



**CYPRUS
TAX FACTS
2024**

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1 PERSONAL INCOME TAX

Basis of taxation

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

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

Furthermore an individual is also considered a Cyprus tax resident if he/she:

- a. remains in Cyprus for at least 60 days during the tax year;
- b. carries on a business in Cyprus or is employed in Cyprus or holds an office in a Cyprus tax resident company at any time during the tax year; and
- c. maintains a permanent residence in Cyprus, which can be either owned or rented.

provided that he/she:

- does not spend more than a total of 183 days in any country within a tax year; and
- is not a tax resident of another country within the same tax year

Where the employment/business or holding of an office as per (b) above is terminated, then the individual shall cease to be considered a Cyprus tax resident for that tax year under the 60 days tax residency scheme.

Days in and out of Cyprus are calculated as follows:

- a. the day of departure from Cyprus counts as a day of residence outside Cyprus.
- b. the day of arrival in Cyprus counts as a day of residence in Cyprus.
- c. arrival and departure from Cyprus in the same day counts as one day of residence in Cyprus.
- d. departure and arrival in Cyprus in the same day counts as one day of residence outside Cyprus.

Personal tax rates

The following income tax rates apply to individuals:

CHARGEABLE INCOME €	TAX RATE %	TAX €	ACCUMULATED TAX €
0-19.500	0	Nil	Nil
19.501 - 28.000	20	1.700	1.700
28.001 - 36.300	25	2.075	3.775
36.300 - 60.000	30	7.110	10.885
60.001 and above	35	-	-



Exemptions

The following income is exempted from income tax:

TYPE OF INCOME	EXEMPTION LIMIT
Interest	whole amount
Dividends	whole amount
Remuneration from the first employment exercised in Cyprus which commenced after 26/7/2022 by an individual who was employed outside Cyprus by a non Cyprus resident employer for three consecutive years immediately prior the commencement of his/hers employment in Cyprus. For each individual the exemption will apply for seven years, starting from the year following the year of commencement of the employment in Cyprus. Individuals that were eligible to claim this exemption before 1/1/2022 may continue to claim this for any remaining period (the previous eligibility period was 5 years).	20% of income subject to maximum of €8.550 annually
Remuneration from the first employment exercised in Cyprus which commenced as from 1/1/2022 by an individual who was not resident of Cyprus for at least 15 consecutive years immediately before the commencement of his/hers employment in Cyprus, provided that the remuneration from such employment exceeds EUR 55.000. This exemption applies for up to 17 years and cannot be used together with the exemption stated in the above point (lower of 20% or EUR 8.550). Subject to conditions, individuals whose employment in Cyprus commenced between 2016 to 2021 may also be eligible to claim this exemption for any remaining period (the previous eligibility period was 10 years).	50% deduction
Income or profit (net of all direct expenses) generated from the sale or exploitation of qualified intellectual property owned by a Cypriot resident, by applying the Nexus formula.	80% exemption
Remuneration from salaried services rendered outside Cyprus for more than 90 days in a tax year to a non Cyprus resident employer or to a foreign permanent establishment of a Cyprus resident employer	whole amount
Profits of a permanent establishment abroad under certain conditions	whole amount
Capital sums accruing to individuals from any payments to approved funds (eg. provident funds)	whole amount
Profits from the sale of securities*	whole amount
Lump sum received by way of retiring gratuity, commutation of pension or compensation for death or injuries	whole amount

* 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 Tax Authorities in 2008 further clarifying what is included in the term "securities". According to the circular the term includes, short positions, futures, forwards and swaps where they are in respect of securities and depositary receipts (ADR,GDR). Index participations are considered securities only if they represent titles. Where it is not certain whether a specific financial instrument falls under any of the categories included in the circular, a request for a ruling may be submitted to the Commissioner of Income Tax.

Tax deductions

The following are deducted from income:

TYPE	DEDUCTION LIMIT
Contributions to trade unions or professional bodies	whole amount
Loss of current year and previous years	whole amount
Rental income	20% of gross rental income
Special Tax Contribution	whole amount
Donations to approved Cypriot charitable organizations (with receipts)	whole amount
Donations to political parties	Up to EUR 50.000
Social Insurance, provident fund, medical fund, NHS contributions, pension fund contributions, life insurance premiums (the allowable annual life insurance premium is restricted to 7% of the insurable amount)	<ul style="list-style-type: none"> Total deductions allowed up to 1/5 of the chargeable income Medical Fund deduction is allowed up to a maximum of 1,5% of the gross remuneration of the individual
Expenditure incurred for the maintenance of a building (under Preservation Order)	Depending on the size of building up to € 1.200 per m ₂
Investment in an innovative small/medium business (subject to conditions)	up to 50% of taxable income (capped at EUR 150.000)
Expenditure for scientific research and development	whole amount
Expenditure on film infrastructure and technological equipment (subject to conditions)	Up to 20%



2 CORPORATION TAX

Basis of taxation

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

A company is considered a resident of Cyprus if it is managed and controlled from Cyprus.

Effective from 31/12/2022, any company incorporated or registered in Cyprus whose management and control is exercised outside Cyprus will still be considered as a Cyprus tax resident, unless the company is considered as tax resident in any other jurisdiction.

Corporation tax rates

COMPANIES	TAX RATE %
	12.5

Exemptions

The following sources of income are exempt from corporate taxation:

- Profit from the sale of securities.
- Dividends *
- Interest not arising from the ordinary activities or closely related to the ordinary activities of the company, mainly bank deposit interest, however, such interest income is subject to Special Defence Contribution.
- Profits of a permanent establishment abroad, under certain conditions.
- Gains relating to foreign exchange differences with the exception of forex arising from trading in foreign currencies and related products.
- Gains arising from a loan restructuring

* The dividend income exemption will not be available:

- To the extent that it constitutes a tax deduction in the paying company (i.e. dividend income from hybrid instruments such as preference shares) or
- If it constitutes an arrangement or part of an arrangement or series of arrangements put in place for the main purpose or one of the main purposes of obtaining the relevant exemption and which are considered not to have been put in place for valid commercial reasons which reflect economic reality).

Where such dividends are taxable under CT they will be exempt from taxation under SDC.

Tax deductions

All expenses incurred wholly and exclusively in earning the income of the company including:

- Interest expense incurred for the acquisition of 100% of the share capital of a subsidiary company (direct or indirect) is treated as deductible for income tax purposes provided that the subsidiary company does not own any assets that are not used in the business.
- 80% of net profit as calculated using the modified nexus approach on qualified IP on income (i.e. royalties, embedded income) from qualifying intellectual property. In case of a loss, only 20% of the loss is allowed to be offset against other sources of income, or to be carried forward.**
- New equity introduced to a company as from 1 January 2015 in the form of paid up share capital or share premium is eligible for an annual notional interest deduction (NID). NID is calculated as a percentage of interest on the new equity. The relevant interest rate used for its calculation is the yield on the 10 year government bond (as at December 31 of the prior tax year) of the country where the funds are invested plus 5%. Certain anti avoidance provisions apply.

** The term 'intangible assets' comprise of copyrighted software, patents, utility models and other intangible assets which are non obvious, useful and novel and which are certified as such by a designated authority.

For the calculation of the relevant deduction, a fraction is applied to the net profit based on research and development activity of the taxpayer; the higher the amount of research and development undertaken by the taxpayer itself (or via a taxable foreign PE or via an unrelated third party) the higher the amount of the research and development fraction.



The NID deduction is restricted to 80% of the taxable profit before allowing the NID and only to the extent that the new capital is invested in assets and activities that generate taxable income. The NID is lost in respect of any year in which it is not utilized.

- Donations to approved Cypriot charitable organizations (with receipts) and donations to political parties for an amount up to EUR 50.000
- Employer's contributions to social insurance and approved funds on employees' salaries.
- Employers contributions to:
 - a) Medical fund for employees (restricted to 1% on employee remuneration)
 - b) Provident or pension funds (restricted to 10% on employee remuneration)
- Entertainment expenses subject to a maximum amount of 1% of the gross business income or €17.086, whichever is lower.
- Investment in an innovative small/medium sized business (under conditions) - Up to 30% of the invested amount but capped to EUR 150.000
- Expenditure on film infrastructure and technological equipment (under conditions) - up to 20%
- The whole amount of expenditure for scientific research and development

But excluding:

- Expenses of private motor vehicles (saloon cars)
- Interest attributed to the cost of acquiring a private motor vehicle, irrespective of its use, and to the cost of acquiring any other asset not used in the business for a period of 7 years since its acquisition.

