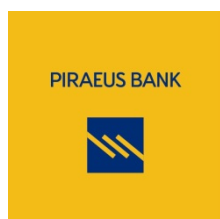


CYPRUS TAX OVERVIEW 2016

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Cyprus

Tax Overview

2016

This **Tax Overview** gives brief details of the Cyprus Tax System and is accurate as at the date of its publication.

The information in the booklet is designed to increase the reader's general awareness of the Cyprus Tax System.

In no case a publication can substitute proper professional advice. For clarifications or professional advice please contact any of the firm's management team (see page 30).

DFK Demetriou, Trapezaris Ltd
Certified Public Accountants and Registered Auditors (Cyprus)

January 2016

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Basis of taxation

In the case of individual who is tax resident of Cyprus, tax is levied on all income accruing or arising from sources both within and outside Cyprus.

In the case of individual who is not tax resident of Cyprus, tax is levied only on the income accruing or arising from sources within Cyprus.

Resident in Cyprus, when applied to an individual, means an individual who stays in the Republic for a period or periods exceeding in aggregate 183 days in any calendar year. Days of residence in Cyprus are calculated as follows:

- The day of departure from Cyprus is considered to be out of Cyprus
- The day of arrival into Cyprus is considered to be a day in Cyprus
- The arrival into Cyprus and departure from Cyprus on the same day is considered to be a day in Cyprus
- The departure from Cyprus and return to Cyprus on the same day is considered to be a day out of Cyprus

Tax rates

Taxable Income	Tax Rate	Amount of tax	Accumulated tax
€	%	€	€
0 – 19,500	0	0	0
19,500 – 28,000	20	1,700	1,700
28,000 – 36,300	25	2,075	3,775
36,300 – 60,000	30	7,110	10,885
Over 60,000	35		

Exemptions

The following source of income is exempted from income tax:

- Lump sum payment on retirement or commutation of pension, a gratuity on death or injury
- Capital sums from life insurance or approved provident funds
- Income from interest
Interest accruing from the ordinary carrying on of any business or any interest closely connected with the ordinary carrying on of the business, is not considered as interest but as profit and is not exempted
- Dividends

- The lower of €8,550 or 20% of the remuneration from any employment exercised in Cyprus by an individual who was resident outside Cyprus before the commencement of his employment. For employments commencing during or after 2012 the exemption applies for a period of five years from the tax year following the year of commencement of the employment, with the last eligible tax year being 2020.
- 50% of the remuneration from any office or employment exercised in Cyprus by an individual who was resident outside Cyprus before the commencement of his employment. The exemption applies for a period of 10 years provided that the annual remuneration exceeds €100,000. For employment commencing during or after 2015 the exemption does not apply in case the employee was resident of Cyprus in the preceding tax year or for at least three out of the last five tax years immediately prior to the tax year of commencement of employment.
- Profit from the sale of titles
- Remuneration for salaried services rendered outside Cyprus to a non-Cyprus resident employer or to a permanent establishment outside Cyprus of a resident employer for a total aggregate period of more than 90 days in any calendar year
- Profits from a permanent establishment situated abroad, unless the permanent establishment directly or indirectly engages more than 50% in activities which lead to investing income and the foreign tax burden is substantially lower than the Cyprus tax burden (6.25%)
- Rent of preserved building (subject to certain conditions)

Deductions

The following is deducted from income:

- 20% of gross rent as expenses of rented property (excluding rent of land)
- Interest paid in respect of rented buildings
- Interest in relation to the acquisition of a fixed asset used in the business
- Wear & Tear allowance in respect of rented buildings
- Expenditure for the maintenance of buildings under preservation order (subject to restrictions based on m²)
- Subscriptions to unions or professional associations
- Donations to approved charitable institutions, with receipts
- Special contribution on salaries and wages

- Social insurance contributions, life insurance premiums and contributions to approved pension funds or medical funds

The deduction is restricted to 1/6th of taxable income before the deduction of these allowances

The life insurance premiums are restricted to 7% of the insured amount

In the case of cancellation of a life insurance policy within 6 years from the day of its issue, a percentage of the premiums, which were previously allowed, is taxable as follows:

- Cancellation within 3 years; 30%
 - Cancellation from 4 to 6 years; 20%
- Whole expenditure incurred for the acquisition of shares in an innovative business.

