



cyprus

Tax Information

2016

HLB

Cyprus

Chartered Accountants

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PREFACE

This pamphlet has been prepared in order to explain the system of taxation in Cyprus. The information included is based on current law applicable from January 2016.

The pamphlet does not contain complete information with regard to the tax system in Cyprus. Rather, it provides a general layout of the system's structure and, for further information interested individuals should obtain professional tax advice prior to acting.

Should any advice or further information be desired, the reader may contact any of the professionals indicated on the final page of this booklet.

HLB Cyprus Limited
Chartered Accountants
January 2016



HLB

PERSONAL INCOME TAX

Basis of Taxation

All Cyprus tax residents are taxed on all income accrued or derived from all sources in Cyprus and abroad. Individuals who are not tax residents of Cyprus are taxed on income accrued or derived from sources in Cyprus.

An individual is tax resident in Cyprus if he spends more than 183 days in the country in any one year.

Personal Tax Rates

The following income tax rates apply to individuals:

Chargeable Income	Tax Rate	Tax	Accumulated Tax
€	%	€	€
0-19,500	Nil	Nil	Nil
19,501-28,000	20	1,700	1,700
28,001-36,300	25	2,075	3,775
36,301-60,000	30	7,110	10,885
Over 60,000	35		

Foreign pension is taxed at the rate of 5%. An annual exemption of €3,420 is granted.

Exemptions

Type of Income

Exemption

Dividends

100%

Interest

100%

Remuneration from any employment exercised in Cyprus by an individual who was not a resident of Cyprus before the commencement of the employment, exemption applies for a period of 10 years for employments commencing as from 1 January 2012 provided that the annual remuneration exceeds €100.000. For employments commencing as from 1 January 2015 the exemption does not apply in case the said individual was a Cyprus tax resident for 3 (or more) tax years out of the 5 tax years immediately prior to the tax year of commencement of the employment nor in the preceding tax year. In certain cases it is possible to claim the exemption where income falls below €100.000 per annum.

50% of the remuneration

Remuneration from any office or employment exercised in Cyprus by an individual who was not resident of Cyprus before the commencement of employment for a period of 3 years commencing from 1st January following the year of commencement of the employment. For employments commencing during or after 2012 the exemption applies for a period of 5 years starting from the tax year following the year of commencement of the employment with the last eligible tax year being 2020. This exemption may not be claimed in addition to the immediately above mentioned 50% exemption for employment income.

20% of income with a maximum amount of €8.550 annually

Type of Income	Exemption
Remuneration from salaried services rendered outside Cyprus for more than 90 days in a tax year to a non-Cyprus resident employer or to a foreign permanent establishment of a Cyprus resident employer.	100%
Profits of a permanent establishment abroad under certain conditions.	100%
Lump sum received by way of retiring gratuity, commutation of pension or compensation for death or injuries.	100%
Capital sums accruing to individuals from any payments to approved funds (eg. provident funds).	100%
Profits from the sale of securities.	100%

Tax Deductions

Type	Deduction
Contributions to trade unions or professional bodies	100%
Loss of current year and previous years (for individuals required to prepare audited financial statements losses of only the previous five years may be deducted)	100%
Rental income from buildings	20% of rental income
Interest in respect to the acquisition of a building for rental purposes	100%
Donations to approved charities with receipts	100%
Expenditure incurred for the maintenance of a building under the Preservation Order	Up to €700, €1.100 or €1.200 per square meter (depending on the size of the building)
Social Insurance, Provident fund, medical fund, pension fund contributions and life insurance premiums (the allowable annual life insurance premium is restricted to 7% of the insured amount)	Up to 1/6 of the taxable income
Special contribution	100%
Expenditure incurred for the acquisition of shares in an innovative business.	100%

SPECIAL CONTRIBUTION

The following special contributions are payable according to monthly income:

Gross monthly emoluments from employment / pension €	Government and semi-government employees and pensioners	Private sector employees, self-employed individuals and private sector pensioners (2) (3) (4)
<u>Years 2012-2013</u>		
0-2.500	Nil	Nil
2.501-3.500	2,5% (1)	2,5% (minimum €10)
3.501-4.500	3,0% (1)	3,0%
Over 4.500	3,5% (1)	3,5%
<u>Years 2014-2016</u>		
0-1.500	Nil	Nil
1.501-2.500	2,5% (1)	2,5% (minimum €10)
2.501-3.500	3,0% (1)	3,0%
Over 3.500	3,5% (1)	3,5%

Notes:

1. The Special Contribution rate becomes 3%, 3,5% and 4% respectively for highly ranked civil service officials employees within their respective scale.
2. In the case of private sector employed individuals and private sector pensions the Special Contribution relates to services rendered in Cyprus. In the case of self-employed individuals the Special Contribution relates to any business carried on in Cyprus.
3. For private sector employed individuals the Special Contribution does not apply, inter alia, on retirement gratuities, on payments from approved provident funds, on remuneration of the crew of qualifying ships and on reimbursements of business expenses.
4. In the case of private sector employed individuals the recipient of the remuneration is liable for half the Special Contribution and the employer for the other half.

CORPORATION TAX

Basis of Taxation

All companies tax resident of Cyprus are taxed on all their income accrued or derived from all sources in Cyprus and abroad. A non-Cyprus tax resident company is taxed on income accrued or derived from a business activity which is carried out through a permanent establishment in Cyprus.

A company is resident of Cyprus if it is managed and controlled in Cyprus.