Losses carried forward

Companies are able to carry forward tax losses incurred in a year over the next five years from the end of the tax year in which they were incurred and such losses can be offset against any taxable income.

The current year loss of a company can be set off against the current year profit of another company provided that either:

- The companies are both Cyprus tax resident companies and members of a group for the whole of a tax year. In the case where a subsidiary company is incorporated by its parent company during a specific tax year, the subsidiary company will be considered as being a member of the group for the whole tax year and therefore will be able to claim group relief for that tax year; or
- The surrendering company is registered in and is a tax resident of another EU Member State country provided that the EU company had exhausted all possibilities available for using the losses in its respective country of tax residency or in the country where its intermediary holding company has its legal seat.

Group is defined as:

- One company holding at least 75 percent of the shares of the other company.
- At least 75 percent of the voting shares of the companies are held by another company that is a tax resident of either an EU country or a country with which Cyprus has a double tax treaty or exchange of information agreement.

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

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

Reorganizations

Transfers of assets and liabilities between companies can be effected without tax consequences within the framework of a reorganization.

Reorganizations include:

- Mergers and demergers
- Partial divisions
- Transfer of registered office
- Transfer of assets
- Exchange of shares

Anti Tax Avoidance Provisions

Cyprus has introduced certain anti tax avoidance provisions as a result of the adoption of the EU ATAD Directive (2016/1164). In brief those provisions are the following:

1. Controlled Foreign Company Rule (CFC)

The non-distributed income of a foreign CFC which arises from non-genuine arrangements which are controlled by the Cyprus parent entity shall be added to the taxable income of the Cyprus entity and taxed in Cyprus (subject to certain conditions and exceptions).

2. Interest Limitation Deduction Rule

Under this provision the excess of the borrowing cost which exceeds 30% of the taxable earnings before interest, tax and deductions would not be tax deductible for the purpose of calculating the taxable income of a company. However, any excess borrowing cost is deducted up to the amount of €3.000.000 per year.

3. General Anti Abuse Rule (GAAR)

This rule provides that an arrangement or series of arrangements which are considered as being non genuine and which are not put in place based on valid commercial/economic reasons shall be ignored for the purposes of calculating the tax liability of a tax payer.

4. Hybrid Mismatches

These rules shall deny any deduction or tax a specific source of income in Cyprus to the extent that a hybrid mismatch exists and results to a double deduction/deduction without inclusion or no taxation without inclusion

5. Exit Taxation

Exit taxation may apply in Cyprus to an amount equal to the market value of an asset less its value for tax purposes where such asset is transferred/moved outside Cyprus (i.e in cases of transfers between head office to a permanent establishment or where a company moves its tax residency outside Cyprus).

DAC6 - Mandatory Disclosure Rules

On 18 March 2021 the Cyprus Parliament has voted into the National Tax Legislation the provisions of the EU Directive 2018/822 in relation to cross-border tax arrangements. DAC6 aims at transparency and fairness in taxation and applies to cross-border tax arrangements, which meet one or more specified characteristics (hallmarks - see below the hallmarks), and which concern either more than one EU country or an EU country and a non-EU country. It mandates a reporting obligation for these tax arrangements if in scope no matter whether the arrangement is justified according to national law.

Where there is a reportable arrangement this is reported by the intermediary, or in the absence of an intermediary by the tax payer itself. An intermediary is any person (legal or physical) which:

- designs, markets, organizes, or makes available for implementation or manages the implementation of a reportable cross border arrangement; or
- provides, directly or by means of other persons, aid, assistance, or advice with respect to designing, marketing, organizing, making available for implementation, or managing the implementation of a reportable cross border arrangement.

The first reporting period covers transactions effected from 25 June 2018 until 31 December 2021 with submission deadline been 31 January 2022. Thereafter the submissions will be executed on a monthly basis with reporting deadline been 30 days after the end of the reporting month.

There are penalties for non compliance which vary from euro 1.000 up to euro 20.000 (per arrangements) based on the type of infringement.

Hallmarks

Category A: Generic hallmarks linked to the Main Benefit test

- A.1 Confidentiality clauses where the taxpayer undertakes to comply with a condition of confidentiality which requires not to disclose how a tax advantage could be secured
- A.2 Performance-based remunerations for the intermediary that depends on the realization of a tax benefit or the amount of tax advantage realized from the arrangement
- A.3 Standardized documentation/structure allowing market-ready implementation for more than one (other third) taxpayer without any essential adjustments

Category B: Specific hallmarks linked to Main Benefit test

- B.1 Acquiring a loss-making company in a series of steps planned to end the main business activity and use the losses to reduce taxes, such as by a cross-border transfer to another jurisdiction or by the acceleration of the use of those losses
- B.2 Conversion of income into capital resulting in revenue being converted into lower-taxed income or a tax exemption
- B.3 Circular transaction resulting in the round-tripping of funds which results in an offsetting or canceling effect

Category C: Specific hallmarks related to cross-border transactions (some linked to Main Benefit test)

- C.1 Deductible payments between two or more related parties ($\geq 25\%$ group ownership in associated enterprises), including at least one of the following conditions:
 - C.1a: the recipient has no tax residency in any jurisdiction

C.1b-i: the recipient is a tax resident in a jurisdiction that imposes no corporate income tax or at the rate of (almost) zero + Main Benefit test

C.1b-ii: the recipient is a tax resident in a black-listed third-country jurisdiction that is considered non-cooperative by the EU or OECD

C.1c: the payment benefits from a full exemption in the jurisdiction where the recipient resides for tax purposes (objective exemption regarding the payment) + Main Benefit test

C.1d: the payment benefits from a preferential tax regime in the jurisdiction where the recipient is a tax resident such as a patent box regime + Main Benefit test

C.2 Multiple depreciation regarding deductions for the same asset depreciation are effectively claimed in more than one jurisdiction

C.3 Multiple relief from double taxation regarding the same income item or capital claimed in more than one jurisdiction

C.4 Significant valuation differences regarding a transfer of assets

Category D: Specific hallmarks about the automatic exchange of information / beneficial ownership

D.1 Undermining of reporting obligations under EU legislation on automatic exchange of financial account information

D.2 Non-transparent legal or beneficial ownership chains using persons, legal arrangements or structures that (a) do not carry on a substantive economic activity nor substance, (b) are incorporated, managed, resident controlled or established in any jurisdiction of residence of one or more of the beneficial owners of the assets held, and (c) where beneficial owners within the meaning of Directive (EU) 2015/849 are unidentifiable.

Category E: Specific hallmarks concerning Transfer Pricing

E.1 Unilateral safe harbor rules that would exempt taxpayers from certain transfer pricing obligations or allow for certain pricing which is deemed to be at arm's length by default

E.2 Transfer of hard-to-valuation intangibles due to the absence of a reliable comparable and difficulty in predicting the level of ultimate success at the time the transaction occurred

E.3 Intragroup cross-border transfer of functions/risks/assets resulting in a decrease of EBIT of $\geq 50\%$ during the first three years post-transfer (compared to the situation of no transfer)

Main Benefit test

Some hallmarks are linked to the Main Benefit test. This means that certain hallmarks only make an arrangement reportable if it passes that Main Benefit test, which is fulfilled if it is reasonable to conclude that the main benefit or one of the main benefits of an arrangement is obtaining a tax advantage. This will be the case if such a tax advantage is more than merely incidental.



Mandatory Disclosure Rules for digital platform operators (DAC7)

The provisions of the EU Council Directive 2021/514 regarding the mandatory exchange of information in relation with the cross-border and non-cross-border transactions of platform operators, known as "DAC7", have been transposed to domestic legislation through the amending Law on Administrative Cooperation in the field of taxation of 2023.

The Cyprus DAC7 Law is broadly aligned with the Directive, which is intended to enhance transparency and ensure fair taxation in the digital economy.

- i. **Scope of Reporting:** the reporting rules for platform operators apply in respect of platforms that allow sellers to connect with customers for:
 - the rental of immovable property, including both residential and commercial property, as well as any other immovable property and parking spaces,
 - the provision of personal services (time or task-based work carried out either online, or physically offline after having been facilitated via a platform),
 - the sale of goods, and
 - the rental of any mode of transport.
- ii. **Reporting Obligation:** Platforms are required to collect and verify information from sellers, including identification and financial details.
- iii. **Exchange of Information:** Member States must automatically exchange the relevant information with the tax authorities where the sellers are resident.
- iv. **Due Diligence Requirements:** Platforms must exercise due diligence to accurately report information, ensuring compliance with tax regulations.
- v. **Penalties for Non-Compliance:** Penalties for non-compliance vary depending on the type of infringement, with a maximum of €20.000 per arrangement.

