

Content:

Corporation Tax and International tax Matters	4
Special Modes of Taxation	19
Special Contribution for Defence	25
Capital Gains Tax and Levy on property disposals	30
Personal Income Tax	33
Maintenance of Accounting Books and Records	40
Social Insurance Fund and National Health Plan	41
Value Added Tax	45
Transfer fees by the Land Registry department	55
Trust	56
Stamp Duties and Companies Registrar Fees	57
Double Taxation agreements	60
Tax Calendar	67
Penalties	70



OUR SERVICES:

To be financially intelligent in the business environment means to have a tremendous synergy in the provision of accounting, audit, and tax services for clients all at once.

A combination of professional competence, vast experience with companies all over the globe, and a success-oriented attitude drives **CPV GROUP** and its' clients to achieve the highest results in accounting, audit, tax, and finance.

Cooperation of **CPV Audit** and **CPV Corporate** organizations managed to find a formula for a business to allocate and control finances effectively and efficiently.

We provide various services to ensure correct accounting, audit, tax compliance, and tax planning of your investments:

1. INTERNATIONAL ACCOUNTING

- -Financial accounting
- -Management accounting
- -Budget and cash flow projections
- -Opening of bank accounts
- -Registration of International Business Companies

2. VAT

- -VAT registration
- -Preparation and submission of VAT returns
- -VAT audits and compliance
- -Advice on VAT regulations and obligations within the EU
- -Advice on international VAT planning

3. HEDGING

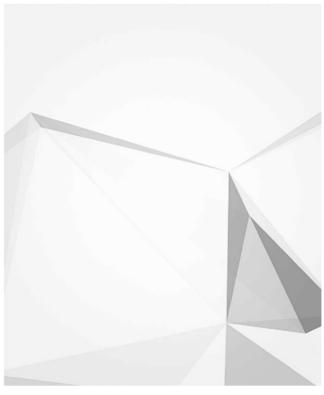
- -Accounting for complex hedge instruments
- -Planning of tax risks
- -Monthly/quarterly reporting
- -Interest/coupon accruals reconciliation
- -Support during the audit

4. PLANNING

- -Budgeting
- -International tax planning
- -Personal tax planning
- -Capital gains tax planning -Developing tailor-made tax structures (SPVs)

5. PROJECT BUDGETING

- -Cash flow of the project
- -Planning of the staff allocation
- -Budgeted profit and loss
- -Preparation of supporting documents
- -Audit of historic information



6. AUDIT

- -Operational
- -Financial
- -Compliance
- -Assurance Services
- -Consulting Services
- -Coordination of External Audit
- -Special Investigations

7. TAXATION

- -Tax compliance
- -Submission of tax declaration
- -Handing off tax liabilities on behalf of the client
- -Tax consultancy

TAX FACTS 2024 ARE FULLY UPDATED, THEY INCLUDE ALL THE LATEST LEGISLATIVE AMENDMENTS AND THEY COVER COMPREHENSIVELY THE DIRECT AND INDIRECT TAX SYSTEM IN CYPRUS. TAX FACTS ARE A TREASURE TO TAXPAYERS IN CYPRUS AND FOR BUSINESSES ESTABLISHED IN CYPRUS AND REPRESENT A MILESTONE TO OUR FIRM FOR EXCELLENCY IN PROVISION OF TAX SERVICES. HOWEVER, THEY ARE OF A GENERAL NATURE AND THEREFORE SHOULD NOT BE TREATED AS SUBSTITUTING PROFESSIONAL TAX CONSULTANCY.

CORPORATION TAX

CYPRUS TAX RESIDENT COMPANIES

All companies tax resident of Cyprus are taxed on all income accrued or derived from all sources in Cyprus and abroad (worldwide basis). As from 1 January 2023, a company incorporated in Cyprus will by default be considered tax resident of Cyprus provided it is not tax resident in any other jurisdiction (incorporation test).

NON-CYPRUS TAX RESIDENT COMPANIES

A non-Cyprus tax resident company is taxed on income accrued or derived from a business activity which is carried out through a permanent establishment in Cyprus. A permanent establishment is a fixed place of business through which the business of an enterprise is wholly or partly carried on. The term permanent establishment includes a place of management, a branch, an office, a factory, a workshop and a building site or construction or installation project which lasts more than twelve months.

A Company is a tax resident of Cyprus if it is managed and controlled in Cyprus. There is no exact definition of management and control. However, the basic requirements for management and control are as follows:

- The residency of the majority of the directors.
- The location where the board meetings of the Company are held.
- The location of the formation of the general policy and strategy of the Company.
- The location where the accounting books and records are stored and maintained.
- Preparation of audited Financial Statements, submission of tax declarations and payment of tax liabilities.
- Maintaining an office with personnel and declaring them to the Social Insurance department, telephone and fax lines, website, e-mail accounts, managing the bank account from Cyprus and signature of contracts in Cyprus.

The above list is not exhaustive but covers in majority the basic requirements for satisfying management and control in Cyprus and thus creating substance in Cyprus and on the same time securing the tax position of the Company in the case of other countries claiming taxing rights over the profits of the Cyprus Company.

Tax Free Income

TYPE OF INCOME	EXEMPTION LIMIT
Profit from the sale of securities	100%
Dividends (excluding, as from the 1 January 2016, dividends which were treated as tax deductible in the hands of the paying company, hybrid	100%
instruments) Interest not arising from the ordinary activities or closely related to the ordinary activities of the	100%
Company (passive) (if related then fully taxable – active)	100%
Profits of a permanent establishment abroad, under certain conditions	
(more than 50% of the income of the permanent establishment abroad derives from trading activities or the tax rate applicable overseas is not significantly lower than the tax rate applicable in Cyprus, also as from 1st of January 2016 taxpayer may elect to tax the profits	
earned by a permanent establishment overseas with a tax credit for foreign taxes incurred on this permanent establishment profits)	100%
Rental income from a preserved building	4000/
Foreign exchange gains, either realised or unrealised, with the exception of foreign exchange gains arising from trading in foreign currencies. Persons trading in foreign currencies have an option to make an irrevocable election to be subject to tax only on the realised foreign exchange	100%
gains	The lower of 35% of the eligible expenditure and
Profits from the production of films, series and other related audiovisual programs	50% of the taxable income. Any restriction may be
	carried forward for 5 years.
	100%
Profit from disposal of fixed assets (Balancing statement for tax purposes need to be prepared)	

Tax Deductions

All expenses incurred, which are wholly, exclusively and necessarily for the purpose of the trade and are supported with adequate documentary evidence issued in the name of the Company are tax deductible including the following:

TYPE OF EXPENSE	EXEMPTION LIMIT
Donations to approved charities	100 %
Bad debts of any business (provided it is supported with adequate documentation like bankruptcy certificate, liquidation certificate, court order, letters to the debtor etc.)	100 %
Entertaining expenses for business purposes	Lower of €17.086 or 1% of the gross income of the business
Expenditure for scientific research	100 %
Employer's contribution to social insurance, national health system and approved funds on employees' salaries	100 %
Employer's contribution to: - Medical fund for employees - Provident/Pension fund for employees	-1% on employee's remuneration -10% on employee's remuneration
Expenditure on patents or patent rights or royalties	100 %
Interest in relation to the acquisition of fixed assets used in the business	100 %
Interest for the acquisition of wholly owned subsidiaries either directly or indirectly provided that the assets of the subsidiary constitute business assets	100 %
Royalty income, embedded income and other qualifying income derived from qualifying intangible assets (IP Box Tax Regime)	80% of the net profit calculated as per nexus fraction

Any expenditure incurred for the maintenance of a building in respect of which there is a Preservation Order	Up to €700, €1.100 or €1.200 per square meter(depending on the size of the building)
NID Deduction: Equity introduced to a Company in the form of share capital and/or share premium as from the 1st of January 2015 is entitled to deemed interest deduction which is calculated as the 10 years government bond rate, as at the end of the year preceding the relevant tax year, of the country in which the equity is invested increased by 5%. A taxpayer may elect not to claim all or part of the available NID for a particular tax year.	Up to 80% of the taxable profits derived from assets financed by the new equity as calculated prior the deemed interest deduction
Capital (wear and tear) allowances on tangible and intangible fixed assets calculated on the cost of the assets	Predetermined rate based on the classes of the assets (see page 11)

Not tax-deductible expenses

TYPE OF EXPENSE	EXEMPTION LIMIT
Expense for private use of directors	100 %
Expense of a private motor vehicle irrespective of scope of usage	100 %
Expense incurred (interest and legal fees) for the acquisition of investments	100 %
Administrative expenses related to activities generating tax exempted income like trading in securities, holding of investments etc.	Pro Rata depending on the value of the asset generating the exempted income in relation to the total assets as reflected in the Balance Sheet
Payments of a voluntary nature	100 %
Fines and penalties	100 %
Mortgage fees	100 %
Unrealized and realized foreign exchange losses as from 1st of January 2015 are not tax deductible excluding realized foreign exchange losses deriving from trading in foreign currencies and related derivatives	100 %
Payment for immovable property tax	100 %

General provision of doubtful debts	100 %
Rent of owned premises	100 %
Taxes (including annual levy)	100 %
Expenses of a capital nature	100 %
Any expenses not made wholly and exclusively for the purpose of the trade	100 %
Any expenses which are not supported by invoices and relevant receipts	100 %
Losses generated from the use of the IP Tax regime are offset against gains from other sources or to be carried forward (only 20% is allowable)	80 %
Wages and salaries related to services offered within the tax year but for which the necessary contributions have not been paid to the Republic in the year in which they were due will not be treated as tax deductible In case the above contributions are paid in full within two years following the due date then such salaries will be treated as tax deductible in the tax year of payment	100 %
Depreciation and amortization on tangible and intangible fixed assets calculated as part of the accounting process	100%
Losses on disposal and fair value losses on investments	100%

Tax losses



The tax loss incurred during the year, which cannot be set off against other income, is carried forward to be utilized from the first available future taxable profits of the next five years.

In case there is any change in the ownership of the shares of a company and a substantial change in the nature of business of the company, within any three-year period from the year of the loss, then the loss cannot be carried forward to the following years.

Group Relief

Set-off of group losses are allowable only with profits of the corresponding fiscal year. Both Companies should be Cypriot tax resident Companies and should be members of the same group for the whole year of assessment. As from the 1st of January 2012, losses can be transferred between members of the group for Companies incorporated during the year as well.

Two companies are deemed to be members of the group if:

- One is by 75% subsidiary of the other; and
- Both companies are by 75% subsidiaries of a third company (direct and indirect control).

As from the 1st January 2015, the following amendments were incorporated in the law regarding group tax relief:

- Interposition of holding companies established in other EU Member State or in a State in which Cyprus
 has concluded a double taxation treaty or in a State which has signed the OECD multilateral convention
 for exchange of information will not affect the eligibility for group relief.
- A subsidiary company in other Member State can surrender its tax losses to another
 group member company tax resident in Cyprus provided that the subsidiary has
 exhausted all the means of surrendering or carrying forward the losses in its own
 member state of tax residency or to any intermediary holding company. In such a
 case tax losses are calculated in accordance to the Cyprus tax law.

A partnership or a sole trader converted to a limited liability company can transfer tax losses into the company for future utilization.

Losses from permanent establishment overseas can be set off
with profits of the Company in Cyprus. However, when profits
arise from such permanent establishment overseas, an amount
equal to the losses that have been utilized in the past against
profits arising in the Republic will be included in the taxable
income (called recapturing of losses).