Corporation tax rates

Tax rates

All companies	For the years 2008-2012	10%
	From the year 2013 and thereafter	12,5%

Tax Exemptions

Type of Income

Exemption

Profit from the sale of securities	100%
Dividends (excluding, as from 1 January 2016, dividends which are tax deductible for the paying company)	100%
Interest not arising from the ordinary activities or closely related to the ordinary activities of the company (All the interest income of Collective Investment Schemes is considered to be arising from the ordinary activities or closely related to the ordinary activities of the Scheme).	100%
Profits of a permanent establishment abroad, under certain conditions	100%
Gains relating to foreign exchange differences (forex) with the exception of forex arising from trading in foreign currencies and related derivatives	100%

Tax Deductions

Deduction

Donations for approved charities with receipts	100%
Employer's contributions to social insurance and approved funds on employees' salaries	100%
Any expenditure incurred for the maintenance of a building under the Preservation Order	Up to €700, €1.100 or €1.200 per square meter (depending on the size of the building)
Entertainment expenses for business purposes	Up to 1% of gross income with a limit of €17.086
Interest expense incurred for the direct or indirect acquisition of 100% of the share capital of a subsidiary company will be treated as deductible for income tax purposes provided that the 100% subsidiary company does not own any assets that are not used in the business.	100%
80% of the net royalty income, from owned intangible assets as well as profit from infringement or disposal of the intangible asset.	80%
Expenditure incurred for the acquisition of shares in an innovative business.	100%
Equity introduced to a company as from 1 January 2015 (new equity) in the form of paid-up share capital or share premium is eligible for an annual notional interest deduction (NID). The annual NID deduction is calculated as an interest rate on the new equity. The relevant interest rate is the yield on 10 year government bonds (as at December 31 of the prior tax year) of the country where the funds are employed in the business of the company plus a 3% premium (subject to a minimum amount which is the yield on the 10 year Cyprus government bond as at the same date plus a 3% premium). Certain anti-avoidance provisions apply.	The NID deduction cannot exceed 80% of the taxable profit derived from assets financed by new equity (as calculated prior to the NID deduction)

Losses

The tax loss incurred during a tax year and which cannot be set off against other income, is carried forward subject to conditions and set off against the profits of the next five years.

Group Relief

The current year loss of one company can be set off against the profit of another, subject to conditions, provided the companies are Cyprus tax resident companies of a Group.

As from 1 January 2015 a Cyprus tax resident company may also claim the tax losses of a group company which is tax resident in another EU country, provided such EU company firstly exhausts all possibilities available to utilise its losses in its country of residence or in the country of any intermediary EU holding company.

A Group is defined as:

- (a) One Cyprus tax resident company holding directly or indirectly at least 75% of the voting shares of another Cyprus tax resident company.
- (b) Both of the companies are at least 75% (voting shares) held, directly or indirectly, by another third company.

As from 1 January 2015 interposition of a non- Cyprus tax resident company(ies) will not affect the eligibility for group relief as long as such company(ies) is tax resident of either an EU country or in a country with which Cyprus has a double tax treaty or an exchange of information agreement (bilateral or multilateral).

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

Losses from a permanent establishment abroad can be set off against profits of the company in Cyprus. Subsequent profits of the permanent establishment abroad are taxable up to the amount of losses allowed.

Group Re-organization

The transfer of assets and liabilities between companies within a group is allowed without any tax consequences.

Annual wear and tear allowances on fixed assets

The following allowances which are given as a percentage on the cost of acquisition are deducted from the chargeable income:

Fixed assets	%
Plant and machinery	
Plant and machinery (1)	10
Furniture and fittings	10
Boreholes	10
Machinery and tools used in agricultural business	15
Computer hardware and operating systems	20
Application software	33 1/3
Commercial motor vehicles	20
Motor cycles	20
Excavators, tractors, bulldozers, self-propelled loaders and drums for petrol companies	25
Expenditure on application software less than €1.709	100
Buildings	
Commercial buildings	3
Industrial, agricultural and hotel buildings (2)	4
Metallic greenhouse structures	10
Wooden greenhouse structures	33 1/3
Boats	
Sailing vessels	4,5
Steamers, tugs and fishing boats	6
Shipmotor launches	12,5
New cargo vessels	8
New passenger vessels	6
Used cargo/passenger vessels	Over their useful lives
Tools	
Tools in general	33 1/3
Videotapes property of video clubs	50

Notes:

1. Plant and machinery acquired during the tax years 2012 - 2016 are eligible to accelerated tax depreciation at the rate of 20% (excluding such assets which are already eligible for a higher annual tax rate of tax depreciation).
2. In the case of industrial and hotel buildings which were acquired during the tax years 2012 - 2016 an accelerated tax depreciation at the rate of 7% per annum applies.

Special types of companies

Shipping companies

The 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 shipowners, charterers and shipmanagers, from the operation of qualifying community ships (ships flying a flag of an EU member state or of a country in the European Economic Area) and foreign ships (under conditions) in qualifying activities.

The legislation allows non community vessels to enter the tonnage tax regime provided the fleet is composed by at least 60% community vessels. If this requirement is not met, then non community vessels can still qualify if certain criteria are met.

Exemption is also given in relation to the salaries of officers and crew aboard a Cyprus ship.

The legislation includes an 'all or nothing' rule, meaning that if a shipowner / charterer / shipmanager of a group elects to be taxed under the tonnage tax regime, all shipowners / charterers / shipmanagers of the group shall elect the same.

Shipowners

The exemption applies to:

- profits derived from the use of the ships
- interest income relating to the working capital of the company
- profits from the disposal of qualifying ships
- dividends received from the above profits at all distribution levels
- profit from the disposal of shipowning companies

The exemption also applies to the bare charterer of a vessel flying the Cyprus flag under parallel registration.

Charterers

Exemption is given to:

- profits derived from the operation of chartered ships
- interest income relating to the working capital of the company
- dividends received from the above profits at all distribution levels

The law grants the exemption provided that the option to register for Tonnage Tax is exercised for all vessels and provided a composition requirement is met: at least 25% (reduced to 10% under conditions) of the net tonnage of the vessels owned or bare boat chartered in.

Shipmanagers

The tax exemption covers:

- profits from technical/crew management
- dividends paid out of these profits at all levels of distribution
- interest income relating to the working capital of the company

In order to qualify shipmanagers must satisfy the following additional requirements:

- maintain a fully fledged office in Cyprus with personnel sufficient in number and qualification
- at least 51% of all onshore personnel must be community citizens
- at least 2/3 of total tonnage under management must be managed within the community (any excess of 1/3 taxed under corporation tax)

The application of the tonnage tax system is compulsory for owners of Cyprus flag ships and optional for owners of non Cyprus flag ships, charterers and shipmanagers. Those who choose to enter the Tonnage Tax regime must remain in the system for at least 10 years unless they had a valid reason to exist such as disposal of their vessels and cessation their activities.

The Cyprus Alternative Investment Funds (AIFs) and Undertakings for Collective Investment in Transferable Securities (UCITs)

The sole objective of AIFs and UCITs is the collective investment of funds of the investors/unitholders.