Foreign pensions

Pensions received from abroad by Cyprus tax resident individuals are taxed in Cyprus at 5% on income exceeding €3,420.

The taxpayer can choose to be taxed either with the reduced rate of 5% or the normal tax rates.

Loans to company directors or individual shareholders

Any amount received as a loan by a company's director or a company's individual shareholder or by his /her spouse, or by any relative up to a second degree is considered a monthly benefit equal to 9% p.a. calculated on the above amount. Such benefit will be included in the individual's income subject to Income Tax.

The amount of tax on the monthly benefit should be withheld from the individual's monthly salary and paid to the Inland Revenue on a monthly basis under the PAYE system.

Withholding tax

- The gross amount of any royalty, premium, compensation or other income, derived from sources within Cyprus by any person not being resident, is subject to 10% withholding tax
- The gross amount of any rental in respect of the showing of cinematograph films in Cyprus, derived by any person who is not resident, is subject to 5% withholding tax
- The gross income derived by an individual not resident in Cyprus, from the exercise in Cyprus of any profession or vocation or of public entertainers including football clubs and other athletic missions, is subject to 10% withholding tax

Tax credit on taxes paid abroad

- Foreign tax paid abroad can be credited against any income tax payable on such income irrespective of any Double Tax Treaty.

Basis of taxation

In the case of company which is tax resident of Cyprus, tax is levied on all income accruing or arising from sources both within and outside Cyprus.

In the case of company which is not tax resident of Cyprus, tax is levied only on the income accruing or arising from sources within Cyprus.

A Company is resident of Cyprus if it's managed and controlled in Cyprus.

Tax credit on taxes paid abroad

- Foreign tax paid abroad can be credited against any income tax payable on such income irrespective of any Double Tax Treaty.

Tax rates

Corporation tax – 12.5%

Exemptions

The following income is exempted from corporation tax:

- Income from interest
Interest accruing from the ordinary carrying on of any business or any interest closely connected with the ordinary carrying on of the business, is not considered as interest but as profit and is not exempted
- Dividends
- Profit from the sale of titles including sale or redemption of units in open-ended or close-ended collective investment schemes
- Profits from a permanent establishment situated abroad, unless the permanent establishment directly or indirectly engages more than 50% in activities which lead to investing income and the foreign tax burden is substantially lower than the Cyprus tax burden (6.25%)
- Rent of preserved building (subject to certain conditions)
- Gains from foreign exchange (FX) differences with the exception of FX gains arising from trading in foreign currencies and related derivatives.

Deductions allowed

- For the purposes of ascertaining the taxable income, there shall be deducted all expenses incurred wholly and exclusively for the production of taxable income, given that supported by the relevant documentation, including:
 - Repair of premises, plant, machinery and means of transport
 - Contributions to approved funds
 - Bad debts
 - Donations to approved charitable institutions
 - Expenditure made for maintenance, preservation or restoration of a building under preservation order
(Subject to restrictions based on m²)
 - Interest in relation to the acquisition of fixed assets used in the business
 - Expenses in relation to rents receivable
 - Interest expense incurred for the direct or indirect acquisition of 100% of the share capital of the subsidiary company will be deductible for income tax purposes provided that the 100% subsidiary company does not own any assets that are not used in the business.
 - 80% profit (after deducting direct expenses) from the use of Intellectual Property as well as the gain from the sale of Intellectual Property is exempt from corporation tax. Maximum effective rate is 2.5%. The term Intellectual Property includes copyrights, patents and trademarks.
Where a net loss is created, only 20% of the loss is eligible to be surrendered/carried forward
 - Capital Expenditure incurred for the development of such Intellectual Property can be amortised over a 5 year period.
 - Whole expenditure incurred for the acquisition of shares in an innovative business.
 - Notional interest deduction (NID) for new equity in the form of paid-up share capital or share premium. The NID is calculated as a percentage on the new equity. The NID rate is the yield on 10 year government bonds of the country (as at 31 December of the prior tax year) where the funds are employed in the business of the company, plus 3% premium. As a minimum rate is the yield on the 10 year Cyprus government bond as at the same date plus a 3% premium. The NID amount cannot exceed the 80% of the taxable profit derived from assets financed by the new equity.

