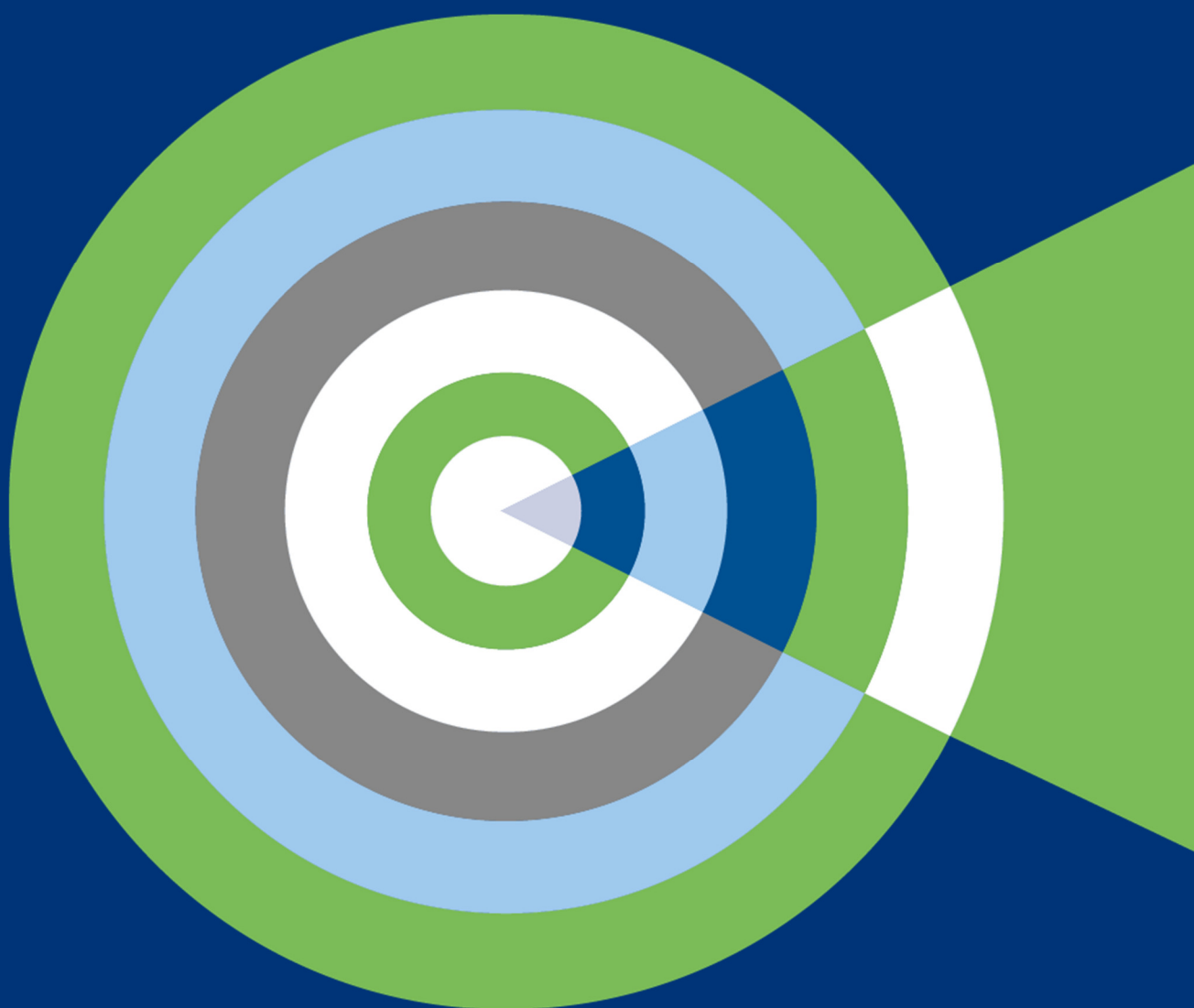


DOING BUSINESS

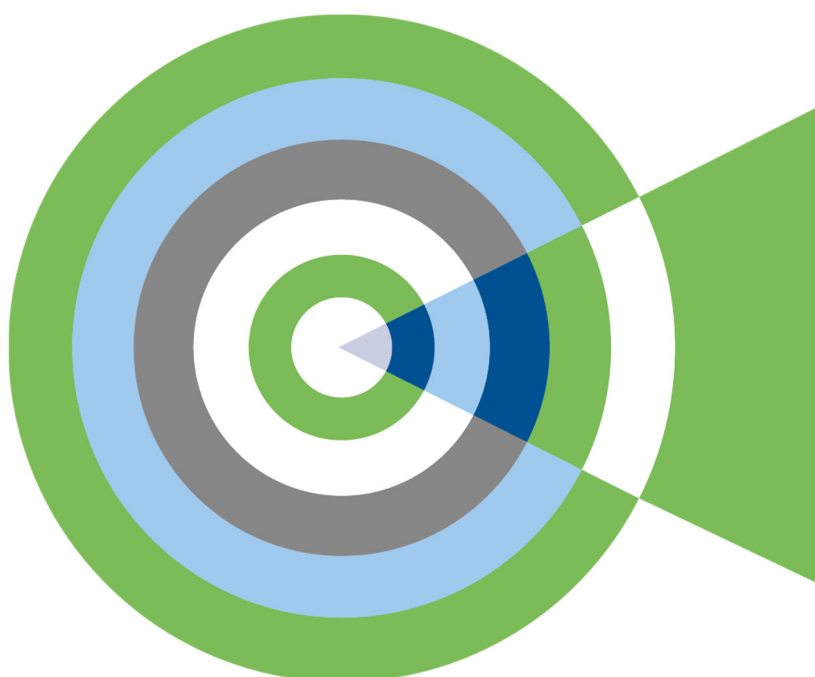
IN CYPRUS



The network
for doing
business

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1 – INTRODUCTION

UHY is an international organisation providing audit, accountancy, business management and consultancy services through financial business centres in over 100 countries throughout the world.

Business partners work together throughout the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Cyprus has been provided by the office of UHY representatives:

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Information in the following pages has been updated so that it is effective at the date shown, but inevitably it is both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current in April 2024

We look forward to helping you do business in Cyprus.

2 – BUSINESS ENVIRONMENT

Cyprus is a small country at the meeting point of the three old continents, Europe, Asia and Africa. Its importance in doing business is mainly arising from its strategic location, being the easternmost end of the European Union, close to the Middle East and North Africa, as well as from its potential for beneficial tax planning for international business and high net worth individuals.

This is due to a combination of factors, including:

- The user-friendliness and practically zero-tax status of the Cyprus Holding Company (see further below the summary of advantages)
- Advantageous tax regime for Non Domiciled Tax Resident Individuals (see further below)
- Membership of the EU and of the Eurozone
- Wide network of Treaties for the Avoidance of Double Taxation, including some with large countries which have comparatively beneficial provisions
- Absence of withholding taxes on dividends, interest or royalties paid from Cyprus
- One of the lowest corporate income tax rates in the EU at 12.5%
- Exemption from tax of many types of income, including:
 - o gains on disposal of shares and other securities,
 - o capital gains,
 - o for non-domiciled individuals, dividend and interest.
- Tax incentives introduced, including:
 - o the special mode of taxation of income arising from IP rights;
 - o the deductibility of interest on loans to acquire 100% subsidiaries
 - o notional interest deduction for investments into Cyprus companies

Cyprus is not a tax haven. It has strict rules in relation to accounting, audit and tax compliance and is implementing rigorous anti-money laundering measures. International business prepared to accept and comply with these requirements may derive significant benefits in terms of overall reduction of the tax burden.

Here's a summary of the most important tax advantages of a Cyprus holding company:

- Income from dividends is tax-free
- Gains on the sale of shares are tax-free.
- Proceeds from the liquidation of subsidiaries abroad are tax-free
- Capital gains on disposals of capital assets are tax-free.
- Profits from activities of a Permanent Establishment abroad are tax-free.
- Lower withholding tax rates in other countries on remittances of income from dividends, royalties or interest due to wider applicability of Treaties for the Avoidance of Double Taxation.
- Tax-free distributions by Cyprus Holding Companies to their non-resident or non-domiciled resident shareholders

And here's a brief outline of benefits available to Non-Domiciled Tax Resident Individuals:

- No tax on gains arising from the disposal of investments (shares, bonds, etc)
- No withholding tax on the repatriation of income as dividends, interest and royalties
- Extensive double tax treaty network

- Income tax exemptions for taking up employment in Cyprus up to fifty percent of the remuneration for 10 years for employment income of more than €100,000 per annum
- Low social insurance contributions
- No tax on worldwide dividend and interest income for non-domiciled individuals for 17 years
- No tax on retirement gratuity and special tax regime on foreign pension income
- No estate duty, wealth tax, gift tax or inheritance tax

GEOGRAPHY AND POPULATION

Cyprus is situated in the eastern Mediterranean, lying at the hub of three continents and close to the busy trade routes linking Europe with the Arab World and the Far East.

Cyprus' total area is 9,251km², making it the third-largest island in the Mediterranean, after Sicily and Sardinia. The island enjoys an excellent climate with about 300 days of sunshine per year. The temperature varies from 6°C to 13°C in winter to 21°C to 36°C in summer.

Cyprus' population is estimated at approximately 1.2 million. The official languages of the Republic are Greek and Turkish, but English is widely spoken and regularly used in business. Nicosia, with an estimated population of approximately 300,000, is the capital city and situated in the middle of the island. All other major cities are on the coast, and all are popular holiday resorts, as well as business centres.

GOVERNMENT AND LEGAL SYSTEM

The structure of government is similar to other western democracies where human rights, political pluralism and private property are safeguarded.

The Republic's constitution is largely modelled on the American constitution. The Head of State is the President who is elected for a five-year term of office. The Council of Ministers, appointed by the President, is the executive organ of the Republic. Legislative power lies with the House of Representatives whose members hold office for five years. A multi-party system is in operation and the electoral system is based on proportional representation.

The island was under British administration from 1878 to 1960 when it became an independent republic. The legal system and all statutes regulating business matters are based essentially on English Law. Most laws are officially translated into English. English is widely used, and anyone may correspond with government departments in this language. Cyprus became a member of the European Union on 1 May 2004 and joined the Euro Zone on 1 January 2008.

POLITICAL STABILITY

The Republic of Cyprus is a member of the European Union, the United Nations, the Council of Europe and the British Commonwealth. It has a very stable political system.

Part of the territory of Cyprus has been occupied since 1974 by Turkey. Efforts are being made to resolve the problem. It should be noted that since 1974, no serious military incidents have taken place on the island between the two sides.