AIFs can take the following types and legal forms:

Types:

- Limited Number of Investors (75)
- Unlimited Number of Investors

UCITs can take the following legal forms:

- Common Fund
- Variable Capital Investment Company

AIFs and UCITs are liable to tax or not depending on their legal status.

SPECIAL CONTRIBUTION FOR DEFENCE

Special contribution for defence is imposed on income earned by companies tax resident in Cyprus and by individuals who are both Cyprus tax resident and Cyprus domiciled.

Legal entities are subject to special contribution for defence if they are tax resident in Cyprus. Prior to 16 July 2015 individuals were subject to special contribution for defence if they were tax resident in Cyprus. As from 16 July 2015 individuals are subject to special contribution for defence if they are both Cyprus tax resident and Cyprus domiciled. An individual is domiciled in Cyprus for the purposes of special contribution for defence, if (s)he has a domicile of origin in Cyprus per the Wills and Succession Law (with certain exceptions) or if (s)he has been a tax resident in Cyprus for at least 17 out of 20 tax years immediately prior to the tax year of assesment. Anti-avoidance provisions apply.

Income	Tax rates	
	Individuals	Companies
	2015	2014
	%	%
Dividend income from Cyprus tax resident companies	17	Nil
Dividend income from non-Cyprus tax resident companies	17	Nil (Note 1)
Interest income arising from the ordinary activities or closely related to the ordinary activities of the business	Nil	Nil
Interest income arising from government savings bonds and government development bonds	3	30
Other interest	30	30
Rental income (reduced by 25%)	3	3

Notes

1. As from 1 January 2016 this section applies to dividends which are not deductible for tax purposes by the paying company. Dividends which are deductible for tax purposes by the paying company are subject to corporation tax.

This exemption does not apply if:

- (a) more than 50% of the paying company's activities result directly or indirectly in investment income, **and**
- (b) the foreign tax is significantly lower than the tax rate payable in Cyprus. The tax authorities have clarified through a circular that 'significantly lower' means an effective tax rate of less than 6,25% on the profit distributed.

When the exemption does not apply, the dividend income is subject to special contribution for defence at the rate of 17%

- 2. In the case where the total income of an individual (including interest) does not exceed €12.000 in a taxable year, then the rate is reduced to 3% (instead of 30%)
- 3. Interest income earned by a provident fund and by the Social Insurance Fund is subject to special contribution for defence at the rate of 3%

Payment Dates

Special contribution for defence on rental income and trading profits is payable on 30 June and 31 December each year.

In the case of interest and dividends received gross, any defence due is payable at the end of the month following the month in which they were received.

However, with effect from June 2011, special contribution for defence on dividends from abroad and interest income from abroad is payable in 6 month intervals on 30 June and 31 December each year.

Foreign taxes paid can be credited against the defence tax liability.

Deemed dividend distribution

A Cyprus resident company, pays defence tax of 17% (3% on deemed dividend distribution of Collective Investment Schemes) on dividends for deemed distribution representing the 70% of accounting profits for the year, after deducting taxation for the year and before deducting losses carried forward from a previous year, taking into account the dividends paid out in a two year period relating to residents of Cyprus.

The deemed distribution provisions do not apply to profits which relate to non-resident shareholders.

In the case of a person not being resident in the Republic receiving dividends from a company which is resident in the Republic, emanating from profits which at any stage were subject to deemed distribution, the special contribution paid as a result of the deemed distribution which is attributable to such person is refundable.

In case of two tier structures of Cyprus companies (parent with subsidiary) owned 100% by non resident shareholders, the tax authorities have clarified that defence contribution does not need to be paid by the subsidiary. In cases where the subsidiary is not ultimately held 100% by non-Cyprus tax resident shareholders defence contribution paid by the subsidiary on deemed distribution is refundable to any non resident shareholders upon receipt of an actual dividend.

Disposal of assets 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 an individual shareholder or a relative of his up to second degree or his spouse.

Company dissolution

The cumulative profits of the last five years prior to the company's dissolution, which have not been distributed or deemed to have been distributed, will be considered as distributed on dissolution and will be subject to special contribution for defence at the rate of 17% (3% for Collective Investment Schemes).

This provision does not apply in the case of dissolution under a Reorganisation.

Reduction of capital

In the case of a reduction of capital of a company, any amounts paid or due to the shareholders over and above the paid up share capital will be considered as dividends distributed subject to special defence contribution at the rate of 17% after deducting any amounts which have been deemed as distributable profits.

The above provisions do not apply where the shareholders are non residents in Cyprus.

The redemption of units or shares in a Collective Investment Scheme is not subject to the above provisions.

CAPITAL GAINS TAX

Capital Gains Tax is imposed at the rate of 20% on gains from the disposal of immovable property situated in Cyprus including gains from the disposal of shares in companies which own such immovable property excluding shares listed in any recognized stock exchange. Further, as from 17 December 2015 shares of companies which indirectly own immovable property located in Cyprus and at least 50% of the market value of the said shares derive from such immovable property are subject to capital gains tax.

Exemptions

- Subject to conditions, land as well as land and buildings, acquired in the period 16 July 2015 up to 31 December 2016 will be exempt from capital gains tax upon its disposal.
- Transfers arising on death,
- Gifts made from parent to child or between husband and wife or between up to third degree relatives,
- Gifts to a company where the company's shareholders are members of the donor's family and the shareholders continue to be members of the family for five years after the day of transfer,
- Gifts by a family company to its shareholders provided such property was originally acquired by the company by way of donation. The property must be kept by the donee for at least three years,
- Gifts to charities and the Government,
- Transfers as a result of reorganisations,
- Exchange or disposal of immovable property under the Agricultural Land (Consolidation) Laws,
- Expropriations
- Exchange of properties provided that the whole of the gain made on the exchange has been used to acquire the other property.

Determination of capital gain

The costs that are deducted from gross proceeds on the disposal of immovable property are its market value at 1 January 1980 or the costs of acquisition and improvements of the property if made after 1 January 1980 as adjusted for inflation up to the date of disposal on the basis of the consumer price index in Cyprus.

The following expenses are not considered expenses wholly and exclusively for the production of the profit and are not deductible.