Deductions not allowed

The following is not deducted for tax purposes:

- Domestic or private expenses including the cost of travelling between the place of residence and the place of work
- Cost of goods for private use
- Disbursements or expenses not incurred wholly, exclusively and necessarily for the production of income
- Any capital expenditure
- Taxes
- Professional tax
- Immovable property tax
- Payments of a voluntary nature
- Expenses of a private motor vehicle
- Expenses of business entertainment, including hospitality of any kind, made in connection with a business in excess of 1% of the gross income with a maximum allowable deduction of up to €17,086
- Interest applicable to the cost of purchase of a private motor vehicle or any other asset not used in the business. This provision does not apply after the lapse of 7 years from the date of purchase of the relevant asset
- Wages and salaries relating to services offered within the tax year on which contributions to the Social Insurance Fund, Redundancy Fund, Human Resource Development Fund and Social Cohesion Fund have not been paid in the year in which they were due will not be taxable.
- In case the above contributions including interest and penalties are paid in full within two years following the due date, such wages and salaries will be tax deductible in the year in which they are paid

Tax losses

Loss from one source of income is set off against income from other sources in the same year. Any loss remaining after the set off is carried forward over the next five years from the end of the tax year in which they were incurred.

Current year tax losses may be surrendered by one Cyprus tax resident group company to another. A group company which is tax resident in another EU country may also surrender current year tax losses to a Cyprus tax resident company, provided such company firstly exhausts all possibilities available to utilize its tax losses in its country of residence or in the country of any intermediary EU holding company.

Group relief is available if both companies are members of the same group for the entire year. From 1 January 2012 a subsidiary registered by its parent during the year will be deemed to be a member of the group for group relief purposes for that year.

Two companies shall be deemed to be members of a group if:

- one is by 75% subsidiary of the other, or
- each one separately are by 75% subsidiaries of a third company

The Interposition of a non-Cyprus tax resident company does not affect the eligibility for group relief as long as such company is tax resident in either an EU country or in a country with which Cyprus has either a tax treaty or an exchange of information treaty (bilateral or multilateral).

Losses arising from a permanent establishment outside Cyprus can be offset against profits arising in Cyprus. However, when profits arising from such a permanent establishment are taxable up to the amount of losses allowed.

A partnership or a sole trader converting the business into company can carry forward tax losses into the company for future utilisation.

In case of reorganisation any accumulated losses are transferred to the receiving company and the provisions of tax losses are applicable.

Annual Wear and Tear allowances

	%
Tractors, excavators, trenches, cranes, bulldozers*	25
Motor vehicles (except saloons) and motorcycles*	20
Computer hardware and operating software*	20
Application software*	
– Up to €1,709	100
– Over €1,709	33⅓
Machinery and equipment of agricultural and animal husbandry business*	15
Other machinery, plant and furniture*	10
Industrial, agricultural and hotel buildings**	4
Commercial buildings	3
Flats	3
New Cargo Ships*	8
New Passenger*	6
Tools*	33⅓
Metallic greenhouse structures	10
Wooden greenhouse structures	33⅓
Armoured motor vehicles*	20
Motor yacht*	6
Photovoltaic systems*	10
New aeroplanes*	10
New helicopter*	8
Televisions and videos*	10

* Assets which were acquired during the tax year 2012-2016(excluding saloon cars) are eligible to accelerated tax depreciation at the rate of 20% (excluding assets which are already eligible for a higher annual tax rate of tax depreciation).

**Industrial and hotel buildings which are acquired during the tax years 2012-2016, are eligible for accelerated tax depreciation at the rate of 7% per annum.

Defence Tax Rates

The persons that are subject to special defence contribution are:

- Cyprus tax resident companies
- Individuals that are tax resident and domiciled in Cyprus

Special defence contribution is imposed on the following sources of income at the rates indicated below:

	%
Interest received (except interest accruing to any person from the ordinary carrying on of business)	30
Dividends received by individuals	17
Interest received by individuals from savings certificates and developments stocks issued by the Government	3
Interest accruing to Provident Funds	3
Rents less 25%	3

Dividends

- Dividends paid by a company resident in Cyprus to a company resident in Cyprus are exempt from Defence Contribution, excluding dividends paid indirectly after 4 years from the end of the year in which the profits which were distributed as dividends arose.
- Dividends paid by a company resident in Cyprus to a company non resident in Cyprus are exempt from Defence Contribution
- Dividends received by company resident in Cyprus or a company non resident in Cyprus with a permanent establishment in Cyprus from a company resident abroad are exempt from Defence Contribution

The exemption does not apply if:

- the company paying the dividend engages by more than 50% to investing activities, and
- the foreign tax burden on the income of the company paying the dividend is substantially lower than the tax burden in Cyprus (6.25%)
- Dividends derived directly or indirectly from profits from the exploitation of a ship under the Cypriot flag or from the rendering of ship management services are not subject to defence contribution

Interest

An individual whose annual income, including interest, does not exceed the amount of €12,000 has the right to a refund of the tax withheld on interest in excess of the amount corresponding to 3%.