EDUCATION AND HUMAN RESOURCES

Primary education is free and universal.

Most elementary and secondary schools are state-owned and of a high standard. In addition, there are numerous first-class private schools. These schools offer tuition in Greek, English, Russian, French, Italian, Armenian and Arabic and they offer specialised courses leading mainly towards entrance to local, European, British and American universities or to professional qualifications.

A high proportion of Cypriots have been to university, either in Cyprus or abroad. As a consequence, Cyprus ranks among the leading countries in the world in terms of its proportion of university graduates. Qualified technical, clerical and professional staffs with wide experience and fluency in English and other languages are available for employment.

TRANSPORT AND TELECOMMUNICATIONS

A wide network of air-routes connects Cyprus with Europe, Africa and Asia.

The island has two busy international airports, in Larnaca and Paphos, handling a large number of scheduled flights and served by many international and chartered airlines. Cyprus is an established international transit station for commercial air transportation with excellent connections within the entire region. Seaborne traffic is served by a fully renewed port system comprising the multi-purpose ports of Limassol and Larnaca, the industrial port of Vassiliko, and the three specialised oil terminals of Larnaca, Dhekelia and Moni.

A large number of shipping lines include Cyprus in their regular schedules to and from five continents, ensuring that thousands of ships call at Cypriot ports each year.

Cyprus has an advanced telecommunications system, based on the latest technology.

ECONOMY

The economy of Cyprus is based on free enterprise, with most economic activity taking place in the private sector.

The service sector, which dominates the Cypriot economy, accounts for about half of employment and almost two-thirds of its GDP.

In February 2024, the rate of inflation was 1.8% and the unemployment rate was 6.7%. The standard of living is relatively very high with estimated annual income per capita Expected to reach US\$31,458 by the end of 2024

The economy of Cyprus is in a relatively good state, despite the challenges created by consecutive international problems such as the ongoing COVID-19 crisis, the war in Ukraine and in Gaza, with economic growth and improving public finances.

CURRENCY

Cyprus joined the Euro zone as of 1 January 2008. There are no exchange controls in Cyprus.

INTERNATIONAL BUSINESS

Cyprus is a developed and established international business centre, with many tax and other advantages for international business.

The extensive network of treaties which Cyprus has formed for the avoidance of double taxation makes the island very attractive to international investors.

There are a large number of International Business Companies (IBCs) i.e. companies incorporated in Cyprus whose beneficial ownership and business activities lie outside Cyprus. It is worth mentioning that Cyprus has amongst the lowest corporation tax rate in the EU at 12.5% on operating profits. Furthermore, as holding companies in Cyprus are in practice free of any tax both on their income from dividends and on their proceeds on disposal of their investments, without any restrictions in relation to the time for which the investment was held or in relation to thin capitalisation, the island has become a favourable location for establishing holding companies by international businesses.

EUROPEAN UNION AND OECD: TAX REFORMS

The tax system of Cyprus fully conforms to EU directives and codes of conduct and with the OECD to eliminate 'harmful tax practices'.

3 – FOREIGN INVESTMENT

FOREIGN DIRECT INVESTMENT (FDI) POLICY

The Government of Cyprus has liberalised the Foreign Direct Investment (FDI) Policy not only for EU citizens but also for investors from third countries in most sectors of the economy.

- Limitations related to the minimum level of investment and foreigners' participation percentage have been abolished, in most sectors of the economy, allowing for up to 100% equity participation in registering companies or acquiring shares in existing companies.
- Administrative procedures have been simplified, and measures have been taken to streamline the infrastructure regarding foreign investment, thus reducing the level of bureaucratic intervention and fostering improved economic activity.
- Consequently, foreign companies now have the opportunity of investing and establishing business in Cyprus on equal terms with local investors.

INVEST CYPRUS (The National Investment Promotion Authority of Cyprus (NIPAC))

In 2008, the Cyprus Investment Promotion Agency (now renamed The National Investment Promotion Authority of Cyprus and rebranded as Invest Cyprus) was formed and fully funded by the Government of Cyprus.

Invest Cyprus has a five-fold mandate:

- 1 Educating the international investment community about Cyprus' readiness and attractiveness as an international business and financial centre
- 2 Providing support to businesses and potential investors during the location selection process
- 3 Communicating with Business Development in target-markets abroad
- 4 Providing facilitation and aftercare services to newcomers and international companies based in Cyprus
- 5 Advocating reforms and incentives to ensure a policy that favours business and investment climate

Investment Opportunities and Project Bank

NIPAC introduced a one-stop shop for investors, and this includes "Project Bank.", the so-called Investment Matchmaking Platform. This consists of high-value investment projects that align with key government strategies in sectors such as healthcare, tourism & hospitality, renewable energy, education and other commercial projects. Information on available investment opportunities is accessible through its' online Project Bank Platform which connects regional and international investors with available local investment opportunities. Opportunities exist in Cyprus in both greenfield and brownfield projects.

Reasons to relocate business to Cyprus:

- Fast Track Mechanism for Licensing & Immigration for non-EU nationals

- Access to tech-savvy EU talent pool and a well-educated, highly skilled, multilingual workforce
- Attractive EU-approved corporate tax environment with favourable IP regime as low as 2.5%
- Low cost of doing business for high-quality professional services
- Envidable lifestyle in a safe, clean and healthy environment with high living standards
- Pro-business attitude, strong regulatory framework, legal system aligned to the UK common law
- Special income tax incentives for expat executives and new tax residents of Cyprus

INVESTMENT FUNDS

Cyprus, being one of the first EU countries to transpose the Alternative Investment Fund Managers Directive into national legislation and along with the ratification of the Cyprus Alternative Investment Funds Law, is fast becoming a leading investment fund centre in Europe for investment funds and asset management companies, offering direct access to key markets.

The Cyprus Investment Funds Association (CIFA)

The Cyprus Investment Funds Association (CIFA) was established in 2013 at the initiative of the NIPAC (formerly CIPA) as a natural development of the progress made thus far in promoting Cyprus as a competitive investment funds jurisdiction.

Types of Funds in Cyprus

There are two main fund regimes in Cyprus:

(a) **Alternative Investment Funds (AIF)**

- Alternative Investment Funds with Limited Number of Persons (Up to 50) (AIFLNPs)
- Alternative Investment Funds with Unlimited Number of Persons (AIFs)
Registered AIFs (RAIFs)

(b) **Undertakings for Collective Investment in Transferrable Securities (UCITS)**

To set up a fund in Cyprus you must obtain authorisation from the Cyprus Securities and Exchange Commission (CySEC), (except for Registered RAIFs see further below).

The following legal structures are available in Cyprus:

AIF with a limited number of investors:

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

AIF with no limitation as to the number of investors:

- Variable Capital Investment Company (VCIC)

- Fixed Capital Investment Company (FCIC)
- Limited Partnership (LP)
- Common Fund (CF)

UCITS can take the following legal forms:

- Common Fund
- Variable Capital Investment Company

Registered AIFs (RAIFs)

Key Features :

- **No licencing required**
- **No Minimum Capital Requirements**
- **No Investment Restrictions**
- **Multiple Compartments Possible**
- **Can operate as open or close ended**
- **Units of RAIFs may be listed**
- **Requirement to appoint local Depository**
- **Addressed solely to Well-Informed and/or Professional Investors**

It is worth emphasising that Registered AIFs do not require licensing but a mere registration on the regulator's Register which is achieved within 30 days from submission offering a quick and cost-effective fund launch.

Please refer to section 6 further below to see the key tax advantages offered in Cyprus regarding the taxation of funds.

REAL ESTATE

EU CITIZENS

EU citizens who are residents of Cyprus may acquire any property in Cyprus without restrictions.

NON-EU CITIZENS

Non-EU citizens are allowed to acquire title to immovable property in Cyprus provided they first obtain the approval of the Council of Ministers (delegated to the Local District Officer). When the real estate concerned exceeds an area of two donums (1 donum = 1,338 square metres), approval may only be granted for:

- A residence for own use (must not exceed 3 donums)
- Professional or commercial purposes
- Industrial use in sectors considered by the Council of Ministers as beneficial to the Cypriot economy provided the acquisition of the real estate is related to the production of goods or to industries using new technology or know-how.

Any gain made on disposal of the real estate situated in Cyprus is subject to capital gains tax at the rate of 20%. (See section 6, Taxation, below for more details).

BECOMING A RESIDENT IN CYPRUS (3rd country Immigration permits for investors)

EU citizens can reside and acquire property in Cyprus without any restrictions and with little administrative burden.

Non-EU citizens (otherwise known as 3rd country nationals) can obtain residence permits, usually, in one of the following ways:

- By investing in Cyprus EUR300.000 in one of the following investment categories:
 - Residential property (1st sale from a development company);
 - Other real estate;
 - Share capital of Cyprus company with local business activities;
 - Investment in units of Cyprus Investment Organization of Collective Investments (forms of AIF, AIFLNP, RAIF)

Additional criteria include:

1. Minimum annual income EUR50,000 per applicant (increases by EUR15,000 for spouse, and EUR10,000 for each dependent minor child)
2. Clean criminal record

- By employment in Cyprus
 - Employer should be a 'Company of foreign interests in Republic' as defined
 - Employment should meet certain criteria, namely:
 - Highly paid employment (minimum Gross monthly salary EUR2,500);
 - Holders of relevant academic qualifications or relevant experience for the position

4 – SETTING UP A BUSINESS

TYPES OF BUSINESS ENTITIES IN CYPRUS

Business entities in Cyprus can operate under the following forms:

- Limited company
- Sole proprietor or partnership
- Branch
- European Public Limited Companies, otherwise known as Societas Europaea (“SE”).

The re-domiciliation of foreign companies to Cyprus, and vice versa, is possible. This means that companies may migrate from another jurisdiction to Cyprus (and vice versa) without the need for a takeover or a transfer of assets to another company already registered in the destination country.

REGISTRATION PROCEDURE OF A LIMITED LIABILITY COMPANY

Under the Companies Law, the procedure for the formation and registration of a company in Cyprus is quite simple and as follows:

APPROVAL OF NAME

Before any other steps are taken with regard to the incorporation of a company, the Registrar of Companies must be approached to ascertain whether the proposed name is acceptable.

FILING OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION

To effect registration of a company, the Memorandum and Articles of Association must be submitted for filing with the Registrar of Companies.

A Specimen Memorandum and Articles of Association can usually be made available, but care should be taken to ensure that the first few main object clauses are tailored to the specific circumstances and main business objects (aims or activities) of the company.

