



CYPRUS
TAX FACTS & FIGURES
2019



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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 2019.

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.

Expertise is gained over years, to assist our clients to resolve their needs as well as to achieve their goals.



Cyprus Limited

Chartered Accountants

January 2019

Cypriot tax resident individual

An individual is considered as tax resident in Cyprus if he/she stays in the country for a period exceeding 183 days in aggregate during a tax year.

As of 1 January 2017, an individual who does not remain in any other state for one or more periods which altogether exceed 183 days in the same tax year and who is not tax resident in any other state for the same tax year, may also be considered as tax resident of Cyprus for income tax purposes, provided that the following conditions are cumulatively met:

- he/she remains in Cyprus for at least 60 days during the tax year.
- he/she pursues any business in Cyprus and/or he/ she works in Cyprus and/or he/she is a director in a company tax resident in Cyprus at any time during the tax year.
- he/she maintains a permanent residence in Cyprus (owned or rented by him).

Cypriot tax resident company

A company is considered as resident in Cyprus for corporate tax purposes if its management and control is exercised in Cyprus.

In line with international tax principles, the below conditions should be considered to determine whether a company qualifies as a tax resident of Cyprus:

- All strategic (and preferably also day-to-day) management decisions are taken in Cyprus by the directors exercising their duties from Cyprus.
- The meetings of the Board of Directors take place in Cyprus.
- Contracts, agreements and other relevant documents relating to the management, control and administrative functions of the company is held in Cyprus.
- The majority of the directors of the company are preferably tax resident in Cyprus and they exercise their duties from Cyprus.
- The directors of the company should be sufficiently qualified with prior experience in the related industry.
- An actual administrative office is maintained in Cyprus, through where the actual management and control of the company is exercised.
- Hard copies of commercial documentation (agreements, invoices, etc.) are stored in Cyprus.
- Accounting records of the company are prepared in Cyprus.

Domiciled in Cyprus

An individual is considered as domiciled in Cyprus if he/ she has a domicile of origin in Cyprus as this is defined in the Wills and Succession Law (WSL) (i.e. domicile of the father at the time of birth), except in specified cases.

The following individuals are not considered to be domiciled in Cyprus:

- An individual who has obtained and maintained a domicile of choice outside Cyprus in accordance with the Wills and Succession Law, provided that such an individual has not been a tax resident of Cyprus for a period of 20 consecutive years preceding the tax year in which he becomes tax resident of Cyprus; or
- An individual who has not been a tax resident of Cyprus for a period of 20 consecutive years prior to July 2015 (when the relevant changes in the law were introduced).

Notwithstanding the above, an individual, who has been a tax resident of Cyprus for at least 17 years out of the 20 years prior to the tax year, will be considered to be “domiciled in Cyprus”.

Titles

The term “titles” includes:

- ordinary shares, founder shares, preference shares and options on shares
- debentures and bonds
- short positions on titles, futures/forwards on titles and swaps on titles
- depositary receipts on titles (such as ADRs and GDRs)
- index participations only if they result in titles and repurchase agreements or Repos on titles
- participations in companies (provided that themselves are subject to taxation on their profits)
- units in open-end or closed-end collective investment schemes (which are incorporated, registered and operating according to the provisions of a specific and relevant legislation of the country in which they were founded).



PERSONAL INCOME TAX

Basis of Taxation

All Cyprus tax resident individuals 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.

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 flat rate of 5% with an annual exemption of €3.420. The taxpayer can elect on an annual basis to be taxed at the normal tax rates and bands set out above.

Cyprus source widow(er)'s pension is taxed at the flat rate of 20% on amounts over €19.500. The taxpayer can elect on an annual basis to be taxed at the normal tax rates and bands set out above.