Interest income arising from the ordinary activities of the business or closely related activities, is not subject to Special Defence Contribution but subject to income / corporation tax.

Deemed distribution

A company resident in Cyprus, is deemed to distribute 70% of the accounting profits after taxation, (in addition to the corporation tax, it includes Special Defence Contribution, Capital Gains Tax and any foreign tax that has not been credited during the relevant year) in the form of dividends, within the two years from the end of the year in which the profits relate. Special defence contribution is imposed to the extent that the ultimate direct/indirect shareholders of the company are Cyprus Tax resident and Cyprus domiciled individuals.

A Cyprus tax resident individual who is deemed to be receiving dividends from Undertakings for Collective Investments in Transferable Securities (UCITS) is subject to Defence Contribution of 3%.

The amount of deemed dividend distribution is reduced by any actual dividend paid during the period of two years from the end of the year in which the profits relate.

Where an actual distribution is paid after the deemed dividend distribution (2 years period), the special contribution of defence is paid only on the dividend over and above that was previously deemed to have been distributed.

Disposal of asset to shareholder at less than market value

When a company sells assets to an individual shareholder or a relative up to second degree or spouse thereof for a consideration less than its market value, the difference between the consideration and the market value will be deemed to have been distributed as a dividend to the shareholder. This provision does not apply for assets originally gifted to the company by the shareholder.

Dissolution of the company

Profits of the last five years before dissolution of the company, which were not distributed or deemed to be distributed, are deemed to be distributed during dissolution and subject to 17% Defence Contribution (3% for UCITS).

Allowance for foreign tax

Any foreign tax paid on income subject to defence contribution can be given as credit against the special defence contribution payable on the same income, irrespective of the existence of a double tax treaty.

Tax Rates

The new Merchant Shipping Legislation fully approved by the EU and in force as from 1 January 2010 provides for exemption from all direct taxes and taxation under tonnage tax of qualifying ship owners, charterers and ship managers, from the operation of qualifying EU/EEA (European Economy Area) ships (and foreign ships under conditions) in qualifying activities.

The term “ship management services” includes recruitment of crew as well as services relating to technical and financial management of the ship.

Basis of taxation

Capital Gains Tax is imposed on:

- profits from the disposal of immovable property situated in Cyprus
- profits from the sale of shares in private companies, which own immovable property in Cyprus
- gains from the disposal of shares of companies which indirectly own immovable property situated in Cyprus and derive at least 50% of their market value from such immovable property

Tax Rate

The tax is imposed on the net profit from disposal at the rate of 20%.

Calculation of profit

The net profit is calculated as the disposal proceeds less the greater of the cost or market value on 1 January 1980 adjusted for inflation.

Exemptions

The following disposals are not subject to Capital Gains Tax:

- Transfer by reason of death
- Gifts to relatives within the third degree of kindred
- Gift to a company of which the shareholders are and continue to be members of the disposer's family for five years
- Gift by a company, of which all the shareholders are members of the same family, to any of its shareholders when the property gifted was also acquired by the company as a gift. The property must remain in the hands of the donee for a period of at least three years.
- Gift to the Republic or to a local authority for educational or other charitable purposes or to approved charitable institutions
- Exchange or sale in accordance with the Agricultural Land Laws.
- Exchange of properties where the values of the immovable properties being exchanged are equal.
- Gain on disposal of shares listed on any stock Exchange.
- Gains from the transfer of property or shares in case of reorganisation.
- Land as well as land with buildings acquired during the period 16 July 2015- 31 December 2016 (subject to further conditions)

Lifetime exemptions

An individual is eligible for the following lifetime deductions from the taxable profits:

	€
Sale of own residence	85,430
Sale of agricultural land by a farmer	25,629
For any other sales	17,086

Administrative penalties

Administrative penalties of €100 or €200 depending on the specific case will be imposed for late submission of declarations or late submission of supporting documentation requested by the Director of Inland Revenue.