SHARE CAPITAL REQUIREMENTS

There are no legal requirements as to the minimum or maximum share capital of the company. In the case of foreign direct investment, there are some indicative minimum levels of investment depending on the sector.

SHAREHOLDERS

Under the relevant legislation there must be at least one shareholder. The following information is required to be disclosed to the Registrar of Companies for each of shareholder, and is available to the public:

- Full name & nationality
- Address & occupation
- Number of shares held.

DIRECTORS

How directors are appointed is usually laid down by Articles of Association, as well as how many constitute a quorum. The names of the directors are also required to be disclosed to the Registrar of Companies and is available to the public.

COMPANY SECRETARY

Every Cyprus company is required to have a Company Secretary. The appointment of the secretary is made by the directors in accordance with the Articles of Association and may be either an individual or a body corporate.

REGISTERED OFFICE

Every company must have a registered office in Cyprus, which is determined by the directors.

5 – LABOUR

LABOUR AND EMPLOYMENT CONDITIONS

The labour force in Cyprus consists of hard-working and skilled people, working at relatively inexpensive rates.

There is a general consensus between management and unions and industrial peace safeguards exist for on-going production and a growing economy. The unemployment rate was at about 6.7% in January 2024 (6.5% in January 2023)

Cyprus ranks amongst the leading countries in the world in terms of the proportion of university graduates, ensuring the availability of high-quality managerial and administrative personnel. (Cyprus is ranked top for graduates amongst EU countries, with 47% having tertiary education qualifications).

EMPLOYMENT LEGISLATION AND REGULATIONS

EU 'ACQUIS COMMUNAUTAIRE'

The Labour related legislation in Cyprus is in compliance with EU regulations.

EMPLOYER'S CONTRIBUTIONS

SOCIAL INSURANCE

As from 1 January 2019, and for the next five years, the employer's contribution to social insurance was increased to 8.3% of the employee's salary, restricted to a maximum amount of salary.

Thereafter the rate will increase every five years until it reaches 10.7% as from 1 January 2039. Salary restriction was increased as from 1 January 2023, to € 60,060 (weekly €1,155, monthly €5,005). As from 1 January 2024, to €62,868 (weekly €1,209 monthly €5,239). This contribution is used to pay unemployment and sickness benefits, maternity leave, disability, and old-age pensions.

For 2022 this was €58,080 (weekly €1,117, monthly €4,840)

For 2021 this was €57,408 (weekly €1,104, monthly €4,784)

For 2020 this was €54,864 (weekly €1,055, monthly €4,572)

For 2019 this was €54,864 (weekly €1,051, monthly €4,540)

For the years 2015-2018 the levels were €54,396, €1,046 and €4,533 respectively)

GENERAL HEALTHSYSTEM (GHS)

The General Health System (GHS) (also referred to as the National Health Insurance System (GESY)) was introduced in Cyprus in 2019. GHS is the national healthcare system, financed through a compulsory contribution of employees, employers, self-employed persons, pensioners, and persons earning other types of income and the government.

Currently, the applicable rate of contribution for employers on employees' emoluments is 2.90%.

REDUNDANCY FUND

The employer's contribution to the Redundancy Fund is 1.2% of the employee's salary. This contribution is used to pay some compensation to employees in case they are made redundant. This is restricted to the maximum level of emoluments as with social insurance contributions.

TRAINING DEVELOPMENT FUND

The employer's contribution to the Training Development Fund is 0.5% of the employee's salary. This contribution is used to pay for various government-sponsored training needs for industry. This is restricted to the maximum level of emoluments as with social insurance contributions.

SOCIAL COHESION FUND

The employer's contribution to the Social Cohesion Fund is 2% of the employee's salary.

FRINGE BENEFITS

In addition to the above compulsory contributions, many employers have provident or pension funds which offer payment to employees on retirement or voluntary termination of employment, as well as medical and other similar benefits.

EMPLOYEE'S CONTRIBUTIONS

SOCIAL INSURANCE

The employee's contribution to Social Insurance is 8.8% as from 1 January 2024 and for next five years. Thereafter the rate will increase every five years until it reaches 10.7%, as from 1 January 2039.

Note that the contributions of self-employed persons are 16.6% of their income, as of 1 January 2024. (15.6% for 2019-2023, 14.6% for 2014-2018). Thereafter the rate will increase every five years until it reaches 20.4% as from 1 January 2039. The amount of the contributions is subject to a lower and a maximum limit, depending on the profession or trade of the self – employed person. These limits are set on an annual basis.

GENERAL HEALTH SYSTEM (GHS)

The General Health System (GHS) (also referred to as the National Health Insurance System (GESY), was introduced in Cyprus in 2019. GHS is the national healthcare system, financed through a compulsory contribution of employees, employers, self-employed persons, pensioners, and persons earning other types of income and the government.

The employee's contribution is 2.65% of their salary.

INCOME TAX LAW

Under the Income Tax Law all employers are obliged to deduct from their employees' salaries the amount of income tax applicable to each employee and remit it to the Income Tax Authorities (Pay as You Earn system). For details of personal tax see Sections 6.

OTHER LABOUR RELATED REGULATIONS

ANNUAL HOLIDAYS WITH PAY LAW

Under this Law, an employer-sponsored Central Holiday Fund was established out of which employees obtain their holiday entitlement. All employees with at least 50 weeks' service are entitled to a minimum of 20 working days of paid holidays.

Employers have to contribute 8% of the employee's salary to this fund. They may, however, apply for exemption from having to contribute to the fund provided they offer better conditions to their employees.

OTHER LEAVE OF ABSENCE

There is no legislation yet in relation to sick leave entitlement or other leave of absence.

Maternity leave is 18 weeks.

As of 1st August 2017, paternity leave is 15 days.

TERMINATION OF EMPLOYMENT LAW

The Termination of Employment Law provides for minimum periods of notice before dismissals (i.e. from one to six weeks' notice) and for payment of compensation in case of arbitrary dismissal or redundancy (i.e. two to four weeks' salary for each year of employment).

ALIENS AND IMMIGRATION LAW

Under this Law, foreigners wishing to take up employment in Cyprus must have either a 'business permit' or an 'employment permit'. Citizens of EU member states may be employed in Cyprus without restrictions. Other aliens require residence/employment permits.

6 – TAXATION

MAIN FOCUS OF INCOME TAX LEGISLATION

Residents of Cyprus (legal entities and individuals) are taxed on their worldwide income. Non-residents are taxed only on some specific income from sources in Cyprus.

There are three main forms of direct taxation in Cyprus:

- Income Tax (see below)
- Special Contribution for Defence (see below)
- General Health System (see below)

All the sections below should be read to obtain a full understanding of the main forms of direct taxation affecting companies and individuals.

CORPORATION (INCOME) TAX

BASIC FEATURES

A company is resident in Cyprus if its business is centrally managed and controlled in Cyprus.

As from 2023, Cyprus incorporated/registered companies whose management and control are exercised outside of Cyprus, if they are not tax resident in any other jurisdiction (commonly referred to as “stateless companies”), will then be considered resident in Cyprus.

All Cyprus tax resident companies are taxed on their income accrued or derived from all chargeable sources in Cyprus and abroad at the rate of 12.5% (however see below for significant exemptions)

With effect from 1 January 2019 Controlled Foreign Companies (CFCs) rules apply i.e. non-distributed profits of CFCs directly or indirectly controlled by a Cyprus tax resident company, may become subject to tax in Cyprus (certain exceptions may apply).

A non-Cyprus tax resident company is taxed only on income accrued or derived from a business activity which is carried out through a permanent establishment in Cyprus and on certain income arising from sources in Cyprus.

Foreign taxes paid can be credited against the Cyprus corporation tax liability.

Cyprus, as an EU member state, will be transposing the EU Directive on the safeguarding of a global minimum level of taxation of multinational enterprise groups and large-scale domestic groups into its national law, with effect as from 1 January 2024.

CORPORATION TAX EXEMPTIONS

Tax exemptions apply to the following income:

- Dividend income
- Profits from the sale of shares and other securities
- 100% of passive interest

- Profits from the production of films, series and other related audiovisual programs Note: The lower of 35% of the eligible expenditure and 50% of the taxable income. Any restriction may be carried forward for 5 years
- Profits of a permanent establishment (p.e.) abroad, provided the foreign tax is not significantly lower than Cyprus tax and the p.e. does not derive more than 50% of its total income from investments.
Note: With effect, as from 01 July 2016, taxpayers may elect to tax the profits earned by a foreign p.e. with a tax credit for foreign taxes incurred on those foreign p.e. profits. Transitional rules apply in certain cases on the granting of foreign tax credits where a foreign p.e. was previously exempt and subsequently a taxpayer elects to be subject to tax on the profits of the foreign p.e.
- Gains relating to foreign exchange differences (forex) with the exception of forex arising from trading in foreign currencies and related derivatives

CORPORATION TAX DEDUCTIONS

INTEREST EXPENSE FOR ACQUISITION OF 100% SUBSIDIARY

Interest expense incurred for the direct or indirect acquisition of 100% of the share capital of a subsidiary company will be treated as deductible for income tax purposes provided that the 100% subsidiary company does not own (directly or indirectly) any assets that are not used in the business. If the subsidiary owns (directly or indirectly) assets not used in the business the interest expense deduction is restricted to the amount which relates to assets used in the business. This applies for acquisitions of subsidiaries from 1 January 2012.

NOTIONAL INTEREST DEDUCTION (NID)

Equity introduced to a company as from 1 January 2015 (new equity) in the form of paid-up share capital or share premium is eligible for an annual notional interest deduction (NID). The annual NID deduction is calculated as an interest rate on the new equity.

NID Cap of 80%: The NID deduction cannot exceed 80% of the taxable profit derived from the assets financed by the new equity (as calculated prior to the NID deduction).

The relevant interest rate is the yield on 10-year government bonds (as of December 31 of the prior tax year) of the country where the funds are employed in the business of the company plus a 5% premium (there is no minimum reference rate). Where the country in which the new equity is employed/invested does not have an issue 10-year government bond, the reference rate is the Cyprus 10 year government bond yield plus 5%.

A taxpayer may elect not to claim all or part of the available NID for a particular tax year. Certain anti-avoidance provisions apply.

OTHER DEDUCTIONS

- The whole amount of donations to approved charities (with receipts).
- The whole amount of Employer's contributions to social insurance, General Health System and approved funds on employees' salaries.
- 1% on employee's remuneration regarding the employer's contribution to medical fund for employees.
- 10% on employee's remuneration regarding the employer's contribution to Provident/Pension fund for employees.

