



The Cyprus holding company:

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and the Middle East**

Tax Services

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The Cyprus holding company

Cyprus is a full member of the European Union and a member of the Eurozone. Strategically positioned to connect Europe to Africa, the Middle East and Asia, Cyprus is a natural hub for business and trade.

The recent political and social upheaval in the Eastern Mediterranean basin, which has spilled over the wider area of the Middle East, in combination with the political and economic uncertainty in the greater region, not only upgrade the strategic position and geopolitical role of Cyprus in this part of the world, they render Cyprus a symbol of security and stability, in its capacity as the Easternmost border of Europe.

Cyprus has in the last decades established itself as a reputable and trust-worthy financial centre complemented by an advanced legal, accounting and banking system, highly skilled and multilingual workforce, excellent telecommunication systems and convenient year round flight connections.

The Cyprus tax legislation is fully compliant with the EU Acquis Communautaire and EU Directives.

It is in full compliance with the code of Conduct for Business Taxation and against harmful tax competition.

Cyprus proudly features on the White list of OECD and has legally committed to the highest standards of transparency, by assuming an early adopter status for the automatic exchange of information on tax matters.

The KPMG network of professionals spans over 155 countries and guarantees the success of our clients' business by complementing the efforts undertaken locally, with the support and expertise we possess globally.

KPMG in Cyprus has 6 offices servicing the island and more than 770 personnel with qualified professionals offering Audit, Tax and Advisory services of the highest standards as prescribed by KPMG International.

Join us and experience first hand a wider spectrum of opportunities available to you and your business.

George Markides
Board Member, Head of Tax

Corporate tax provisions

Tax residency

A company is considered to be tax resident in Cyprus if the management and control function is exercised in Cyprus.

Corporate tax

Trading profits are taxed at the rate of 12,5%, one of the lowest corporate income tax rates in Europe.

Notional interest deduction (NID)

The NID is available on new qualifying equity issued by a Cyprus company on or after 1st January 2015 and used in the business for the purpose of generating taxable income. It is calculated by multiplying the new qualifying equity amount by a reference interest rate. The reference interest rate is equal to the yield of the 10-year Governmental bond of the country in which the new capital is invested, plus 3%. The NID is deductible against the company's taxable profits that arise as a result of the newly introduced capital and cannot exceed 80% of the taxable profit as calculated before allowing for this deduction.

Interest Income

Active interest income (interest income effectively connected with the carrying on of a trade or business) is subject to the corporate income tax rate of 12,5%, as regular trading income.

Passive interest income, (income not connected to a trade or business), is exempt from corporate income tax and taxed separately at the Special Contribution for Defence (SCD) at the rate of 30% on a gross basis.

Dividends

Inter-company dividends

A Cyprus tax resident company is exempt from tax when receiving dividends from another Cyprus tax resident company, provided the dividend is not indirectly received after the expiry of a four year period, from the end of the year to which the profits giving rise to the dividend relate.

Dividends received from abroad

As of January 2016, dividends received from abroad by a Cyprus tax resident company are exempt from corporate income tax, provided they are not allowed as a tax deduction in the jurisdiction of the foreign paying company.

Dividends received from abroad are also exempt from Special Defense Contribution (SDC) if one of the following conditions is satisfied:
(1) The company paying the dividend must not engage more than 50% directly or indirectly in activities which lead to passive income (active vs passive test)
OR
(2) The foreign tax burden on the income of the company paying the

dividend is not substantially lower than the tax burden in Cyprus (effective tax test).

If neither of the above conditions is satisfied, then dividends received from abroad are taxed at the SDC level at the rate of seventeen percent (17%).

Tax credit availability

A tax credit will be afforded according to the Double Taxation Agreements (DTAs) concluded by Cyprus. In the absence of a DTA, Cyprus unilaterally affords a credit for the foreign tax paid up to the amount of tax that would have been payable in Cyprus on the same income. For dividends received from EU Member States the underlying tax credit is also available.

Royalties

If the intangible property right is granted to a Cyprus company for use outside Cyprus, then there is no withholding tax and the corporate rate of 12,5% is applied only on the royalty income left in the Cyprus Company. Gross amounts of royalties from sources within Cyprus, by a company which is not a tax resident of Cyprus are liable to 10% withholding tax at source.