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	(%)
A. PLANT AND MACHINERY	
Plant and Machinery	10
Fork lifts, excavators, loading vehicles, bulldozers and oil barrels	25
Furniture and fittings	10
Industrial carpets	10
Boreholes	10
Machinery and tools used in an agricultural business	15
B. MOTOR VEHICLES (EXCEPT SALOONS) AND MOTORCYCLES	
Motor vehicles (except saloons) and motorcycles	20
C. COMPUTER HARDWARE AND SOFTWARE	
Hardware and operating systems (1)	20
Application software Up to €1.709 Over €1.709	100 33 1/3
D. TRACTORS, EXCAVATORS, TRENCHES, CRANES, BULLDOZERS	
Tractors, excavators, trenches, cranes, bulldozers	25
E. BUILDINGS	
Commercial Buildings	3
Industrial, agricultural and hotel buildings (2)	4
Flats	3

Metallic greenhouse structures	10		
Wooden greenhouse structures	33 1/3		
F. BOATS AND AIRPLANES AND HELICOPTERS			
Sailing vessels	4.5		
Steamers, tugs and fishing boats	6		
Ship launching machinery	12.5		
FIXED ASSETS	(%)		
New cargo vessels	8		
New passenger vessels	6		
Motor yachts	6		
Used cargo/passenger vessels	Over their useful lives		
New airplanes and new helicopters	8		
H. OTHER			
H. OTHER Tools in general	33 1/3		
	33 1/3 50		
Tools in general			
Tools in general Videotapes property of video clubs	50		
Tools in general Videotapes property of video clubs Photovoltaic systems	50 10		
Tools in general Videotapes property of video clubs Photovoltaic systems Wind generators	50 10 10		
Tools in general Videotapes property of video clubs Photovoltaic systems Wind generators Armored cars (used by businesses which provide security services)	50 10 10 20		

NOTES:

- The capital allowance is granted in full in the year of acquisition but no capital allowance is entitled in the year of disposal.
- In the case of disposal of a fixed asset, balancing statement should be prepared (disposal proceeds less tax base amount of the asset). If balancing charge is calculated (i.e. disposal proceeds are higher than the tax base amount) then this is treated as disallowable expenditure. If balancing allowance is calculated (i.e. disposal proceeds are lower than the tax base amount) then this is a tax free income. The balancing charge is restricted to the total amount of capital allowances granted to the asset. On the other hand any accounting loss or profit on disposal of the fixed asset is adjusted in the tax computation.

Tax credit for foreign tax paid subject to unilateral tax relief

Any tax suffered abroad on income subject to income tax will be credited against any income tax payable on such income irrespective of the existence of a double taxation treaty. Reorganizations

Reorganisations

Transfer of assets and liabilities between Companies can, subject to conditions, exempt from taxation in the case of a qualified reorganisation and tax losses may be carried forward by the receiving Company.

Relevant application form and documentation should be submitted to the Tax department for approval.

REORGANISATIONS INCLUDE:

- Mergers
- Demergers
- Partial divisions
- Transfer of assets
- Exchange of shares
- Transfer of registered office of a European company (SE) or a European co-operative company (SCE) to income tax will be credited against any income tax payable on such income irrespective of the existence of a double taxation treaty.

INTERNATIONAL TAX MATTERS

Arm's length principle introduced in Cyprus

The Cyprus tax authorities introduced the arm's length basis on related party transactions (called controlled transactions) since 1st of January 2022. The basic features of the arm's length basis are as follows:

A. Related parties are considered, for tax purposes, the following cases:

- 1. If the same person or group of persons directly or indirectly holds 25% of the share capital (voting share capital) of the Companies' transacting together or has the right to at least 25% of both Companies' income (common ownership).
- 2. If a company holds directly or indirectly at least 25% of the share capital of other Company or has the right to at least 25% of the other Company's income.
- 3. Two or more persons are considered related if they act together (or take directions) to directly or indirectly hold 25% of the share capital of the Company.

B. There are three files to be prepared:

- 1. Master Transfer Pricing File: This is prepared if the ultimate Parent Company is in Cyprus and the annual consolidated turnover of the whole Group exceeds Eur 750 million.
- 2. Cyprus Local Transfer Pricing File: This is maintained if the value of related party transactions exceeds Eur 1.000.000 per year per category of transactions (trading in goods, provision of services, intellectual property related transactions and other types of inter-company transactions) and Eur 5.000.000 for financial transactions including capital and accrued interest).
- 3. Summary Information Table: This is submitted electronically together with the TD4 by all Companies involved in controlled transactions during the year exceeding the thresholds.

C. Please note that as from 1st of January 2022 and onwards, the simplification procedures of 2% after tax on loans receivable is terminated. This means that all loans receivable are governed by the arm's length basis and the Company should prove that the interest rates charged are on an arm's length basis.

This means that the Company should carry out a Transfer Pricing Study (TPS) based on the market conditions prevailing in order to satisfy the authorities that the interest rate charged is on an arm's length basis i.e. on the rate existing on the market. A TPS has two main features which include a functional analysis and comparability analysis.

D. Controlled transactions are the transactions conducted between related parties and should have comparable features and pricing with uncontrolled transactions i.e. transactions conducted between unrelated parties. Controlled transactions cover sale of goods, provision of services, financing arrangements within a group and interest rates charged, royalties charged on licensing intellectual properties, rental income on leasing immovable and movable properties and any other commercial transactions.

E. Safe Harbor Rules:

The tax department introduced optional simplification measures for certain types of controlled transactions which fall outside the scope of local file documentation. These simplification measures apply for controlled transactions not exceeding the thresholds in aggregate per category per tax year. Also, simplification measures cannot be applied if reliable internal comparables (i.e. comparable transactions with unrelated parties) can be used to determine the arm's length price of the controlled transactions.

Safe Harbor Rates:

- 1. Loans receivable or cash advances receivable from related parties which are funded out of financial means: Minimum return of 2,5% after the deduction of allowable expenses.
- 2. Loans receivable or cash advance receivable from related parties which are funded out of own capital/equity: Minimum return should be equal to the yield rate of 10 years government bond as at 31 December of the prior tax year of the country in which the borrower operates increased by 3,5%.
- 3. Loans payable to related parties to the extend that the funds obtained are used in the business: The cost of debt must not exceed the yield rate of the 10 years government bond in Cyprus as at 31 December of the prior tax year increased by 1,5%.
- 4. Low value adding services: 5% mark up on the relevant costs.
- F. Quality Review: A quality review of the TPS should be conducted by a person holding Practicing Certificate from the Institute of Certified Public Accountants in Cyprus (ICPAC) or another approved by the Council of Ministers body of certified auditors in Cyprus.
- G. The updated transfer pricing rules apply with retrospective effect since 01/01/2022. The deadline for submission of the above files is by 30th of November 2024 together with the TD4. The tax department announced extension for the year 2022.

Advanced Pricing Agreements (APAs)

The Cyprus tax residents and non-Cyprus tax residents having a permanent establishment in Cyprus are allowed to submit to the tax department a request for Advanced Pricing Agreements in relation to controlled transactions of a cross border nature or domestic nature.

APA is an agreement between the taxpayer and one or more tax authorities which allow the interest parties to agree in advance the price to be charged and the methodology on controlled transactions for a specific thus it provides certainty to the taxpayer that the transfer pricing will not be challenged by the authorities. The APAs are accepted or rejected within a timeframe of maximum 10 months following submission and are valid for a period of up to four years.

APAs can be in the form of:

- Unilateral: Agreement only with tax resident state.
- Bilateral: Agreement with the other state in which the cross border controlled transactions will take place provided that there is a Double Taxation Treaty with the other state.
- Multilateral: Involving several states affected by the cross border transactions.

Country-by-Country Reporting (CbC)

The CbC report is a financial report which covers the whole results of a Multinational Group (MNE Group) and is prepared and submitted to the Tax Department if the annual consolidated group revenue exceeds €750 million in the relevant tax year as reflected in its Consolidated Financial Statements. The report should be submitted by 31st of December of the following tax year.

The CbC report is submitted by:

- The Ultimate Parent Entity (UPE) of an MNE Group which is a tax resident in Cyprus or
- The Surrogate Parent Entity (SPE), which is tax resident in Cyprus, of an MNE Group and appointed by the MNE Group as the reporting entity for CbC reporting purposes i.e. intermediary parent company established in Cyprus.

For the tax year 2022, the CbC report should be submitted by 31st of December 2023.

Notification requirement: An annual notification should be submitted to the Tax Department by the last day of the fiscal year to which the CbC report relates to by:

- The Cypriot tax resident UPE confirming that is the CbC reporting entity of the Group.
- The Cypriot tax resident SPE confirming that is the CbC reporting entity of the Group and provides the identity and tax residency of the Group's UPE.
- Cypriot tax resident Constituent Entities of the group (i.e. subsidiaries) confirming the identity and jurisdiction of tax residency of the reporting entity of the Group.

The notification is carried out through the Governmental Gateway Portal called Ariadne and is one-off process to be done separately for each entity.

Secondary / Local filing and Equivalent filing: Constituent Entities being tax residents in Cyprus which are neither UPE or SPE of an MNE Group should consider their secondary / local filing obligations in Cyprus for years starting after 1srt of January 2017.

An equivalent filing is submitted by the constituent entity being tax resident in Cyprus in case the UPE failed to submit the CbC reporting on its own tax resident state and provides all the necessary available information.

Penalties: Failure to comply with the CbC reporting requirements may lead to substantial penalties to be imposed including €10.000 to UPE or SPE tax resident in Cyprus for failing to submit the CbC reporting, €5.000 for constituent entities of MNEs tax resident in Cyprus which fail to submit the notification, €1.500 for failing to maintain proper books and records and €500 for failing to provide information or access to records by the Tax Department.

Directive for Administrative Co-Operation (DAC6)

The Directive for Administrative Co-Operation in the field of Taxation (DAC6) relating to mandatory automatic exchange of information for reportable cross border arrangements is an EU Directive which was transposed into domestic legislation on 31 March 2021 with effect as of 1st of January 2021 and onwards. However, it has retrospective effect on reportable cross border arrangements concluded on or after 25 June 2018.

Reportable cross border arrangements are those that they trigger at least one of the hallmarks as specified in the law. Hallmarks split between those for which the main benefit test (MBT) is satisfied (first two of the below hallmarks) and those which by themselves will give rise to a reporting obligation without the need of satisfying the MBT (next three of the below hallmarks). There are in total five hallmarks as specified below:

- Generic hallmarks linked to the main benefit test.
- Specific hallmarks linked to the main benefit test.
- Specific hallmarks linked to cross border transactions.
- Specific hallmarks concerning automatic exchange of information and beneficial ownership.
- Specific hallmarks concerning transfer pricing.

In general those hallmarks which linked to the main benefit test is for tax avoidance and tax planning schemes and for transactions conducted without commercial rational but for tax advantage (reduction of tax liabilities). The rest three hallmarks which do not link to the MBT cover aggressive tax planning, arrangements that hinder transparency and reporting and arrangements that are not on arm's length basis or contain uncertain pricing or base eroding transfers.

Disclosure requirements: The law provides that intermediaries (accountants, auditors, tax consultants, corporate service providers who are licensed to provide financial services) or the taxpayers if there is no intermediary should submit information regarding reportable cross border arrangements to the Tax Department. The lawyers are excluded from disclosing information provided the information falls within the scope of legal professional privilege. The intermediaries or taxpayers who are responsible to disclose the information should register in the Government Portal of Ariadne and submit information on the reportable cross border arrangements by uploading an XML format file.

The reportable cross border arrangements should be disclosed within 30 days after satisfying the hallmark triggering event. Failing to submit the information will lead to one-off penalties starting from Eur 1.000 up to Eur 20.000 depending on the type of offence.

Global Minimum Tax (Pillar Two)

With effect from 1st of January 2024 and onwards, Cyprus is expected to adopt the EU Directive on the global minimum tax rate on multinational enterprise groups and large-scale domestic groups and transposed the rules into domestic law.

The minimum tax rate of 15% will apply to MNEs and large-scale domestic rules with consolidated annual revenues of Eur 750mln in at least two of the four Fiscal Years immediately preceding the tested Fiscal Year.

The Directive also includes an option for the Member States to introduce their own domestic minimum top-up tax based on the Pillar Two mechanics in order to preserve their primary right of taxation over its own income. Cyprus is expected to introduce a domestic minimum top-up tax rate.



SPECIAL MODES OF TAXATION

SHIPPING COMPANIES

The new Merchant Shipping Legislation fully approved by the EU and in force as from 1 January 2010 (approval extended until 31 December 2029) provides for exemption from all direct taxes and taxation under tonnage tax regime of qualifying ship owners, charterers and ship managers, from the operation of qualifying EU/EEA (European Economic Area) ships (and foreign ships under conditions) in qualifying activities.