TAX LOSSES

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

- Group relief is available
- Losses for a p.e. abroad can be set off against other profit of the Company

Note:

1. As from 1 January 2015, interposition of a non-Cyprus tax resident company(ies) will not affect the eligibility for group relief as long as such company(ies) is tax resident of either an EU country or in a country with which Cyprus has a double tax treaty or an exchange of information agreement (bilateral or multilateral).
2. As from 1 January 2015, a Cyprus tax resident company may also claim the tax losses of a group company which is tax resident in another EU country, provided such EU Company firstly exhausts all possibilities available to utilise its losses in its country of residence or in the country of any intermediary EU holding company.

WITHHOLDING TAXES

No Cyprus withholding tax on dividends or interest is paid to non-residents. Further, there is also no WHT on royalties paid to non-residents of Cyprus for rights not used within Cyprus.

RELIEF FROM FOREIGN TAXES

Foreign taxes, both underlying and withholding, are deducted from taxes in Cyprus on the same income.

SPECIAL TYPES OF COMPANIES

SHIPPING COMPANIES

The Merchant Shipping Legislation fully approved by the EU (approval extended up to 31 December 2029) provides for exemption from all direct taxes and taxation under tonnage tax regime of qualifying shipowners, charterers and ship-managers, from the operation of qualifying community ships (ships flying a flag of an EU member state or of a country in the European Economic Area) and foreign (non-community) ships (under conditions), in qualifying activities.

The legislation allows non community vessels to enter the tonnage tax regime provided the fleet is composed by at least 60% community vessels. If this requirement is not met, then non community vessels can still qualify if certain criteria are met. The legislation includes an “all or nothing” rule, meaning that if a shipowner/charterer/ ship-manager of a group elects to be taxed under the Tonnage Tax regime, all shipowners/ charterers/ ship-managers of the group should elect the same.

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

Shipowners

The exemption applies to:

- profits derived from the use/chartering out of the ships
- interest income relating to the working capital of the company
- profits from the disposal of qualifying ships
- dividends received from the above profits at all distribution levels
- profit from the disposal of ship-owning companies and its distribution

The exemption also applies to the bareboat charterer of a vessel flying the

Cyprus flag under parallel registration. Bareboat charter out agreements remain eligible for tonnage tax, with restrictions introduced for bareboat charter agreements to third parties. The legislation provides a definition, as well as a specific list, of what are ancillary services. Moreover, it clarifies that the revenue from the ancillary services may fall under the tonnage tax regime, provided that the income therefrom does not exceed 50% of the total income generated from Maritime Transport Activities ('Core Activities').

Charterers

Exemption is given to:

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

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

Ship managers

The exemption covers:

- Profits from technical and/or 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 ship-managers must satisfy the following additional requirements:
- Maintain a fully-fledged office in Cyprus with personnel sufficient in number and qualification
 - At least 51% of all onshore personnel must be community citizens
 - At least 2/3 of total tonnage under management must be managed within the community (any excess of 1/3 taxed under corporation tax)

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

INTERNATIONAL TRUSTS

Trust Law in Cyprus is based on English legal principles and the legislation in force follows the English Trustees Act of 1925. In 1992, the International Trust Law was enacted in order to facilitate the use of the basic law by non-residents. The law was amended on 9 March 2012 to become more attractive.

A Cyprus international trust is a trust which has the following characteristics:

- The settlor and beneficiaries other than charitable institutions must not be Cyprus tax residents during the calendar year prior to the year of creation of the trust (may become Cypriot residents at any time following its creation)
- The trustees may vest the beneficiaries' interests in movable and immovable property both in Cyprus and abroad and in shares in Cypriot companies
- The trust can have Cyprus sourced income
- A trust may continue to be valid and enforceable without time restriction.

Taxation of a Cyprus International trust in Cyprus:

- Where the beneficiary is resident in Cyprus, the income and profits of a Cyprus International Trust which are earned or deemed to be earned from sources within and outside of Cyprus, are subject to every form of taxation imposed in Cyprus and
- Where the beneficiary is not a resident of Cyprus, the income and profits of a Cyprus International Trust which are earned or deemed to be earned from sources within Cyprus, are subject to every form of taxation imposed in Cyprus
- No capital gains tax is charged on the disposal of assets held abroad.

SPECIAL MODES OF TAXATION

INSURANCE COMPANIES

Insurance companies of general and life business are taxable in the same way as all other companies. In the case where there is no tax payable or where the tax payable on the taxable income of the life business is less than 1.5% of the gross amount of the insurance premiums then the insurance company pays the difference as additional tax.

PENSION INCOME FROM SERVICES RENDERED ABROAD

The pension income of any individual resident in the Republic, which arises from services rendered abroad, is taxed at a rate of 5% for amounts exceeding €3.420 per annum. The taxpayer has the right to choose to be taxed either under the special mode of taxation as stated above or at normal rates. If the latter is chosen the pension is added to the individual's other income.

ROYALTY INCOME ARISING IN CYPRUS OF A NON-RESIDENT

The gross income arising from intellectual property rights, other exploitation rights, compensations or other similar income arising from sources within the Republic, of a person who is not resident in the Republic, is subject to withholding tax at a rate of 10%. Royalties received by a connected company registered in a European Union Member State are exempt from tax (subject to conditions). Rights granted for use outside the Republic are not subject to any withholding tax

FILM ROYALTIES, ETC

The gross income derived by a non-resident person in respect of royalties 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 tax (subject to conditions).

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 should be paid to the Inland Revenue department by the end of the following month. In case where 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.

THE CYPRUS ALTERNATIVE INVESTMENT FUNDS (AIFS) AND UNDERTAKINGS FOR COLLECTIVE INVESTMENT IN TRANSFERABLE SECURITIES (UCITS)

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

Under certain conditions, management fees and administration fees charged for AIFs and UCITS funds can be exempt from VAT.

Taxation of Funds

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

In the case of funds which have compartments, each compartment is assessed separately for tax purposes subject to the provisions of the law.

Under circumstances and depending on the legal form of the fund, some funds may be transparent for tax purposes. Additional key provisions which are relevant to funds are set out below:

Sale of Fund Units

There is no Capital Gains Tax on the gains arising from the disposal or redemption of units in funds unless the fund owns immovable property in Cyprus (subject to conditions).

However, even if it owns immovable property in Cyprus, no Capital Gains Tax arises if the Fund is listed on a recognized stock exchange.

Stamp Duty

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

No creation of a permanent establishment

Based on the Cyprus tax legislation no Cyprus permanent establishment will be deemed to arise:

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

Management services

The management fee charged for the provision of collective management services to investment funds is exempt from VAT, provided certain conditions are met.

Carried interest / performance fee for AIF and UCITS fund managers

Certain employees and executives of the following investment fund management companies or internally managed investment funds may opt for a different mode of personal taxation:

- Alternative Investment Fund Managers authorised under the Alternative Investment Fund Managers Law 56(I)/2013, as amended (hereinafter, the 'AIFM Law');
- Internally managed AIFs authorised under the AIFM Law;

- UCITS Management Companies authorised under the UCI Law; and
- Internally managed UCITS authorised under the UCI Law.

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

INTELLECTUAL PROPERTY RIGHTS

Expenditure incurred for the development or acquisition of intangible assets as defined in the Patent Rights Law, the Intellectual Property Law and the Trademarks Law is tax deductible.

As per the “new” Cyprus IP box, (provision applies with effect from 1 July 2016), the tax amortisation of any expenditure of a capital nature for the acquisition or development of IP, is allocated over the lifetime of the IP (maximum of 20 years). An 80% deemed deduction applies on the net profit as calculated using the modified nexus fraction.

As per the “old” Cyprus IP box, any expenditure of a capital nature for the acquisition or development of IP is claimed a tax deduction in the year in which it was incurred and the immediate four following years on a straight-line, are tax deductible. An 80% deemed deduction applies to the net profit, from the exploitation or disposal of such intangible assets (net of any direct expenses incl. finance costs to acquire/ develop IP and annual tax amortisation). The “old” Cyprus IP box closed as from 31 June 2016, however subject to conditions, under transitional rules, its provisions remain applicable.

PERSONAL INCOME TAX

BASIC FEATURES

All Cyprus tax resident individuals are taxed on their worldwide income. Individuals who are not Cyprus tax residents on-residents are taxed only on some specific income from sources in Cyprus.

An individual is a tax resident in Cyprus if he/she stays in Cyprus for more than a total of 183 days in any calendar year.

As of 1st January 2017, an individual may also be considered as a Cyprus tax resident, if he/she satisfied the “60-day rule”, if the following conditions are satisfied:

- He/she does not spend more than a total of 183 days in any State within a tax year, and
- He/she is not a tax resident of another State within the same tax year, and
- He/she remains in Cyprus for at least 60 days in the tax year, and
- He/she carries on a business in Cyprus or is employed in Cyprus or holds an office in a Cyprus tax resident person at any time during the tax year, and
- He/she maintains a permanent home in Cyprus that is either owned or rented.

Remuneration for salaried services rendered outside Cyprus to a non-Cyprus resident employer (or to a permanent establishment of an employer who is a resident of Cyprus) is exempt from Cyprus taxation provided that the period of these services in any calendar year is more than 90 days.

CYPRUS TAX RESIDENT NON-DOMICILED TAX STATUS

As of 16 July 2015, individuals who are not domiciled in Cyprus for tax purposes are not subject to SDC on dividend income, passive interest income, and rental income. Thus, dividend and interest income are exempt from all taxes in Cyprus for such individuals. Rental income remains subject to Personal Income Tax.

With this status you will be able to reside in Cyprus, enjoy the high quality of life, excellent, climate and lifestyle, the high-quality services and at the same time enjoy the income, as described above, free of tax.

APPLICABLE RATES

The applicable rates of income tax are set out below.

TABLE 1

Rates of income tax

TAXABLE INCOME	TAX RATES	TAX AMOUNT	CUMULATIVE TAX
€	%	€	€
0-19.500	-		
19.501-28.000	20	1.700	1.700
28.001-36.300	25	2.075	3.775
36.301-60.000	30	7.100	10.885
Over 60.000	35		

Foreign pension is taxed at the flat rate of 5%, on amounts above €3,420. The taxpayer can however on an annual basis elect to be taxed at the normal tax rates and bands set out above.