Pillar Two

EU Council Directive 2022/2523 (the "Pillar Two" Directive) is part of a 'two-pillar' approach, led by the members of the OECD/G20 Inclusive Framework aiming to address the tax challenges arising from the digitalisation of the global economy. The Directive introduces a minimum tax rate on income arising in low-tax jurisdictions, ensuring that large Multinational Enterprises (MNEs) pay their fair share of taxes, regardless of where they operate.

Pillar Two sets a 15.00% global minimum effective tax rate (ETR) for MNEs and large-scale domestic groups (irrespective of whether they operate on a purely domestic or international basis) whose total consolidated group revenue exceeds EUR750 million. This will be enforced through the application of two interlocking rules (the GloBE rules):

- a) **The Income Inclusion Rule (IIR):** Requires Ultimate Parent Entities (UPEs) to pay a top-up tax if their foreign subsidiaries are taxed below the minimum rate. Effective for accounting periods beginning on or after 31 December 2023.
- b) **Undertaxed Profits Rule (UTPR):** Will act as a backstop rule to the IIR. It allocates the taxing rights over the under-taxed income (income that is taxed below the ETR of 15%) to entities within the MNE group in jurisdictions other than the UPE jurisdiction. Effective for accounting periods beginning on or after 31 December 2024.

Member States have the option to elect and apply a qualified domestic top-up tax (QDMTT) for companies that are based in their own low-tax jurisdiction. This will allow such jurisdictions to collect the top-up tax in their own jurisdiction instead of allowing a foreign jurisdiction to charge top-up taxes elsewhere. Cyprus has elected to adopt the QDMTT and will be effective as of 1 January 2025.

The Directive has not been transposed into domestic legislation as of the date of publication of this Guide, however a draft bill was released for public consultation in October 2023.



Transfer Pricing

With effect from 1st January 2022, there is an obligation for all Cyprus companies for a transfer pricing preparation in respect of controlled transactions between connected parties provided that certain thresholds are exceeded.

Connected Parties

Connected parties are defined as those which have common controlling parties. A controlling party is a person who together with persons connected thereto holds directly or indirectly more than 25% of the voting rights or the shares or has the right to a share of more than 25% of the profits in a company. Persons are considered connected where they act or take decisions together.

Controlled Transactions and Documentation Files to be prepared

The transfer pricing rules apply to all Cyprus tax resident persons including permanent establishments of foreign entities which are engaged in transactions with connected (related) parties both domestically and internationally.

Requirement to submit an annual Summary Table

All entities are now required to submit a Summary Table with information of the controlled transactions (disclosing details such as the names of the counterparties, their tax numbers, the value of the transactions per category etc.) together with the company's annual tax return (IR4 form).

Requirement for preparation of the Transfer Pricing Study for a Cyprus Company "Local File"

All controlled transactions exceeding the annual threshold of EUR 5.000.000 for financing transactions and EUR 1.000.000 for all other categories (i.e services, goods, royalties etc) must be supported by a professional Transfer Pricing Study and supported with all necessary documentation known as "Local File".

Requirement for preparation of a Group Transfer Pricing Study "Master File"

A Master File must be prepared and maintained in Cyprus in the event where a Cyprus company is the Ultimate Parent Company or the Surrogate Parent Company of a Multinational Group (MNE group) falling under the scope of Country by Country Reporting (CBCR) with a consolidated group revenue exceeding EUR 750 Million for CbCR purposes.

A quality review of the Local File (and Master File where the Cyprus entity is the Ultimate parent reporting under CBCR) is required to be performed by a person holding a practicing certificate from the Cyprus Institute of Certified Public Accountants.

Deadlines to prepare and submit the TP files/documentation and penalties for late filings

The annual Summary Table must be submitted together with the annual income tax return within 15 months after the end of the reporting tax year.

The Transfer Pricing Documentation files must be prepared and updated on an annual basis and kept by the company. They are required to be submitted for review to the Tax Office (only) upon request and within 60 days from the date of the request.

The following penalties apply in case of non-compliance:

- EUR 500 if the relevant summary information table is not submitted to the Tax Office
- From EUR 5.000 to EUR 20.000 for late submission of the requested TP documentation, depending on the length of delay.

Advanced Pricing Arrangements (APA)

The new Regulations introduce a formal APA procedure. Specifically, Cyprus tax resident persons and non-Cyprus tax resident persons that have a PE situated in Cyprus may submit to the Tax Authorities an APA request with respect to current or future domestic or cross-border controlled transactions. The APA may cover the various conditions and assumptions relevant for determining the arm's length pricing of the controlled transactions for a specific period. The Tax Authorities examine the APA request and either approve or reject it.

Simplification Measures

Related party transactions which do not exceed the thresholds of €5.000.000 & EUR 1.000.000 cumulatively per each category of transactions (i.e. entities that are exempt from the obligation to prepare Cyprus Transfer Pricing Local File) are subject to the below simplification measures:

- Cyprus entities with related party transactions below the relevant thresholds, will not have an obligation to prepare Cyprus Transfer Pricing Local File. However, they should maintain minimum documentation (brief functional analysis and economic analysis) to support the arm's length nature of their related party transactions.
- For specific type of transactions (set below), Cyprus entities can elect to apply the following simplification measures:
 - o Financing granted to related parties financed by borrowings (back-to-back): minimum pre-tax net return (profit margin) of 2.5%
 - o Financing provided to related parties financed out of own equity: minimum return (interest rate) equal to the ten-year government bond yield rate of the jurisdiction in which each borrower operates increased by 3.5%

- o Financing obtained from related parties to the extent it is used in the business: Maximum return (interest rate) equal to ten-year government bond yield rate of the Republic of Cyprus increased by 1.5%. (this would be the maximum allowable deduction of any interest expense on borrowings obtained and used for the taxable business)
- o Low Value Adding Services (provided or received): mark-up applied on the relevant costs at least 5% (for services provided) / mark-up applied on the relevant costs that does not exceed 5% (for services received)

The above mentioned ten-year government bond yield rates are provided annually by the tax office per country. The rate to be used for the above measures is the rate applicable as at 31/12 of the previous year (i.e for tax computations of year 2024 we use the reference rates as at 31/12/23).

A company which will not use any of the above simplification measures but has related party transactions would have to support any other rate/margin used via a transfer pricing study.

Where a Cyprus company will apply the above simplification measures on related party transactions and such transactions are with non Cyprus entities (i.e they have a cross border element) then this is automatically reportable under hallmark E1 for DAC6 purposes.



Annual wear and tear allowances on fixed assets

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

FIXED ASSETS	%
PLANT & MACHINERY	
plant and machinery	10 (1)
furniture and fittings	10
fork lifts, excavators, loading vehicles, tractors, bulldozers and oil barrels	25
machinery and tools used in agricultural business	15
computer hardware and operating systems	20
application software	
up to €1.709	100
above €1.709	33 1/3
commercial motor vehicles (vans, trucks)	20
motorcycles	20
armoured motor vehicles (e.g. used for security services)	20
Wind Power Generators	10
Photovoltaic Systems	10
television and videos	10
BUILDINGS	
commercial buildings	3
industrial, agricultural and hotel buildings	4 (2)
flats	3
metallic greenhouse structures	10
wooden greenhouse structures	33 1/3
BOATS	
sailing vessels	4.5
steamers, tugs and fishing boats	6
ship motor launches	12.5
new cargo vessels	8
new passenger vessels	6
used cargo/passenger vessels	Remaining useful economic life in accordance with the class certificate
motor yachts	6
new airplanes	8
new helicopters	8
TOOLS	
tools in general	33 1/3
video tapes, property of video clubs	50

Special Types of Companies

Regulated funds

The main objective of Cyprus regulated funds is the collective investment of funds of their investors/unit holders. They are taxed as follows:

- Are liable to income tax irrespective of their legal status.
- Interest income received is considered as active interest and as such taxed under Corporation Tax at the rate of 12,5 % and exempt from SDC.
- Profits on sale of securities are exempt from taxation.
- Deemed dividend distribution provisions are not applicable for non Cyprus tax resident investors (3 % for Cyprus tax resident investors).
- Actual dividends paid are subject to SDC at the rate of 17 % in respect of Cyprus tax resident investors only.