Intellectual property rights (IPR)

An 80% exemption on qualifying net IP income and capital gains upon disposal of the IP assets is available

for Cyprus tax resident companies. Amortization provisions over a 5 year period (for IP rights acquired or developed post 1st January 2012) are available. The above tax incentives cover a wide range of qualifying IP rights and the resulting effective tax rate is always 2,5% or less. In the event of a loss, only 20% of that loss can be offset against income from other sources or be carried forward to be offset against income of following tax years.

Note:

The Cyprus tax legislation will be fully aligned with the modified nexus approach in accordance with the OECD guidelines.

Withholding taxes

There are no withholding taxes on payments to non tax resident persons (companies or individuals) in respect of dividends and interest.

Offshore drilling activities

As from 1st January 2016, a 5% withholding tax is levied on the remuneration derived by a non tax resident person, with no permanent establishment in Cyprus, as a result of the provision of services within Cyprus in relation to the extraction, exploration or use of the continental shelf as well as the establishment and use of pipelines and other installations on the ground, on the seabed and on the surface of the sea.

Foreign permanent establishments (PE's)

The profit of a foreign PE of a Cyprus holding company is exempt from corporate tax in Cyprus, if one of the following two conditions is satisfied:
(1) The PE must not engage more than 50%, directly or indirectly, in activities which lead to passive income,
OR
(2) The foreign tax burden imposed at the level of the PE is not substantially lower than the tax burden in Cyprus.

Trading in securities

Any income arising from trading in "securities" is completely exempt from tax. The term securities includes but is not limited to: ordinary and preference shares, founder's shares, options on titles, debentures, bonds, short positions on titles, futures/ forwards on titles, swaps on titles, depositary receipts on titles, rights of claims on bonds and debentures, index participations (only if they result in titles), repurchase agreements or Repos on titles, participations in companies, units in open-end or closed-end collective investment schemes such as Mutual Funds, International Collective Investment Schemes (ICIS) and Undertakings for Collective Investments in Transferable Securities (UCITS).

Tax losses

Group relief is allowed for at least seventy-five percent (75%) group holdings and is applicable only on current year's results assuming claimants are Cyprus tax resident companies and members of the same group for the whole tax year.

As of January 1st 2015, cross border group relief is allowed under the assumption that the subsidiary company surrendering the losses, is resident in the EU and that all other possibilities for utilising such losses in the country of residency or in the member state of any intermediary holding company, have been exhausted.

Also from the above date, intermediary companies that are not tax residents of Cyprus will be ignored for Group relief purposes, assuming they are tax residents within the EU or in a country with which Cyprus has a double tax treaty in place or an agreement for the exchange of information.

Losses incurred by a Cyprus company in relation to business carried outside Cyprus, are allowed as a deduction against taxable profits generated by that Cyprus company in the current year and any balance can be set-off against profits of other group companies for the same year. Losses that cannot be utilised in the current year, are carried forward for a period of five (5) years, commencing from the end of the year to which the losses relate.

Losses arising from a foreign Permanent Establishment (PE) can be deducted against the profits of the Cyprus company. Future profits of the foreign PE however, will be taxed at the level of the Cyprus company up to the amount of the losses previously relieved.

Business entertainment

Expenses incurred in the course of business entertainment are generally tax deductible whilst being subject to a cap at the rate of 1% of gross income with a maximum amount of €17.086.

Expenses related to innovation companies

All expenses related to research and development undertaken by innovation companies as well as all expenses incurred for the purchase of shares in innovation companies will be treated as a deduction from taxable income.

Forex differences

As from January 1st 2015, foreign exchange (FX) gains or losses will be tax exempt/not tax allowable irrespective of whether they are realised or unrealised. The exemption will not apply to companies that are trading in currencies and currency derivatives.

Other taxes

Capital gains tax (CGT)

Capital gains are not included in the ordinary trading profits of a business but instead are taxed separately under the Capital Gains Tax Law.