Exemptions

Type of Income	Exemption
Dividends (may be subject to special contribution for Defence).	100%
Interest (however interest arising from the ordinary business activities or closely related to the ordinary business activities of an individual is taxable).	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 employment exercised in Cyprus by an individual who was not a 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 foreign permanent establishment under certain conditions. (1)	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. (2)	100%

Notes:

1. With effect as from 1 July 2016, taxpayers may elect to tax the profits earned by a foreign permanent establishment, with a tax credit for foreign taxes incurred on those permanent establishment profits. Transitional rules apply in certain cases on the granting of foreign tax credits where a foreign permanent establishment was previously exempt and subsequently a taxpayer elects to be subject to tax on the profits of the foreign permanent establishment.
2. The term "Securities" is defined as shares, bonds, debentures, founders' shares and other securities of companies or other legal persons, incorporated in Cyprus or abroad and options thereon. Circulars have been issued by the Tax Authorities further clarifying what is included in the term Securities. According to the circulars the term includes, among others, options on Securities, short positions on Securities, future/forwards on Securities, swaps on Securities, depositary receipts on Securities (ADRs, GDRs), rights of claim on bonds and debentures (rights on interest of these instruments are not included), index participations only if they result on Securities, repurchase agreements or Repos on Securities, units in open-end or close-end collective investment schemes. The circulars also clarify specific types of participation in foreign entities which are considered as Securities.

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	20% of gross 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 (maximum 10% of remuneration), National Health System, medical fund (maximum 1,5% of remuneration), 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
Amount invested each tax year as from 1 January 2017 in approved innovative small and medium sized enterprises either directly or indirectly	Up to 50% of the taxable income as calculated prior to this deduction (subject to a maximum of €150.000 per year)



CORPORATION TAX

Basis of Taxation

All Cyprus tax resident companies 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 and on certain income arising from sources in Cyprus.

Foreign taxes paid can be credited against the Corporation Tax Liability.

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 titles (see page 4)	100%
Dividends (from 1/1/2016, dividends which are tax deductible for the Paying Company are not considered as dividends but as trading Profits subject to Corporation tax)	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 foreign permanent establishment, under certain conditions (1)	100%
Gains relating to foreign exchange differences (forex) with the exception of forex arising from trading in foreign currencies and related derivatives	100%

Notes:

1. With effect as from 1 July 2016, taxpayers may elect to tax the profits earned by a foreign permanent establishment, with a tax credit for foreign taxes incurred on those foreign permanent establishment profits. Transitional rules apply in certain cases on the granting of foreign tax credits where a foreign permanent establishment was previously exempt and subsequently a taxpayer elects to be subject to tax on the profits of the foreign permanent establishment.



Corporate tax deductions for expenses

The general rule provides that expenses incurred wholly and exclusively in earning taxable income and supported by documentary evidence are deductible for corporate tax purposes, including:

Type of Expense	Deduction
Donations to approved charities with receipts	100%
Employer's contributions to social insurance and approved funds on employees' salaries	100%
Employer's contributions to:	
- Medical fund for employees	1% on employee's remuneration
- Provident / Pension fund for employees	10% on employee's remuneration
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 directly or indirectly any assets that are not used in the 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)

Type of Expense	Deduction
Royalty income, embedded income and other qualifying income derived from qualifying intangible assets in the 'new' Cyprus intellectual property (IP) box (provision applies with effect from 1 July 2016) (1)	80% of the net profit as calculated using the modified nexus fraction (2)
Royalty income, embedded income and other qualifying income derived from qualifying intangible assets in the 'old' Cyprus IP box (3)	80% of the net profit
Tax amortisation on any expenditure of a capital nature for the acquisition or development of IP (provision applies with effect from 1 July 2016) (4)	Allocated over the lifetime of the IP (maximum period 20 years)

Notes:

1. Qualifying 'intangible assets' maybe be legally or economically owned and comprise patents, copyrighted software, utility models, intangible assets that grant protection to plants and genetic material, orphan drug designations, extensions of patent protection. It also comprises of other intangible assets which are non-obvious, useful and novel, that are certified as such by a designated authority, and where the taxpayer satisfies size criteria (i.e. annual IP related revenue does not exceed €7,5m for the taxpayer, and group total annual revenue does not exceed €50m, using a 5 year average for both calculations). Marketing-related intangible assets, such as trademarks, do not qualify.
2. A fraction is applied to the net profit based on research and development (R&D) activity of the taxpayer, the higher the amount of R&D undertaken by the taxpayer itself (or via a taxable foreign permanent establishment or via unrelated third party outsourcing), the higher the amount of R&D fraction (modified nexus fraction).
3. A fraction is applied to the net profit based on research and development (R&D) activity. The higher the amount of R&D undertaken by the taxpayer itself or via a taxable foreign permanent establishment or via unrelated third party outsourcing, the higher the amount of R&D fraction (modified nexus fraction).
4. Excluding goodwill and intangible assets failing under the transitional rules of the old Cyprus IP box which continue with that box's tax amortisation (see 3 above). A taxpayer may elect no to claim all or part of the available tax amortization for a particular tax year.



Losses carried forward

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.

Reorganisations

The transfer of assets and liabilities between companies is allowed without any tax consequences (subject to conditions).

Reorganisations include:

- Mergers
- Partial divisions
- Transfer of assets
- Exchange of shares

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 - 2018 (inclusive) 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 - 2018 an accelerated tax depreciation at the rate of 7% per annum applies.
3. Buildings for agricultural and livestock production acquired during the tax years 2017-2018 (inclusive) are eligible for accelerated tax depreciation at the rate of 7% per annum.



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 regime 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 should 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 boat charterer of a vessel flying the Cyprus flag under parallel registration.

Charterers

Exemption is given to:

- profits derived from the operation of chartered in 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 exit such as disposal of their vessels and cessation their activities.



CYPRUS ALTERNATIVE INVESTMENT FUNDS

The Cyprus alternative Investments Funds (AIFs) and Undertakings for Collective Investment in Transferable Securities (UCITS).

The amended Alternative Investments Funds Law 124(I)/2018 ("AIF Law") defines alternative investments funds as any collective investment undertakings, including investment compartments.

Under AIF Law, three types of AIFs can be established in Cyprus, as follows:

1. Alternative Investment Funds with a Limited Number of Persons (50) ("AIFLNP")
2. Alternative Investment Funds with Unlimited Number of Persons ("AIFs")
3. Registered AIFs ("RAIFs")

AIFs can have various legal forms as follows:

AIFLNP:

- Variable Capital Investment Company ("VCIC")
- Fixed Capital Investment Company ("FCIC")
- Limited Partnership ("LP")

AIF/RAIF

- VCIC
- FCIC
- Common Fund ("CF")

UCITS

The UCI Law defines a UCIT as an undertaking which the sole object is the collective investment in transferable securities and/or other liquid financial instruments as per Section 40(1) of the UCI Law, of capital raised from the public, which operate on the principle of risk-spreading and the unites of which are redeemed or repurchased at the request of the investors, directly or indirectly, out of the undertakings' assets.

UCITs can have the following legal forms:

- CF
- VCIC

Taxation of Funds

Funds which are opaque for tax purposes and are managed and controlled in Cyprus are tax resident in Cyprus and as such are subject to the provisions of the Cyprus tax framework.

In the case of funds with compartments, each compartment is viewed separately for tax purposes subject to the provisions of the Law.

Some funds may be transparent for tax purposes and this may depend on the legal form of the fund.

Sale of Fund Units

No Capital Gains Tax arises on the gains from the disposal or redemption of units in funds unless the fund owns immovable property in Cyprus.

If the Fund is listed on a recognized Stock Exchange, no Capital Gains Tax arises on its gains even if it owns immovable property in Cyprus.



Stamp Duty

Subscription, redemption, conversion or transfer of a fund's units should be exempt from stamp duty in Cyprus.