The legislation allows non EU/EEA vessels to enter the tonnage tax regime provided the fleet is composed by at least 60% EU/EEA vessels. If this requirement is not met, then non EU/EEA 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.

SHIPOWNERS

The exemption applies to:

- Profits derived from the use of the ships
- Interest income related to the corking 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 ship owning Companies.
- The exemption also applies to the bare boat charterer of a vessel flying the Cyprus flag under parallel registration.

Special Modes of Taxation

CHARTERERS

Exemption is given to:

- Profits derived from the operation of chartered ships
- Interest income related 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 EU/EEA citizens
- At least 2/3 of total tonnage under management must be managed within the EU/EEA (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.

SPECIAL MODES OF TAXATION

INSURANCE COMPANIES

Profits of insurance companies are liable to corporation tax similar to all other Companies, except in the case where the corporation tax payable on taxable profit of life insurance business is less than 1,5% of the gross premiums. In this case the difference is paid as additional corporation tax.

INTELLECTUAL PROPERTY RIGHTS

Royalties income received by a non-resident person in the Republic and this income is arising from intellectual property rights exploited in the Republic is subject to withholding tax at the rate of 10%.

Royalties received by a connected company registered in a European Union Member State are exempt from taxation.

Rights granted for use outside the Republic are not subject to any withholding tax.

FILM ROYALTIES

Royalties income received by a non-resident person in the Republic and this income is arising from film projection in the Republic is subject to withholding tax at a rate of 5%.

Royalties received by a connected company registered in a European Union Member State are exempt from taxation.

Rights granted for use outside the Republic are not subject to any withholding tax.

SPECIAL MODES OF TAXATION

PROFITS OF PROFESSIONALS, ENTERTAINERS ETC.

The gross income derived by an individual not resident in the Republic from the exercise in the Republic of any profession or vocation, the remuneration of public entertainers not resident in the Republic, and the gross receipts of any theatrical or musical or other group of public entertainers, including football clubs and other athletic missions from abroad, derived from performances in the Republic is subject to a 10% withholding tax.

INTEREST AND ADDITIONAL PENALTY OF 5% FOR LATE PAYMENT OF TAX WITHHELD

Tax withheld on payments to non-Cypriot residents in relation to the below categories of income, should be paid to the Inland Revenue department by the end of the following month. In case the tax is not paid within the deadline, an additional penalty of 5% will be imposed on the tax withheld in addition to any interest that may be imposed.

- Copyrights for use within Cyprus
- Rights for cinematographic films
- Income of an individual for professional services, artists and athletes fees

PROFITS FROM INTELLECTUAL PROPERTY (IP)

Previous IP Box Tax Regime: The previous IP Tax Regime was applicable until 30 June 2016 and was covering IPs bought or acquired by the taxpayer. This tax regime was providing for 80% deemed deduction in the net profit generated from exploitation and/or disposal of the IP. The previous IP Tax regime was also providing 20% capital allowance on the cost of the IP which was deductible from the profits. The previous IP Tax Regime still applies until 30 June 2021 with respect to those IPs which qualified for this regime.

New IP Tax Regime:

The new IP Tax Regime applies from the 1st July 2016 and onwards. It basically rewards the taxpayers who substantially developed the IP internally through real expenditure undertaken by them (called qualifying expenditure).

The qualifying expenditure constitutes research and development costs, wages and salaries, direct expenses like amortisation and outsourcing costs to unrelated parties, general expenses related to installations used for research and expenditure, supplies e.t.c.

Non-qualifying expenditure includes cost for acquisition of the IP, interest paid or accrued, amounts paid directly or indirectly for research and development expenses to related parties and costs which cannot be linked to the specific IP.

The 80% deemed deduction is granted but only to the qualifying profits which are calculated in accordance to the following formulae:

[(Qualifying expenditure + Uplift expenditure) / Overall expenditure] * Overall IP income.

Overall income has the meaning of gross income arising from the qualifying IP minus any direct expenses for generating such income (gross profit from IP). Uplift expenditure is the lower of:

- 1. A rate of **30%** calculated additionally on the qualifying expenditure.
- 2. The total amount of the cost of acquisition and outsourcing to related parties for research and development in relation to the qualifying IP.

Qualifying IPs include patents, computer software and other IPs that are legally protected like drug designations, IPs which are used for the protection of plants and genetic material and utility models. IPs which are used for marketing purposes like trademarks, business names, brands, image rights are not qualifying as intangible assets.

The IPs are amortised over their useful economic life in accordance with accepted accounting principles with a maximum period of 20 years.

Controlled Foreign Companies and Thin Capitalisation Rules

As from the 1st of January 2019, Cyprus introduced Controlled Foreign Company (CFC) rules which means that non-distributable profits of CFCs directly or indirectly controlled by a Cyprus tax resident Company, will be added to the taxable profits of the controlling company in Cyprus and thus subject to tax.

Any foreign tax paid on the profits of the CFC will be credited against the Cyprus tax liabilities. In addition, Cyprus introduced thin capitalisation rules since the 1st of January 2019 restricting deductibility of interest expense. Any interest or other borrowing costs exceeding 30% of EBITDA (earnings before interest, taxation, depreciation and amortisation) will be treated as non-tax deductible expense. By derogation of the above rule, the interest expense is deducted up to the amount of Eur 3.000.000 per fiscal year per Company or Cypriot Group as the case may be. Other exceptions may also apply.

Exit taxation

In the case, when a taxpayer moves assets from head office to permanent establishment or vice versa or its tax residence out of the Republic, the taxpayer will be subject to tax on an amount equal to the market value of the transferred assets, at the time of the exit, less their value for tax purposes.

Hybrid mismatches

Rules on hybrid mismatches may apply to deny a deduction or tax an income in the Republic, to the extend hybrid mismatches result in double deduction or deduction without inclusion or no taxation without inclusion. Both exit taxation and hybrid mismatches rules apply from the 1st of January 2020.

Non-Profit Organisations

A non-profit organization is a group organized for purposes other than generating profit and in which no part of the organization's income is distributed to its members, directors, or officers. Non-profit organizations focus on larger, more organized activities in the social, political, environmental, or economic spectrum. The organizations may also be formed to promote religious, cultural, or educational objectives.

Non-profit organisations are not exempt from taxation and they are obliged to submit tax declaration unless they are approved by the Ministry of Finance. However, even if they received the approval, any other income not associated to their purpose of establishment e.g. rental income, this income is subject to corporation tax and special defence contribution (if applicable).

SPECIAL CONTRIBUTION FOR DEFENCE

Special contribution for defence is imposed on dividends, passive interest and rental income earned by Cyprus tax resident company and by individual being both tax resident and domiciled in Cyprus. Non-tax residents are exempt from special contribution for defence. It is charged at the rates shown in the table below.

	INDIVIDUALS (%) (1)	LEGAL ENTITIES (%)
Dividend income from Cyprus resident Companies	17	Nil(2)
Dividend income from non-Cyprus resident Companies	17	Nil(3)
Interest income arising from the ordinary activities or closely related to the ordinary activities of the business (Active income)	Nil	Nil
Other interest (Passive income)	17	17
Interest from saving certificates, development bonds and deposits with the Housing Finance Corporation	3	3
Interest earned by an approved provident fund	3	3
Rental income minus 25%	3	3

- 1. The domiciled status for individual was voted by the Parliament and applies from the 16 July 2015. An individual is subject to special defence contribution if he/she is both tax resident and domiciled in Cyprus. An individual is domiciled in Cyprus if he/she has a domicile of origin in Cyprus or if he/she was Cyprus tax resident for at least 17 years out of the last 20 years prior the relevant tax year.
- 2. Dividends declared by a Cyprus Company to another Cyprus Company after the lapse of four years from the end of the year in which the profits were generated are subject to 17% defence contribution. Dividends paid directly or indirectly out of such dividends on which special contribution was previously suffered are exempt.
- **3.** Dividend income from abroad is not subject to defence contribution if:
- more than **50**% of the income of the company paying the dividends derives directly or indirectly from trading activities or
- the foreign tax burden on the income of the dividend paying Company is not significantly lower than the tax burden of the Cyprus tax resident Company.

Significantly lower means less than 50% of the corporation tax rate of 12,5%.

If one of the two criteria is satisfied then the dividend income exempts from special defence contribution. If both criteria are not satisfied then the dividend income is subject to defence contribution at the rate of 17%. Also, if the dividend income was treated as tax deductible in the hands of the paying company then it will be subject to corporation tax in Cyprus, not special defence contribution (hybrid instrument).

4. As from 31st of December 2022, Cyprus introduced withholding tax upon payment of dividends, interest and royalties to companies resident in non-co-operative jurisdictions as listed by the EU. The withholding tax rates to be imposed are 17% on dividends, 17% on interest and 10% on royalties.

Refund

An individual, whose annual income (including interest), does not exceed the amount of €12.000 and who receives interest which has been subject to 30% special defence contribution has the right to a refund of the amount of defence contribution suffered in excess of 3%.

Payments

RENTAL INCOME:

When the tenant is a company, partnership, the state or local government, the special defence contribution is withheld at source and should be paid in 6 months interval on 30 June and 31 December. In all other cases, the special defence contribution on the rental income is payable by the landlord in 6 month intervals on the 30th of June and the 31st of December each year

INTEREST AND DIVIDENDS:

The special defence contribution on interest and dividends paid to Cyprus tax residents is withheld at source and is payable by the end of the following month. Special defence contribution on dividends, interest and rental income arising to a Cyprus tax resident from abroad is payable in 6 month intervals on the 30th of June and the 31st of December each year.

RENTAL INCOME FROM SHORT TERM AGREEMENTS:

The tax department issued circular on 13 September 2023 clarifying the tax treatment on short term rent agreements and rental income earned from platforms like Airbnb and Booking. In case the relevant immovable subject to short term rental income is registered to the relevant registry maintained by the Ministry of Tourism, then the landlord is considered earning revenue/profit in the course of business which is subject to income tax and exempted from special defence contribution. The landlord may be obliged to register for VAT purposes if the threshold is exceeded and charges 9% VAT.

Deemed dividend distribution

If a Cyprus resident Company does not distribute a dividend within two years from the end of the tax year then:

- 70% of its accounting profits after taxation* (after some adjustments which include cost for acquisition of plant and machinery and motor vehicles, except salon car, acquired during the tax years 2012 2014 which reduce the accounting profits) are deemed to have been distributed as dividends.
- 17% special contribution for defence is imposed on deemed dividend distribution applicable to shareholders who are residents of Cyprus (companies tax residents and individuals being both tax residents and domiciled, 3% on deemed dividend distribution of Collective Investment Schemes).
- Deemed distribution is reduced with payments of actual dividends that have already been paid during the relevant year and during the following two years from the profits of the relevant year.

When an actual dividend is paid after the deemed dividend distribution, then defence tax is imposed only on the additional dividend paid exceeding the **70%** deemed or actual dividend distribution.

In case of two tier structures of Cyprus companies (parent with subsidiary) owned **100**% by non-resident shareholders, defence contribution should not be paid by the subsidiary on deemed distribution. This Income Tax department published a circular clarifying this. In cases where the subsidiary is not ultimately held **100**% by non-Cyprus tax resident and domiciled shareholders, any defence contribution paid by the subsidiary on deemed dividend distribution is refundable to any non-resident shareholders upon receipt of an actual dividend.

The term taxation includes corporation tax, special defence contribution tax, Capital Gains tax and any tax paid abroad which has not been credited against tax payable for the relevant year.

Deemed distribution does not apply to the shareholders who are not Cyprus residents or they are Cyprus tax residents but non-domiciled.

Disposal of assets to shareholder at less than market value

In the case where a Company disposes an asset to its shareholder (individual) or to his or her relative of up to second degree relationship or his or her spouse, without consideration or for consideration which is below the market value of the asset disposed, it is deemed that the Company has distributed dividends to its shareholder, equal to the difference between the market value of the asset and the amount of the consideration.

The above will not apply in case the asset was received by the Company by way of gift from its shareholder (individual) or from his or her relative of up to second-degree relationship or from his or her spouse.