CGT is only imposed on the sale of immovable property situated in Cyprus as well as on the sale of shares directly or indirectly held in companies (other than listed shares) in which the underlying asset is immovable property situated in Cyprus. Capital gains tax is imposed at a flat rate of twenty percent (20%) after allowing for indexation.

Capital Gains that arise from the disposal of immovable property held outside Cyprus or shares in companies which may have as an underlying asset immovable property situated outside Cyprus, are completely exempt from capital gains tax.

A full CGT exemption applies for immovable property consisting of land or land with a building or buildings if acquired from 16/7/2015 up to and including December 31st 2016.

Inheritance or estate taxes

There are no inheritance or estate taxes.

Wealth taxes

Cyprus imposes no tax on wealth.



Other considerations

Thin capitalisation rules

There are no thin capitalisation rules in the Cyprus tax legislation. Special caution must be exercised in relation to interest deductions in respect of loans used for the purchase of assets not used in the business, as such interest expense is disallowed for tax purposes.

Acquisition costs

Any interest expense incurred for the direct or indirect 100% acquisition of shares in a company, will be deductible for tax purposes, provided that the assets of the company acquired do not include any assets that are not used in the business.

Transfer pricing

There is no specific transfer pricing legislation in Cyprus, other than a provision in the Income Tax Law which requires transactions between 'related parties' to be in accordance with the 'arm's length principle'. The Cyprus tax legislation adopted the OECD model commentary and guidelines to determine whether a transaction is at arm's length.

Exit route

The Cyprus company offers an ideal exit route since there are no exit taxes on the sale of shares or at the liquidation of the company and no withholding tax upon the repatriation of profits / proceeds to the non-resident shareholders.

Double tax agreements (DTA's)

Cyprus has currently concluded over 50 agreements for the avoidance of double taxation covering the overwhelming majority of the European countries, the United States of America, Canada, India, China, Russia and the C.I.S. countries.

EU directives

Cyprus has fully adopted all EU Tax related Directives including the Parent-Subsidiary, the Interest and Royalties, the Merger Directive, and the Directive on Administrative Cooperation in the field of Direct Taxation.

VAT

Where the exclusive purpose of a holding company is the acquisition and holding of interest in shares in other companies, with the intention of deriving dividend income, such a company is not considered to be performing an economic activity for VAT purposes and consequently it does not have the status of a taxable person.

Companies which are not performing economic activities have neither the obligation nor the right to register for VAT purposes and consequently they cannot claim input VAT.

However, holding companies may be liable to register for VAT where, in addition to the holding of investments, they also have taxable or exempt activities such as:

- The supply of management services for a consideration to subsidiaries;
- The provision of interest bearing financing to its subsidiaries (unless the financing is sourced from dividends distributed by the subsidiaries to which finance is granted);
- Trading in shares i.e. purchasing and selling shares on a frequent basis with the intention to profit from the fluctuations of the share price.

Where a holding company is registered for VAT purposes, it may claim input VAT on goods and services acquired in Cyprus and other EU Member States. The right to claim input VAT depends on the types of activities, besides the holding of investments, the company is involved in and where these activities take place.

Capital duty

Capital duty in Cyprus is estimated at a flat rate of €105 payable upon incorporation plus the amount of 0,6% duty on the initial authorized capital. Shares issued out of the initial authorized capital does not carry additional capital duty.

If a company needs to increase its authorized share capital, the 0,6% duty will be imposed on the amount of the increase. Capital duty can be minimized by issuing shares at a premium since share premium is not subject to capital duty tax.

Annual corporate levy

Every company registered in Cyprus is subject to annual levy of €350. In case of corporate groups, the total payment is capped at €20.000 allocated to each Cyprus company.