Fund management companies

- Subject to taxation under Corporation Tax at the rate of 12,5 %.
- Management fees they charge to regulated funds are generally exempt from VAT (subject to conditions).
- The variable employment remuneration of certain employees and executives of investment fund management companies or internally managed investments funds which is connected to the carried interest of the fund managing entity may be subject to Cyprus tax at the flat rate of 8% with a minimum tax liability of Euro 10.000 per annum. This mode of taxation is available for 10 years in total provided that the employee was not a tax resident in Cyprus prior to his/her employment and provided further that he/she was not a Cyprus tax resident for at least 3 out of the 5 years preceding the year of employment.

Ship Owning Companies

As per the Merchant Shipping Legislation, qualifying ship owners, ship managers and charterers of qualifying EU/EEA (European Economic Area) ships and foreign ships (under conditions) in qualifying activities are exempted from all direct taxes and are taxed only under tonnage tax.

Non EU/EEA vessels are allowed to enter the tonnage tax regime provided the fleet is composed by at least 60% EU/EEA vessels. Also an exemption is provided in relation to the salaries of officers and crew of a Cyprus ship.

The application of the tonnage tax system is compulsory for the owners of Cyprus flag ships and optional for owners of non Cyprus flag ships, ship managers and charterers. Those who choose to enter the Tonnage Tax regime must remain under this regime for at least 10 years.

Ship Owners

The tax exemption applies to:

- Profits derived from the use of the ships and from the disposal of qualifying ships.
- Profit from the disposal of ship owning companies.
- Dividends received from the above profits.
- Interest income in relation to the working capital of the company.
- To the bare boat charterer of a vessel flying the Cyprus flag under parallel registration.

Ship managers

Ship managers must satisfy the following criteria in order to be considered as being qualified:

- To maintain a fully fledged office in Cyprus with personnel sufficient in number and qualification, 51% of whom should be EU/EEA citizens.
- To manage at least 2/3 of the total tonnage of the qualifying ships in a given fiscal year from the territory of EU/EEA Member State.

The tax exemption applies to:

- Profits from technical/crew management.
- Dividends paid out of these profits.
- Interest income in relation to the working capital of the company.

The term ship management services means the services provided by a ship manager to an owner or bareboat charterer of a ship by virtue of a relevant written ship management agreement, relating to the crew management services and/or to the technical management services of the ship. A ship manager who provides commercial management services will not be considered as a qualifying ship manager for such services and will be liable to pay income tax on the corresponding part of its income.

Charterers

The tax exemption applies to:

- Profits derived from the operation of chartered ships.
- Interest income relating to the working capital of the company.
- Dividends received from the above profits.

As per the provision of the law, in order for the exemption to apply, the option to register for Tonnage Tax should be exercised for all vessels and at least 25% of the net tonnage of the vessels or the bare boat chartered to be owned.

Withholding taxes on Income sourced from Cyprus

Except in the event that dividends, interest and royalties are payable to persons located in Blacklisted Jurisdictions (please refer to the Special Defence Contribution section for more information) the following withholding taxes apply:

Dividends & Interest

No withholding taxes.

Royalties

10%. This can be reduced depending upon the provisions of the relevant double tax treaty and where the EU Interest and Royalty Directives apply. Sourced from Cyprus means royalty income from intellectual property used in Cyprus to generate income.

Where a Cyprus company is granted the right to use a patent, trademark or innovation outside Cyprus there is no withholding tax on payments to the licensor and the Cypriot company is taxed at the corporate income tax rate on the profit margin that it realizes on the use of the right, subject to certain exemptions and under conditions.

Services to companies engaged in exploration and exploitation activities in the exclusive economic zone of Cyprus

Companies providing services to companies engaged in exploration and exploitation activities in the exclusive economic zone of Cyprus which are themselves not tax resident of Cyprus or do not have a permanent establishment in Cyprus are subject to tax in Cyprus on income derived at the rate of 5%. The payer is obliged to withhold the tax at source.

EU Interest and Royalty Directive

The EU interest and royalty directive came into effect on 1 January 2005. It provides that interest and royalty payments in one EU member state are exempt from any withholding taxes imposed on those payments in that state, provided that the beneficial owner of the interest is a company in another EU state.

For the directive to apply the companies must be associated. The interest or royalty must be on an arm's length basis. The directive will not apply to what is considered to be in excess of an arm's length amount.

Film rental

The gross amount of any rental in respect of the showing of cinematograph films in Cyprus derived by any person who is not a tax resident, is subject to a 5% withholding tax.

Income from profession or vocation

The gross income derived by an individual not resident in Cyprus, from the exercise in Cyprus of a profession or vocation or of public entertainers including football clubs and other athletic clubs is subject to a 10% withholding tax.





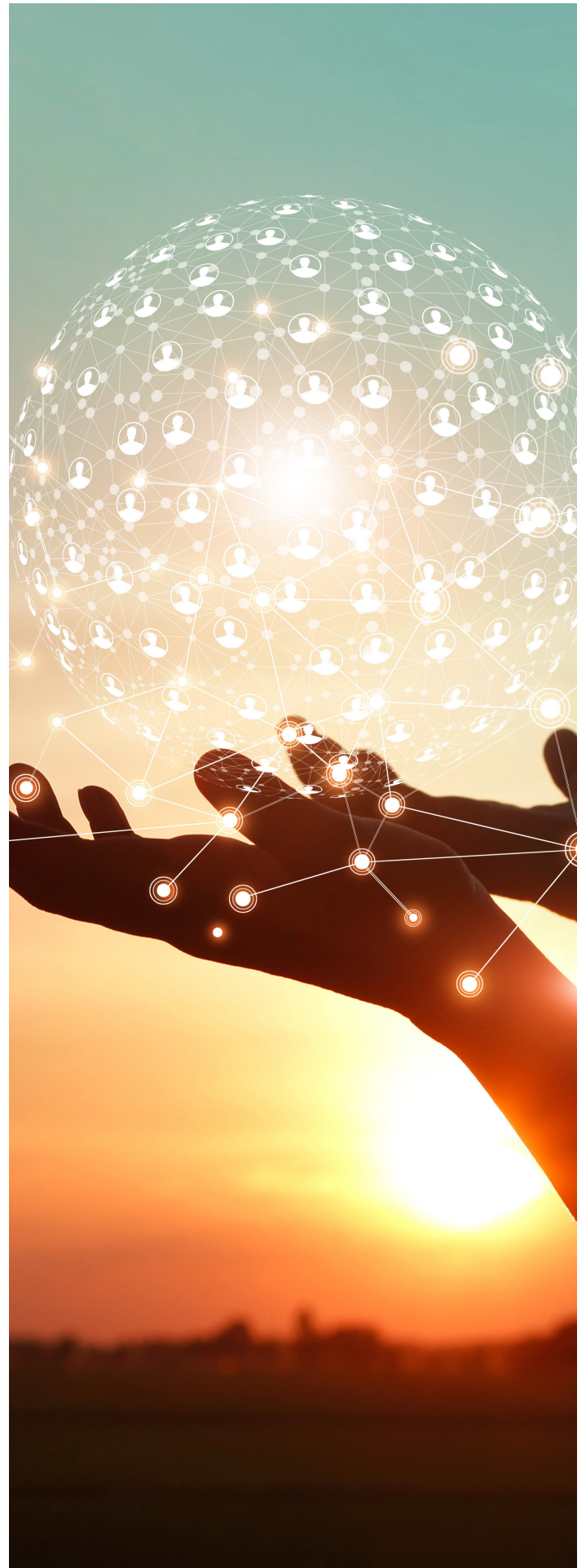
3 SPECIAL CONTRIBUTION FOR DEFENSE

Special Contribution for Defence (SDC) is imposed on income earned by Cyprus tax residents. Non tax residents are exempt from SDC. It is charged at the rates shown in the table below:

	INDIVIDUALS %	COMPANIES %
Dividend income from Cyprus resident companies	17 (5)	Nil
Dividend income from non-Cyprus resident companies	17 (5)	Nil (under conditions) (1)
Interest income arising from the ordinary activities or closely related to the ordinary activities of the business	Nil	Nil
Other interest	17 (2)(3)(5)	17 (2)(4)
Rental income (reduced by 25%)	3 (5)	3

Notes:

- (1) Dividend income from abroad is exempt from SDC provided that:
- no more than 50% of the paying company's activities result directly or indirectly in investment income or
 - the foreign tax burden is not significantly lower than the tax rate payable in Cyprus. The Tax Authorities have clarified that significantly lower, means a tax burden rate below 6,25%. When the exemption does not apply, the dividend income is subject to SDC at the rate of 17%.
- (2) Interest income received or credited from the following sources is taxed at the rate of 3% instead of 17%:
- From savings certificates and development bonds of the Republic of Cyprus or any other State
 - From Corporate bonds listed on a recognized Stock Exchange and bonds that are listed on a recognized Stock Exchange and were issued by a Governmental Authority or organization
 - From pension funds, a Government Authority or Organization, a provident fund or the Social Insurance Fund
- (3) Where the total income of an individual including interest does not exceed €12.000 in a taxable year, then the rate is reduced from 17% to 3%.
- (4) Bank fixed deposit interest.
- (5) Dividend income, rental income and interest income from bank accounts is exempt for taxation under SDC for the "non domicile" individuals (explained in section below).
- (6) The reduction of the SDC rate from 30% to 17% on interest income applies as from 1/1/24



Due dates:

- SDC on rental income and on trading profits of semi-government organizations is payable in 6 monthly intervals on 30 June and 31 December each year.
- SDC due on interest and dividends received gross is payable at the end of the month following the month in which they were received.
- As from 1 July 2011 companies and partnerships that pay rent in Cyprus should withhold SDC at source at the rate of 2.25% of the amount of the rent. The amount withheld must be paid to the Revenue by the end of June and December of the year (2 six month intervals)

Deemed dividend distribution

The deemed dividend distribution rules are applicable only in respect of companies whose ultimate beneficial shareholders are Cyprus tax resident domiciled persons.