An additional penalty of 5% on principal amount will be imposed on the unpaid tax in case of late payment of tax due.

Basis of taxation

Immovable Property Tax is imposed on the owner of immovable property in Cyprus as at 1 January of each year. The tax is calculated on the market value of the property on 1 January 1980 and is payable on 30 September each year. Both physical and legal persons are liable to immovable property tax. Both physical and legal persons are liable to immovable property tax. A discount of 10% of the tax due is available if the tax is paid by 31st August each year.

Tax rates

Value of property	Rate	Tax	Cumulative Tax
€0 - €40,000	6‰	€240	€240
€40,000 - €120,000	8‰	€640	€880
€120,000 - €170,000	9‰	€450	€1,330
€170,000 - €300,000	11‰	€1,430	€2,760
€300,000 - €500,000	13‰	€2,600	€5,360
€500,000 - €800,000	15‰	€4,500	€9,860
€800,000 - €3,000,000	17‰	€37,400	€47,260
More than €3,000,000	19‰		

Amendments to the IMP Tax Law

- Taxpayers that settle their 2016 IMP tax liability by **31 October 2016**, are only required to pay 25% of the tax due as this is calculated according to the above rates (by means 75% discount).
- Taxpayers that settle their 2016 IMP tax liability during the period **1 November 2016-31 December 2016**, are only required to pay 27,5 % of the tax due as this is calculated according to the above rates (by means 72.5% discount)
- Taxpayers that do not settle their 2016 IMP tax liability by **31 December 2016**, will be subject to an additional 10% charge, imposed on the 27.5% tax due.
- If the IMP tax liability is below € 10, then is not collectable by the Tax Department.

The IMP tax is abolished as from 01 January 2017.

Exceptions

The following are not subject to Immovable Property tax:

- Property with value less than €12,500
- Public cemeteries
- Churches and other religious buildings
- Public hospitals
- Schools
- Immovable property owned by the Republic
- Foreign embassies and consulates
- Common use and public places
- Property under Turkish occupation
- Buildings under a Preservation Order
- Buildings of charitable organisations

- Agricultural land used in farming or stock breeding, by farmer or stock breeder residing in the area.

Transfer fees

Transfers of immovable property are subject to transfer fees on market value of the property as calculated by the Land Registry Office.

Rates

Value of property	Rate	Tax	Accumulated tax
€	%	€	€
1 - 85,000	3	2,550	2,550
85,000 - 170,000	5	4,250	6,800
170,000 +	8		

In the case of free transfers of property between the following parties, the transfer fees are calculated on the value of the property as at 1 January 2013 at the following rates:

- From parents to children 0%
- Between spouses 0.1%
- Between third degree relatives 0.1%

For the period 02/12/2011 to 31/12/2016, no transfer fees will be payable when the immovable property to be transferred is subject to VAT. If not, the transfer fee will be reduced by 50%.

The above reduced rate provisions will continue to apply until the title of the immovable property is issued on the provision that the relevant agreement is filed with the Land Registry Office within the above period.

Reduced transfers fees are applicable for transfers of immovable property between relatives up to third degree of kindred.

There are no transfer fees in case of reorganisation.

Mortgage fees

Loans 1%

Receipts

- For amounts over €4 €0.07

Contracts

- For amounts up to €5,000 0‰
- For amounts between €5,001 - €170,000 1.5‰
- For amounts over €170,001 2‰

up to a maximum levy of €20,000

Transactions involved in a reorganisation of companies are exempt from stamp duty.

Also, any contracts for assets that are outside Republic or business affairs outside the Republic are exempt from Stamp Duty.

Stock exchange transactions are subject to a special levy which is paid by the seller to the Cyprus Stock Exchange.

The special levy is a percentage on the value of the transaction as follows:

- Individuals and legal persons 0.15%

Transactions exempted

The following transactions are exempted:

- Issue and buyback of securities by the issuer
- Transactions relating to non-convertible corporate bonds or debentures
- Transactions relating to debentures, development stock and government securities
- Gifts of securities from parents to their children, between spouses or relatives up to the third degree of kindred

Contribution Rates

	Social Insurance Fund	Redundancy Fund	Industrial Training Fund
Employee	7.8%	-	-
Employer	7.8%	1.2%	0.5%
Self employed	14.6%	-	-

Special Contribution for Employees, Self-Employed and Pensioners in the Private Sector

Special contribution is levied for the period from 1 January 2014 to 31 December 2016 on salaries, income of the self-employed and pensions in the private sector at the following rates:

Emoluments	Contribution Rate
€	%
0 – 1,500	0
1,500 – 2,500	2.5 (min. €10)
2,500 – 3,500	3
over 3,500	3.5

In case of employees the contribution is shared equally between the employee and the employer.