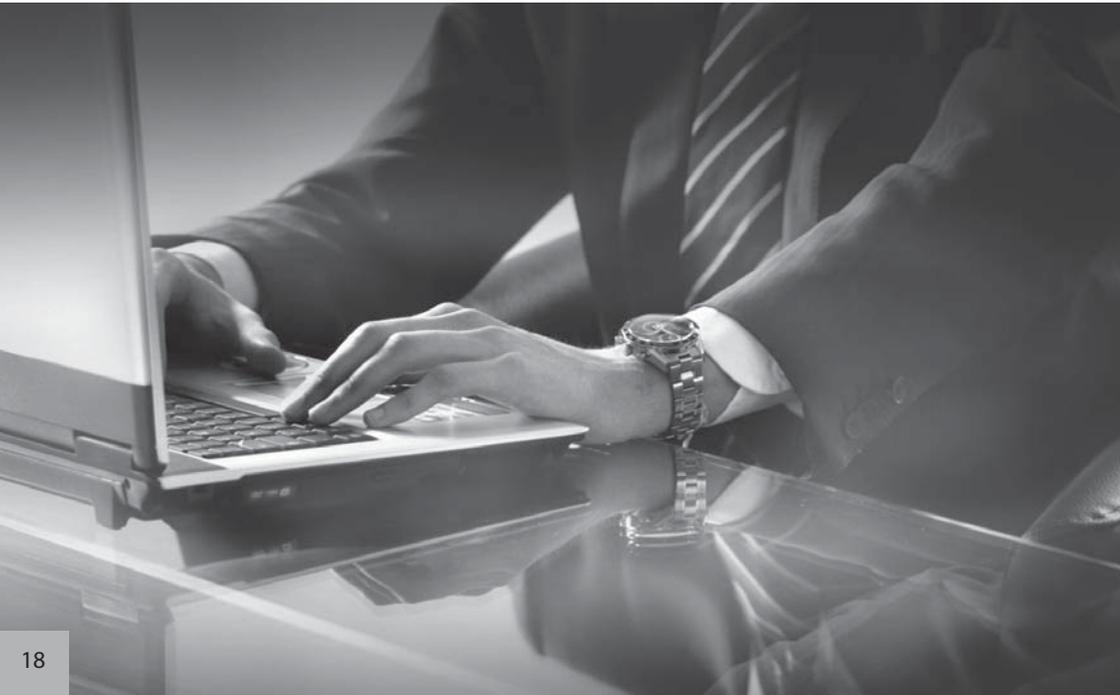
- a) Immovable Property Tax
- b) Immovable Property Fees
- c) Sewerage Council Fees

Deductions

Individuals can deduct from the capital gain the following:

	€
Disposal of private residence (subject to certain conditions)	85.430
Disposal of agricultural land by a farmer	25.629
Any other disposal	17.086

The above exemptions are only given once and not for every disposal. An individual claiming a combination of the above is only allowed a maximum exemption of €85.430.



VALUE ADDED TAX

VAT is imposed on the provision of goods and services in Cyprus as well as on the acquisition of goods from the European Union and the importation of goods into Cyprus.

With regard to intra-community acquisitions, the trader does not pay VAT on receipt of the goods in Cyprus but instead accounts for VAT using the reverse charge method. This involves a simple accounting entry in the books of the business whereby he self-charges VAT and at the same time claims it back if it relates to taxable supplies thereby creating no cost to the business.

VAT rates

	Rates
Zero	0%
Reduced	5%
Reduced (8% up to 12 January 2014 and 9% as from 13 January 2014)	9%
Standard rate up to 29 February 2012	15%
Standard rate from 1 March 2012 up to 13 January 2013	17%
Standard rate from 14 January 2013 up to 12 January 2014	18%
Standard rate as from 13 January 2014	19%

Zero rate 0%

- Exports
- Commissions received from abroad for exportation of goods
- International air and seas transport
- Ship management services

Reduced rate of 5%

- Funeral services and supply of coffins
- Road sweeping, garbage collection and recycling
- Services of authors, composers, artists and critics of works of art
- Supply of fertilizers, insecticides and fungicides
- Supply of animal foodstuffs and seeds
- Supply of live animals of a kind generally used for human consumption
- Newspapers, magazines and books
- Non-bottled water
- Gas
- Food
- Medicines
- Transfer of persons and their luggage on a rural or city bus
- Various goods to be used by handicapped persons
- Hairdressing services
- Bottled water, ready-made drinks, juices excluding soft drinks, alcoholic drinks, beer and wine

- Repair and maintenance of private households after three years of first residence
- The letting of camping sites and caravan parks
- The supply of vaccines for medical and veterinary (with certain exceptions)
- Entry fees to theatres, circus, festivals, luna parks, concerts, museums, zoos, cinemas, exhibitions and similar cultural events and related places
- Entry fees at sports events and fees for using athletic centres

Reduced rate of 9%

- Rural and private taxi transport services
- Tourist, excursion and long distance bus services
- All restaurant services and any similar catering services
- Accommodation in hotels, tourist lodgements and any other similar lodgements including the provision of holiday lodgements

Exemptions

- Rents
- Medical services
- Insurance and financial services
- Disposal of used immovable property
- Educational services
- Postal services

Registration

Registration is compulsory in the following cases:

- (a) Turnover in excess of €15.600 during the 12 preceding months
- or
- (b) An expected turnover in excess of €15.600 within the next 30 days.

Business with turnover less than €15.600 and companies which make supplies for which the right to claim the amount of the related input VAT is granted have the option to register if they wish to do so.

An obligation for registration also arises for businesses which make acquisition of goods from other EU Member States in excess of €10.251.61 during any calendar year. In addition as from 1 January 2010 an obligation for VAT registration arises for businesses engaged in the supply of intra-Community services for which the recipient must account for VAT under the reverse charge provisions. Furthermore an obligation for VAT registration arises for businesses carrying out economic activities from the receipt of services from abroad for which an obligation to account for Cyprus VAT under the reverse charge provision exists subject to the registration threshold of €15.600 per any consecutive 12 month period. No registration threshold exists for intra-Community supply of services.

Exempted products and services and disposals of items of capital nature are not taken into account for determining annual turnover for registration purposes.

VAT declaration

VAT returns must be submitted quarterly and the payment of the VAT must be made within 40 days from the end of each quarter.

Administration of intra-community trading

Merchandisers who undertake intra-community trading, i.e. purchases and sales from/to European Union member States need to complete the following forms:

Intra-Community Acquisitions

1. Intrastat-Arrivals
2. Inclusion in the VAT return

Intra-Community Supplies

1. Intrastat-Departures
2. Recapitulative schedule for supplies
3. Inclusion in the VAT return

When and where are they submitted?