No creation of a permanent establishment

Based on the tax legislation in Cyprus, no permanent establishment is deemed to arise in Cyprus in the following cases:

- i. Non-Cyprus resident investors as a result of investment into Cyprus tax-transparent investment funds, or
- ii. Consequence of the management from Cyprus, of non-Cyprus investment funds.

Management Services

The Management Fee charged for the provision of management services to investment funds is exempt from VAT, under certain conditions.

Carried interest/performance fee for AIF and UCITS fund managers

Certain employees and executives of the investment fund management companies noted below, or internally managed investment funds, have the option of a different mode of taxation:

- Alternative Investment Fund Managers authorized under the amended Alternative Investment Fund Managers Law 56(I)/2013 ("AIFM Law")
- Internally managed AIFs authorized under AIFM Law
- UCITS Management Companies authorized under the UCI Law
- Internally managed UCITS authorized under the UCI Law

Subject to certain conditions, their variable employment remuneration which is effectively connected to the carried interest of the fund managing entity may, through an annual election, be separately subject to Cyprus tax at the flat rate of 8%, with a minimum tax liability of €10.000 annually. This special mode of taxation is available for a period of 10 years.

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.

Income	Tax rates	
	Individuals	Companies
	2018	2018
	%	%
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 ("Passive")	30	30
Gross rental income (reduced by 25%)	3	3

Notes

- This exemption does not apply if:
 - more than 50% of the paying company's activities result directly or indirectly in investment income, and
 - 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%.

- 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%).
- 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 of Special Contribution for Defence

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% 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 (CGT) 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. In case of share disposals only that part of the gain relating to the immovable property situated in Cyprus is subject to CGT.

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.

Exemptions

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.

For 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 (as from 13.1.2014)	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
- Educational services
- Postal services
- Leasing of buildings used for residence
- Lottery tickets
- Secondhand building supplies

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 electronically submitted quarterly and the payment of the VAT must be made by the 10th day of the second month that follows in which the tax period ends.

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 2% 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

Imposition of 19% VAT on leasing and / or letting of immovable property for business purposes

As from 13 November 2017, VAT at 19% is imposed on the leasing and/or letting of immovable property to a taxable person for the purposes of carrying on taxable activities, commencing on/or after 13 November 2017. The leasing of buildings used as residences remains an exempt transaction for VAT purposes. The lessor has the right to notify the Tax Commissioner by submitting a relevant form, to opt for the non-imposition of VAT to the lessee of the immovable property, subject to the terms and conditions specified in the relevant Notification of the Tax Commissioner.

Imposition of 19% VAT on non-developed building land

As from 2 January 2018, VAT at 19% is imposed on the transfer of non-developed building land. Specifically, VAT is imposed on the transfer of ownership, transfer of indivisible land portion, transfer of ownership under a sale agreement or an agreement which specifically provides that the ownership will be transferred on a future date or by virtue of a leasing agreement with the right to buy non-developed building land which is intended for the construction of one or more structures in the course of carrying out a business activity.

Non-developed building land includes all non-developed land plots that are intended for the construction of one or more structures. In the above definition are included non-developed building land that is either covered or not from the water supply and cover land plots of all sorts as listed below:

- Land plots under development
- Finished land plots
- Land plots with a final approval certificates or land plots with land title

Other types of land plots are also included in the list of non-developed building.

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		

However:

- No transfer fees are payable if VAT is applicable upon purchasing the immovable property
- The above transfer fees are reduced by 50% in case the purchase of immovable property is not subject to VAT.

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	8,3	8,3	15,6
Redundancy Fund	1,2	-	-
Industrial Training	0,5	-	-
Social Cohesion Fund	2,0*	-	-
Holiday Fund (unless obtained exemption)	8		

Upper limits for employees

	per week from 7/1/2013	per month	per annum
	€	€	€
Weekly employees	1.051	-	54.652
Monthly employees	-	4.554	54.648

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

NATIONAL HEALTH SYSTEM

As per National Health System Law of 2001 89(I)/2001 as amended 2017, a national health system is introduced in Cyprus.