If a Cyprus resident company does not distribute at least 70% of its accounting profits as dividends within two years from the end of the tax year in which they incurred then:

- 70% of accounting profits (after specified adjustments for revaluations etc) are deemed to have been distributed.
- 17% SDC is imposed on deemed dividend distribution applicable to shareholders who are Cyprus tax residents domiciled persons, including higher level Cyprus parent companies.
- Deemed distribution is reduced with payments of actual dividends which have already been paid during the two years from the profits of the relevant year.

When an actual dividend is paid after the deemed dividend distribution, then SDC (if any) is imposed only on the additional dividend paid not previously subject to deemed dividend distribution.

When dividends have been paid by a Cyprus company to another Cyprus company in a multi layered holding structure, the SDC on the dividend payment must be settled within 4 years, preventing indefinite deferral.



Company dissolution

The cumulative profits of the last five years prior to the company's dissolution, which have not been distributed or deemed to have been distributed, will be considered as distributed on dissolution and will be subject to SDC at the rate of 17%. This provision does not apply in the case of dissolution under reorganization.

Reduction of capital

In the case of reduction of capital of a company, any amounts paid or due to the shareholders up to the amount of the undistributed taxable income of any tax year calculated before the deduction of losses from subsequent years, will be considered as dividends distributed subject to Special Contribution for Defence at 17% after deducting any amounts which have been already deemed as distributed. These provisions do not apply where the shareholders are non-Cyprus residents.

Disposal of assets to shareholders at an amount less than its market value

In case where a company has disposed an asset to an individual shareholder (or to a second degree relative of him) for a consideration less than the current market value of the asset, then the difference between the two will be deemed to have been distributed as a dividend to the shareholder.

The above does not apply in cases where the asset has been originally gifted by the shareholder (or by the second degree relative) to the company.

Collective Investment Schemes

The rate on deemed dividend distribution for Collective Investment Schemes is 3% (the actual dividend distribution is subject to 17% in respect of Cyprus tax resident investors only - NIL in respect of foreign tax resident investors).

Non Domicile Regime (Nom-dom)

A Cyprus tax resident individual who is not domiciled of Cyprus is exempt from SDC in Cyprus and is therefore not subject to taxation on interest or dividends whether actual or deemed.

A non-dom is:

- Any individual who has a domicile of origin in Cyprus in accordance with the Wills and Succession Law but has not been a Cyprus tax resident for a period of 20 consecutive years prior to the year of assessment.
- Any other individual who has not been a tax resident of Cyprus for at least 17 years out of the last 20 years prior to the year of assessment.

Payments to a Company which is tax resident in a country included in the EU Blacklist or to a company incorporated in a blacklist country which is not considered as tax resident anywhere

Dividends

Dividends paid by a Cyprus tax resident company either to a company tax resident in a country which is included in the EU blacklist of non cooperative jurisdictions or to a company incorporated in one of such blacklisted countries which is not considered tax resident anywhere will be subject to 17% special defense contribution.

This will apply only in cases where the company receiving the dividend holds more than 50% of the voting rights, share capital or is entitled to receive more than 50% of the profits of the Cyprus tax resident dividend paying company. There is an exemption to the payment where dividends are paid by a company tax resident of Cyprus which is listed on a recognized Stock Exchange.

Interest

Interest paid to a company which is not tax resident of Cyprus but either tax resident in a country which is included in the EU blacklist of non cooperative jurisdictions or to a company incorporated in one of such blacklisted countries which is not considered tax resident anywhere will be subject to 17% special deference contribution.

Royalties

Royalties paid to a company which is not tax resident of Cyprus but which is either tax resident in a country which is included in the EU blacklist of non cooperative jurisdictions or to a company incorporated in one of such blacklisted countries which is not considered tax resident anywhere else will be subject to 10% withholding tax, irrespective if the asset for which the royalty is paid is for use in Cyprus or elsewhere.

As of 17 October 2023 (date of publication of the Official Journal), the EU list of blacklisted countries is composed on the following:

- American Samoa
- Antigua and Barbuda
- Anguilla
- Bahamas
- Belize
- Fiji
- Guam
- Palau
- Panama
- Russia
- Samoa
- Seychelles
- Trinidad and Tobago
- Turks and Caicos Islands
- US Virgin Islands
- Vanuatu





4 SOCIAL INSURANCE

Contributions

	%
Employer	8.8
Employee	8.8

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

	€
Weekly employees (weekly income)	1.209
Monthly employees (annual income)	62.868

The contributions of self-employed persons are 16,6% of income, according to certain specified limits, depending on their profession and their length of service.

Other employer's contributions

The employer makes the following other contributions based on employee's emoluments (which, except for the contribution to the social cohesion fund, are restricted to the maximum amount of €62.868 as stated above):

	%
Social Cohesion Fund	2
Redundancy Fund	1.2
Industrial Training Fund	0.5
Holiday Fund (if is not exempt)	8

National Health System

As from 1 March 2019 obligatory contributions relating to the implementation of the new National Health System (NHS) are introduced as per the below table:

Category	Applied on following income	Rates %
Employees	Personal Emoluments	2.65%
Employers	Employees Emoluments	2.90%
Self-Employed persons	Own Income	4%
Pensioners	Pension	2.65%
Persons earning other income	Rental income, interest income, dividend income etc	2.65%

Notes

NHS contributions are capped to a total annual income of €180.000





5 CAPITAL GAINS TAX

Capital Gains Tax (CGT) is imposed at the rate of 20 % on:

- a) The gains from the disposal of immovable property situated in Cyprus.
- b) The gains from the disposal of shares in companies which own immovable property in Cyprus and that are not listed in any recognized Stock Exchange.
- c) The gains from the disposal of shares in companies which directly or indirectly participate in other companies which hold immovable property in Cyprus provided that at least 50% of the market value of the shares sold is derived from property situated in Cyprus (the disposal proceeds subject to CGT in this case are restricted to the market value of the immovable property held directly or indirectly by the company of which the shares are sold).
- d) Any trading nature profits derived from the sale of shares of companies which directly or indirectly own immovable property in Cyprus provided that such profit is exempt from taxation under income tax.

No CGT is imposed on the subsequent disposal of properties which are acquired in the period from 17 July 2015 up to 31 December 2016.

Determination of capital gain

The capital gain is calculated after deducting from the selling price the initial acquisition cost or the market value as at 1 January 1980 whichever is the higher, inflated by the retail price index in Cyprus. Expenses related to acquisition and disposal are deductible for tax purposes.

According to the usual practice, the Cyprus Tax Office may proceed with internal valuation in relation to sales of shares, sales to related parties and to barter exchanges of properties.

Exemptions

The following disposals of immovable property are not subject to CGT:

- Transfers arising on death.
- Gifts made from parent to child or between husband and wife or between up to third degree relatives.
- Gifts to a company where the company's shareholders are members of the donor's family and the shareholders continue to be members of the family for five years after the day of the transfer.

- Gifts by a family company to its shareholders, provided such property was originally acquired by the company by way of donation. The property must be kept by the donee for at least three years.
- Gifts to charities and the Government.
- Transfer as a result of reorganizations.
- Exchange or disposal of immovable property under the Agricultural Land (Consolidation) Laws.
- Expropriations.
- Exchange of properties, provided that the whole of the gain made on the exchange has been used to acquire the other property. The gain that is not taxable is deducted from the cost of the new property, i.e. the payment of tax is deferred until the disposal of the new property.
- Transfer under a qualifying loan restructuring

Deductions

The following deductions exist for individuals:

	€
sale of own residence (under certain conditions)	85.430
sale of agricultural land by a farmer	25.629
other sales	17.086

The above exemptions are granted only once for each taxpayer and not for each sale. An individual claiming a combination of the above is allowed a maximum of €85.430.