Dissolution of companies

The total profits of the last five years prior the dissolution not yet distributed as dividends are deemed to be distributed in the dissolution and will be subject to Special Defence Contribution at the rate of 17% applicable to shareholders (3% for Collective Investment Schemes).

Companies that are under voluntary dissolution or liquidation are obliged to submit within one month from the date of approval of the resolution, a deemed dividend declaration and pay any special defence contribution in relation to the profits of the specific tax year and the two preceding years.

Any accounting profits arising during the dissolution or liquidation will not be subject to a deemed dividend distribution if the assets of the Company are not sufficient for the repayment of its creditors and no amount is available to be distributed to the shareholders.

These provisions do not apply in the case of dissolution under reorganization, in accordance with certain pre-requisites set out in regulations and where the shareholders are nonresidents in the Republic.

Reduction of capital

In the case of a reduction of capital of a Company, any amounts paid to the shareholder individuals in excess of the amount of the share capital that was actually paid by the shareholder will be treated as deemed dividend.

The buy back or redemption of units or other ownership interests in an open-ended or closedended collective investment scheme is not considered a capital reduction and is not subject to special defence contribution tax.

These provisions do not apply where the shareholders are non-residents in the Republic.

Tax credit for foreign tax paid subject to unilateral tax relief

Any tax suffered abroad on income, which is subject to special defence contribution, will be credited against any defence contribution payable on such income irrespective of the existence of a double taxation treaty.

CAPITAL GAINS TAX

Capital gains tax is imposed on gains from the disposal of immovable property situated in Cyprus including gains from the disposal of shares in companies, which own immovable property situated in the Republic and such shares are not listed in any stock market. In addition, as from the 17th of December 2015, gains from disposal of shares in Companies which indirectly own immovable property situated in Cyprus and at least 50% of the market value of the shares disposed derive from the immovable property are subject to capital gains tax.

Tax rate and determination of profit

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

The net profit is calculated as the disposal proceeds, less the market value on the 1st of January 1980 or the cost if the date of acquisition is later, less the cost of any improvements after the 1st of January 1980 adjusted for inflation less any expenditure incurred for the production of the gain e.g. legal expenses, transfer fees, agency fees etc. Inflation is calculated using the official Retail Price Index.

Exemptions

The following disposals of immovable property are not subject to Capital Gains Tax:

- Land and/or buildings acquired from unrelated parties during the period from the 16 of July 2015 to the 31 of December 2016 will exempt from capital gains tax upon future disposal.
- Transfer arising on death.
- Gift made from parent to child or between husband and wife or between up to third degree relatives.
- Gift 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 date of the transfer.
- Gift 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 3 years.
- Gift to charities and Government.
- Transfer as a result of reorganization.
- Exchange or disposal of immovable property under the Agricultural Land (Consolidation) Laws.
- Gain on disposal of shares, which are listed on any Stock Exchange.
- Expropriations.
- Exchange of properties, provided that the whole of the gain made on the exchange has been used to acquire the other property. The gain that is not taxable is deducted from the cost of the new property i.e. the payment is deferred until the disposal of the new property.
- Donations to political party.

Lifetime exemptions for individuals

Individuals can deduct from the capital gain the following:

	€
Disposal of principal private residence	85.430
Disposal of agricultural land by a farmer	25.629
Disposal of agricuactivities of the business (Active income)	17.086

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

Administrative Penalties

Administrative penalty of €100 or €200 will be imposed depending on circumstances if the declaration for the disposal is submitted late or late submission of supporting documentation requested by the Tax Commissioner. In the case the outstanding tax is not paid on due date then a penalty of 5% is imposed on the unpaid tax.

Example of Capital Gains Tax for Individual disposing private principal residence for the first time

	€	€	€
Disposal proceeds (month of disposal 01/2024)	600.000		
Cost of acquisition (month of acquisition 01/1991)	200.000		
Incidental costs of acquisition and disposal (1)	25.000		
Disposal proceeds			600.000
Less: Cost of acquisition		200.000	
Less: Indexation Allowance (2) [(200.000 * 254,24/119,43) – 200.000]		<u>225.756</u>	<u>425.756</u>

		174.244
Less: Incidental costs of acquisition and disposal		<u>25.000</u>
Chargeable Gains		149.244
Less: Lifetime exemption		<u>85.430</u>
Taxable Gains		63.814
Capital Gains Tax (63.814 * 20%)		<u>12,762,80</u>

- 1. Incidental costs of acquisition and disposal may include planning permission fees, architect fees, water installation fees, land transfer fees, legal fees, advertising fees, commissions to registered estate agents, interest on loans used to finance the immovable property and professional fees (these expenses are allowable for the purposes of capital gains tax provided they were not claimed under the income tax law). Expenses that are not deductible for capital gains tax purposes include immovable property tax, immovable property fees and sewerage council fees.
- 2. The indexation allowance is calculated in relation to the Retail Price Index (RPI) published by the government. It is computed as follows: [(Base cost * RPI of the month preceding the month of disposal / RPI on the month of acquisition) Base Cost]. The indexation allowance is also granted to the capital expenditure for improvements incurred for the relevant immovable property.

LEVY ON CYPRUS PROPERTY DISPOSALS

As from 22 February 2021, a levy at the rate of 0,4% applies on all disposals of immovable property situated in Cyprus and they are kept for both trading nature or capital nature.

As from 18 November 2022, the levy applies on all disposals of immovable properties as well as on disposal of shares of a Company owning directly or indirectly immovable property situated in Cyprus.

In cases involving a direct disposal of immovable property, the levy is imposed on the disposal consideration whereas in cases involving a disposal of shares of a Company, the levy is imposed on the general valuation undertaken by the Department of Land & Surveys.

The obligation for payment of the levy lies with the seller.

Disposals, either directly or indirectly, involving immovable properties are exempted in the event of debt for asset swaps, qualifying reorganisations and shares listed on a recognized stock exchange.

PERSONAL INCOME TAX

TAXATION

All Cyprus tax residents are taxed on all income accrued or derived from all sources in Cyprus and abroad. Non-tax resident individuals are taxed on income accrued or derived from sources in Cyprus only provided that they are physically present in Cyprus when offering their services.

CYPRUS TAX RESIDENTS

An individual is considered to be tax resident in Cyprus if (s)he stays in Cyprus more than 183 days in the year of assessment.

Tax residents are taxable on the following income:

- Income from business in Cyprus and outside Cyprus.
- Income from any office or employment.
- Dividends and interest.
- Rents and royalties in Cyprus and abroad.
- Pensions and annuities in Cyprus.
- Widow(er)'s pension.

As from the 1st of January 2017, an individual can be tax resident of Cyprus if he/she satisfies the "60 days rule" within a tax year. The "60 days rule" applies to individual who cumulatively satisfies the below conditions:

- Spends at least 60 days in Cyprus.
- Does not spend more than 183 days in any other country.
- Is not tax resident in any other country.
- Maintains permanent home in Cyprus which is either rented or owned.
- Carries out business in Cyprus or is employed in Cyprus or is a director in a Cyprus tax resident Company at any time in the relevant tax year, provided that it is not terminated during the tax year.

The above conditions should be supported with adequate documentation such as property title or lease contract, employment contract valid until the 31st of December, passport with stamps of entry and exit from Cyprus, utility bill, boarding passes and/or electronic tickets etc. The individual claiming tax residency through the "60 days rule" could also be considered as non-domiciled in Cyprus and thus exempts from Special Defence Contribution.

Non-tax residents

The non-tax residents are taxable on the following income:

- Income from a permanent establishment situated in Cyprus.
- Income from any office or employment exercised in Cyprus.
- Pensions derived from past employment exercised in Cyprus.
- Rent from property situated in Cyprus.
- Any amount or consideration in respect of any trade goodwill reduced by any amount incurred for the purchase
- of such trade goodwill.
- The gross income derived by an individual from the exercise in Cyprus of any profession or vocation the remuneration of public entertainers and the gross receipts of any theatrical, musical or other group of public entertainers.

CHARGEABLE INCOME (€)	CHARGEABLE INCOME (%)	AMOUNT OF 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%**. An annual exemption of **€3.420** is granted. The taxpayer receiving foreign pension, however, can elect to be taxed on an annual basis under the normal tax rates and bands stated above where in such a case the foreign pension is added to the other taxable income received by the taxpayer.

The widow(er)'s pension is taxed at the flat rate of 20% on amounts exceeding €19.500. The taxpayer, however, can elect on an annual basis to be taxed at the normal rates and bands stated above where in such a case the widow's pension is added to the other taxable income received by the taxpayer.

TAX CREDIT FOR FOREIGN TAX PAID SUBJECT TO UNILATERAL TAX RELIEF

Any tax suffered abroad on income subject to income tax will be credited against any income tax payable on such income irrespective of the existence of a double taxation treaty.

Exemptions

TYPE OF INCOME	EXEMPTION LIMIT
Income from interest, unless falls within the ordinary activities is not exempted	100%
Income from dividends	100%
*Profits from the sale of securities	100%
Lump sum payment on retirement, computation of pension or compensation for death or injury	100%
Capital sums from life insurance or approved provident funds	100%
Profits of a permanent establishment abroad under certain conditions	100%
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%
Article 8 (21A): Remuneration from first employment exercised in Cyprus after 26 July 2022 by an individual who was not resident of Cyprus before commencement of his employment for a period of 3 years. The exemption starts from the 1st of January following the year of commencement of the employment and this exemption can be claimed for a period of 7 years. This exemption cannot be claimed in addition to the Article 8 (23A) stated below. The Article 8 (21A) replaces the Article 8 (21) which still apply for those benefiting under the Article 8 (21) until completion of 5 years.	20% or €8.550 (lower of)
Article 8 (23A): Remuneration from first employment exercised in Cyprus since 1 st of January 2022 by an individual who was not resident of Cyprus before commencement of his employment for a period of at least 15 consecutive years, if the individual is receiving remuneration of more than €55.000. The exemption is applicable for a period of 17 years starting from the first year of employment. The Article 8 (23A) replaces the Article 8 (23) under which the individual was entitled to 50% exemption if the remuneration was above €100.000. Under certain conditions the individual benefiting from the Article 8 (23) maybe eligible to claim the Article 8 (23A) otherwise they will continue claiming the Article 8 (23) until the 10 years are completed.	50% of income
Income from scholarship or other educational endowment	100%
Rent of preserved building under certain conditions	100%

^{*} Securities are defined as shares, bonds, debentures, founders' shares and other securities of companies or other legal persons, incorporated in Cyprus or abroad and options thereon. A circular was issued by the Income Tax office in 2008 clarifying the types of titles which fall in the term of Securities. According to the circular, the term includes as well options on securities, short positions on securities, futures/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-linked securities, repurchase agreements or Repos on securities, participations in companies, such as the Russian OOO etc. In case where it is not clear whether a title falls within the definition of securities, a request for a ruling may be submitted to the Commissioner of Income Tax.