Contributions relating to the implementation of the National Health System (NHS) will start from 1 March 2019 and will increase from 1 March 2020 as per the table below:

Ref	Category	Applied on	Phase A 01/03/2019	Phase B 01/03/2020
i	Employees	Own emoluments	1,70%	2,65%
ii	Employers	Employees' emoluments	1,85%	2,90%
iii	Self-employed	Own income	2,55%	4,00%
iv	Pensioners	Pension	1,70%	2,65%
v	Persons holding Office	Officers' remuneration	1,70%	2,65%
vi	Republic of Cyprus or Natural/Legal person responsible for the remuneration of persons holding an Office	Officers' remuneration	1,85%	2,90%
vii	Persons earning rental, interest, dividend and other income	Rental, Interest, Dividend Income etc	1,70%	2,65%
viii	Republic's Consolidated Fund (Πάγιο Ταμείο της Δημοκρατίας)	Emoluments/Pensions of persons (i), (iii), (iv) and (v)	1,65%	4,70%

STAMP DUTY

The following table gives the amount or rate of duty payable on certain documents. Transactions which take place within the scope of reorganisations are not subject to stamp duties. Inter alia, documentation associated to overseas assets or matters taking place outside Cyprus are exempt from stamp duty.

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
<i>Fixed amount contracts (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 €20.000 as from March 2013.

CAPITAL DUTY

Upon incorporation of a Cyprus company	
Authorised share capital	€105
Issued share capital	No capital duty payable if the shares are issued at their nominal value. There is a €20 flat duty if the shares are issued at a premium
Upon subsequent increases	
Authorised share capital	Nil
Issued share capital	€20 flat duty on every issuance, whether the shares are issued at a nominal value or at a premium



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		
	Dividends %	Interest %	Royalties %
Armenia	0 ⁽³²⁾	5 ⁽³³⁾	5
Austria	10	0	0
Bahrain	0	0	0
Belarus	5 ⁽⁴⁾	5	5
Belgium	10 ⁽¹⁾	10 ⁽¹⁶⁾	0
Bosnia			
Bulgaria	5 ⁽¹⁹⁾	7 ⁽²⁵⁾	10 ⁽²⁰⁾
Canada	15	15 ⁽⁸⁾	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 ⁽⁷⁾	10 ⁽⁹⁾	0 ⁽²⁶⁾
Georgia	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	10 ⁽⁸⁾	10
Iran ⁽³¹⁾	5 ⁽¹⁹⁾	5	6
Ireland	0	0	0 ⁽¹²⁾
Italy	15	10	0
Jersey ⁽³¹⁾	0	0	0
Kuwait	10	10 ⁽⁸⁾	5 ⁽¹⁴⁾
Kyrgyzstan ⁽²⁷⁾	0	0	0
Latvia	0 ⁽⁴²⁾	0 ⁽⁴²⁾	0 ⁽⁴³⁾
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 ⁽⁴⁴⁾
United Arab Emirates	0	0	0
United Kingdom	0 ⁽²⁴⁾	10	0 ⁽²⁶⁾
USA	5 ⁽⁵⁾	10 ⁽¹⁰⁾	0
Uzbekistan ⁽²⁷⁾	0	0	0

