companies incorporated in Cyprus . For group of companies the maximum levy 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.



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.

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