Stamp duty

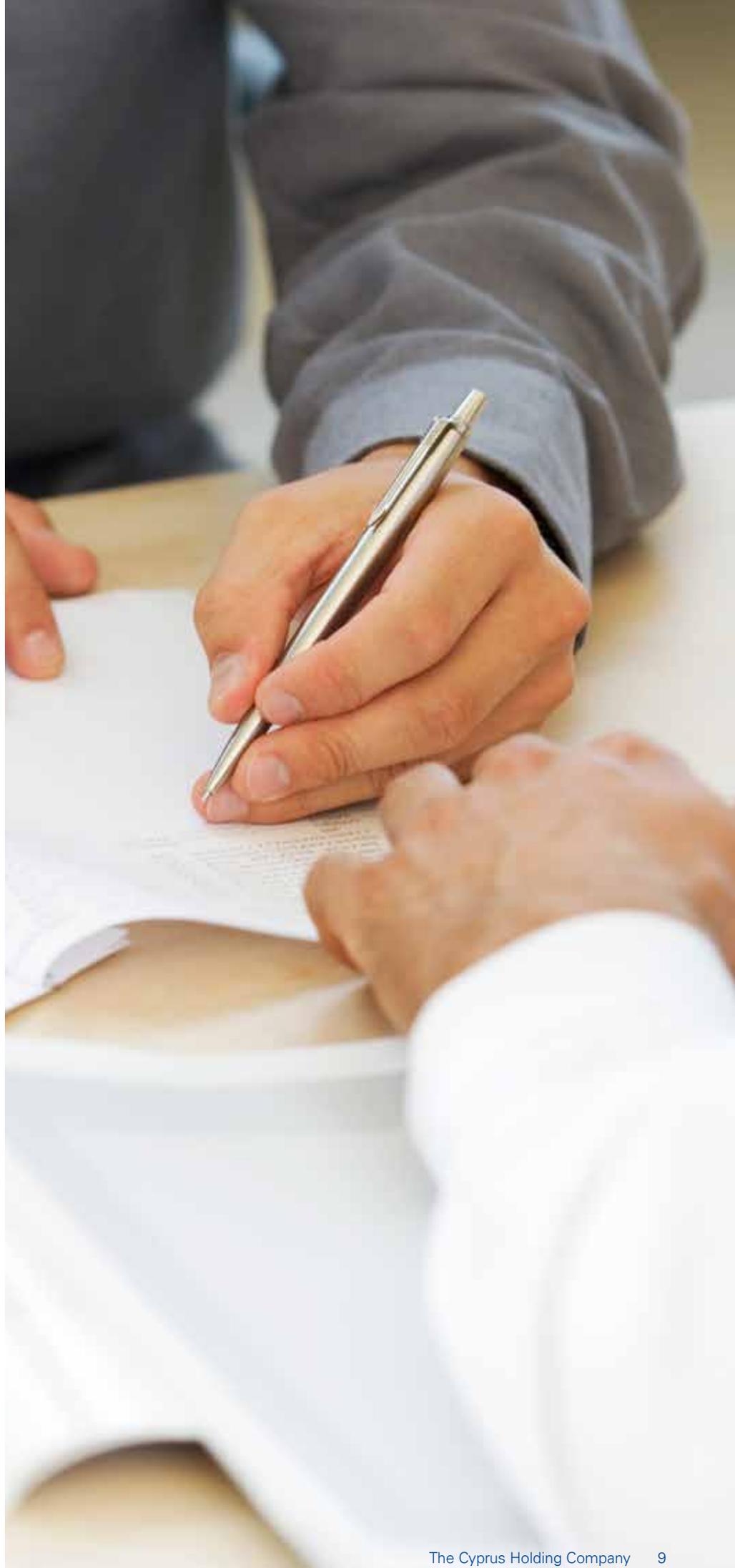
Stamp duty is enforced on written documents addressing Cyprus situated property or cases where the subject matter of the transaction is in Cyprus, irrespective of where the agreement is signed. Agreements with a value of up to €5.000 are not subject to stamp duty tax. Stamp duty on agreements in excess of €5.000 and up to €170.000 are subject to stamp duty tax of 0,15%. Any amount in excess of €170.000 is subject to stamp duty tax at the rate of 0,20%. The maximum stamp duty tax per agreement is €20.000. The duty is payable within 30 days from the day of signing of the agreement.

Advance tax rulings

An established Tax rulings practice exists. Tax rulings can be obtained from the Income Tax office upon the taxpayer's request.

Re-domiciliation of companies

Re-domiciliation of companies in and out of Cyprus is possible.