INTRASTAT forms are submitted to the VAT authority no later than the 10th day which follows the end of the month stated on the INTRASTAT form. The VIES form is submitted to the VAT authorities no later than the 15th day which follows the end of the month stated on the VIES form.

Penalties and interest

Late registration	€85 for every month of delay
Late submission of return	€51 one-off
Late payment of VAT	10% of amount due plus 4% interest p.a.
Late de-registration	€85 one-off
Late submission of Intrastat form	€15 for each return
Late submission of VIES return	€50 for each return

IMMOVABLE PROPERTY TAX

Immovable Property Tax is imposed on the market value of the immovable property as at 1 January 1980 and applies to the immovable property owned by the tax payer on 1 January of each year. This tax is payable on 30 September each year. A discount of 10% of the tax due is available if the tax is paid by 31 August each year.

Both individuals and legal entities are liable for immovable Property Tax.

Tax Rates

<i>Property value</i>	<i>Rate</i>	<i>Accumulated tax</i>
€	‰	€
Up to 40.000	6	240
40.001 - 120.000	8	880
120.001-170.000	9	1330
170.001-300.000	11	2760
300.001-500.000	13	5360
500.001-800.000	15	9860
800.001-3.000.000	17	47260
Over 3.000.000	19	

Exemptions

- 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 the farmer or stock breeder residing in the area

As from 1 January 2013, the bands and rates for Immovable Property Tax for properties situated in Cyprus have been revised as per the table above which apply per owner, not per property. Property owners whose property has a total value of €12.500 or less (using values of 1.1.1980) are exempt from Immovable Property Tax.

TRUSTS

A trust is established by an individual, the Settlor, and is a means whereby property, the Trust Property, is held by one or more persons, the Trustees, for the benefit of another or others, the Beneficiaries, or for specified purposes.

International Trusts

The Law defines an International Trust as being a trust in respect of which: (a) The Settlor is not a tax resident in Cyprus during the calendar year which precedes the year of creation of the trust; (b) At least one of the Trustees from time to time is a tax resident in Cyprus during the trust period; and (c) None of the Beneficiaries are tax resident in Cyprus during the calendar year which precedes the year of creation of the trust.

According to applicable law: (i) Where the beneficiary is resident in Cyprus, the income and profits of a Cyprus International Trust which are earned or deemed to be earned from sources within and outside of Cyprus, are subject to every form of taxation imposed in Cyprus (ii) Where the beneficiary is not a resident of Cyprus, the income and profits of a Cyprus International Trust which are earned or deemed to be earned from sources within Cyprus, are subject to every form or taxation imposed in Cyprus.



TRANSFER FEES BY THE DEPARTMENT OF LAND AND SURVEYS

The fees charged by the Department of Land and Surveys for transfers of immovable property are as follows:

<i>Value</i>	<i>Rate</i>	<i>Fee</i>	<i>Accumulated fee</i>
€	%	€	€
Up to 85.000	3	2550	2550
85.001-170.000	5	4250	6800
Over 170.000	8		

Subject to conditions (a) the above transfer fees do not apply if the transaction is subject to VAT, or (b) the above transfer fees are reduced by 50% for any immovable property in case where the transfer takes place by 31 December 2016 irrespective of the date of the signing of the contract or its submission to the Land Registry, or where the contract was signed and submitted to the Land Registry between the period 2 December 2011-31 December 2016 irrespective of the transfer date.

In the case of free transfers of property the transfer fees are calculated on the value of the property as follows:

- from parents to children - Nil
- between spouses - 0,1%
- between third degree relatives - 0,1%
- to trustees €50

'Value' in these cases refers to values as at 1 January 2013. Mortgage registration fees are 1% of the current market value.

Re-organisation

In the case of companies' reorganisations, the transfers of immovable property are not subject to transfer fees by the Department of Land and Surveys.

SOCIAL SECURITY CONTRIBUTIONS

Contributions

	Employer	Employee	Self Employed
	%	%	%
Social Insurance	7,8	7,8	14,6
Redundancy Fund	1,2	-	-
Industrial Training	0,5	-	-
Social Cohesion Fund	2,0*	-	-

Upper limits for employees

	per week from 7/1/2013	per month	per annum
	€	€	€
Weekly employees	1.046	-	54.392
Monthly employees	-	4.533	54.396

* The amount of contribution to Social Cohesion Fund is calculated on the total emoluments with no upper limit.

Occupational categories and amount of contributions for self-employed persons

Occupational Category	Lower Weekly Limit	Upper Weekly Limit
	€	€
1. Medical Doctors, Pharmacists, Health professionals		
a. persons with up to 10 years practice	383,64	1.046
b. persons with more than 10 years practice	775,99	1.046
2. Accountants, Economists, Lawyers and other Liberal professions		
a. persons with up to 10 years practice	383,64	1.046
b. persons with more than 10 years practice	775,99	1.046
3. Managers (Businessmen), Estate Agents, Wholesalers	775,99	1.046

Occupational Category	Lower Weekly Limit €	Upper Weekly Limit €
4. Teaching Professionals (University, Secondary education, Primary and pre-primary education, Teaching Associates, Special education teaching professionals)		
a. persons with up to 10 years practice	374,92	1.046
b. persons with more than 10 years practice	749,83	1.046
5. Builders and related occupations	470,83	1.046
6. Farmers, Dairy and Livestock producers, Poultry producers, Fishermen and related occupations	261,57	1.046
7. Drivers, Excavator operators and related occupations	374,92	1.046
8. Technicians, Mass Media Associates, Stationary-Plant (not related to building occupations) and Metal, Rubber, Plastic, Wood and related product assemblers	374,92	1.046
9. Clerks, Typists, Cashiers, Secretaries	374,92	1.046
10. Artisans not falling under any other occupational category	374,92	1.046
11. Shopkeepers	357,48	1.046
12. Butchers, Bakers, Pastry-cooks, Meat, Milk, Fruit, Tobacco product makers/preservers and related occupations	287,73	1.046
13. Street vendors, Mail carriers, Garbage collectors, Miners and quarry workers, Deck, Underwater workers, Riggers and cable splicers, Sweepers, Service providers and Salesmen	261,57	1.046
14. Cleaners, Messengers, Watchpersons, Dry Cleaning Owners	357,48	1.046

Occupational Category	Lower Weekly Limit €	Upper Weekly Limit €
15. Draughtspersons, Computer equipment operators, Ships' engineers, Agents and related occupations, Musicians, Magicians	383,64	1.046
16. Persons not falling, under any other occupational category	383,64	1.046

Deadline for payment of the contributions by the employers

The contributions that the employer is obliged to pay in accordance with the Law, should be paid not later than the end of the calendar month following the month that the contributions relate.