Maximum limit of emoluments

	Per week	Per month	Per year
	€	€	€
Weekly employees	1,046		54,392
Monthly employees		4,533	54,396

Minimum limit of emoluments

	Per week	Per year
	€	€
Persons exercising a profession		
– For a period not more than 10 years	383.64	19,949
– For a period of more than 10 years	775.99	40,351
Wholesalers, estate agents and other entrepreneurs	775.99	40,351
Skilled workers	374.92	19,496
Builders and persons practising a profession relevant to the building industry	470.83	24,483
Travelling salesmen, postmen, waste collectors, miners, sailors, salesmen, farmers, stock-farmers, fishermen and similar occupations	261.57	13,602
Secretaries, typists, cashiers, technical assistants, media associates, drivers of transportation media, operators of excavators and similar occupations	374.92	19,496
Teachers (university, pre-primary, primary and secondary education, assistants and special teachers		
– For a period not more than 10 years	374.92	19,496
– For a period of more than 10 years	749.83	38,991
Cleaners, messengers, guards and shop owners	357.48	18,589
Butchers, bakers, confectioners, packers of fruits ,meat milk, tobacco and similar occupations	287.73	14,962
Designers, computer users, marine engineers, agents, musicians, magicians and persons not under any other occupation.	383.64	19,949

Each employer is liable to pay a contribution to the social cohesion fund at the rate of 2% on the amount of emoluments of the employees without any restriction as to the amount of the emoluments.

Rates

The following are the applicable VAT rates in Cyprus:

Standard rate	19%
Reduced rate	9%
Reduced rate	5%
Reduced rate	0%

All supplies of goods or rendering of services with a place of transaction in Cyprus are subject to the standard VAT rate of 19% except those taxed at 9%, 5%, 0% or exempt.

Changes to VAT rate applicable for foodstuff, pharmaceutical products and vacancies and supplies in the course of catering as from 10 January 2011

- Imposition of reduced VAT rate of 5% for supplies of foodstuffs, including beverage for human consumption with the exemption with the exemption of alcoholic beverages, beer, wine and soft drinks
- Imposition of valued VAT rates of 5% to supplies of medicaments used for health care, prevention of illness and as treatment for medical or veterinary purposes
- Imposition of reduced VAT rate of 9% to supplies of alcoholic beverages, beer and wine, which are provided at the establishment of the provider or in the course of catering and for which the provision of support services is predominant.

Exemptions

The following are out of the scope of VAT:

- Rent of immovable property
- Supplies of immovable property except “new buildings”
- Insurance services
- Medical services
- Financial services
- Educational services

Registration

An individual or legal person is liable to register for VAT purposes if:

- a) at the end of any month, the value of the taxable supplies including those subject to 0% and/or 5% and/or 9% and/ or 19% in the 12 month period then ending has exceeded €15,600 or
- b) at any time, there are reasonable grounds for believing that the value of the taxable supplies will exceed €15,600 in the next 30 days.
- c) nil registration threshold for provision of services to a VAT Registered person in the European Union

- d) €35,000 registration threshold for distant sales(sales of goods to persons not subject to VAT registration in Cyprus, by suppliers resident in another EU state)
- e) €10,250 registration threshold for the acquisition of goods from other EU states and relates to persons who offer exempt supplies of goods and services.
- f) €15,600 registration threshold for receipt of services from abroad for which the recipient must account for VAT under the reverse charge provisions.

Voluntary registration

Individuals or legal persons with a turnover of less than €15,600 can be registered voluntarily. A person who has a business establishment in Cyprus or the usual place of residence is in Cyprus and makes supplies outside Cyprus but would be taxable if made within Cyprus, has the right to voluntary registration.

VAT Returns

Each person which is registered for VAT has the obligation to submit a quarterly VAT return and pay the tax within 40 days from the end of the VAT period.

Intra-community transactions

Each person performing transactions with companies within the EU deal with such operations as intra-community supplies and intra-community acquisitions.