Tax treaties: withholding tax tables

The following tables give a summary of the withholding taxes provided for in the double tax treaties entered into by Cyprus.

Cyprus Companies	Effective Date	PAID FROM CYPRUS (1)			RECEIVED IN CYPRUS		
		Dividends %	Interest %	Royalties %	Dividends %	Interest %	Royalties %
Treaty countries		0	0	0 (2)	Treaty rates	Treaty rates	Treaty rates
Armenia	01/01/2012	0(27)	5 (6)	5	0(27)	5 (6)	5
Austria	01/01/1991 (31)	0	0	0	10	0	0
Bahrain	(44)	0	0	0	0	0	0
Belarus	01/01/2000	5 (17)	5	5	5 (17)	5	5
Belgium	01/01/2000	10 (8)	10 (6,18)	0	10 (8)	10 (6,18)	0
Bosnia and Herzegovina (25)	01/01/1987	0	10	10	10	10	10
Bulgaria	01/01/2002	5 (22)	7 (6)	10	5 (22)	7 (6, 23)	10 (23)
Canada	01/01/1985	0	15 (4)	10 (5)	15	15 (4)	10 (5)
China	01/01/1992	0	10	10	10	10	10
Czech Republic	01/01/2010	5 (28)	0	10	5 (28)	0	10
Denmark	01/01/2012	15 (29)	0	0	15 (29)	0	0
Egypt	01/01/1996	15	15	10	15	15	10
Estonia	01/01/2014	0	0	0	0	0	0
Ethiopia	(44)	5	5(51)	5	5	5(51)	5
Finland	01/01/2014	5 (9)	0	0	5 (9)	0	0
France	28/01/1983	0	10 (10)	0 (3)	10 (9)	10 (10)	0 (3)
Germany	01/01/2012	5 (30)	0	0	5 (30)	0	0
Georgia	01/01/2017	0	0	0	0	0	0
Greece	01/01/1967	25	10	0 (12)	25 (11)	10	0 (12)
Guernsey	01/01/2016	0	0	0	0	0	0
Hungary	01/01/1982	0	10 (6)	0	5 (46)	10 (6)	0
Iceland	01/01/2015	5(49)	0	5	5(49)	0	5
India	01/01/1993 (32)	10 (47)	10 (10)	15 (15)	10 (47)	10 (10)	15 (15)
Iran	(44)	5(22)	5	6	5(22)	5	6
Ireland	01/01/1962 (33)	0	0	0 (12)	0	0	0 (12)
Italy (34)	01/01/1970	0	10	0	15	10	0
Kuwait	01/01/2014	0	0	5	0	0	5
Lebanon	01/01/2006	5	5	0	5	5	0
Lithuania	01/01/2015	0 (45)	0	5	0 (45)	0	5
Malta	01/01/1994	15	10	10	0	10	10
Mauritius	01/01/2001	0	0	0	0	0	0
Moldova	01/01/2009	5 (22)	5	5	5 (22)	5	5
Montenegro (25)	01/01/1987	0	10	10	10	10	10
Norway(35)	01/01/2015	0 (13,30)	0	0	0 (13, 30)	0	0
Poland(36)	01/01/2013	0 (37)	5 (6)	5	0 (37)	5 (6)	5
Portugal	01/01/2014	10	10	10	10	10	10
Qatar	01/01/2010	0	0	5	0	0	5
Romania	01/01/1983	10	10 (6)	5 (7)	10	10 (6)	5 (7)
Russia	01/01/2000 (38)	5 (16)	0	0	5 (16)	0	0
San Marino	01/01/2008	0	0	0	0	0	0
Serbia (25)	01/01/1987	0	10	10	10	10	10
Seychelles	01/01/2007	0	0	5	0	0	5
Singapore	01/01/2002	0	10 (6,24)	10	0	10 (6,24)	10
Slovakia (39)	01/01/1981	0	10 (6)	5 (7)	10	10 (6)	5 (7)
Slovenia	01/01/2012	5	5 (6)	5	5	5 (6)	5
South Africa (50)	01/01/1999 (52)	0	0	0	0	0	0
Spain	01/01/2015	0 (43)	0	0	0 (43)	0	0
Sweden	01/01/1988	0	10 (6)	0	5 (46)	10 (6)	0
Switzerland	01/01/2016	15(29)	0	0	15(29)	0	0
Syria	01/01/1996	0 (46)	10 (6)	15 (26)	0 (46)	10 (6)	15 (26)
Thailand	01/01/2001	10	15 (6,20)	5 (21)	10	15 (6,20)	5 (21)
Ukraine (19)	01/01/2014 (53)	5 (41)	2	10 (42)	5 (41)	2	10 (42)
U.A.E	01/01/2014	0	0	0	0	0	0
United Kingdom	01/01/1973 (40)	0	10	0 (3)	15 (14)	10	0 (3)
United States	01/01/1986	0	10 (10)	0	5 (48)	10 (10)	0