New Levy Imposed

As from February 2021 there is also a 0.4% tax which is levied on all sales of immovable property situated in Cyprus (either direct sale of the property or sale of the shares of a company owning immovable property in Cyprus or where the transfer of the shares results in the buyer taking control of the company or exploiting the immovable property in question), the proceeds of which will go towards supporting Greek-Cypriot refugees. This levy is payable by the seller of the property.

In the event of sale of shares the value on which the levy is calculated is the value indicated by the Land Registry Department.

The following direct or indirect disposals are exempt from the imposition of the levy:

- a) Debt for Asset swaps
- b) Qualifying reorganizations
- c) Shares listed on a recognized Stock Exchange



6 IMMOVABLE PROPERTY TAX

Immovable property tax paid annually to the Tax Office is abolished as from 1/1/2017.

The rates which applied up to 31 December 2016 on the market value of the property as at 1/1/1980 were the following:

VALUE OF PROPERTY €	RATE ‰	TAX €	ACCUMULATED TAX €
Up to 40.000*	6	240	240
40.001 - 120.000	8	640	880
120.001 - 170.000	9	450	1.330
170.001 - 300.000	11	1.430	2.760
300.001 - 500.000	13	2.600	5.360
500.001 - 800.000	15	4.500	9.860
800.000 - 3.000.000	17	37.400	47.260
Over 3.000.000	19		

* Properties with value up to €12.500 are exempt from immovable property tax but if the value of the property exceeds €12.500 then no exemption applies.





7 TRANSFER FEES

Transfer fees are levied by the Department of Land and Surveys for transfers of immovable property situated in Cyprus.

The following rates apply:

PROPERTY VALUE €	RATE %	ACCUMULATED FEE €
Up to 85.000	3	2.550
85.001 - 170.000	5	6.800
Over 170.000	8	-

The land transfer fees are payable by the purchaser of the property.

No transfer fees are payable if VAT is applicable upon purchasing the immovable property.

The above transfer fees are reduced by 50% in case the purchase of the property is not subject to VAT.

In the case of property transferred to a family company, transfer fees are refundable after five years if the property remains with the company and the shareholders remain the same.

In the case of company reorganisations, transfers of immovable property are not subject to transfer fees or mortgage registration fees.

In addition, there are no transfer fees payable under a qualifying Loan Restructuring process or in the context of bankruptcy, liquidation, disposal of mortgaged immovable property by the lender, where the sales proceeds do not exceed the amount of euro 350.000 per owner.

In case of property transferred from a family company to one of the two spouses or their children or to a relative up to third degree, the transfer fees are calculated on the value of the property on the title deed, as follows:

	%
transfer to a spouse	8
transfer to a child	4
transfer to a relative up to third degree	8

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

	%
parents to children	NIL
between spouses	0.1%
between relatives up to third degree	0.1%
to trustees	€50

The value in the above case of free transfers is the value as at 1/1/2013.

Mortgage registration fees are 1% of the current market value.





8 STAMP DUTY

The table below gives the amount of duty payable on certain documents. Any contracts relating to assets situated outside Cyprus or business matters that take place outside Cyprus are exempt from stamp duty. Transactions during reorganizations are also exempt.

NATURE OF DOCUMENT	
Receipt - for sums over €4	7 cents
Cheque	5 cents
Letter of credit	€2
Letter of guarantee	€4
Bill of exchange (payable within 3 days on demand or at sight)	€1
Contracts with a fixed amount / the first €5.000 / €5.001 - €170.000 / over €170.000	Nil 1.5‰ 2‰
Maximum stamp duty payable on a contract is €20.000	
Contracts without a fix sum	€35
Customs documents	€18 - 35
Bill of lading	€4
Charter party	€18
Power of attorney / general / limited	€6 €2
Certified copy of contracts and documents	€2
Will	€18





9 VALUE ADDED TAX

Basis of taxation

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

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

For intra community acquisitions of goods (except goods subject to excise duty or new means of transport) the trader does not pay VAT on receipt of the goods in Cyprus but instead accounts for VAT using the acquisition accounting method. This involves a simple accounting entry in the books of the business whereby he self charges VAT and at the same time claims it back if it relates to taxable supplies thereby creating no cost to the business.

Where the acquisition relates to an exempt transaction, the trader must pay the VAT that corresponds to the acquisition.

As from 1 January 2010 significant changes come into effect in the EU and Cyprus VAT legislation in the following areas:

- Changes in the country of taxation of services provided between businesses established in two different EU Member States.
- Changes in the country of taxation of services, supplied to consumers.
- Changes in the time of supply of services for which VAT is due by the recipient.
- Procedure for refund of VAT paid in another Member State.

As a result of the above changes, additional compliance obligations have arisen as from 1 January 2010 for Cyprus resident businesses supplying services to businesses established in other EU Member States for which the recipient is liable to account for VAT under the reverse charge provisions. Such businesses are required to complete and submit electronic VIES declarations on a monthly basis, for services which are taxed by the recipient under the reverse charge provisions. In addition as from 1 January 2010 the VIES declaration for intra-Community supplies of goods must also be submitted on a monthly basis (instead of a quarterly basis).

VAT rates

The legislation provides for the following tax rates:

- Zero rate
- Reduced rate - 3%
- Reduced rate - 9%
- Standard rate -19%

Zero rate

- Exports to non EU countries.
- Supply, modification, repair, maintenance, chartering and hiring of sea going vessels which are used for navigation on the open sea and which are carrying passengers for reward or used for the purpose of commercial, industrial and other activities.
- Supply, modification, repair, maintenance, chartering and hiring of aircrafts used by airlines operating for reward mainly or international routes.
- Supply of services to meet the direct needs of sea going vessels and aircrafts.
- Transportation of passengers from Cyprus to a place outside Cyprus and vice versa using a sea going vessel or aircraft.
- Supplies of Gold to the Central Bank of Cyprus.
- Commissions received from abroad for import and export of goods.

Reduced rate

- Hotel/Tourist/Holiday lodgements accommodation (9%).
- Restaurants and catering services (9%).
- Transportation of passengers and their accompanying luggage within Cyprus using urban, intercity and rural taxis and tourist and Intercity buses (9%).
- Movement of passengers in inland waters and their accompanying luggage (9%).
- Provision of services and supply of goods by nursing homes which are not exempt transactions (9%)
- Supply of foodstuffs including unprepared foodstuff and/or beverages (excluding alcoholic drinks, beers, wine and soft drinks) (5%)
- Supply of fertilisers, animal feeding products and seeds (5%).
- Hairdressing Services (5%)
- Supply of live animals for human consumption (5%).
- Entry fees to circus, festivals, luna parks, museums, sports events etc (5%)
- The supply of pharmaceutical products and vaccines that are used for healthcare purposes (5%).
- Books, newspapers and magazines (including electronic versions) and audio books for disabled persons (3%)
- Wheelchairs and other vehicles/appliances for disabled persons (3%)
- Street cleaning, waste treatment and refuse collection services other than those services provided by public/local governing authorities (3%)
- Disposal and relevant treatment of wastewater and evacuation of septic tanks (3%)

Exemptions

The following services are exempt from VAT:

- Rental of buildings used for residential purposes.
- Hospital and most medical services.
- Most insurance, banking and financial services.
- Educational services.
- Management services provided to mutual funds.
- Supplies of real estate, excluding new buildings before their first use but including supplies of land and of second-hand buildings.
- Postal services provided by the national postal authority.
- Lottery tickets and betting coupons for football and horse racing.

Registration

Registration is compulsory for businesses with turnover in excess of €15.600 in a year or with an expected turnover in excess of €15.600 in a period of thirty days following. Businesses with less than this turnover have the option to register only if they so elect.

An obligation for registration also arises for businesses which make acquisitions of goods from other EU member states in excess of €10.252 during any calendar year and for businesses that are engaged in provision of various electronically supplied services and sales of goods to individuals (B2C sales) resident within EU (One Stop Shop Registration) in excess of euro 10.000 during any calendar year.

Exempt goods and services and transactions of capital nature are not taken into consideration when determining the annual turnover for registration purposes.

Also an obligation for VAT registration arises for businesses engaged in the supply of intra-Community services for which the recipient must account for VAT under the reverse charge rules (NIL registration threshold).