EXEMPTIONS

Certain types of income are exempt from income tax, however other taxes may apply (see section on Special Defence Fund Contribution, further below), including:

TABLE 2

Exemptions

Interest, except for interest arising from the ordinary business activities The whole amount (Note 1) or closely related to the ordinary business activities of an individual

Interest, except for interest arising from the ordinary business activities The whole amount (Note 1) or closely related to the ordinary business activities of an individual

Dividends The whole amount (Note 1)

Remuneration for first employment exercised in Cyprus as from 1 January 2022 by an individual who was not a resident of Cyprus for 15 consecutive years prior to their employment commencement if the annual remuneration exceeds €55.000. 50% of remuneration

An employee is considered as exercising “first employment” in Cyprus if the said employee did not exercise any salaried services (including occasional employment) in Cyprus, either for a local or a foreign employer, for a 15-year consecutive period immediately prior to the aforesaid employee taking up employment in Cyprus. This exemption is applicable once in the taxpayer’s lifetime for a period of 17 years. Individuals who commenced employment prior to 1 January 2022, may also be eligible to this exemption, subject to conditions.

Remuneration from first employment exercised in Cyprus commencing after 26 July 2022, by an individual who was not a resident of Cyprus before the commencement of his employment for at least 3 consecutive years and were employed outside of Cyprus by a non-resident employer. This exemption is applicable for a period of 7 years, commencing from the year following the year of employment commencement. This exemption may not be claimed in addition to the immediately above mentioned 50% exemption for employment income.	20% of the remuneration with a maximum amount of €8.550 annually
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	The whole amount
Profits from a foreign permanent establishment under certain conditions	The whole amount
Profits from the sale of securities	The whole amount
Capital sums accruing to individuals from any payments to approved funds (e.g. provident funds)	The whole amount
Lump sum received by way of retiring gratuity, commutation of pension or compensation for death or injuries	The whole amount
Profits from the production of films, series and other related audiovisual programs	The lower of 35% of the eligible expenditure and 50% of the taxable income. Any restriction may be carried forward for 5 years.

Notes:

1. Such interest & dividend income may be subject to Special Contribution for Defence

TAX DEDUCTIONS**TABLE 3***Tax Deductions*

Contributions to trade unions or professional bodies	The whole amount
Loss of current year and previous years (up to the previous 5 years for individuals required to prepare audited financial statements)	The whole amount
Rental income	20% of rental income
Donations to approved charities (with receipts)	The whole amount
Expenditure incurred for the maintenance of building in respect of which there is a preservation order	Up to €1.200, €1.100 or €700 per square meter (Depending on the size of the building)

Social Insurance, General Health System medical fund, private medical fund insurance contributions (maximum 1.5 % of remuneration), pension and provident fund contributions (maximum 10% of remuneration) and life insurance premiums (maximum 7% of the insured amount)	Up to 1/5 of the chargeable income
Investments as from 1 January 2017 in approved innovative small and medium sized enterprises either directly or indirectly subject to conditions (applicable up to 31 December 2026)	Up to 50% of the taxable income as calculated prior to this deduction (subject to a maximum of €150.000 per year) (note 1)
Eligible infrastructure and technological equipment expenditure in the audio-visual industry	20%
Expenditure of revenue nature for scientific research and for R&D, subject to conditions	The whole amount (and for expenditure incurred in years 2022, 2023 and 2024, an additional 20%)
Tax amortisation of any expenditure of capital nature for scientific research and for R&D, subject to conditions	The whole amount (and for expenditure incurred in years 2022, 2023 and 2023, an additional 20%) allocated over the asset life (maximum 20 years)

Notes:

1. Unused deduction can be carried forward and claimed in the following 5 years, subject to cap of 50% of taxable income (& overall maximum of €150.000 per year)

SPECIAL CONTRIBUTION FOR DEFENCE

Special Defence contributions (SDC) is imposed on dividend income, “passive” interest income and rental income earned by Cyprus tax resident companies and by individuals who are both Cyprus tax resident and Cyprus domiciled.

TABLE 4

	INDIVIDUALS (6)	LEGAL ENTITIES (6)
Dividend income from Cyprus tax resident companies	17% (1)	Nil (1)
Dividend income from non-Cyprus tax resident companies	17%	Nil (2)
Interest income arising from the ordinary activities or closely related to the ordinary activities of the business	Nil (3)	Nil (3)
Other interest income (‘passive’)	17% (4)	17% (4)
Gross Rental income (reduced by 25%)	3% (4 & 5)	3 % (4 & 5)

Notes:

1. Dividends received by a Cyprus tax resident company from other Cyprus tax resident companies are excluded from all taxes, unless they are indirectly declared after the lapse of four years from the end of the year in which the profits were generated, in which case they may be subject to Special contribution for defence at 17%.

Dividends which emanate directly or indirectly out of such dividends on which special contribution for defence was previously suffered are exempt.

2. This exemption does not apply if:

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

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

3. Such interest income is subject to personal income tax / corporation tax.

4. The Special contribution for defence rate on interest income of 17% is effective as from 1 January 2024 (previously 30%).

Interest income from Cyprus government savings and development bonds and all interest earned by a provident fund is subject to Special contribution for defence at the rate 3% (instead of 17%)

In the case where the total income of an individual (including interest) does not exceed €12.000 in a tax year, then the rate on interest income is reduced to 3% (instead of 17%).

For Cyprus sourced rental income where the tenant is a Cyprus company, partnership, the state or local authority Special contribution for defence and GHS on rental income is withheld at source and is payable in 6-month intervals on 30 June and 31 December each year.

For Cyprus sourced interest and dividends Special contribution for defence due is withheld at source and is payable at the end of the month following the month in which they were paid.

However, for foreign sourced dividends, interest and rental income Special contribution for defence is payable in 6-month intervals on 30 June and 31 December each year.

5. Rental income is also subject to personal income tax / corporation tax.

Foreign taxes paid can also be credited against the Special contribution for defence tax liability.

DEEMED DIVIDEND DISTRIBUTION

There is a 17% special defence contribution on deemed dividend distributions to shareholders of a Cyprus resident company who are both tax residents and domiciled in the Republic (see page 24). A deemed dividend distribution is defined as 70% of distributable accounting profits of a company which have not been distributed within two years from the year end. Prior to 16 July 2015 the imposition applied to the extent the ultimate direct/indirect shareholders of the company were Cyprus tax resident individuals.

GENERAL HEALTH SYSTEM (GHS)

As per the General Health System Law of 2001(N.89(I)/2001 as amended, a national health care system was introduced aiming to provide affordable and effective medical care to the population. All beneficiaries have the option to select a health care provider (personal doctor) from the GHS registered doctors from the private and public health care sector.

Contributions relating to the implementation of the General Health System (GHS) started on 1 March 2019 and the current rates are as per the table below:

Ref	Category	Applied on	Rate
(i)	Employees	Own emoluments	2.65%
(ii)	Employers	Employees' emoluments	2.90%
(iii)	Self-employed	Own income	4.00%
(iv)	Pensioners	Pension	2.65%
(v)	Persons holding office	Officers' Remuneration	2.65%
(vi)	Republic of Cyprus or Natural/Legal person responsible for the remuneration of persons holding an office	Officers' Remuneration	2.90%
(vii)	Persons earning rental, interest, dividend and other income	Rental, Interest, Dividend Income etc.	2.65%
(viii)	Republic's consolidated fund	Emoluments/Pensions of persons (i), (iii), (iv) and (v)	4.70%

Important Note: GHS contributions are capped at €180.000 of annual income.

CAPITAL GAINS TAX

RATE

Capital Gains tax is imposed (where the disposal is not subject to income tax) at the rate of 20% on capital gains arising from the disposal of immovable property (real estate) situated in Cyprus including gains from the disposal of shares in companies which directly own such immovable property. Further, as from 17 December 2015 shares of companies which indirectly own immovable property located in Cyprus and at least 50% of the market value of the said shares derive from such immovable property are subject to Capital Gains Tax. In the case of share disposals only that part of the gain relating to the immovable property situated in Cyprus is subject to CGT. The disposal of shares listed in recognised Stock Exchanges is exempt from Capital Gains Tax.

DISPOSAL

For the purpose of CGT, a disposal specifically includes exchange, leasing, gifting, abandoning use of rights, granting of right to purchase and any sums received upon cancellation of disposals of property.

TAXABLE GAIN

The taxable gain is the difference between the sale proceeds and the original cost of the property plus improvements as adjusted for inflation.

Confined to gains accruing since 1 January 1980.

LIFETIME EXEMPTIONS

Lifetime exemptions are available to individuals on gains, with an overall lifetime maximum €85,430, as shown below.

TABLE 6

Lifetime exemptions

	LIMIT IN EUR
Disposal of private residence (subject to certain conditions)	85,430
Disposal of agricultural land by a farmer	25,629
Disposal of any other property	17,086

Note: Each individual is entitled to only one of the above three exemptions, whichever is the greater.

EXEMPT DISPOSALS

- Disposal of property situated outside Cyprus
- Profits from the disposal of securities quoted on any recognised stock exchange
- Profits from disposal of any securities (except for shares in non-listed companies owning real estate property in Cyprus)
- Transfers by reason of death
- Gifts between relatives up to the third degree of relation
- Gift to Republic/local authority/approved charitable institutions
- Exchange of properties, provided that the whole of the gain made on the exchange is used to acquire the other property. The gain that is not taxable is deducted from the cost of the new property
- Exchange or sale in accordance with the Agricultural Land (Consolidation Laws)
- Gifts to family companies of which all the shareholders are, and continue to be, members of the donor's family for at least five years
- Gifts from family companies to their shareholders provided the company originally acquired the property by way of gift. In cases where the shareholder disposes of the property gifted by the company before the expiration of three years from the date of the gift, he will not be entitled to the lifetime exemptions applicable to individuals set out under exempt gains above
- Expropriations
- Disposal of property, or shares of companies owning immovable property, as part of reorganisation of companies
- Subject to conditions, land as well as land with buildings, acquired in the period 16 July 2015 up to 31 December 2016 will be exempt from CGT upon its disposal

TRANSFER PRICING

With effect from tax years starting from 1 January 2022, the Cyprus Parliament passed a law introducing detailed Transfer Pricing legislation, which is applied and interpreted in accordance with the OECD Transfer Pricing Guidelines, as amended from time to time.

Applicable as from 1.1.2022, the Transfer Pricing documentation (“TP Documentation file”) consist of the Master File and the Local File, the contents of which follow the definition and suggested contents of the OECD TP Guidelines and BEPS Actions 13 Report.

All taxpayers that engage in Controlled Transactions must also prepare on an annual basis a Summary Information Table including all the required information.

Cyprus tax resident persons and permanent establishments in Cyprus of non-Cyprus tax resident persons that engage in domestic and/or cross-border transactions are required to prepare annually a TP Documentation File, subject to the exemptions.

Specific penalties for non-compliance with the new obligations are now in place.