Notes:

- 1) Under Cyprus legislation there is no withholding tax on dividends, interests and royalties paid to non-Residents of Cyprus.
- 2) In case where royalties are earned on rights used within Cyprus there is a withholding tax of 10%.
- 3) 5% on film and TV royalties.
- 4) 0% if paid to a Government or for export guarantee.
- 5) 0% on literary, dramatic, musical or artistic work.
- 6) 0% if paid to the Government of the other State.
- 7) This rate applies for patents, trademarks, designs or models, plans, secret formulas or processes, or any industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.
- 8) 15% if received by an individual or if received by a company controlling directly or indirectly less than 25% of the capital of the paying company.
- 9) 15% if received by an individual or if received by a company directly controlling less than 10% of the voting power.
- 10) 0% if paid to a Government bank or financial institution.
- 11) The treaty provides for withholding taxes on dividends but Greece does not impose any withholding tax in accordance with its own legislation.
- 12) 5% on film royalties (apart from films broadcasted on television).
- 13) 5% if received by a person controlling less than 50% of the voting power.
- 14) 0% if recipient is a company which alone or together with associated companies) control directly or indirectly at least 10% of voting power.
- 15) 10% for payments of a technical, managerial or consulting nature.
- 16) 10% if dividend paid by a company in which the beneficial owner has invested less than EUR 100.000.
- 17) If the investment is less than EUR 200.000, dividends are subject to 15% withholding tax which is reduced to 10% if the recipient is the beneficial owner and directly controls 25% or more of the share capital of the paying company.
- 18) No withholding tax for interest on deposits with banking institutions.
- 19) The old USSR/ Cyprus treaty is applicable until 31/12/2013. From January 1st 2014, the provisions of the Ukraine-Cyprus Double Tax Treaty enter into force. A new amending Protocol was signed on 6th July 2015, introducing new rates, and will enter into effect as of 1st January 2019.
- 20) 10% on interest received by a financial institution or when it relates to sale on credit of any industrial, commercial or scientific equipment or of merchandise.
- 21) This rate applies for any copyright of literary, dramatic, musical, artistic or scientific work. A 10% rate applies for industrial, commercial or scientific equipment. A 15% rate applies for patents, trademarks, designs or models, plans, secret formulae or processes.
- 22) This rate applies to companies holding directly at least 25% of the share capital of the company paying the dividend. In all other cases the withholding tax is 10%.
- 23) This rate does not apply if the payment is made to a Cyprus international business entity by a resident of Bulgaria owning directly or indirectly at least 25% of the share capital of the Cyprus entity.
- 24) 7% if paid to a bank or financial institution.
- 25) Montenegro, Serbia and Bosnia and Herzegovina apply the Yugoslavia/Cyprus treaty.
- 26) A rate of 10% applies to copyrights on literary, artistic and scientific work including cinematograph films, and films or tapes for television or radio broadcasting.
- 27) The 0% is applicable if the beneficial owner has invested in the capital of the company not less than the equivalent of 150.000 Euro at the time of the investment. In all other cases the rate is 5%.
- 28) 0% if dividends received and beneficially held by a company directly holding at least 10% of the capital of the company paying the dividends for an uninterrupted period of at least 1 year.
- 29) 0% of the gross amount of the dividends if the beneficial owner is a company (other than a partnership) which holds directly at least 10 per cent of the capital of the company paying the dividends where such holding is being possessed for an uninterrupted period of no less than one year, 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 or 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, recognized for tax purposes and controlled in accordance with the laws of that other State.
- 30) 15% if received by an individual or if received by a company directly holding less than 10% of the share capital of the company paying the dividends.
- 31) A protocol signed on 21 May 2012 entered into force on 11 January 2013 and is effective as of 1 January 2014. The protocol introduces new provisions on exchange of Information but does not amend the existing withholding rates set by the original Treaty.
- 32) The provisions of the Treaty enter into force on 01/01/1993 for Cyprus and 01/04/2013 for India.