In addition, an obligation for VAT registration arises for businesses carrying out economic activities where they receive any services from abroad for which an obligation to account for Cyprus VAT under the reverse charge provision exists (threshold of €15.600 exists).

Thresholds for VAT Registration - Summary

	€
Provision of taxable supplies in Cyprus	15.600
Acquisition of goods in Cyprus from other EU Member states suppliers	10.252
One Stop Shop (OSS)	10.000
Supply of intra-community services	Nil
Receipt of services from abroad - under reverse charge rules	15.600

Difference between zero rate and exempt supplies

The difference between zero rate and exempt supplies is that businesses that make exempt supplies are not entitled to recover the input VAT charged on their purchases, expenses or imports.

Irrecoverable input VAT

As an exception to the general rule, input VAT cannot be recovered in a number of cases which include the following:

- Acquisitions used for making exempt supplies.
- Purchase, import or hire of saloon cars.
- Entertainment and hospitality expenses (except those relating to employees and directors).
- Housing expenses of directors.

VAT declaration - Payment/return of VAT

VAT returns are prepared on a quarterly basis and must be submitted by the 10th day of the second month that follows the month in which the tax period ends. Any payable VAT arising for the quarter must be paid prior to the submission of the return.

Where in a quarter input tax is higher than output tax, and therefore a repayment is due, the difference is refundable or is transferred to the next VAT quarter.

Penalties

	€
Late submission of VAT return	100 each
Omission to submit VIES Return for a period over three months*	850
Late submission of VIES Return	50 each
Late submission of Intrastat Return	50 each
Late registration with VAT authorities	85 per month of delay
Omission to keep books and records for 6 years	341

* Criminal offence with maximum penalty

VAT on immovable property

- a) Effective from 2/1/18, imposition of VAT at the standard rate of 19% on the sale of undeveloped building land which is intended to be used for the construction of one or more structures in the course of carrying out a business activity with the exception of land situated in livestock, agricultural, archaeological and environmental protection zones.

An exemption to the above relates to the reduction of the effective VAT rate on building land from 19% to 5% in the form of a refund (under certain conditions), where the plot of land will be used for the construction of a permanent residence which qualifies for the reduced rate of 5%.

- b) Effective from 13/11/17, imposition of VAT at the standard rate of 19% on the rental/leasing of immovable property (land and commercial buildings other than residential buildings) when the lessee is engaged in taxable activities. The lessor has the right to apply for an irrevocable exemption from imposition of VAT.
- c) Effective from 2/1/18, the application of the reverse charge mechanism in relation to transfer of immovable property during loan restructuring or compulsory transfer processes.
- d) Effective for 1/1/19, Leases of immovable properties which effectively transfer the risks and rewards of ownership of the immovable property are subject to 19% standard VAT rate

Reduced rate of 5% on the acquisition or construction of residences for use as the primary and permanent place of residence

On the 8th of June 2023 and amending bill was passed by the Cyprus Parliament in respect of the application of the reduced VAT rate of 5% on primary residencies.

Under the standard conditions, a 5% VAT is applied to the initial 130m² of the total buildable area, with a cap at €350,000 for the house cost. The 5% VAT is not applicable if the total buildable area exceeds 190m² or the house cost exceeds €475,000, and if so, the VAT would be at 19% on the whole amount. In cases where the total buildable area falls between 130m² and 190m², the first 130m² incurs a pro-rata 5% VAT, while the remaining portion is subject to the standard 19% VAT rate.

Exceptions to the standard conditions include eligibility for a 5% VAT rate for individuals with disabilities for up to 190m² buildable area, and with no limitation regarding the total buildable area. Additionally, families with more than three children qualify for an extra 15m² for each additional child. For instance, a family with five children is entitled to a 5% VAT on 160m² (130m²+15m²+15m²).

To be eligible for the reduced VAT rate, the applicants, who were previously granted a planning permission from the relevant government authority up to 31 October 2023, must submit their applications no later than three years from the date of the amendment law, with the deadline set until 15 June 2026.

Additionally, those who have previously applied for the reduced rate can reapply within a 10-year period from their initial application.

The reduced rate of 5% is imposed only after obtaining a certified approval from the Cyprus VAT Authority. The eligible person must submit a relevant application accompanied with various documents supporting the ownership rights on the property and evidencing the fact that the property will be used as the primary and permanent residence in Cyprus. The application must be duly filed to the VAT Office prior to the actual delivery of the residence to the person.

Eligible persons include residents of Cyprus, EU and non EU nationals, provided that the residence will be used as their main and primary place of residence in Cyprus.

Reduced rate of 5% on the renovation and repair of private residences

With effect from December 2015 the renovation or repair of private residences for which a period of at least 3 years has elapsed from the date of their first use is subject to VAT at the reduced rate of 5% (instead of 19%), excluding the value of the materials which constitute more than 50% of the value of the services.

As from 20 August 2020, the reduced rate of 5% applies also to any additions made to a private home for which three years have passed since its first occupation.

In addition the renovation and repair of old private residences (for which a period of at least three years has elapsed from the date of their first use) and which are used as the place of residence of vulnerable groups or residences that are used as the place of residence and which are located in remote areas are subject to VAT at the reduced rate of VAT of 5%.

Reverse Charge for domestic acquisition of goods and Services (Articles 11B, C, D, E and F of the VAT Legislation)

Taxable persons must account for VAT under the domestic reverse charge rules on the following acquisitions of goods and services used for business purposes:

Article 11B: Certain services (and in some cases goods) acquired for the purposes of construction, demolition, repair or maintenance of any civil engineering construction project.

Article 11C: Supply of scrap metal

Article 11D: Transfer of immovable property from a borrower to the lender when the transfer is made in the framework of a bank loan restructuring or under a forced transfer process.

Article 11E: Goods falling under the following categories: mobile phones, game consoles, computer laptops, tablets, integrated circuit mechanisms.

Article 11F: The supply of certain unprocessed and semi processed precious metals.

The VAT registration threshold for the above categories of reverse charge transactions is EUR 15.600.

OSS (One Stop Shop) & IOSS (Import One Stop Shop)

As from 1 July 2021, the implementation of the EU VAT e-commerce package came into effect in which the Mini One Stop Shop (MOSS) has been extended and turned into a One Stop Shop (OSS). The newly implemented scheme covers the following:

- 1) Harmonised threshold of €15,000 for the place of supply of distance sales of goods within the EU and supply of Telecommunication, Broadcasting and Electronically supplied services, below which the VAT rate of the member state of establishment of the supplier shall apply and above which the VAT rate of the member state of establishment of the customer shall apply.
- 2) Extension of MOSS to all B2C services and intra-EU B2C sales of goods subject to threshold of €15,000 (covers goods and telecommunication, broadcasting and electronic services)
- 3) Marketplaces and electronic interfaces become liable to collect and pay VAT for B2C supplies of goods (when they invoice or are responsible for the transfer of the goods)
- 4) Addition, as of 1 July 2021, the Import One-Stop Shop (IOSS) is the new electronic portal that businesses can be used to comply with their VAT e-commerce obligations on distance sales of imported goods, subject to the value of each consignment not exceeding EUR150.
- 5) Supplier is responsible to collect VAT, even if there is indirect involvement in the transfer of the goods.
- 6) Low value import exemption from VAT for goods up to EUR 22 has been abolished.
- 7) Simplification mechanism for the collection of import VAT by postal operators has been introduced for consignments not exceeding EUR150 and for which the IOSS is not used.