Deadline for payment of contributions of self employed

Months that the contributions relate	Date
January - March	10th of following May
April - June	10th of following August
July - September	10th of following November
October - December	10th of following February

Additional fee for late payment of contributions

Every employer or a self employed who fails to pay the contributions within the time limit determined in the relevant regulations, is obliged to pay an additional fee in the range of 3% and 27% depending on the period of delay, on the amount of contributions due for payment.

STAMP DUTY

The following table gives the amount or rate of duty payable on certain documents:

Receipts or sums over €4	€0,07
Cheques	€0,05
Letters of Credit	€2,00
Letters of Guarantee	€4,00
Bills of Exchange (payable within three days on demand or at sight)	€1,00
Contracts with a fixed amount	
<i>Up to 28 February 2013:</i>	
- the first €170.860	1.5‰
- over €170.860	2‰*
<i>As from 1 March 2013:</i>	
- the first €5.000	0
- €5.001 - €170.000	1,5‰
- more than €170.000	2‰*
Contracts without fixed sum	€35,00
Customs Declaration Documents	€18,00 - €35,00
Bills of Lading	€4,00
Charterparty	€18,00
Powers of Attorney	
- general	€6,00
- limited	€2,00
Certified copies of contracts and documents	€2,00
Company reorganisation documents	Exempted

* Capped at a maximum of €17.086 up to 28 February 2013 and up to €20.000 as from March 2013.

DOUBLE TAX TREATIES

Income received in Cyprus

The following table and accompanying notes list the maximum withholding tax rates that may be deducted from income received by a Cyprus tax resident from a resident of a country that has signed a tax treaty with Cyprus.

	Received in Cyprus		Royalties %
	Dividends %	Interest %	
Armenia	0 ⁽³²⁾	5 ⁽³³⁾	5
Austria	10	0	0
Bahrain ⁽³¹⁾	0	0	0
Belarus	5 ⁽⁴⁾	5	5
Belgium	10 ⁽¹⁾	10 ⁽¹⁶⁾	0
Bulgaria	5 ⁽¹⁹⁾	7 ⁽²⁵⁾	10 ⁽²⁰⁾
Canada	15	15 ⁽⁷⁾	10 ⁽¹¹⁾
China	10	10	10
Czech Republic	0 ⁽³⁰⁾	0	10
Denmark	0 ⁽³⁴⁾	0	0
Egypt	15	15	10
Ethiopia ⁽³¹⁾	5	5	5
Estonia	0	0	0
Finland	5 ⁽³⁷⁾	0	0
France	10 ⁽²⁾	10 ⁽⁹⁾	0 ⁽²⁶⁾
Georgia ⁽³¹⁾	0	0	0
Germany	5 ⁽²⁾	0	0
Greece	25	10	0 ⁽¹²⁾
Guernsey	0	0	0
Hungary	5 ⁽¹⁾	10 ⁽⁸⁾	0
Iceland	5 ⁽³⁹⁾	0	5
India	10 ⁽²⁾	10 ⁽⁸⁾	15 ⁽¹⁵⁾
Iran ⁽³¹⁾	5 ⁽¹⁹⁾	5	6
Ireland	0	0	0 ⁽¹²⁾
Italy	15	10	0
Kuwait	10	10 ⁽⁸⁾	5 ⁽¹⁴⁾
Kyrgyzstan ⁽²⁷⁾	0	0	0
Lebanon	5	5 ⁽¹⁶⁾	0
Lithuania	0 ⁽⁴⁰⁾	0	5
Malta	0 ⁽²²⁾	10 ⁽⁸⁾	10
Mauritius	0	0	0
Moldova	5 ⁽¹⁹⁾	5	5
Montenegro ⁽²⁸⁾	10	10	10
Norway	0 ⁽³⁾	0	0
Poland	0 ⁽³⁶⁾	5 ⁽⁸⁾	5
Portugal	10	10	10
Qatar	0	0	5
Romania	10	10 ⁽⁸⁾	5 ⁽¹⁴⁾
Russia	5 ⁽⁶⁾	0	0
San Marino	0	0	0
Serbia ⁽²⁸⁾	10	10	10
Seychelles	0	0	5
Singapore	0	10 ⁽²³⁾	10
Slovakia ⁽²⁹⁾	10	10 ⁽⁸⁾	5 ⁽¹⁴⁾
Slovenia	5	5 ⁽³³⁾	5
South Africa	10 ⁽⁴¹⁾	0	0
Spain	0 ⁽³⁵⁾	0	0
Sweden	5 ⁽¹⁾	10 ⁽⁸⁾	0
Switzerland	0 ⁽³⁸⁾	0	0
Syria	0 ⁽¹⁾	10 ⁽⁸⁾	15 ⁽¹³⁾
Tajikistan ⁽²⁷⁾	0	0	0
Thailand	10	15 ⁽¹⁷⁾	5 ⁽¹⁸⁾
Ukraine	5 ⁽²¹⁾	2	5
United Arab Emirates	0	0	0
United Kingdom	0 ⁽²⁴⁾	10	0 ⁽²⁶⁾
USA	5 ⁽⁵⁾	10 ⁽¹⁰⁾	0
Uzbekistan ⁽²⁷⁾	0	0	0

DOUBLE TAX TREATIES

Payments from Cyprus

Payments of dividends and interest by Cyprus tax residents to non Cyprus tax residents are exempt from withholding tax in Cyprus according to the Cyprus tax legislation. Royalties granted for use outside of Cyprus are also free of withholding tax in Cyprus.

The following table and accompanying notes list the maximum withholding tax rates provided in the relevant tax treaties.