- 33) The provisions of the Treaty enter into force on 01/01/1962 for Cyprus and 01/04/1962 for Ireland.
- 34) An amending protocol, signed on 4 June 2009, entered into force on 23 November 2010. The Protocol introduces clarifications as to the elimination of double taxation and further new provisions on exchange of information but does not amend the existing withholding rates set by the original Treaty.
- 35) In force until 31/12/2014, the Convention of 2 May 1951 concluded between Norway and the United Kingdom had been extended by Exchange of Notes, in accordance with Article 20, to Cyprus. A new DTT has been signed between Cyprus and Norway on 5 December 2013 and is in force as of January 1, 2015.
- 36) An amending protocol, signed on 22 March 2012, entered into force on 9 November 2012. The protocol introduces among others new rates for dividend and interest as well as further amendments to the initial Treaty; the withholding rates outlined herein refer to the new rates introduced by the Protocol.
- 37) The 0% is applicable if the beneficial owner hold directly at least 10% of the capital of the company paying the dividend for an uninterrupted period of 24 months. In all other cases the rate is 5%.
- 38) An amending protocol, signed on 7 October 2012, entered into force on 2 April 2012. The provisions of the new Protocol are effective as of 1 January 2013 with the exception of 1 January 2017 (Provisions on "Gains from Alienation of Property") and the provisions on Assistance in Collection" that will generally apply upon the introduction of the necessary legal basis by Cyprus. The Protocol introduces among others, new exchange of information provisions but does not amend the existing withholding rates set by the original Treaty.
- 39) In an Exchange of Letters dated 10 December 1999 and 10 January 2000, Cyprus and the Slovak Republic agreed to continue to apply the Czechoslovak treaty of 15 April 1980 in relations between the two states.
- 40) The provisions of the Treaty enter into force on 01/01/1973 for Cyprus and 01/04/1973 for the United Kingdom.
- 41) The 5% applies where the company receiving the dividend owns at least 20% in the capital of the paying company or has invested an amount of at least EUR100.000. In all other cases, a 15% withholding shall apply.
- 42) A reduced 5% withholding tax in respect of the use or the right to use any copyright of scientific work, patent, trade mark, secret formula, process or information concerning industrial, commercial or scientific experience will apply under the new Treaty. In all other cases a general withholding tax on royalties of 10% will apply.
- 43) 5% if the recipient is an individual or if the recipient is a company directly holding less than 10% of the capital.
- 44) Pending completion of the ratification process.
- 45) This rate applies to companies who are the beneficial owners of the dividend and hold directly at least 10% of the share capital of the company paying the dividend. In all other cases the withholding tax is 5%.
- 46) 15% if received by an individual or if received by a company controlling directly less than 25% of the capital of the paying company.
- 47) 15% if received by an individual or if received by a company controlling less than 10% of shares.
- 48) To be entitled to this rate (a) must be a corporation, AND (b) minimum 10% ownership of the outstanding shares of the voting stock during the part of the paying corporation's taxable year which precedes the date of payment of the dividend and during the whole of its prior taxable year (if any), AND (c) not more than 25% of the gross income of the corporation paying the dividends (for such prior taxable year (if any)) consists of interest/dividends (other than interest derived from the conduct of a banking, insurance, or financing business and dividends / interest received from subsidiary corporation, 50% or more of the outstanding shares of the voting stock of which is owned by the paying corporation at the time such dividends / interest is received). Otherwise a 15% WHT rate applies.
- 49) 10% if received by an individual or if received by a company controlling directly less than 10% of the capital of the paying company.
- 50) A Protocol signed on 1 April 2015 introduces new rates to the Treaty; the Protocol is currently in the ratification process following completion of which, it will come into force.
- 51) 0% if paid to the Government, a political subdivision or local authority or the national bank of the other state.
- 52) An amending protocol signed on 1 April 2015, entered into force and it generally applies from 1 April 2012.
- 53) An amending protocol, signed on 11/12/2015 has not yet entered into force.