Tax Deductions from Income

	DEDUCTION LIMIT
Contributions to trade unions or professional bodies (including professional books)	100 %
Rental income	20% of the rents
Interest paid in respect of rented buildings	100%
Loss of current year and previous years (restricted to 5 years)	100%
Donations to approved charities (with receipts)	100%
Expenditure incurred for the maintenance of a building in respect of which there is in force a preservation order	Up to €700, €1.100 or €1.200 per square meter (depending on the size of the building)
Social insurance, contributions to the National Health Plan (note 2), private medical fund insurance contributions (restricted to 1,5% of remuneration), pension and provident fund contributions (restricted to 10% of remuneration), life insurance premiums (restricted to 7% of the insured amount)	Up to 1/5 of the chargeable income
Investment in approved innovative small and medium sized enterprise either directly or indirectly as from the 1st of January 2017	Up to 50% of the taxable income as calculated prior to this deduction with a maximum deduction of €150.000
In the case of cancellation of a life insurance policy within 6 years from the day its issue, a percentage of the premiums, which were previously allowed, is taxable Cancellation within 3 years Cancellation from 4 to 6 years	30 % 20 %
Capital allowance on the cost of rented building provided that it is not exhausted	3 %

Example of Personal Tax Computation for the year 2024

	€	€	€
Salary (Eur 6.500 per month)	78.000		
Rental Income	9.000		
Interest receivable	500		
Cost of property under rent agreement	100.000		
Interest on loan of rented property	1.400		
Dividends receivable	600		
Social Insurance contribution (note 1)	4.985		
Life Insurance premiums	10.800		
Insured amount	120.000		
Donations to approved charities	300		
National Health Plan (note 2)	2.335		
Professional subscriptions	400		
Provident fund contributions	7.000		
TAX COMPUTATION			
Salary		78.000	
Rental Income		9.000	
Dividends receivable (exempt)		-	
Interest receivable (exempt)		-	
TOTAL INCOME			87.000
Deductions:			
Professional subscriptions		400	
Donations		300	
Capital allowance on property (€100.000*3%)		3.000	
Interest on loan of rented property		1.400	
20% of rental income		<u>1.800</u>	<u>6.900</u>
NET TOTAL INCOME			80.100

	€	€	€
Life insurance premium (restricted to 7% of the insured amount €120.000*7%=€8.400), provident fund (restricted to 10% of remuneration € 7.000 < 10% of € 78.000, social insurance contributions and national health plan restricted all to 1/5 of the net total income (7.000+5.532+8.400+2.335)= € 23.267 restricted to 1/5 of € 81.200*)			<u>16.240</u>
Chargeable Income			<u>63.860</u>
<u>Tax Payable</u>			
- First €19.500	0%	0	
- Next €8.500	20%	1.700	
- Next €8.300	25%	2.075	
- Next €23.700	30%	7.110	
- Rest €3.860	35%	<u>1.351</u>	
INCOME TAX PAYABLE			<u>12.236,00</u>
SPECIAL CONTRIBUTION FOR DEFENCE			
Dividends receivable €600 * 17%			102,00
Interest receivable €500 * 17%			85,00
Rental income €9.000 – 25% = €6.750 * 3%			<u>202,50</u>
Special defence contribution payable			<u>389,50</u>
Social Insurance deduction			<u>5.532,38</u>
National Health Plan			2.334,65
Total tax payable			20.492,53

^{*} Net total income is equal to total income including dividends and interest less deductions.

The above individual is both tax resident and domiciled in Cyprus.

- 1. The social insurance is calculated at the rate of **8,8%** on the upper limit of €62.868 gross earnings.
- 2. The national health plan started since the 1st of March 2019 and is imposed on the gross earnings of the employee at the rate of 2,65% (€78,000 + €9,000 + €500 + €600 = €88,100 x 2,65% = €2,334.65)



Loans or other financial assistance provided to company's directors or individual shareholder

Any amount of funds granted as loan or other financial assistance to the directors or shareholders or his/her spouse or to any relative up to a second-degree level is considered to be benefit in kind for the recipient at the rate of 9% per annum.

This interest (benefit) is included in the annual income of the recipient and subject to taxation in accordance with the applicable tax rates.

It is also subject to PAYE on a monthly basis and the relevant tax is withheld from the employee and paid to Inland Revenue.

MAINTENANCE OF ACCOUNTING BOOKS AND RECORDS

Every person (individual, Company or partnership) generating income from commercial or industrial business, profession or vocation, or any other occupation and from property (such as leasing or rental) must:

• Issue receipts and invoices in relation to the transactions and receipts, as specified by Regulations issued by the Council of Ministers and published in the Cyprus Gazette.

The invoices should be issued within 30 days from the date of the transaction unless a written approval has been obtained by the Commissioner for the purpose of issuing the invoices at a later stage. In the case the invoices are not issued within the prescribed deadline, a **penalty of €100** per month will be imposed.

In case of a business, which maintains inventory, it should carry out a stock take and the documents for such a stock take should be made available to the Commissioner upon request.

• Maintain accounting books and records and prepare Financial Statements in accordance with acceptable accounting standards that are audited in accordance with acceptable auditing standards, by a person who is eligible to act as an auditor of a Company in accordance with the Companies Law.

A person is obliged to update books and records within 4 months from the date of the transactions.

In the case where books and records are not updated within the prescribed deadline, a penalty of €100 will be imposed per quarter.

A self-employed is exempt from the obligation to maintain accounting books and records in the case his/her gross annual turnover does not exceed the amount of €70.000.

- A Cyprus partnership is treated as transparent for tax purposes. However, it still has obligation to maintain proper accounting books and records and to prepare audited Financial Statements under which the profit of the year is allocated to the partners in accordance with their agreed Profit Sharing Ratio (PSR). Each partner will declare in his/her tax declarations the profit obtained from the partnership and should attach in his/her personal tax declaration copy of the audited Financial Statements. Due date for submission of the tax declaration of a partner is 31st of July of the following fiscal year.
- As of 1st of January 2023 and onwards, enterprises that satisfy certain thresholds are allowed to submit their financial statements to a limited assurance review as opposed to a full audit. These are the Companies having net turnover not exceeding Eur 200.000 and total balance sheet not exceeding Eur 500.000 respectively for at least two consecutive years. Also, self-employed having revenue more than Eur 70.000 but not exceeding Eur 200.000 and whose balance sheet does not exceed Eur 500.000 for at least two consecutive years maybe subject to limited assurance.

Accounting books and records should be kept for a period of at least six years.

SOCIAL INSURANCE FUND & NATIONAL HEALTH PLAN (NHP)

SOCIAL INSURANCE FUND

CONTRIBUTION RATES FOR SOCIAL INSURANCE:

Self-employed individuals	16,6%(1)
Employee	8,8%*(1)
Employer	8,8%*(1)
Employer's contribution to the Redundancy Fund	1,2%*
Employer's contribution to the Industrial Training Fund	0,5%*
Employer's contribution to the Social Cohesion Fund (It is imposed on the total salary with no upper limit)	2,0%
Employer's contribution to the Holiday Fund (if it is not exempt)	8,0%*
* Restricted to the maximum level of emoluments as per the list below	

1. The social insurance rates of **8,8%** for both employee and employer will continue increasing every five years by **0,5%** each until they reach **10,3%** as from the 1st of January 2039. The social insurance rate of self-employed individuals will continue increasing every five years by **1%** until it reaches **19,6%** as from the 1st of January 2039.

Maximum limit of emoluments

The maximum level of annual income in which social insurance contributions are paid on is as follows:

	Per week (€)	Per month (€)	Per year (€)
Weekly employees	1.209	-	62.868
Monthly employees	-	5.239	62.868

Minimum limit of emoluments for selfemployed

The lower limits of income on which self-employed persons pay social insurance contributions are:

	Per year (€)
Persons exercising a profession: - for a period under 10 years	23.036
- for a period over 10 years	46.644
Teaching Professionals: - for a period under 10 years	22.516
- for a period over 10 years	45.084
Wholesalers, estate agents, insurance agents, manufacturers and other businessmen	46.644
Builders and related occupations	28.288
Technicians, Mass Media Associates, Stationary-Plant and Metal, Rubber, Plastic, Wood and related products assemblers	22.516

	Per year (€)
Drivers of transportation media, operators of excavators and similar occupations	22.516
Clerks, Typists, Cashiers, Secretaries	22.516
Cleaners, Messengers, Watchpersons, Dry Cleaning Owners	21.476
Shopkeepers	21.476
Butchers, Bakers, Pastry-cooks, Meat, Milk, Fruit, Tobacco product makers / preservers and related occupations	17.316
Farmers, stock breeders, fishermen and other related activities, traveling salesmen and priests	15.704
Designers, computer users, marine engineers, agents and musicians	23.036
Persons not under any other occupation	23.036

PAYMENT OF SOCIAL INSURANCE CONTRIBUTIONS:

The contributions that the employer is obliged to pay in accordance with the Law, should be paid by the end of the month following the month that the contributions relate.

The contributions of self-employed are paid on a quarterly basis as follows:

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

PENALTIES FOR LATE PAYMENT

Failure to pay the contributions on time will lead to penalties range of **3%** and **27%** depending on the period of the delay and the amount of the contributions due.

NATIONAL HEALTH PLAN (NHP)

This starts since the 1st of March 2019 and the target is to provide to the citizens equal access to a complete health care system where patients will have the option to select a health care provider from the private as well as from the public health care sector with equal treatment and high quality health care service.

The contributions to the NHP are as follows:

Category of contributors and sources of income	
Employee (own remuneration)	2,65%
Employer (employee's remuneration)	2,90%
Self-employed (own income)	4,00%
Pensioners (income from pension)	2,65%
Persons holding office (officer's remuneration)	2,65%
Republic of Cyprus or Natural/Legal person responsible for the remuneration of persons holding an office	2,90%
Income earning persons (rental, interest, dividends and other income)	2,65%
Republic's Consolidated Fund (remuneration of employees, own income of self-employed, pension and officer's remuneration)	4,70%

The National Health Plan is imposed up to the total maximum annual amount of Eur 180.000 per natural person.

The Eur 180.000 cap is calculated cumulatively in the following order:

First on the emoluments of employees, then self-employed, then officers, then pensions and finally on dividends, interest, rental and other income.

VALUE ADDED TAX

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

Taxable persons charge VAT on their taxable supplies (output tax) and they are charged with VAT on goods or services that they receive (input tax).

If output tax in a VAT period exceeds total input tax, a payment has to be made to the state.

If input tax exceeds output tax the excess input tax is carried forward as a credit and set off against future output VAT or it can be refunded provided that relevant application for VAT refund is submitted to the authorities.

Refund of excess input VAT can be obtained in the following cases:

- A period of four months has elapsed from the date the VAT became refundable
- Input VAT which cannot be set off against output VAT until the last VAT period of the year which follows the year in which the VAT period in which the credit was created falls
- Input VAT relates to zero rated transactions
- Input VAT relates to capital expenditure incurred by the Company
- Input VAT relates to transactions which are outside the scope of VAT but would have been subject to VAT had they been carried out within Cyprus
- Input VAT relates to exempt financial and insurance services provided to non-EU resident clients (services for which the right to recover the related input VAT is granted).

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

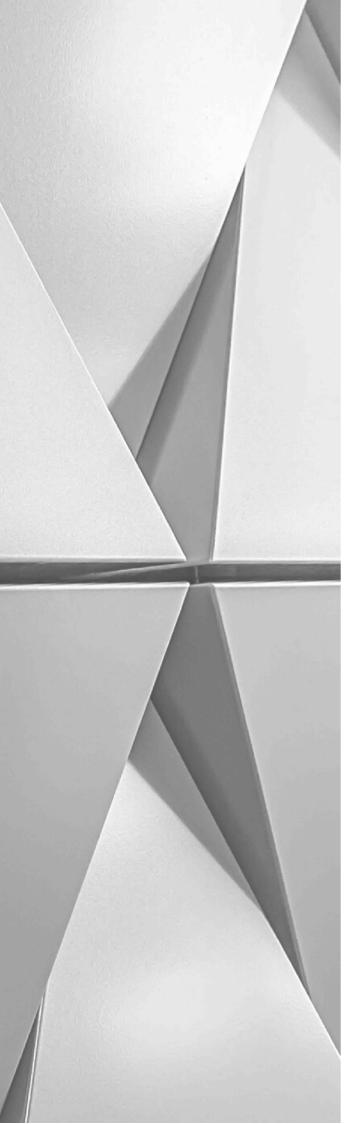
In cases where the acquisition relates to an exempt transaction, the trader must pay the VAT that corresponds to the acquisition.

VAT rates

THE FOLLOWING RATES APPLY TO THE TAXABLE SUPPLIES:

- Zero rate (0%)
- Reduced rate (3%)
- Reduced rate (5%)
- Reduced rate (9%)

Standard rate (19%)



ZERO RATED GOODS AND SERVICES INCLUDE THE FOLLOWING:

Exports

- International air and sea transportation of persons, and goods
- and related services Supply of goods to other EU member
 States
- Ship management services
- Supply, modification, repair, maintenance, chartering and hiring of aircrafts used by airlines operating for reward mainly on international routes
- Supply of services to meet the direct needs of vessels and aircrafts
- Immovable property services provided by a VAT registered person to another VAT registered person. The services cover construction, repairs, maintenance and modifications to the immovable. The provider should state in the invoice the VAT number of the recipient (valid VAT number) and the recipient should account for reverse charge. If the recipient is trading in exempted supplies then the VAT input cannot be claimed.