Please refer to the separate UHY Global Transfer Pricing Guide 2023 for further details <https://www.uhy.com/category/publications/global-transfer>

VALUE ADDED TAX

IMPOSITION OF TAX

VAT is imposed on the supply of goods and provision of services in Cyprus, as well as on the acquisition of goods from the European Union (EU) and the import of goods into Cyprus.

REGISTRATION - COMPULSORY AND VOLUNTARY

Established persons in the Republic of Cyprus

Registration is compulsory for businesses with (a) turnover subject to VAT in excess of €15,600 during the 12 preceding months or (b) expected turnover subject to VAT in excess of €15,600 within the next 30 days.

Businesses with turnover of less than €15,600 or with supplies that are outside the scope of VAT but for which the right to claim the amount of the related input VAT is granted, have the option to register on a voluntary basis.

An obligation for registration also arises for businesses which make acquisition of goods from other EU Member States in excess of €10,251.61 during any calendar year. In addition, as from 1 January 2010 an obligation for VAT registration arises for businesses engaged in the supply of intra-community services for which the recipient must account for VAT under the reverse charge provisions. Furthermore, an obligation for VAT registration arises for businesses carrying out economic activities from the receipt of services from abroad for which an obligation to account for Cyprus VAT under the reverse charge provision exists subject to the registration threshold of €15,600 per any consecutive 12-month period. No registration threshold exists for the provision of intra-community supplies of services.

Exempted products and services, and disposals of items of capital nature are not taken into account for determining annual turnover for registration purposes. Registration is carried out by completing the appropriate application form.

Persons with no establishment in the Republic of Cyprus

As from 20 August 2020, registration is compulsory for persons with no establishment in Cyprus which are engaged or expect to be engaged in taxable activities in Cyprus in the course of their business. No VAT registration threshold exists for the non-established persons engaging in such activities.

The non-established person may request to obtain an exemption for VAT registration in Cyprus from the Tax Commissioner, on the basis that it is engaged only/merely in activities which are subject to 0% VAT.

GROUP REGISTRATION

Single registration for a group of companies incorporated in Cyprus is now possible. For this purpose, companies are considered a group if:

- One company controls each one of the other companies
- A person (legal or natural), controls all the other companies
- Two or more individuals carrying out a business as a partnership control all the other companies.

Group registration means that transactions between members of the group are disregarded for VAT purposes. Only one VAT return is required to be submitted for all the companies in the group, instead of one VAT return for each company.

RATE OF VAT

Cyprus' tax legislation provides for the following four tax rates:

- Zero rate 0%
- Reduced rate 3%, 5% and 9%
- Standard rate 19%

Standard rate

The standard rate applies to the supplies of all goods and services in Cyprus which are not subject to the zero rates, the reduced rate or are not exempt.

Reduced rate 9%

The reduced rate of 9% applies to:

- All restaurant and catering services (including the supply of alcoholic drinks, beer, wine and soft drink)
- Accommodation in hotels, tourist lodgements and any other similar lodgements including the provision of holiday lodgements
- Transportation of passengers and their accompanying luggage within the Republic using urban, intercity and rural taxis and tourist and intercity buses
- Movement of passengers in inland waters and their accompanying luggage.

Reduced rate 5%

The reduced rate of 5% applies to:

- The supply of foodstuff
- The supply of prepared or unprepared foodstuff and/or 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
- The supply of pharmaceutical products and vaccines that are used for health care, prevention of illnesses and as treatment for medical or veterinary purposes
- The supply of animals used for the preparation of food
- Entry fees to theatres, circus, festivals, amusement parks, concerts, museums, etc.
- Entry fees to sports events and fees for using athletic centres
- Hairdressing services
- Renovation and repair of private households after three years of first residence

- Supply of catering services for school canteens
- Acquisition or construction of residence (subject to conditions)

Reduced rate 3%

On June 15, 2023, the Council of Ministers of Cyprus approved a Decree to amend the VAT Law, in accordance with the new provisions of the EU VAT Directive.

Certain categories of goods and services are subject to the reduced VAT 3%, as follows:

- Right of entry from the first performance of theatrical performances of musical and dance works of classical works.
- Waste collection and treatment cleaning services, except those provided by State Authorities, Local Government Authorities and public law organizations.
- Disposal and treatment of sewage and discharge of tanks and industrial tanks.

Reduction of the VAT rate from 5% to 3% VAT on the following categories of goods intended for the promotion of cultural goods and goods intended to serve citizens with special needs:

- The delivery of books, newspapers and magazines provided either physically or electronically or both, excluding publications intended wholly or primarily for advertising purposes and of publications consisting wholly or mainly of video content or audio music, production of publications for non-profit organizations and services relating to production of this kind.
- Special lifting devices, stairs, elevators, machines, lifts and the similar products used for serving disabled people.
- Wheelchairs and other vehicles for the disabled.
- Orthopedic products and devices, including medical surgical belts and bandages, splints, supports and other products and devices for fractures.

Zero rate

The zero rate applies to:

- The exportation of goods
- Supply, modification, repair, maintenance, chartering and hiring of sea-going vessels, either used for navigation on the high seas and carrying passengers for reward or used for the purpose of commercial, industrial or other activities
- 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 sea going vessels and aircrafts
- Transportation of passengers from the Republic to a place outside the Republic and vice versa using a sea-going vessel or aircraft
- Supplies of gold to the Central Bank of the Republic etc.

Exemptions

Certain goods or services are exempt from VAT. They include:

- leasing of buildings used for residence
- Most banking and financial services and insurance services
- Most hospital, medical and dental care services
- Certain cultural, educational and sports activities
- Supplies of buildings subject to conditions
- Postal services provided by the national postal authority
- Lottery tickets and betting coupons for football and horse racing
- Management services provided to mutual funds

VAT on immovable property

(i) Leasing of immovable property

VAT at the standard rate must be charged on the lease of immovable property (with the exception of leasing of residential dwellings) when the lessee is a taxable person and is engaged in taxable activities by at least 90%. The lessor has the right to opt not to impose VAT on the specific property. The option is irrevocable.

(ii) Sale of non-developed building land

VAT at the rate of 19% must be charged on the sale of non-developed building land, as from 2 January 2018. Non-developed building land is defined as any land intended for the construction of one or more structures in the course of carrying out a business activity. No VAT will be imposed on the purchase or sale of land located in a livestock zone or areas which are not intended for development such as zones/areas of environmental protection, archaeological and agricultural.

(iii) Leases of immovable property which effectively transfer the risks and rewards of ownership of immovable property

As from 1 January 2019 leases of immovable property which effectively transfer the risks and rewards of ownership of immovable property are considered to be supplies of goods. They also become subject to VAT at the standard rate.

(iv) Vat on the supply of buildings

Effective as of 11 November 2022, the supply of a building is subject to VAT when supplied before its first delivery and under any subsequent deliveries within a period of five (5) years from its completion, provided that no actual use has occurred by an unrelated person for a period of at least twenty-four (24) months.

Imposition of the reduced rate of 5% on the acquisition and/or construction of residences for use as the primary and permanent place of residence.

As of 16 June 2023, new conditions apply for the 5% VAT on primary and permanent residence, transitional provisions, and new conditions for the right to re-apply for the 5% VAT on primary residence within 10 years.

According to the new provisions of the VAT Law (95(I)/2000) as amended, the reduced VAT rate of 5% will apply to the first 130 sqm of a primary residence, up to a value of €350,000, provided that the total transaction value does not exceed €475,000 and the total buildable area does not exceed 190 sqm (exceptions apply).

VAT returns and payment / refund of VAT

Any registered person has to submit to the Commissioner a VAT return not later than the 10th day following the end of the month at the end of each VAT period and pay the VAT due. VAT returns must be electronically submitted.

As from 20 August 2020, the Tax Commissioner reserves the right to suspend the payment of a VAT credit balance and applicable interest in cases where taxpayers have failed to comply with the obligation to submit income tax returns. The refund is suspended until the taxpayer complies with the relevant obligations.

The right to request refund of a VAT credit balance will be limited to six years from the end of the VAT period in which it arose. Any requests submitted after the six-year period has elapsed will be examined at the discretion of the Tax Commissioner.

Administration of intra-community trading and intra-community services

Businesses that undertake intra-community trading, i.e. acquisitions and sales of goods and supply of services from/to EU member states need to complete the following forms:

Intra-Community Acquisitions

1. Intrastat - Arrivals of goods
2. Inclusion in the VAT return (on a total basis)

Intra-Community Supplies

1. Intrastat - Departures of goods
2. Recapitulative statement for supplies of goods and services (VIES form)
3. Inclusion in the VAT return on a total basis

Submissions

INTRASTAT forms are submitted to the Tax authorities within 10 days from the end of the related month, in electronic form only provided that the supplies of a taxable person exceed the registration threshold for intrastate purposes.

The Recapitulative statement is submitted to the Tax authorities within 15 days from the end of the related month in electronic form only.

Summary of Thresholds and penalties

THRESHOLDS AND PENALTIES	AMOUNT
1. Registration threshold for established persons in Cyprus (taxable supplies in Cyprus)	€15,600
2. Registration threshold for non-established persons in Cyprus (taxable supplies in Cyprus)	No threshold
3. Registration threshold for distance sales (sale of goods and/or supply of services to persons not subject to VAT registration in Cyprus, by supplier's resident in another EU Member State)	€10,000
4. Registration threshold for acquisition of goods in Cyprus from supplier's resident in another EU Member States	€10,251.61
5. Registration threshold for intra-community supply of services	No threshold
6. Registration threshold for receipt of services from abroad for which the recipient must account for VAT under the reverse charge provisions	€15,600

7. From 20 August 2020 Penalty for late submission of VAT return	€100 for each return
8. Penalty for failure to apply the reverse charge provisions (effective as from 1 July 2021)	€200 for each Return up to a max of €4,000
9. Penalty for omission to keep books and records for a period of 6 years	€341
10. Penalty for late submission of VIES return	€ 50 for each return
11. Penalty for late submission of corrective VIES return	€ 15 for each return
12. Omission to submit the VIES return constitutes a criminal offence with a maximum penalty of	€850
13. Penalty for late VAT registration	€85 per month of delay
14. Penalty for late VAT deregistration	€85 (one-off)
15. Penalty for late payment of VAT	10% additional tax plus default interest on the late payment of VAT, including 10% additional tax

ESTATE DUTY

There is no estate duty (inheritance tax) in Cyprus.

STAMP DUTY

Stamp duty is payable on various legal documents.