10 DOUBLE TAX TREATIES

Withholding taxes - paid to Cyprus (inbound payments to Cyprus)

COUNTRY	DIVIDENDS %	INTEREST %	ROYALTIES %
Armenia	0/5	0/5	5
Andorra	0	0	0
Austria	10	0	0
Azerbaijan*	0	0	0
Bahrain	0	0	0
Belarus	5/10/15	5	5
Belgium	10/15	0/10	0
Bosnia***	10	10	10
Bulgaria	5/10	0/7	10
Barbados	0	0	0
Canada	15	0/15	0/10
China	10	10	10
Czech Republic	0/5	0	0/10
Denmark	0/15	0	0
Egypt	5/10	10	10
Ethiopia	5	0/5	5
Estonia	0	0	0
Finland	5/15	0	0
France	10/15	0/10	0/5
Georgia	0	0	0
Germany	5/15	0	0
Greece	25	10	0/5
Guernsey	0	0	0
Hungary	5/15	0/10	0
Iceland	5/10	0	5
India	10	0/10	10
Iran	5/10	0/5	6
Ireland	0	0	0/5
Italy	15	10	0
Jersey	0	0	0
Jordan	5/10	0/5	7
Kuwait	0	0	5
Kazakhstan	5/15	0/10	10
Kyrgystan*	0	0	0

COUNTRY	DIVIDENDS %	INTEREST %	ROYALTIES %
Latvia	0/10	0/10	0/5
Lebanon	5	0/5	0
Lithuania	0/5	0	5
Luxembourg	0/5	0	0
Malta	0	10	10
Mauritius	0	0	0
Moldova	5/10	5	5
Montenegro***	10	10	10
Netherlands	0/15	0	0
Norway	0/15	0	0
Poland	0/5	0/5	5
Portugal	10	10	10
Qatar	0	0	5
Romania	10	0/10	0/5
Russia	5/15	0/5/15	0
San Marino	0	0	0
Saudi Arabia	0/5	0	5/8
Singapore	0	0/7/10	10
Serbia	10	10	10
Seychelles	0	5	10
Slovakia	0/5/10	0/10	0/5
Slovenia	5	0/5	5
South Africa	5/10	0	0
Spain	0/5	0	0
Sweden	5/15	0/10	0
Syria	0/15	0/10	10/15
Switzerland	0/15	0	0
Tadzhikistan*	0	0	0
Thailand	10	10/15	5/10/15
Ukraine	5/10	0/5	5/10
United Arab Emirates	0	0	0
United Kingdom	0/15	0	0
United States	5/15	0/10	0
Uzbekistan*	0	0	0

The above table provides a summary of the withholding taxes applicable for payments to Cyprus companies from double tax treaty countries.

*The treaty between Cyprus and USSR continues to apply.

** Pending ratification.

*** Serbia, Montenegro and Bosnia apply the Yugoslavia/Cyprus treaty.

Dividends

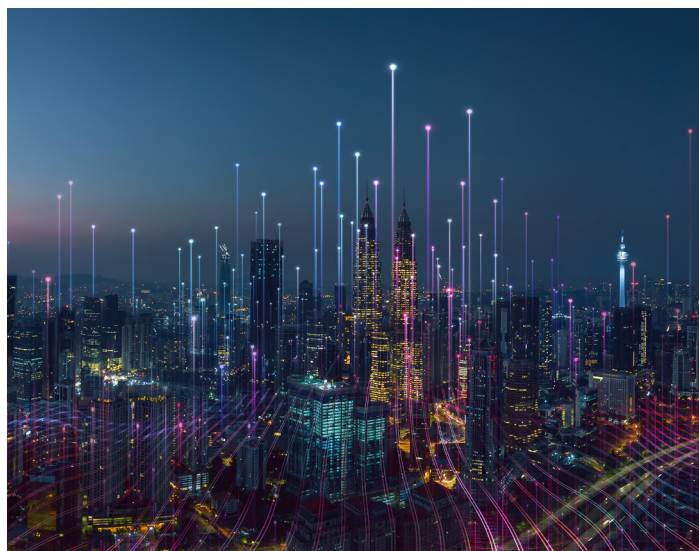
No withholding taxes exist for dividend payments which are made to non tax residents of Cyprus except in cases of payments to Blacklisted jurisdictions.

Interest

No withholding taxes exist for interest payments which are made to non tax residents of Cyprus except in cases of payments to Blacklisted jurisdictions.

Royalties

No withholding taxes are levied on royalties as long as the right is used outside Cyprus. If the right is used in Cyprus, the rates appearing in the table in the previous page apply.





11 TAX DUE DATES

END OF FOLLOWING MONTH

- Payment of tax deducted from employees salary (PAYE).
- Payment of Social Insurance deducted from employees salary.
- Payment of NHS contributions.
- Payment of special contribution for defence on dividends and interest received in the preceding month.
- Payment of Tax withheld on payments to non-Cyprus residents (i.e. artists, performers).
- Payment of Special Contribution for defence withheld on payments of rents in Cyprus.
- Submission of DAC6 reporting on any reportable cross border transaction.

WITHIN 60 DAYS

- Obtaining a Tax Identification Code: Following the registration or incorporation of a company with the Registrar of Companies, the company is obliged to submit an application for registration with the Inland Revenue Department. Similar rules apply in the case of companies incorporated outside Cyprus that become tax resident of Cyprus.

31 JANUARY

- Submission of declarations of deemed dividend distribution (auditor and director's declaration or IR623 forms) and payment of relevant SDC and NHS.
- Submission of DAC7 return.

31 MARCH

- Submission of 2022 tax return (IR4) and NHS for companies via the electronic Taxisnet system.
- Submission of 2022 tax return (IR1SE) for physical persons preparing audited financial statements via the electronic taxisnet system.

30 APRIL

- Payment of premium tax for life insurance companies - first installment.

31 MAY

- Submission by employers of the Employer's Return of the previous year (Form IR7) electronically via Taxisnet System.

30 JUNE

- Submission of previous year's personal tax returns of self-employed individuals not preparing audited financial statements - see notes (1) and (2) below.
- Payment of special contribution for defence and NHS for the first six of the year.
- Payment of the annual levy to the Registrar of Companies.

31 JULY

- Submission of the previous year personal income tax returns (IR1) of individuals (electronically via Taxisnet system) - see note (1) below.
- Payment of personal tax under self assessment method.
- Submission of provisional tax declaration and payment of first installment (out of two) of provisional tax for the year.

1 AUGUST

- Payment of previous year's final corporation tax under the self-assessment method.
- Payment of previous year's income tax under the self assessment method by self-employed individuals preparing audited financial statements - see note (2) below.

31 AUGUST

- Payment of premium tax for life insurance companies - second installment.

31 DECEMBER

- Payment of provisional tax - second and last installment.
- Payment of special contribution for defence and NHS for the last six months of the year.
- Payment of premium tax for life insurance companies- third and last installment.
- Payment of professional tax to Municipality Authorities
- Submission of Country by Country Reporting (CbCr) and relevant notifications.

Notes

(1) Physical persons submit returns only where they have income to report irrespective of whether such income exceeds euro 19,500 or not.

(2) A physical person is obliged to submit audited financial statements if his/her annual turnover exceeds the amount of €70,000.



12 INTEREST AND PENALTIES

The following penalties apply for late payment of taxes and late submission of Income tax returns:

TYPE OF PENALTY	RATE OF PENALTY %	AMOUNT €
Late submission of Tax returns	n/a	100
Low Estimation and payment of yearly Temporary Tax	10	n/a
Payment of CT after 31/8 of the following year	5	n/a
Payment of CT one month after the yearly tax return deadline	5	n/a
Payment of IT by self-employed persons after 31/7 of the following year	5	n/a
Payment of SDC on interest income after the due date	5	n/a
Payment of PAYE tax after the end of the following month	1 each month	n/a

Additionally interest is payable for late payments at the following official rates:

AMOUNTS OUTSTANDING FROM	RATE OF INTEREST %
before 1 January 2007	9
1 January 2007 to 31 December 2009	8
1 January 2010 to 31 December 2010	5.35
1 January 2011 to 31 December 2012	5
1 January 2013 to 31 December 2013	4.75
1 January 2014 to 31 December 2014	4.5
1 January 2015 to 31 December 2016	4
1 January 2017 to 31 December 2018	3.5
1 January 2019 to 31 December 2019	2
1 January 2020 to 31 December 2022	1.75
1 January 2023 to 31 December 2023	2.25
1 January 2024 onwards	5





13 COMPANY LEVY

All companies incorporated in Cyprus are required to pay a fixed annual levy of €350 to the Registrar of Companies. The maximum levy for groups is set at €20.000.

The levy must be paid by 30th of June of each year.

In case where the levy is not paid within the prescribed period the following penalties will apply:

- 10% penalty if the levy is not paid within 2 months.
- 30% penalty if the levy is not paid within 5 months.
- If the levy is not paid within 5 months the Registrar of Companies will remove the company from its registry. The return of the company to the registry can be effected within two years with the payment of a levy of €500 per annum and thereafter with the payment of a levy of €750 per annum.



14 CAPITAL DUTY ON ISSUANCE OF CAPITAL



REGISTRAR OF COMPANIES FEES

A. Upon incorporation of a Cyprus Company

- Authorized share capital
- Issued share capital

- € 105
- no capital duty payable if the shares are issued at their nominal value. There is a flat duty of €20 if the shares are issued at a premium.

B. Upon subsequent increases

- Authorized share capital
- Issued share capital

- NIL
- €20 flat duty on every issue, whether the shares are issued at nominal value or at a premium.

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