REDUCED RATED GOODS AND SERVICES OF 5% INCLUDE THE FOLLOWING:

Animal feeding stuffs

Fertilizers

- Services of road cleaning, refuse collection and recycling
- Funeral services and supply of coffins
- Services of authors, composers, artists and critics of works of art
- Supply of seeds
- Supply of live animals of a kind generally used for human consumption Newspapers, magazines and books
- Bottled and non-bottled water, readymade drinks and juices
- (excluding soft drinks and alcohol drinks) Ice-creams, icecream products and similar products;
- Dry nuts, potato crisps, cheese puffs, cereal and similar
- products;

Gas irrespective of packaging;

Rural and urban bus services;

Hairdressing services;

- Entry fees to theatres, circuses, festivals, luna parks, concerts, museums, zoos, cinemas, exhibitions and similar circular events and related places; Entry fees at sports events and fees for using athletic centres;
- The letting of camping sites and caravan parks;
- Sundry goods used by disabled persons;
- Supplies of pharmaceutical products and vaccines that are used for health care, prevention of illnesses and as
- treatment for medical or veterinary purposes;
- Repair and maintenance of private residences after three years of first residence (excluding the value of materials which constitute more than 50% of the value of the services);
- Supplies of insecticides, regicides' and fungicides;
- Confectionery items, chocolate and biscuits which are partly or wholly covered with chocolate;
- Supplies in the course of catering by school canteens;
- The letting of camping sites and caravan parks;
- Sundry goods used for disabled persons;
- The supply of foodstuff (excluding alcoholic beverages, beer, wine and refreshment drinks); Supply of prepared
- or unprepared foodstuff or/and beverages (excluding alcoholic drinks, beer, wine and soft-drinks) or both, irrespective of whether the goods are delivered from the supplier to the customer or taken away by the customer;
- Acquisition or construction of residence (subject to conditions, as from 1 October 2011).

REDUCED RATED GOODS AND SERVICES OF 3% INCLUDE THE FOLLOWING:

This was introduced on 21 July 2023 and apply on the following supplies:

- Books, newspapers and periodicals (including those in electronic formats)
- Audiobooks for disabled persons
- Special lifting appilances, wheelchair-type buggies and other vehicles for disabled persons
- Certain orthopaedical items and appliances, certain prosthetic items and certain devices to facilitate hearing and other medical devices or implants
- Street cleaning, refuse collection and waste treatment services, other than the supply of such services by the public authorities, local authorities and bodies governed by public law
- Disposal and treatment of wastewater and evacuation of septic and industrial tanks

ZERO RATED VAT ON CERTAIN SUPPLIES

- Until 30 April 2024: Bread, milk, eggs, certain types of baby food, baby diapers, adult diapers, products for female hygienic protection, coffee and sugar
- Until 31 May 2024: Certain types of meat and vegetables

REDUCED RATED GOODS AND SERVICES OF 9% INCLUDE THE FOLLOWING:

- Taxi services
- Short term lease rent agreements and rental income earned from platforms like Airbnb and Booking
- Tourist, excursion and long distance bus services
- Hotel accommodation services
- Restaurant services and other catering services which consist in the supply of food for
- human consumption including alcoholic and non alcoholic drinks

Air and sea transportation services within Cyprus

STANDARD RATED (19%) GOODS AND SERVICES

All supplies of goods or rendering of services except those taxed at 0%, 5%, 9% or exempt.

EXEMPTIONS

- Certain goods or services are exempted from VAT including:
- Rental of immovable property for residential purposes
- Hospital, medical and dental care services
- Insurance, banking and financial services
- Educational services (including music academy)
- Building land sold by an individual and not part of business activity (see
- analysis below)
- Second-hand buildings
- Supply of immovable property for which a valid application for planning
- permission was submitted before the 1st of May 2004
- Postal services
- Management services provided to mutual funds
- Lottery tickets and betting coupons for football and horse racing.

DIFFERENCE BETWEEN ZERO RATE AND EXEMPTION

The difference between zero rate and exemption is that businesses that only make exempt supplies are not entitled to register for VAT therefore the input VAT on their purchases, expenses or imports cannot be recovered.

Irrecoverable input VAT

Input VAT cannot be recovered in a number of cases, which include the following:

- When businesses make only exempt supplies
- Purchase, import or hire of saloon cars
- Expenditure for entertainment of persons other than staff Housing expenses
- of directors

VAT on acquisition and/or construction of residences for use as the primary and permanent place of residence

The VAT rate on acquisition or construction of the first residence has been reduced to **5%** and this affects contracts came into force after 16 June 2023 as per the amending bill passed by the House of Representatives.

Eligible persons for reduced VAT rate are those persons who completed 18 years of age at the date of submission of the application, they are citizens of the Republic of Cyprus, residents of other Member States and residents of non EU Member States but live permanently in Cyprus and the property will be used as the primary and permanent place of residence for the next 10 years.

The reduced rate will apply for the first 130 sqm of buildable area and up to a total value of Eur 350.000 provided that the total value of the transaction does not exceed Eur 475.000 and the total buildable area does not exceed 190 sqm and the building will be used exclusively as the principal private residences for the following ten years. In the case of families with more than 3 children the allowable total covered area increases by 15 square meters per additional child beyond the three children. Any residence exceeding 190 sqm of buildable area and/or having a total cost of more than Eur 475.000 will be subject to 19% VAT on the total value. In the case of a person with disabilities, the reduced rate of 5% applies on the first 190 sqm provided that the total value does not exceed Eur 475.000.

The reduced VAT rate is applicable only in the case of submission of relevant VAT application which is supported with the necessary documents and information. Once the application is submitted, this is subject to examination and verification by the authorities and then **5%** VAT is charged by the sellers. The applicant within a period of 6 months following possession of the residence should present to the authorities utility bill like telephone, water, rent expense etc.

VAT on land

As from the 2nd of January 2018 sale of undeveloped building land which is intended for the construction of one or more buildings and is carried out as part of the taxable person's business activities is subject to VAT at the rate of 19%. Land within the agriculture, environmental or archaeological zone is not subject to VAT since the land is not intended for development irrespective of the purpose of sale.

Building land which is an asset of a Company, then its subsequent sale will always be subject to VAT irrespective of the type of business activity conducted by the Company. Isolated or opportunistic sale by an individual, most likely, will be treated as not performance of economic activity and therefore no VAT should be imposed.

VAT on rental income

As from the 2nd of January 2018, VAT at the rate of 19% is imposed on rent of immovable property to a taxable person for the purpose of conduct of taxable business activity, except if the building is used for residential purposes. This applies to new rent or lease agreements concluded on or after the new law came into force. The existing agreements are not affected unless they are cancelled and new agreements are concluded.

The lessor has the right to apply for exemption from imposition of VAT provided that the lessor formally informs the Tax commissioner for this decision and this decision is irrevocable.

The tenant should be a taxable person who carried out taxable transactions for VAT purposes therefore the law applies provided that the taxable supplies of the tenant constitute at least **90%** of the total revenue of the tenant.

REGISTRATION

Obligation for VAT is compulsory when:

- at the end of any month, if the value of the taxable supplies (supplies taxed at the rates of 0% and/or 5% and/or 9% and/or 19%) exceeded €15.600 during the 12 preceding months;
- at any time, if there are reasonable grounds for believing that the value of the taxable supplies in the following
 30 days will exceed €15.600.
- Registration threshold for acquisition of goods in Cyprus from suppliers resident in other EU Member State is €10.250.
- Provision of services to a VAT registered person within European Union with nil registration threshold.
- Receipt of services from abroad exceeding €15.600 for any consecutive 12 months create obligation to account for VAT under the reverse charge principles.
- At any time starting from 1st of January if during the calendar year the value of distance sales of a person to non-VAT registered persons in other Member States of the EU exceeds Eur 10.000.

Businesses with a turnover of less than €15.600 can be registered voluntarily if they are trading in taxable supplies.

Products and services which are exempted from VAT as well as disposal of items of capital nature are not taken into account for determining annual turnover for registration purposes. Registration is achieved by completing the appropriate application form.

VAT declaration, payment/refund of VAT

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

As from the 2nd of May 2017 and onwards, the VAT declarations should be submitted by the taxable persons electronically via the Taxisnet system. Registration to the taxisnet system is achieved through completion and submission of relevant application.

As from the 19th of February 2013 taxpayers submitting application for VAT refund will be entitled to repayment of the principal amount together with interest if the repayment delays for a period exceeding 4 months from the date of submission of the application. This period extends to another 4 months in the event the VAT commissioner is carrying out an investigation in relation to the application for VAT refund.

International Business Companies (IBCs)

IBCs are subject to the same registration rules. However the activities of most IBCs fall outside the scope of VAT and thus there is no obligation for registration. If there is no obligation to register, then there is the option of voluntary registration. This means that IBCs will not charge VAT on their sales and the VAT charged by Cypriot suppliers is refunded.

Cyprus accession to the European Union

Due to Cyprus accession to the European Union on the 1st of May 2004, the relevant changes are applicable:

A) INTRA-COMMUNITY TRADE

This refers to supply of goods between Member States and their VAT treatment. The sales are zero rated in the first Member State if the following criteria are satisfied:

- The seller has adequate proof that the goods have left the first Member State and have entered another Member State and
- The buyer has a valid EU VAT number



B) TRIANGULATION TRADE

This is the case where three Member States are involved, there is only one actual movement of goods but two invoices are issued, one from the first country to intermediary and another from intermediary to the recipient of goods. The intermediary supplier must apply the simplification procedures and the invoice issued to the recipient must include the phrase "Triangulation Trade".

C) PROVISION AND RECEIPT OF SERVICES

As from the 1st of January 2010, Companies providing services to VAT registered persons in other Member States are obliged to register for VAT purposes and submit on a monthly basis VIES report. The recipient must account for VAT in accordance with the reverse charge principles. Furthermore an obligation for VAT registration arises for businesses carrying out economic activities from the receipt of services from abroad.

No registration threshold exists for intra-Community supply of services.

D) ADMINISTRATION OF INTRA-COMMUNITY

Trade and intra-community services

SUPPLIERS

- 1.Complete the VIES return form on a monthly basis. The VIES form is submitted within 15 days after the end of the relevant month by electronic filing only.
- 2. Complete the Intrastat return form for supply of goods on a monthly basis.
- 3. Record intra-community supplies on the VAT return form.
- 4.Include the EU VAT number of the buyer in the invoice.

BUYERS

- 1.Complete the Intrastat return form for acquisition of goods on a monthly basis. The Intrastat forms are submitted within 10 days after the end of the relevant month. As from the 1st of July 2012, the intrastat forms will be submitted to the VAT authorities in electronic form only.
- 2. Record Intra-community acquisitions on the VAT return form.
- 3.Inform the supplier of their EU VAT numbers prior the issuance of the invoice.

New e-commerce VAT rules

As of 1st of July 2021 and onwards, new rules have been adopted for business-to-customer (B2C) transactions. In general, those new rules cover the following:

- Updated threshold for distance sales of goods within EU for the amount of Eur 10.000 has been introduced for all member states (the thresholds of Eur 35.000 and Eur 100.000 are abolished). Below this threshold, supplies of telecommunications, broadcasting, electronically supplied services and distance sales of goods within EU (sales from a VAT registered person to non-VAT registered persons in other Member States) are subject to VAT in the Member State where the trader is established.
- Above the threshold of Eur 10.000, the trader should register to the OSS (One Stop Shop) and charges
 the rate of VAT applicable to the member state of the customer's establishment. There is a single
 quarterly VAT return and payment for supplies covered by OSS to the member states of the customers.
- The IOSS (Import One Stop Shop) is for traders outside the EU carrying distance sales to non-VAT registered persons within the EU on imported goods in the EU not exceeding Eur 150.
- The low value import exemption from VAT on goods lower than Eur 22 has been abolished.