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	0	0	0
Belarus	5 ⁽⁴⁾	5	5
Belgium	10 ⁽¹⁾	10	0
Bulgaria	5 ⁽¹⁹⁾	7 ⁽²⁵⁾	10
Canada	15	15 ⁽⁸⁾	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 ⁽⁷⁾	10 ⁽⁹⁾	0 ⁽²⁶⁾
Georgia	0	0	0
Germany	5 ⁽²⁾	0	0
Greece	25	10	0 ⁽¹²⁾
Guernsey	0	0	0
Hungary	0	10 ⁽⁸⁾	0
Iceland	5 ⁽³⁹⁾	0	5
India	10	10 ⁽⁸⁾	10
Iran ⁽³¹⁾	5 ⁽¹⁹⁾	5	6
Ireland	0	0	0 ⁽¹²⁾
Italy	0	10	0
Jersey ⁽³¹⁾	0	0	0
Kuwait	10	10 ⁽⁸⁾	5 ⁽¹⁴⁾
Kyrgyzstan ⁽²⁷⁾	0	0	0
Latvia	0 ⁽⁴²⁾	0 ⁽⁴²⁾	0 ⁽⁴³⁾
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 ⁽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 ⁽⁴⁴⁾
United Arab Emirates	0	0	0
United Kingdom	0	10	0 ⁽²⁶⁾
USA	0	10 ⁽¹⁰⁾	0
Uzbekistan ⁽²⁷⁾	0	0	0





Notes

- (1) 15% if received by a company controlling less than 25% of the voting power.
- (2) 5% 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) 10% if received by a company controlling more than or equal to 10% of the capital. 15% in all other cases.
- (8) NIL if paid to the Government of the other State.
- (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.



- (35) 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.
- (36) 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.
- (37) 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.
- (38) 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.
- (39) 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.
- (40) 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.
- (41) 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.
- (42) 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.
- (43) 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.
- (44) NIL if the beneficial owner is a company (other than a partnership). 10% in all other cases.
- (45) NIL if the beneficial owner is a company (other than a partnership). 5% in all other cases.
- (46) 5% on royalty payments in respect of any copyright of scientific work any patent, trade mark, secret formula, process or information concerning industrial, commercial or scientific experience. 10% in all other cases.

TAX DIARY

DEADLINE	DESCRIPTION
End of each month	PAYE for employee deducted from salaries during the previous month.
	Social insurance contributions relating to salaries of the previous month.
	SDC to be withheld from rental expense paid during the previous month.
	SDC to be withheld from Cyprus source dividends and interest during the previous month.
Within 30 days from the date of the agreement	Stamp duty payment.
31 January, 2019	Submission of the deemed distribution declaration (TD 623) for the year ended 31 December 2016.
31 March, 2019	Electronic submission of the 2017 income tax return for individuals preparing audited financial statements.
	Electronic submission of the 2017 corporation income tax return (Form TD4).
30 April, 2019	Payment of the first installment of premium tax for life insurance companies.
30 June, 2019	Payment of the 2018 personal income tax under self-assessment method by individuals not preparing audited financial statements. (employees and self-employed).
	Payment of the 2019 special contribution for defence on rents, dividends or interest from sources outside Cyprus for the second 6 months of 2019.
	Payment of the Annual Levy (EUR350) FOR 2019.
31 July, 2019	Electronic submission by employers of the total 2018 payroll (Form TD7)
	Submission of the 2019 temporary tax assessment and payment of the first installment for both individuals and companies.
	Electronic submission of the personal income tax return (Form TD1) for 2018 for salaried individuals whose gross income exceeds €19,500.
1 August, 2019	Settlement of the 2018 final corporation tax and personal tax for individuals preparing audited accounts.
31 August, 2019	Payment of the second installment of premium tax for life insurance companies.
30 September, 2019	Electronic submission of personal income tax return for 2018 by self-employed individuals who do not prepare audited financial statements if their gross income exceeds €19,500.
31 December, 2019	Payment of temporary tax - second and last installment for 2019.
	Payment of the 2019 special contribution for defence on rents, dividends or interest from sources outside Cyprus for the second 6 months of 2019.
	Payment of the third installment of premium tax for life insurance companies.

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.

Interest & Penalties

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 - 31/12/2016	4
01/01/2017 - 31/12/2018	3,50%
From 01/01/2019	2%

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.



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)

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