	Paid from Cyprus		
	Dividends	Interest	Royalties
	%	%	%
Non-treaty countries	0	0	0*
Armenia	0 ⁽³²⁾	5 ⁽³³⁾	5
Austria	10	0	0
Bahrain ⁽³¹⁾	0	0	0
Belarus	5 ⁽⁴⁾	5	5
Belgium	10 ⁽¹⁾	10	0
Bulgaria	5 ⁽¹⁹⁾	7 ⁽²⁵⁾	10
Canada	15	15 ⁽⁷⁾	10 ⁽¹¹⁾
China	10	10	10
Czech Republic	0 ⁽³⁰⁾	0	10
Denmark	0 ⁽³⁴⁾	0	0
Egypt	15	15	10
Ethiopia ⁽³¹⁾	5	5	5
Estonia	0	0	0
Finland	5 ⁽³⁷⁾	0	0
France	10 ⁽²⁾	10 ⁽⁹⁾	0 ⁽²⁶⁾
Georgia ⁽³¹⁾	0	0	0
Germany	5 ⁽²⁾	0	0
Greece	25	10	0 ⁽¹²⁾
Guernsey	0	0	0
Hungary	0	10 ⁽⁸⁾	0
Iceland ⁽³¹⁾	5 ⁽³⁹⁾	0	5
India	10 ⁽²⁾	10 ⁽⁸⁾	15 ⁽¹⁵⁾
Iran ⁽³¹⁾	0	0	0
Ireland	0	0	0 ⁽¹²⁾
Italy	0	10	0
Kuwait	10	10 ⁽⁸⁾	5 ⁽¹⁴⁾
Kyrgyzstan ⁽²⁷⁾	0	0	0
Lebanon	5	5 ⁽¹⁶⁾	0
Lithuania	0 ⁽⁴⁰⁾	0	5
Malta	15	10 ⁽⁸⁾	10
Mauritius	0	0	0
Moldova	5 ⁽¹⁹⁾	5	5
Montenegro ⁽²⁸⁾	10	10	10
Norway	0	0	0
Poland	0 ⁽³⁶⁾	5 ⁽⁸⁾	5
Portugal	10	10	10
Qatar	0	0	5
Romania	10	10 ⁽⁸⁾	5 ⁽¹⁴⁾
Russia	5 ⁽⁶⁾	0	0
San Marino	0	0	0
Serbia ⁽²⁸⁾	10	10	10
Seychelles	0	0	5
Singapore	0	10 ⁽²³⁾	10
Slovakia ⁽²⁹⁾	10	10 ⁽⁸⁾	5 ⁽¹⁴⁾
Slovenia	5	5 ⁽³³⁾	5
South Africa	10 ⁽⁴¹⁾	0	0
Spain	0	0	0
Sweden	5 ⁽¹⁾	10 ⁽⁸⁾	0
Switzerland	0 ⁽³⁸⁾	0	0
Syria	0 ⁽¹⁾	10 ⁽⁸⁾	15 ⁽¹³⁾
Tajikistan ⁽²⁷⁾	0	0	0
Thailand	10	15 ⁽¹⁷⁾	5 ⁽¹⁸⁾
Ukraine	5 ⁽²¹⁾	2	5
United Arab Emirates	0	0	0
United Kingdom	0	10	0 ⁽²⁶⁾
USA	0	10 ⁽¹⁰⁾	0
Uzbekistan ⁽²⁷⁾	0	0	0

Notes

- * 10% in the case of royalties granted for use within the Republic. 5% on film and TV rights.
- (1) 15% if received by a company controlling less than 25% of the voting power.
- (2) 10% if received by a company controlling more than or equal to 10% of the capital. 15% in all other cases.
- (3) NIL if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividend. 15% in all other cases.
- (4) 5% if the amount invested by the beneficial owner is over €200,000 irrespective of the % of voting power acquired. 10% is imposed if received by a holder of at least 25% of the share capital of the paying company. Otherwise the rate is 15%.
- (5) 5% if received by a company controlling at least 10% of the voting power. 15% in all cases.
- (6) 10% if received by company, which has invested less than €100,000.
- (7) NIL if paid to the Government or for export guarantee.
- (8) NIL if paid to the Government of the other State or to a financial institution.
- (9) NIL if paid to the Government of the other State or in connection with the sale on credit of any industrial, commercial or scientific equipment or any merchandise by one enterprise to another or in relation to any form of loan granted by a bank or is guaranteed from government or other governmental organisation.
- (10) NIL if paid to the Government of the other State, to a bank or a financial institution or in respect to debt obligations arising in connection with sale of property or the provision of services.
- (11) NIL on literary, dramatic, musical or artistic work with the exception of films used for television programs.
- (12) 5% on film royalties (except films shown on TV).
- (13) 10% on literary, musical, artistic work, films and TV royalties.
- (14) NIL on literary, artistic or scientific work including films.
- (15) Treaty rate restricted to Cyprus legislation rate of 10%. 10% also applies to payment of technical fees, management fees and consultancy fees.
- (16) NIL if paid to the Government of the other State, a political subdivision or a local authority, the National Bank or any institution the capital of which is wholly owned by the State or a political subdivision or a local authority or in the form of interest income from bank deposits.

- (17) 10% on interest received by financial institutions, on interest paid in connection with industrial, commercial, scientific equipment or the sale or merchandise between two companies.
- (18) 10% on right to use industrial, commercial or scientific equipment or for information concerning industrial, commercial or scientific experience and 15% for patents, trademarks, designs, models, plans, secret formulas or processes.
- (19) 5% if the dividend is received by a company owning directly at least 25% of the capital of the company paying dividend. 10% in all other cases.
- (20) This rate does not apply, where 25% or more of the capital of the Cypriot resident is owned directly or indirectly by the Bulgarian resident paying the royalties and the Cyprus company pays less than the normal rate of tax.
- (21) 5% is applicable if the dividend is received by a company owning at least 20% of the capital of the dividend paying company or has invested in the acquisition of shares or other rights of the dividend paying company of at least €100.00. 15% in all other cases.
- (22) The treaty provides that the tax on the gross amount of the dividends shall not exceed that chargeable on the profits out of which the dividends are paid.
- (23) 7% if paid to a bank or similar financial institution. NIL if paid to the government.
- (24) The treaty provides for 15% withholding tax but the local taxation provides for 0% withholding tax.
- (25) NIL if paid to or is guaranteed by the Government, statutory body, the Central Bank.
- (26) 5% on film royalties, including films used for television programs.
- (27) The treaty between the Republic of Cyprus and the United Soviet Socialist Republic still applies.
- (28) The treaty between the Republic of Cyprus and the Socialist Federal Republic of Yugoslavia still applies.
- (29) The treaty between the Republic of Cyprus and the Czechoslovak Socialist Republic still applies.
- (30) NIL if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends where such holding is being possessed for an uninterrupted period of not less than one year. 5% in all other cases.
- (31) The treaty has been published in the Gazette but has not come into effect until the time of publication of this booklet.