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

This generally involves small amounts, except only in the case of contracts involving a fixed amount of money. In this case the stamp duty, as from 1 March 2013 is as follows:

Up to the first €5,000	0
€5,001 – €170,000	1.5%
Over €170,000	2‰ (capped at a maximum of €20,000)

CAPITAL DUTY

Upon incorporation of a Cyprus Company, there is capital duty of €105 on the authorised share capital. There is no capital duty if the shares are issued at their nominal value. There is €20 flat duty if the shares are issued at a premium.

Upon subsequent increases of the authorised share capital, there is capital duty on the additional share capital, and flat duty of €20, on every issue whether the shares are issued at nominal value or at a premium.

LEVY ON CYPRUS PROPERTY DISPOSALS

As from 22 February 2021 a levy of 0.4% applies to all disposals of immovable property that are within the current control of the Republic (i.e. both trading-nature

and capital-nature disposals).

As from 18 November 2022, the levy applies on all disposals of immovable property as well as disposals of shares of a company which, directly or indirectly, holds immovable property.

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

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

The following direct or indirect disposals of immovable property are exempt:

- Debt for asset swaps.
- Qualifying reorganisations; and
- Shares listed on a recognised stock exchange.

IMMOVABLE PROPERTY TAX

The Immovable Property tax has been abolished as from 1 January 2017.

Until tax year 2016, the owner of immovable property situated in Cyprus was liable to pay an annual IPT calculated on the market values of the immovable property as at 1 January 1980. Both legal entities and individuals were liable to Immovable Property Tax.

TRANSFER FEES BY THE DEPARTMENT OF LAND AND SURVEYS

The fees charged by the Department of Land Surveys to acquirer for transfers of immovable property are as follows (subject to exemptions):

Market Value	Rate	Fee	Accumulated fee
< €85.000	3%	2,550	2,550
€85.001 - €170.000	5%	4,250	6,800
> €170.001	8%		

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

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

2024 TAX DIARY

See Appendix II at the end of this section

DOUBLE TAXATION TREATIES (DTTS)

Cyprus has a wide double taxation treaty network which serves as a strong incentive for foreign investment.

Irrespective of the existence of DTTs, Cyprus has unilaterally abolished withholding taxes on dividends, interest or royalties paid to non-residents of Cyprus (with a minor exception in the case of certain royalties used in Cyprus).

It is noted that, as from 31 December 2022, Cyprus applies WHT of 17% on dividends paid by non-quoted companies, 17% (30% during 31 December 2022 - 31 December 2023) on payments of passive interest (excluding payments by individuals) and 10% on payments of royalties and similar type payments (excluding payments by individuals) if the recipient of the payment is a company in a jurisdiction included on the EU list of non-cooperative jurisdictions on tax matters (commonly referred to as the EU 'blacklist').

Furthermore, as Cyprus is a full member of the EU, the EU Parent-Subsidiary Directive is applicable, eliminating the withholding taxes from payments between EU member states. In such cases, the DTT rates referred to in the specific treaties with other EU member states do not apply.

For a Table showing a list of the countries with which double taxation treaties have been concluded, as well as a summary of the rates of withholding taxes provided by the treaties, see Appendix I at the end of this section.

APPENDIX I

TABLE 7

Table of countries with which Cyprus has a Double Tax Treaty

Paid from	RECEIVED IN CYPRUS		
	DIVIDENDS %	INTEREST %	ROYALTIES %
Andorra (48)	Nil	Nil	Nil
Armenia	0/5 (1)	0/5 (2)	5
Austria	10	Nil	Nil
Bahrain	Nil	Nil	Nil
Barbados	Nil	Nil	Nil
Belarus	5/10/15 (3,4)	5	5
Belgium	10/15 (4)	0/10 (2, 5)	Nil
Bosnia (6)	10	10	10
Bulgaria	5/10 (7)	0/7 (2, 8)	10 (8)
Canada	15	0/15 (9)	0/10 (10)
China, P.R.	10	10	10
Czech Republic	0/5 (11)	Nil	0/10 (12)
Denmark	0/15 (2,11, 13)	Nil	Nil
Egypt	5/10 (14)	10	10
Estonia	Nil	Nil	Nil
Ethiopia	5	0/5(2)	5
Finland	5/15 (15)	Nil	Nil
France	10/15 (16)	0/10 (17,18)	0/5 (18)
Georgia	Nil	Nil	Nil
Germany	5/15 (19)	Nil	Nil
Greece	25	10	0/5 (18)
Guernsey	Nil	Nil	Nil
Hungary	5/15 (7)	0/10 (2)	Nil

Iceland	5/10 (16)	Nil	5
India	10	0/10 (20)	10 (21)
Iran	5/10 (7)	0/5 (2)	6
Ireland, Rep. Of	Nil	Nil	0/5 (18)
Italy	15	10	Nil
Jersey	Nil	Nil	Nil
Jordan	5/10 (16)	0/5(2)	7
Kazakhstan	5/15 (16)	0/10(2)	10
Kuwait	Nil	Nil	5
Latvia	0/10 (22)	0/10 (22)	0/5 (23)
Lebanon	5	0/5(2)	Nil
Lithuania	0/5 (16)	Nil	5
Luxembourg	0/5(16)	Nil	Nil
Malta	Nil	0/10(2)	10
Mauritius	Nil	Nil	Nil
Moldova	5/10 (7)	5	5
Montenegro (6)	10	10	10
Netherlands (45)	0/15(46)	Nil	Nil
Norway	0/15 (24)	Nil	Nil
Poland	0/5 (25)	0/5 (2)	5
Portugal	10	10	10
Qatar	Nil	Nil	5
Romania	10	0/10 (2)	0/5 (26)
Russia	5/15 (27)	0/5/15 (28)	Nil
San Marino	Nil	Nil	Nil
Saudi Arabia	0/5 (29)	Nil	5/8 (30)
Serbia (6)	10	10	10
Seychelles	Nil	Nil	5
Singapore	Nil	0/7/10 (2,31)	10
Slovak Republic (38)	10	0/10 (2)	0/5 (26)
Slovenia	5	0/5(2)	5
South Africa	5/10 (33)	Nil	Nil
Spain	0/5 (34)	Nil	Nil
Sweden	5/15 (7)	0/10 (2)	Nil
Switzerland	0/15 (35)	Nil	Nil
Syria	0/15 (36)	0/10 (9)	10/15 (37)
Thailand	10	0/10/15 (38)	5/10/15 (39)
Ukraine (51)	5/10 (40)	0/5(9)	5/10 (41)
United Arab Emirates	Nil	Nil	Nil
United Kingdom	0/15 (42)	Nil	Nil
United States	5/15 (43)	0/10 (44)	Nil

Notes:

Notes- Table 7- inbound payments to Cyprus

1. The WHT rate of 5% applies where a dividend is paid by a company in which the beneficial owner has invested less than €150,000.
2. No WHT if paid to the government/Central Bank/ Public Authority of the other state.

3. A WHT rate of 5% applies where the investment is not less than €200.000 in the share capital of the company paying the dividend. If such investment is less than €200.000, dividends are subject to 15% WHT.
4. For Belarus DTT a 10% WHT rate and for Belgium DTT the lower WHT rate applies to companies holding directly or indirectly at least 25% of the share capital of the company paying the dividend. In all other cases the higher WHT rate applies.
5. No WHT for interest on deposits with banking institutions.
6. Serbia, Slovenia Montenegro and Bosnia apply the Yugoslavia/Cyprus treaty.
7. Lower WHT rate applies to companies holding directly at least 25% of the share capital of the company paying the dividend. In all other cases the higher WHT rate applies.
8. The treaty rates do not apply if the payment is made to a Cyprus entity by a resident of Bulgaria owning directly or indirectly at least 25% of the share capital of the Cyprus entity and the Cyprus entity pays tax in Cyprus at a tax rate lower than the usual tax rate.
9. Nil if paid to a government/Central Bank/ Public Authority or for export guarantee.
10. Nil on literary, dramatic, musical, or artistic work (but not including royalties in respect of motion picture films and works on film or videotape for use in connection with television).
11. No WHT if received by a company (excluding partnership) which holds directly at least 10% of the share capital of the paying company for an uninterrupted period of no less than one year.
12. 10% WHT applies for patent, trademark, 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.
13. No WHT if the beneficial owner is a pension fund or other similar institution providing pension schemes in which individuals may participate in order to secure retirement benefits, where such pension fund or other similar institution is established, recognized for tax purposes and controlled in accordance with the laws of that other State.
14. A WHT rate of 5% if the beneficial owner is a company (other than a partnership) which holds directly at least 20% of the capital of the company paying the dividends throughout a 365-day period that includes the day of the payment of the dividend. A WHT of 10% applies in all other cases. Notes- Table B- inbound payments to Cyprus Tax Facts & Figures 2024 - Cyprus 87
15. A WHT 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 or a partnership.
16. Nil or lower WHT rate applies to companies (excluding partnerships) holding directly at least 10% of the share capital of the company paying the dividend. In all other cases the higher WHT rate applies.
17. Nil if paid to a government, bank, or financial institution. Nil also applies if related to a sale on credit of any industrial, commercial or scientific equipment or a sale on credit of any merchandise by one enterprise to another enterprise.
18. A WHT rate of 5% on royalties for cinematographic films including films and video tapes for television. With respect to France DTT the 5% WHT applies on cinematographic film royalties (other than films shown on television).
19. Lower WHT rate applies to companies holding directly at least 10% of the share capital of the company paying the dividend. In all other cases the higher WHT rate applies.
20. Nil if paid to a government or any other institution agreed upon between the two States.
21. A WHT rate of 10% is also applicable for payments of a technical, managerial, or consulting nature.