Intra-community supplies are VAT-exempt with deduction right, provided that certain conditions are fulfilled, whereas intra-community acquisitions are subject to VAT under the reverse charge mechanism.

Persons performing intra-community transactions have the obligation to submit the following returns to the VAT authorities:

- INTRASTAT – Acquisitions
- INTRASTAT – Supplies
- VIES

INTRASTAT forms should be submitted not later than 10th day following the end of the month in which the INTRASTAT form relates.

VIES form is submitted only electronically within 15 days from the end of each relevant month.

Withholding tax rates based on the agreements for avoidance of double taxation:

	Received in Cyprus		
	Dividends (%)	Interest (%)	Royalties (%)
Armenia	0/5	5	5
Austria	10	0	0
Belarus	5/10/15	5	5
Belgium	10/15	0/10	0
Bosnia	10	10	10
Bulgaria	5/10	0/7	10
Canada	15	0/15	0/10
China	10	10	10
Czech Rep.	0/5	0	0/10
Denmark	0/15	0	0
Egypt	15	15	10
Estonia	0	0	0
Finland	5/15	0	0
France	10/15	0/10	0/5
Germany	5/15	0	0
Georgia	0	0	0
Greece	25	10	0/5
Hungary	5/15	0/10	0
India	10/15	0/10	15
Ireland	0	0	0/5
Italy	15	10	0
Kuwait	0	0	5
Lebanon	5	5	0
Lithuania	0/5	0	5
Malta	0	10	10
Mauritius	0	0	0
Moldova	5/10	5	5
Montenegro	10	10	10
Norway	0/5	0	0
Poland	0/5	0/5	5
Portugal	10	10	10
Romania	10	0/10	0/5
Qatar	0	0	5
Russia	5/10	0	0
San Marino	0	0	0
Serbia	10	10	10
Seychelles	0	0	5
Singapore	0	0/7/10	10
Slovakia	10	0/10	0/5
Slovenia	5	5	5
South Africa	5/10	0	0
Spain	0/5	0	0
Sweden	5/15	0/10	0
Switzerland	0/15	0	0
Syria	0/15	0/10	10/15
Thailand	10	10/15	5/10/15
Ukraine	5/15	2	5/10
United Arab Emirates	0	0	0
UK	0/15	10	0/5
USA	5/15	0/10	0

Paid from Cyprus				
	Dividends (%)	Interest (%)	Royalties Rights not used within Cyprus %	Royalties Rights used within Cyprus %
Armenia	0	0	0	5/10
Austria	0	0	0	0
Belarus	0	0	0	5
Belgium	0	0	0	0
Bosnia	0	0	0	5/10
Bulgaria	0	0	0	5/10
Canada	0	0	0	0/5/10
China	0	0	0	5/10
Czech Rep.	0	0	0	0/10
Denmark	0	0	0	0
Egypt	0	0	0	5/10
Estonia	0	0	0	0
Finland	0	0	0	0
France	0	0	0	0/5
Germany	0	0	0	0
Georgia	0	0	0	5/10
Greece	0	0	0	0/5
Hungary	0	0	0	0
India	0	0	0	5/10
Ireland	0	0	0	0/5
Italy	0	0	0	0
Kuwait	0	0	0	5
Lebanon	0	0	0	0
Lithuania	0	0	0	5
Malta	0	0	0	5/10
Mauritius	0	0	0	0
Moldova	0	0	0	5
Montenegro	0	0	0	5/10
Norway	0	0	0	0
Poland	0	0	0	5/10
Portugal	0	0	0	5/10
Qatar	0	0	0	5
Romania	0	0	0	0/5
Russia	0	0	0	0
San Marino	0	0	0	0
Serbia	0	0	0	5/10
Seychelles	0	0	0	5
Singapore	0	0	0	5/10
Slovakia	0	0	0	0/5
Slovenia	0	0	0	5
South Africa	0	0	0	0
Spain	0	0	0	0
Sweden	0	0	0	0
Syria	0	0	0	5/10
Thailand	0	0	0	5/10
Ukraine	0	0	0	5/10
United Arab Emirates	0	0	0	0
UK	0	0	0	0/5
USA	0	0	0	0
Countries without agreement	0	0	0	5/10