VAT Group

- Registration of a group of Companies as a single unit is possible if the Companies included in the VAT group have all been incorporated in Cyprus.
- The Companies in the Group should be operational Companies involved in taxable supplies. Holding Companies exempt from VAT and thus cannot be registered.
- VAT Group exists when one entity owns the share capital of the other company by at least 50% + 1
 share or one person (physical or legal) controls all entities in the Group (directly or indirectly).
- Members of the Group are jointly and severally liable for any VAT liabilities.
- The existing VAT numbers of the Companies in the Group are cancelled and a new standard VAT number
 is issued in the name of the representative responsible for completing submitting the returns and
 paying ay VAT due.
- The transactions between the members of the Group are ignored for VAT purposes (VAT is not applicable).
- Group registration is optional.

DOMESTIC REVERSE CHARGE

The domestic reverse charge mechanism is applicable to the following transactions with registration threshold of Eur 15.600:

- Construction services Article 11B
- Trade of specific goods (i.e. scrap metals) Article 11C
- Supply of certain electronic devices Article 11E
- Supply of raw and semi-finished precious metals Article 11F

PENALTIES AND INTEREST

Late registration	€85 for every month of late registration
Late deregistration	€85 one-off
Late submission of VAT form (since 20 August 2020)	€100 for each return
Late payment of outstanding tax	10% of the outstanding amount plus interest imposed on complete months
Late submission of Intrastat form	€15 for each return
Late submission of VIES form	€50 for each return
Late submission of corrective VIES return	€15 for each return
Omission to submit the VIES returns constitutes a criminal offence with maximum penalty	€850
Penalty for omission to keep books and records for a period of 6 years	€341
Penalty for failure to apply the reverse charge provisions (since 1 July 2021)	€200 for each return up to a maximum of €4.000

TRANSFER FEES BY THE LAND REGISTRY DEPARTMENT

The fees charged by the Land Registry department for transfers of immovable property are as follows:

TRANSFER FEES

Market Value per plot (€)	Rate (%)	Fees (€)	Accumulated fees (€)
0 – 85.000	3	2.550	2.550
85.001 – 170.000	5	4.250	6.800
Over 170.000	8		

Notes:

- 1. The transfer fees relate to a transaction which is subject to VAT are exempt. If the transaction is not subject to VAT then 50% of the transfer fees are exempt.
- 2. The transfer fees are calculated on the market value of the property as estimated by the Land Registry Department.

Mortgage Fees

Loans 1 % of the current market value.

Also the following rates are applicable in the case of free transfers:

From parents to children	Nil
Between spouses	0,01%
Between third degree relatives	0,01%
To trustees	€50

Value in these cases refers to values as at the 1st of January 2013.

In the case of companies' reorganizations, transfers of immovable property are not subject to transfer fees or mortgage registration fees by the Land Registry department.



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. The trust deed governs the responsibilities and powers of each of the party of the trust.

A trust is not a separate legal entity and is not subject to registration in Cyprus unless its property consists of real estate situated in Cyprus. The trust may last for indefinite period and is created mainly for charitable or for inheritance purposes.

The settlor and the beneficiaries must not be tax residents in Cyprus during the year preceding the year of creation of the trust and at least one of the trustees is a tax resident in Cyprus during the trust period. The settlor and the beneficiaries may become tax residents subsequently.

There are two types of trusts:

- 1. Fixed trusts which define the rights of the beneficiaries of the
- 2. Discretionary trusts in which the way of administration and distribution of the property and the arising income is at the absolute discretion of the trustees.

TAX STATUS

Cyprus tax resident beneficiaries of an International Trust are subject to tax in Cyprus on the worldwide income and profits generated by the trust.

Cyprus non-tax resident beneficiaries are subject to tax in Cyprus only on the Cyprus sourced income and profits generated by the trust in accordance with the applicable tax legislation.

STAMP DUTIES AND COMPANIES REGISTRAR FEES

The table provided gives the amount or rate of duty payable on certain documents.

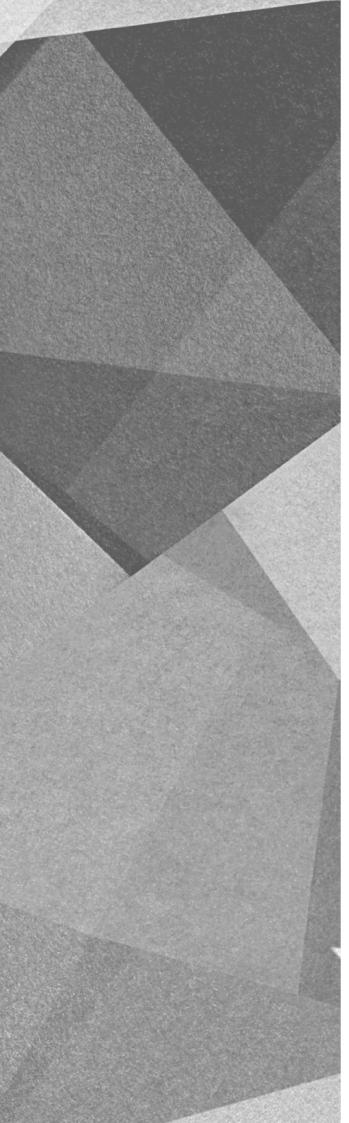
Transactions, which fall within the scope of reorganizations, are exempt from stamp duty. Also, any contracts relating to assets situated outside Cyprus or business affairs that take place outside Cyprus are exempt from stamp duty.

Nature of documents:

STAMP DUTIES	
Receipts for amounts over €4	7 cents
Contracts:	
- for amounts up to €5.000	0%
- for amounts between €5.001 – €170.000	0,15%
- for amounts over €170.001	0.20% (maximum fee €20.000)
- unspecified amount	€35
Cheques	5 cents
Letters of credit	€2
Letters of guarantee	€4
Customs documents	€18/€35
Charterhire document	€18
Will	€18
Estate administration document	€9
Bills of exchange	€1
Bills of lading	€4
Issue of tax residency certificate by Inland Revenue department	€80
Powers of attorney: - general - limited	€6 €2
Certified copies of contracts and documents	€2

COMPANIES REGISTRAR FEES

STAMP DUTIES	
Registration of a limited company by shares or guarantee, with share capital	€105
Registration of a company without share capital	€175
Issued share capital upon incorporation	Nil if the shares are issued at nominal value. A flat amount of €20 is payable if the shares are issued a premium
Increase in the authorised share capital	Nil
Increase in the issued share capital	€20 on every issue irrespective of whether the shares are issued at nominal value or at a premium
Submission of annual return	€20
Submission of overdue annual return	€50 + €1 for each day of delay for the first six months and €2 thereafter up to a maximum of €500
Change of name of company	€40
Reduction of capital	€80
Application for registration of a general or a limited partnership	€120
Application for registration of a business name	€80
Issue of original certificates (incorporation, registered office, directors and secretary, shareholders)	€20
Amendments in the Articles of Association	€80
Amendments in the Memorandum	€40
Notification of a registered mortgage on immovable property in the Republic of Cyprus irrespective of the sum of amount	€20
Registration of overseas company creating a Place of Business in Cyprus	€300



Payment of annual levy by Companies registered in Cyprus

- All companies registered in Cyprus are obliged to pay an annual levy of €350.
- The annual levy should be paid by **the 30th of June** of each year the latest.
- For Group of companies, the total amount payable is capped at €20.000.
- The annual levy is payable since the year of incorporation. Companies incorporated between the 1 July 31 December exempt from annual levy for the same year.
- Late payment of the annual levy will result to the following penalties:
- a. 10% penalty for delays up to two months.
- b. 30% penalty for delays between two and five months.
- Non-payment of the annual levy may result in deregistration (strike-off) of the Company by the Registrar of Companies. This will not allow the Company to submit documents or request any certificates from the Registrar.
- If a Company is re-instated within a two year period from its strike-off, a fixed penalty of €500 is imposed in addition to the outstanding amount of the levy due. The fixed penalty is increased to €700 where a Company is re-instated after the two year period.

Beneficial Ownership Registry

All the Companies and Partnerships registered under the Companies Law are obliged to submit their beneficial owners to the final solution of the electronic system of the Registrar of Companies by 31st of March 2024. As from 1st of April 2024, non-compliance will be subject to administrative sanctions

DOUBLE TAXATION AGREEMENTS

RECEIVED IN CYPRUS	DIVIDENDS (%)	INTEREST (%)	ROYALTIES (%)
Andora	0	0	0
Armenia	0 (32)	5	5
Austria	10	0	0
Bahrain	0	0	0
Barbados	0	0	0
Belarus	5 (18)	5	5
Belgium	10 (8)	10 (6, 19)	0
Bosnia (26)	10	10	10
Bulgaria	5 (23)	7 (6, 24)	10 (24)
Canada	15	15 (4)	10 (5)
China	10	10	10
Croatia (treaty signed but not yet ratified)	5	5	5
Czech Republic	0 (30)	0	0 (31)
Denmark	0 (9)	0	0
Egypt	5 (17)	10	10
Ethiopia	5	5	5
Estonia	0	0	0
Finland	5 (36)	0	0

France	10 (9)	10 (10)	0 (3)
Georgia	0	0	0
Germany	5 (9)	0	0
Greece	25	10	0
Guernsey (40)	0	0	0
Hungary	5 (8)	10 (6)	0
Iceland	5 (41)	0	5
India	10 (9)	10 (10)	15 (15)
Iran	5 (43)	5	6
Ireland	0	0	0 (12)
Italy	15	10	0
Jersey	0	0	0
Jordan	5/10 (49)	5	7
Kazakhstan	5/15 (48)	10	10
Kuwait	0	0	5
Latvia	0/10 (45)	0/10 (45)	0/10 (45)
Lebanon	5	5	0
Lithuania	0 (42)	0	5
Luxemburg	0 (13)	0	0
Malta	0 (11)	10	10
Mauritius	0	0	0

Moldova	5 (28)	5	5
Montenegro (26)	10	10	10
Netherlands (50)	15	0	0
Norway	0 (13)	0	0
Poland	0 (33)	5 (6)	5
Portugal	10	10	10
Qatar	0	0	5
Romania	10	10 (6)	5 (7)
Russia	15	15	0
San Marino	0	0	0
Saudi Arabia	0 (47)	0	5
Serbia (26)	10	10	10
Seychelles	0	0	5
Singapore	0	10 (6,25)	10
Slovakia	10	10 (6)	5 (7)
Slovenia	5 (34)	5	5
South Africa	5 (41)	0	0
Spain	0 (37)	0	0
Sweden	5 (8)	10 (6)	0
Switzerland (40)	0/15 (29)	0	0
Syria	0/15 (8)	0/10 (6)	10/15 (35)

Thailand	10	15 (21)	5/10/15 (22)
Ukraine	5/10 (38)	5	5/10 (39)
United Arab Emirates	0	0	5
United Kingdom	0 (40)	0	0
United States of America	5 (44)	10 (10)	0
USSR (20)	0	0	0

Notes:

- 1. The annual levy should be paid by the 30th of June of each year the latest No withholding tax is imposed in Cyprus upon payment of dividends, interests and royalties used outside Cyprus to non-residents of Cyprus. However, since the 1st of January 2021 Cyprus will introduced withholding tax upon payment of interests, royalties and dividends to non-cooperative jurisdictions as per Annex I of the EU list of non-cooperative jurisdictions for tax purposes (currently 12 countries).
- 2. 10% in the case of royalties granted for use within the Republic.
- 3. 5% on film and TV royalties granted for use within the Republic.
- 4. Nil if paid to a Government or for export guarantee.
- 5. Nil on literary, dramatic, musical or artistic work.
- 6. Nil if paid to the Government of the other state.
- 7. This rate applies for patents, trademarks, designs or models, plans, secret formulate or process, or any industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.
- 8. **15%** if received by a company controlling less than **25%** of the voting power and in all cases if received by an individual.
- 9. **15%** if received by a company controlling less than **10%** of the voting power and in all cases if received by an individual.
- 10. Nil if paid to a Government, bank or financial institution.
- 11. 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.
- 12. 5% on film royalties.
- 13. Nil rate applies if the beneficial owner is a company controlling at least **10%** of the capital of the company paying the dividends. **15%** in all other cases.
- 14. This rate applies to individual shareholders regardless of their percentage of shareholding. Companies controlling less than 10% of the voting shares are also entitled to this rate. Companies controlling at least 10% of the voting shares are entitled to nil WHT.
- 15. 10% for payments of a technical, managerial or consulting nature.
- 16. Treaty rate **15%** therefore restricted to Cyprus legislation rate.
- 17. 5% withholding tax rate, if the beneficial owner is a company which holds directly at least 20% of the capital of the company paying dividends for 365 days including the day of payment of dividends. A withholding tax rate of 10% in all other cases
- 18. If investment is less than €200.000 dividends are subject to 15% withholding tax which is reduced to 10% if the recipient company controls 25% or more of the paying company.
- 19. No withholding tax for interest on deposits with banking institutions.
- 20. Kyrgyzstan, Tadzhikistan and Uzbekistan apply the USSR/Cyprus treaty.