Cyprus holding matrix

ISSUE	ANSWER
CORPORATE INCOMETAX RATE	12,5%
NOTIONAL INTEREST DEDUCTION	Yes
DEDUCTION OF CAPITAL LOSSES	
• Deductibility of unrealised capital losses (write down in value)	No
• Deductibility of realised capital losses	No
• Deductibility of amortisation of underlying goodwill	No
DIVIDENDS	
• Exemption	Yes (under lenient conditions)
• Participation requirement	No
• Minimum holding period	No
• Taxation requirement	No if profits in subsidiary taxed > 6,25%, or passive income < 50% of total income and dividend payment is not tax deductible in country of the dividend paying company
CAPITAL GAINS	
• Participation requirement	None
• Minimum holding period	None
• Taxation requirement	No
RULING SYSTEM	Yes
CAPITAL DUTY	0,6% on the nominal value of the authorized share capital (does not apply to share premium)

ISSUE	ANSWER
TAX TREATY PROTECTION	Yes, provided management and control is in Cyprus
IP REGIME	Yes
DEDUCTION OF COSTS	
• Deductibility of interest costs	Yes (unless they relate to the acquisition of assets not used in the business of the company)
• Deductibility of acquisition costs	Yes (for 100% direct and indirect acquisitions of trading subsidiaries)
• Deductibility of costs on disposal	No
WITHHOLDING TAX	
• Dividends	No
• Interest	No
• Offshore Drilling Activities	5%
• Liquidation Proceeds	No
THIN CAPITALISATION RULES	No
FOREX GAINS/LOSSES	Tax Neutral
CFC RULES	No
TAX CONSOLIDATION	Yes for companies in a 75% group structure and provided companies claiming group relief are tax residents of Cyprus for the whole year

Main contacts

NICOSIA

TAX SERVICES

George Markides

Board Member, Head of Tax

T: +357 22 209 240

E: gmarkides@kpmg.com

Costas Markides

Board Member

T: +357 22 209 246

E: cmarkides@kpmg.com

VAT SERVICES

Haris Charalambous

Board Member

T: +357 22 209 300

E: hcharalambous@kpmg.com

LARNACA

Michael Halios

Board Member

T: +357 24 200 222

E: mhalios@kpmg.com

LIMASSOL

Sylvia Loizides

Board Member, Head of Audit

T: +357 25 869 101

E: sloizides@kpmg.com

Sofoclis Sofocleous

Board Member

T: +357 25 869 204

E: ssofocleous@kpmg.com

George Nicolaou

Senior Associate

T: +357 25 869 205

E: gnicolaou@kpmg.com

PARALIMNI

Paris Theophanous

Board Member

T: +357 23 820 080

E: ptheofanous@kpmg.com

PAPHOS

George Andreou

Board Member

T: +357 26 943 050

E: gandreou@kpmg.com

Contact us

Nicosia

T: +357 22 209 000

F: +357 22 678 200

E: nicosia@kpmg.com.cy

Limassol

T: +357 25 869 000

F: +357 25 363 842

E: limassol@kpmg.com.cy

Larnaca

T: +357 24 200 000

F: +357 24 200 200

E: larnaca@kpmg.com.cy

Paralimni

T: +357 23 820 080

F: +357 23 820 084

E: paralimni@kpmg.com.cy

Paphos

T: +357 26 943 050

F: +357 26 943 062

E: paphos@kpmg.com.cy

Polis Chrysochous

T: +357 26 322 098

F: +357 26 322 722

E: paphos@kpmg.com.cy

www.kpmg.com.cy



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