JAN ³¹		MAR ³¹	APR ³⁰	JUN ³⁰	JUL ³¹
Submission of declaration of deemed dividend distribution (IR 623) for the year ended 31 December two years ago. [PENALTY: 2]		Electronic submission of income tax return for individuals and companies preparing audited accounts [PENALTY: 1, 2]	Submission of Income Tax Return by employees (IR1). [PENALTY: 1, 2]	Submission of Income Tax Return by self-employed without audited accounts (IR1) [PENALTY: 1, 2]	Electronic submission of Income Tax Return by employees (IR1) [PENALTY: 1,2]
				Payment of Defence Tax for the first six months on rents and on dividends or interest from sources outside Cyprus. [PENALTY: 3] Payment of 2014 personal income tax under the self-assessment method by individuals not preparing audited accounts. [PENALTY: 2]	Electronic submission of Employer's Return (IR7) [PENALTY: 1] Submission of Provisional Tax for the current year and payment of the first instalment] [PENALTY: 2]
AUG ⁰¹	AUG ³¹	SEP ³⁰	DEC ³¹	By the end of the next month	
Payment of the tax balance for the previous year by companies [PENALTY: 2]	Payment of immovable property tax for the year with a discount of 10% on the tax due	Electronic submission of Income Tax Return by self-employed without audited accounts (IR 1) [PENALTY: 1, 2]	Payment of Defense Tax for the last six months on rents and on dividends or interest from sources outside Cyprus [PENALTY: 3]	Defence contribution deducted from dividends , interest or rent* paid in the previous month *companies, partnerships, the Government or any local authority that pay rent have an obligation o withhold special defence contribution on the amount of the rent paid. [PENALTY: 2]	
Payment of tax balance for the previous year by self-employed with audited accounts [PENALTY: 2]		Payment of immovable property tax without a 10% discount [PENALTY: 5]	Submission of revised Provisional Assessment for the current year [PENALTY: 4] Payment of 2 nd installment of Provisional tax [PENALTY: 2]	Payment on tax withheld on payments made on non tax residents during the previous month [PENALTY: 2]	Payment of tax deducted from employees earnings (PAYE) [PENALTY: 6] Payment of tax deducted from employees earnings (PAYE) Payment of Social insurance deducted from employees earnings [PENALTY: 7]
Refer to pages 23-24					

1. Late submission of IR1 and IR4 results in the imposition of a penalty of €100 or €200 depending on the case.
2. If the tax is not paid by the due date, interest at the rate of 4% p.a. is imposed. In addition to the interest, a monetary penalty of 5% is also charged depending on the circumstances.
3. Interest at the rate of 4% p.a. is imposed daily from the first day after the end of the six month period.
4. A penalty is imposed equal to 10% of the difference between the actual tax and the provisional tax if the provisional tax is less than 75% of the actual tax.
Interest at the rate of 4% is imposed for late payment of any provisional tax instalment.
5. Interest at the rate of 4% p.a. is imposed from the due date.
6. Late payment results in the imposition of interest at 4% p.a. and an additional penalty of 1% per month of delay.
7. Late payment results in the imposition of a penalty of 3% for each month of delay up to a maximum penalty of 27%.
8. Late submission of VAT return results in a fixed penalty of €51.
Late payment of VAT results in the imposition of 10% additional tax and interest at the rate of 4%.
Late submission of VIES results in the imposition of a fixed penalty of €50.
Late submission of INTRASTAT results in the imposition of a penalty of €15 for each return.
Late registration €85 for every month of delay.
Late deregistration €85 one-off.
9. Late payment of the levy:
 - in case of up to 2 month delay - a 10% penalty
 - in case of delay between 2 and 5 months - a 30% penalty.
 - non-payment of the levy may result in deregistration

DFK Demetriou, Trapezaris Ltd

59 – 61 Acropolis Ave.
2012, Nicosia – Cyprus
P.O. Box 28686,
2081, Nicosia

Tel.: +357 22879300

Fax.: +357 22491375

office@dfkcy.com

www.dfkcy.com

DFK Demetriou, Trapezaris Ltd

Demetris Demetriou
d.demetriou@dfkcy.com

Andreas Trapezaris
a.trapezaris@dfkcy.com

Christoforos Constantinou
c.constantinou@dfkcy.com

Iacovos Raoukkas
i.raoukkas@dfkcy.com

Elias Demetriou
e.demetriou@dfkcy.com

DFK International

Martin Sharp
Executive Director
msharp@dfk.com

www.dfk.com



www.dfk.com

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