(32) 5% if the beneficial owner has invested in the capital of the company less than the equivalent of €150.00 at the time of the investment.

(33) NIL if paid to the Government or to a local authority, or to the Central Bank.

(34) NIL if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends, where such holding is being possessed for an uninterrupted period of no less than 12 months.

NIL if the beneficial owner is the other Contracting State or the Central Bank of that other State, or any national agency or any other agency (including a financial institution) owned or controlled by the Government of that other State.

NIL if the beneficial owner is a pension fund or other similar institution providing pension schemes in which individuals may participate in order to secure retirement benefits, where such pension fund or other similar institution is established, recognised for tax purposes and controlled in accordance with the laws of that other State. 15% in all other cases.

(35) NIL if the dividend is received by a company (other than a partnership) holding at least 10% of the capital of the dividend paying company. 5% in all other cases.

(36) NIL if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends, where such holding is being possessed for an uninterrupted period of no less than 24 months. 5% in all other cases.

(37) 5% if the dividend is received by a company (other than a partnership) which controls directly at least 10% of the voting power in the company paying the dividends. 15% in all other cases.

(38) NIL if the beneficial owner is:

(i) a company (other than a partnership) the capital of which is wholly or partly divided into shares and which holds directly at least 10% of the capital of the company paying the dividend for an uninterrupted period of at least one year.

(ii) a pension fund or other similar institution recognised as such for tax purposes, or

(iii) the Government, a political subdivision, local authority or Central Bank of one of the two contracting states. 15% in all other cases.

(39) 5% if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends. 10% in all other cases.

(40) NIL if the beneficial owner is a company (other than a partnership) which holds directly at least 10% on the capital of the company paying the dividends. 5% in all other cases.

(41) 5% if the dividend is received by a company which holds at least 10% of the capital of the company paying the dividend. 10% in all other cases.

End of each month

- Payment of tax deducted from employees salary (PAYE) in the preceding month
- Payment of special contribution for defence withheld on payments of dividends, interest or rents (when the tenant is a company, partnership, the state or local authority) made to Cyprus tax residents in the preceding month
- Payment of tax withheld in the preceding month on payments to non-Cyprus residents

31 January

- Submission of declaration of deemed dividend distribution (IR623) for the year ended 31 December 2013

31 March

- Electronic submission of the corporation tax return (IR4) for accounting periods ending on 31 December 2014
- Submission of the 2014 income tax return of physical persons preparing audited financial statements (2)

30 April

- Submission of 2015 personal returns of individuals whose income does not include income from a trade/business, income from rents, income from royalties nor income relating to trading goodwill (1)
- Payment of premium tax for life insurance companies - first instalment for 2016

30 June

- Submission of 2015 personal returns of individuals not preparing audited financial statements whose income includes, income from a trade/business, income from rents, income from royalties or income relating to trading goodwill (1) (2) and payment of tax via a self-assessment method.
- Payment of special contribution for defence for the first six months of 2016 on rents and on dividends or interest from sources outside Cyprus

31 July

- Electronic submission by employers of the total 2015 payroll (Form IR7)
- Electronic submission of personal tax return for 2015 by salaried individuals whose gross income exceeds €19.500
- Submission of provisional tax declaration and payment of first instalment of provisional tax for 2016

1 August

- Payment of 2015 final corporation tax under the self-assessment method
- Payment of 2015 personal income tax under the self assessment method by individuals preparing audited financial statements (2)

31 August

- Payment of premium tax for life insurance companies - second instalment for 2016
- Payment of immovable property tax for 2016 with a discount of 10% on the tax due

30 September

- Electronic submission of personal tax return for 2015 by individuals who do not prepare audited accounts and their gross income exceeds €19.500
- Payment of immovable property tax for 2016 without a discount of 10% on the tax due

31 December

- Payment of provisional tax - second and last instalment for 2016
- Payment of special contribution for defence for the last six months of 2016 on rents and on dividends or interest from sources outside Cyprus
- Payment of premium tax for life insurance companies - third and last instalment for 2016

Administrative penalties

Administrative penalties amounting to €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 Commissioner. In the case of late payment of the tax due, an additional penalty at the rate of 5% will be imposed on the unpaid tax.

The rate of interest for late payment of tax is determined by the Minister of Finance through a decree and it is applicable for the whole year. The rate for 2016 is 4%.

The applicable interest rate for the previous years is as follows:

Period	Interest rate
	%
Up to 31/12/2006	9
01/01/2007 - 31/12/2009	8
01/01/2010 - 31/12/2010	5,35
01/01/2011 - 31/12/2012	5
01/01/2013 - 31/12/2013	4,75
01/01/2014 - 31/12/2014	4,5
01/01/2015 - 31/12/2015	4

Notes:

(1) Physical persons submit returns only when their gross income exceeds €19.500.

(2) A physical person is obliged to submit audited financial statements if his/her turnover exceeds €70.000 annually.

OUR OFFICES IN CYPRUS

Nicosia

Costas Afxentiou
Polyvios Polyviou
Stelios Prodromitis
Marios Hadjihannas

Chief Executive Officer
Member of the Board of Directors
Member of the Board of Directors
Member of the Board of Directors

Advisor: A C Afxentiou (Former Central Bank Governor and Minister of Finance)

Corner of Prodromos Street & 2 Zinonos Kitieos, CY-2064 Nicosia, Cyprus
P.O.Box 16006, CY-2085 Nicosia, Cyprus

Telephone: +357 22002700
Fax: +357 22002800
Email: nicosia@hlb.com.cy
Website: www.hlb.com.cy

Limassol

Stelios Christou

Director of Operations for Limassol Office

Emelle Building, 2nd Floor, Office 21, 135 Arch. Makarios III Avenue CY-3050
Limassol, Cyprus, P.O.Box 53791 CY-3317 Limassol, Cyprus

Telephone: +357 25736433
Fax: +357 25736257
Email: limassol@hlb.com.cy

HLB Cyprus

Chartered Accountants