- 21. **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.
- 22. 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 formulate or processes.
- 23. This rate applies to companies holding directly at least **25%** of the share capital of the company paying the dividends. In all other cases the withholding tax is **10%**.
- 24. 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.

- 25. **7%** if paid to bank or financial institution.
- 26. Bosnia, Serbia and Montenegro apply the Yugoslavia/Cyprus treaty.
- 27. This treaty is effective from the 1st of January 2009.
- 28. This rate is applicable if received by a company owning directly at least **25%** of the capital. In all other cases the withholding tax is **10%**.
- 29. Nil if the beneficial owner is a company owning at least **10**% of the capital of the company paying the dividends for an uninterrupted period of at least one year. Nil also for Government, political subdivision, local authority and central bank. **15**% withholding tax in all other cases.
- 30. This rate applies if received by a company (excluding partnerships) which holds directly at least **10**% of the shares of an uninterrupted period of at least one year. **5**% applies in all other cases.
- 31. **10%** for patent, trade mark, design or model, plan, secret formula or process, computer software or industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.
- 32. A rate of **5%** is imposed if a dividend is paid by a company in which the beneficial owner has invested less than **€150.000**.
- 33. Nil if the beneficial owner is a company owning directly at least **10**% of the capital of the company paying the dividends for an uninterrupted period of no less than 24 months, **5**% in

all other cases.

- 34. The provisions of the EU Parent-Subsidiary directive are applicable.
- 35. 10% on literary, musical, artistic work, films and TV royalties.
- 36. A rate of **15%** applies if received by a company controlling less than 10% of the voting power in the paying company and in all cases if received by an individual.
- 37. The withholding tax on dividends is **5%** if the shares are owned by a company holding less than **10%** of the share capital of the company paying the dividends.

- 38. A rate of 10% is applicable if a dividend is paid by a company in which the beneficial owner holds less than 20% of the share capital of the paying company and the beneficial owner has invested less than €100.000.
- 39. **5**% withholding tax will be imposed on payment of royalties in respect of any copyright of scientific work, any patent, trademark, secret formula, process or information concerning industrial, commercial or scientific experience. **10**% withholding tax will be imposed in all other cases.
- 40. **15%** withholding tax rate will be imposed on dividends paid out of income (including gains) derived directly or indirectly from immovable property by an investment vehicle which distributes most of its income annually and whose income from such immovable property is exempt from tax, except for cases where the beneficial owner of the dividend is a pension scheme established in Cyprus. Nil rate applies in all other cases.
- 41. **5**% withholding tax if the beneficial owner is a company owning directly at least **10**% of the capital of the company paying the dividends. **10**% withholding tax in all other cases.
- 42. Nil if the beneficial owner is a company owning at least **10%** of the share capital of the company paying the dividends. **5%** in all other cases.
- 43. **5**% rate applies if the beneficial owner is a company which holds at least **25**% of the capital of the company paying the dividends. **10**% in all other cases.
- 44. A rate of **15%** applies if received by a company controlling less than **10%** of the voting power of the paying company and in all cases if received by an individual. If a company controls at least **10%** of the voting power of the paying company in order to benefit from the WHT rate of **5%** other conditions relating to the income of the paying company needs to be satisfied, otherwise a WHT rate of **15%** will be imposed.
- 45. Nil applies if the payer is a Company resident of Latvia and the beneficial owner of theincome is a company resident in Cyprus. **10**% rate applies in all other cases.
- 46. Nil applies if the payer is a Company resident of Latvia and the beneficial owner of theincome is a company resident in Cyprus. **5%** rate applies in all other cases.
- 47. Nil if the beneficial owner is a company owning directly or indirectly at least **25%** of the share capital of the company paying the dividends. **5%** in all other cases.
- 48. The withholding tax on dividends is **5%** if the beneficial owner is a company owning at least **10%** of the capital of the company paying the dividends. **15%** withholding tax will be imposed in all other cases. The double taxation treaty with Kazakhstan entered into force on the 17th of January 2020 and its provisions will apply since the 1st of January 2021.
- 49. The withholding tax rate of 5% applies if the beneficial owner is a Company that owns at least 10% of the capital of the company paying the dividends. A withholding tax rate of 10% applies in all other cases.
- 50. Nil if the beneficial owner is a company owning at least 5% of the capital of the company paying the dividends throughout a period of 365 days or is a recognized pension fund which is generally exempt under the Cyprus Income Tax Law. 15% in all other cases.

TAX CALENDAR

OBLIGATION	FORM	PENALTIES
31 JANUARY		
Submission and payment of deemed dividends distribution form for the tax year 2021	TD623	8
31 MARCH		
Electronic submission of income tax return by individuals and companies preparing audited financial statements for the year 2022	TD1/TD4	10
31 MAY		
Electronic submission of employer's return for the tax year 2023	TD7	10
30 JUNE		
Payment of special contribution for defence for the first six months of the year 2024 on rents, dividends and interest earned from sources outside the Republic Payment of Annual Levy to the Registrar of Companies	Payment codes through tax portal 604, 612 and 613	2 Refer to the Annual levy section
31 JULY		
Payment of tax balance for the previous year by employees and individuals who do not submit audited / reviewed accounts but they are obliged to issue invoices, receipts e.t.c.	Payment code through tax portal 300	4
Submission of Temporary Tax Assessment for the tax year 2024 and payment of 1st installment (companies and self employed)	Payment codes 200 and 213 through tax portal	3
Electronic submission of Tax return by salaried individuals for the tax year 2023 whose gross income exceeds €19.500 and individuals who do not submit audited / reviewed accounts and payment of any tax liability under the self-assessment method (note 1)	TD1	1, 10

1 AUGUST		
Payment of the balance of tax for the previous year under the self- assessment method by companies and individuals preparing audited financial statements	Payment code through tax portal 300	4
31 DECEMBER		
Payment of second (last) instalment of the tax based on the Temporary Tax Assessment for companies and self employed	Payment codes 200 and 213 through tax portal	3
Payment of second instalment of special contribution for defence for the last six months of the year	Payment codes through tax portal 604, 612 and 613	2
Submission of revised Temporary Tax Assessment for the current year, if necessary	-	3
BY THE END OF THE NEXT MONTH OR 6 MONTHS INTERVAL		
Payment of Social Insurance for the previous month (ty the end of the next month)	Y.K.A. 2-002	9
Contribution to the Defence Fund withheld from dividends and interests (by the end of the next month)	Payment codes 603 and 602	2
Payment of tax deducted from employees salary P.A.Y.E. (by the end of the next month)	Payment code 100 through tax portal	5
Payment of SDC and GESY (applies only to individuals) withheld on rent expense	Payment code 614 through Tax portal	2
WITHIN 30 DAYS		
Payment of Capital Gains Tax		8

BY THE 10TH OF THE 2ND MONTH AFTER THE END OF THE VAT PERIOD		
Submission of VAT return and payment of VAT due	VAT 4	6,7
BY THE 15TH OF THE NEXT MONTH AFTER THE END OF THE PERIOD		
Submission of VIES	VIES 1	11

BY THE 10TH OF THE NEXT MONTH AFTER THE END OF THE PERIOD		
Submission of Intrastat	INTRASTAT 1.1 INTRASTAT	12
WITHIN 60 DAYS		
Registration of Company to the Tax department and obtaining the Tax Identification Code from the date of the Company's incorporation. Notification for change on the Company's details.	TD162	13
FOUR MONTHS FROM THE DATE OF THE TRANSACTION		
Updating of accounting books and records from businesses which are obliged to keep accounting books		14
WITHIN 30 DAYS		
Issuance of invoice from the date of the transaction (unless confirmation for extension was received from the tax commissioner)		15
AT THE END OF THE FINANCIAL PERIOD		
Stock take should be carried out by Companies maintaining inventory		16

PENALTIES

- 1. A penalty of €17 per day for as long as failure continues is imposed or imprisonment up to twelve months or both.
- Any person who without any excuse omits any object of the tax from the return shall be liable, on conviction to a fine up to €3.417 plus the tax due plus in amount equal to two times the difference between the amount of tax properly imposed and the amount of tax that would have been imposed had the assessment been based on the return.
- 2. For rental income, interest at the rate of 5% per annum is imposed from the first day after the end of the sixmonth period (interest is calculated on a daily basis). In case of defence tax withheld on dividends and interest income, interest is accrued as from the first day of the second month since the defence tax should have been paid by the end of the month following the month of payment. In addition, a flat 5% penalty is imposed on the tax payable.
- 3. Failure to pay any instalment of the temporary tax assessment by the due date:
- Interest at the rate of 5% per annum is imposed if any instalment is not paid on the due date (Interest is calculated for complete months). Also, a 5% flat penalty on the tax due is imposed.
- In addition, a penalty is imposed equal to 10% of the difference between the tax due per the final assessment and the tax per the temporary assessment if the temporary taxable income is less than 75% of the taxable income per the final assessment (interest is calculated for complete months).
- 4. Failure to pay tax by the due date:
- Interest is imposed at the rate of 5% per annum (Interest is calculated for complete months).
- Any tax due is liable to an additional penalty of 5% in the case where the tax return is not submitted within 30 days after the deadline and payment of the tax due is not made. Any person omitting to pay the tax due on time is liable to an additional penalty of 5% on the tax due.
- 5. Failure to pay P.A.Y.E. by the due date is subject to interest at the rate of 5% per annum from the due date and an additional penalty of 1% per month as long as the delay continues. The total amount of the additional penalty cannot exceed 11% of the tax due (interest is calculated for complete months).
- 6. Late submission of the VAT return:
- Imposition of a penalty of €100 per VAT returns form.
 - 7. Late payment of outstanding VAT:
 - Penalty at the rate of 10% of the outstanding amount.
- Interest is imposed at the rate of 5% per annum on the outstanding amount and the penalty (interest is calculated for complete months).
- 8. Late payment results in the imposition of interest at the rate of 5% per annum from the due date. Any person omitting to pay the tax due on time is liable to an additional penalty of 5% on the tax due.
- 9. Late payment of Social Insurance results in the imposition of a penalty of 3% for each month of delay as long as the delay continues. The total amount of the penalty cannot exceed 27% of the amount due.

- 10. Late submission results in the imposition of penalty equal to €100. If the tax return of a specific fiscal year is requested in writing by the tax office and is not submitted within the deadline specified then the penalty is increased to €200 for every notice issued.
- 11. Late submission of VIES results in the imposition of a penalty of €50 for each VIES form.
- 12. Late submission of INTRASTAT results in the imposition of a penalty of €15 for each return.
- 13. Late registration or notification for change on the Company's details results in the imposition of penalty of €100.
- 14. Late update of the books and records result in the imposition of penalty of €100 (on a quarterly basis).
- 15. Late issuance of invoice will result in the imposition of penalty of €100.
- 16. No stock take results in the imposition of penalty of €100.
- * From the 1st of January 2024 onwards the interest imposed on late payments has been established to 5,00% (2,25% for 2023, 1,75% for 2020 2022, 2% for 2019, 3,5% for 2017 2018, 4% for 2015 2016, 4,5% for 2014, 4,75% for 2013, 5% for 2011 2012, 5,35% for 2010, 8% for 2007 2009, previously 9%).

Notes:

- 1. Physical persons submit returns only when their gross income exceeds €19.500.
- 2. A self-employed is obliged to submit audited / reviewed financial statements if his/her turnover exceeds €70.000 annually.





contact us:



28th October 23, Egkomi 2414, Cyprus



+357 22 028470

+357 22 028472



www.cpvaudit.com www.cpvcorp.com