22. Nil applies if the payer is a company that is a resident in Latvia and the beneficial owner of the income is a company (other than partnership) that is a resident in Cyprus. 10% rate applies for all other cases (except for certain governmental interest).
23. Nil applies if the payer is a company that is a resident in Latvia and the beneficial owner of the income is a company (other than partnership) that is a resident in Cyprus. 5% rate applies for all other cases.
24. Nil rate applies if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends or if the beneficial owner of the shares is the Government of Cyprus or Norway. A WHT rate of 15% in all other cases.
25. Nil rate applies if the recipient company (partnership is excluded) holds directly 10% of the share capital of the paying company for an uninterrupted period of at least 2 years. 5% in all other cases.
26. 5% WHT rate applies for patents, trademarks, designs or models, plans, secret formulas, or processes, or any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience.
27. A WHT rate of 5% applies if the beneficial owner of the company is an insurance undertaking or pension fund, or if the beneficial owner is a company whose shares are listed on a registered stock exchange provided no less than 15% of the voting shares of that company are in free float and which holds directly at least 15% of the capital of the company paying the dividends throughout a 365 day period that includes the day of payment of the dividends, or if the beneficial owner of the dividends is the government of that contracting state or a political subdivision / local authority thereof.
Tax Facts & Figures 2024 - Cyprus 88
28. A WHT rate of 0% applies on interest if the beneficial owner is an insurance undertaking or a pension fund, or the Government of that Contracting State or a political subdivision or a local authority thereof, or the Central Bank of that Contracting State, or a bank. A WHT rate of 0% also applies on interest paid in respect of securities that are listed on a recognized stock exchange (government bonds, corporate bonds, Eurobonds). A WHT rate of 5% applies if the beneficial owner is a company whose shares are listed on a registered stock exchange provided no less than 15% of the voting shares of that company are in free float and which holds directly at least 15% of the capital of the company paying the interest throughout a 365-day period that includes the day of payment of the interest. A WHT of 15% applies in all other cases.
29. Nil rate applies to companies (excluding partnerships) holding directly or indirectly at least 25% of the share capital of the company paying the dividend. 5% WHT rate applies in all other cases.
30. 5% WHT rate applies on payments for the use of, or the right to use, industrial, commercial or scientific equipment. A WHT rate of 8% applies in all other cases.
31. A WHT rate of 7% if paid to a bank or financial institution.
32. The Cyprus - Czechoslovakia treaty applies with the Slovak Republic.
33. Lower WHT rate applies to companies holding at least 10% of the share capital of the company paying the dividend. In all other cases the higher WHT rate applies.
34. A WHT rate of 5% if received by a company holding less than 10% of the capital of the paying company and in all cases if received by an individual or a company not limited at least partly by shares.
35. Nil rate applies if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends during an uninterrupted period of at least one year (the holding period condition may be satisfied post the date of the dividend payment). Nil rate also applies if the beneficial owner is a pension fund or other similar institution or relates to the Government of Cyprus or Switzerland. 15% in all other cases.

36. A WHT rate of 15% if received by a company holding less than 25% of the share capital of the paying company and in all cases if received by an individual or a company not limited at least partly by shares.
37. 10% WHT rate applies on payment of royalties of any copyright of literary, artistic or scientific work including cinematograph films, and films or tapes for television or radio broadcasting. A rate of 15% applies on payments of royalties of any patent, trademark, design or model, plan, secret formula or process, or any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience.
38. No WHT if paid to the government/Central Bank/ Public Authority of the other state. A WHT rate of 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. 15% in all other cases.
39. A WHT rate of 5% applies for any copyright of literary, dramatic, musical, artistic, or scientific work. A WHT 10% rate applies for industrial, commercial, or scientific equipment. A 15% rate applies for patents, trademarks, designs or models, plans, secret formulas, or processes.
40. A WHT rate of 5% applies if the beneficial owner company (other than a partnership) holds directly at least 20% of the capital of the paying company and has invested at least EUR100.000 in the acquisition of shares or other rights in the paying company. A WHT rate of 10% applies in all other cases.
41. A WHT 5% WHT will be levied 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% WHT will be levied in all other cases.
42. A WHT rate of 15% applies to 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.
43. A WHT rate of 15% 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 need to be satisfied, otherwise a WHT rate of 15% applies.
44. Nil if paid to a government, bank, or financial institution. Also, nil if related to debt obligations guaranteed by Government, or in connection with the sale of property or the performance of services.
45. The Cyprus-Netherlands treaty is effective as from 1 January 2024.
46. Nil rate applies if the beneficial owner is a company which holds directly at least 5% of the capital of the company paying the dividends throughout a 365- day period that includes the day of the payment of the dividend. Nil rate also applies if the beneficial owner is a recognised pension fund which is generally exempt under corporate income tax laws. A WHT rate of 15% applies in all other cases.

APPENDIX II**TAX DIARY FOR 2024****END OF EACH MONTH**

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

31 JANUARY

- Submission of declaration of deemed dividend distribution (TD623) for the year ended 31 December 2021.

31 MARCH

- Electronic submission of the 2022 corporation tax return (TD4) for accounting periods ending on 31 December 2022 (TD4).
- Electronic submission of the 2022 income tax return of physical persons preparing audited financial statements (2).

30 APRIL

- Payment of premium tax for life insurance companies - first instalment for 2024.

31 MAY

- Electronic submission by employers of the total 2023 payroll (Form TD7).

30 JUNE

- Payment of special contribution for defence for the first six months of 2024 on rents if such tax is not withheld at source by the tenant and on dividends or interest from sources outside Cyprus.

31 JULY

- Submission of the 2024 provisional tax return and payment of the first instalment. Electronic submission of 2023 personal tax returns and payment of 2023 personal income tax under self-assessment method by (i) employees and pensioners whose incomes do not include income from a trade/business, rents, dividends, interest, royalties not income relating to trading goodwill (1) and (ii) other individuals that have gross income that falls under Article 5 (includes salaries, dividends, interest and profits from share dealings) and who are not obliged to prepare audited financial statements (1) (2)

1 AUGUST

- Payment of 2023 final corporation tax under the self-assessment method.
- Payment of 2023 personal income tax under the self-assessment method by self-employed individuals preparing audited financial statements (2).

31 AUGUST

- Payment of premium tax for life insurance companies – second instalment for 2024.

31 DECEMBER

- Payment of provisional tax - second and last instalment for 2024.
- Payment of special contribution for defence for the last six months of 2024 on rents if such tax is not withheld at source by the tenant and on dividends or interest from sources outside Cyprus.
- Payment of premium tax for life insurance companies - third and last instalment for 2024.

INTEREST AND PENALTIES

The official interest rate, as set by the Finance Minister, for all amounts due after 1 January 2024 is 5,00% (2,25% for 2023, 1,75% for 2022, 2021 and 2020, 2% for 2019, 3.5% for 2017-2018, 4% for 2015-2016, 4.5% for 2014, 4.5% for 2014, 4.75% for 2013, 5% for years 2012 and 2011, 5.35% for the year 2010, 8% for the years 2007-2009 and 9% up to 31 December 2006).

In addition to the interest, penalties are also charged depending on the circumstances.

Notes:

1. For tax years up to 2021, physical persons are required to submit personal tax returns only when their gross income exceeds €19,500. As from tax year 2021 this threshold is abolished and therefore all individuals have an obligation to submit an individual tax return.

2. A physical person is obliged to submit audited financial statements if his/her annual income from trade/business, rents, dividends interest, royalties or income relating to trading goodwill exceeds €70,000. Such physical person should be paying his/ her 2023 income tax by 1 August 2024 and submitting his/her electronic tax return by 31 March 2024.

7 – ACCOUNTING & REPORTING

BOOKS AND RECORDS

Companies incorporated in Cyprus are required to keep proper books of accounts either at the company's registered office or at any place designated by the directors.

The books and records of a company are not open to inspection by anyone other than the directors and auditors. The Inland Revenue, as well as the VAT authorities can, however, request the production of any records while examining accounts for tax or VAT purposes.

The accounting records must show all sums of money received and expended all sales and purchases, assets and liabilities.

Other books required to be kept are:

- Register of members
- Register of directors and secretary
- Register of directors' interests (in shares of the company)
- Register of debentures and charges
- Minutes of directors' and shareholders' meetings.

The Income Tax Law requires that all transactions of a company must be entered in the company's accounting records within 4 months from the date of the transaction.

VAT laws require that the VAT returns be prepared on a quarterly basis (the quarters are decided by the VAT office and are not necessarily on a calendar basis). Furthermore, VIES Returns (an EU system of reporting cross-border business-to-business transactions within the EU) are required to be filed on a monthly basis.

In practice, therefore, in order to ensure full compliance, companies should update their bookkeeping records in maximum of monthly cycles.

ANNUAL RETURNS

All companies must file an annual return giving details of the company's capital structure, mortgage particulars, and particulars of registered shareholders, directors and secretary.

A copy of the annual financial statements must be attached to the annual return, (with an auditors' report unless exemption applicable), and a Management Report (previously referred to as Report of Board of Directors) where this is required (see further below). The documents filed with the Registrar of Companies must be in Greek (or Turkish) and are open to public inspection. By concession, the financial statements filed with the Annual Return may be in English.

FINANCIAL STATEMENTS

Financial Statements must be prepared by all Cyprus incorporated companies once a year and presented at the shareholders' annual general meeting.

They may be in any language, but a Greek or English translation is required to be filed with the Registrar of Companies as an attachment to the company's Annual Return. The accounting period should be for twelve months ending on any date decided upon by the directors. Financial Statements should be prepared in accordance with International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards as issued by the IASB and should comply with the Companies Law, Cap. 113. The Accounting year-end is deemed to be 31 December, unless notice of another date is given.

Categories of Companies

In September 2016, the Cyprus Companies Law was amended, and *inter alia*, introduced new definitions of Small, Medium and Large sized Companies, summarised in the below table:

Category	Criteria			Condition
	<i>Total Gross Assets</i>	<i>Net Turnover</i>	<i>Average No of employees during the financial year</i>	
<i>Small Companies</i>	Less than €4.000.000	Less than €8.000.000	Less than 50	As at their balance sheet dates do not exceed the limits of at least two of the three criteria.
<i>Medium- sized Companies</i>	Less than €20.000.000	Less than €40.000.000	Less than 250	Are not small companies and which as at their balance sheet dates do not exceed the limits of at least two of the three criteria.
<i>Large Companies</i>	More than €20.000.000	More than €40.000.000	More than 250	As at their balance sheet dates exceed at least two of the three criteria.

Small companies are, subject to certain conditions, exempt from the obligation to prepare management report.

STAND-ALONE AND CONSOLIDATED FINANCIAL STATEMENTS

SMALL/MEDIUM SIZED GROUPS OF COMPANIES

Categories of Groups

In September 2016, the Cyprus Companies Law was amended, and *inter alia*, introduced new definitions of Small, Medium and Large sized Groups of Companies, summarised in the below table:

Category	Criteria			Condition
	<i>Total Gross Assets</i>	<i>Net Turnover</i>	<i>Average No of employees during the year</i>	
<i>Small Groups</i>	Less than €4.000.000	Less than €8.000.000	Less than 50	On a consolidated basis, do not exceed the limits of at least two of the three criteria as at the balance sheet date of the parent company
<i>Medium-Sized Groups</i>	Less than €20.000.000	Less than €40.000.000	Less than 250	Groups which are not small groups, and which, on a consolidated basis, do not exceed the limits of at least two of the three criteria as at the balance sheet date of the parent company
<i>Large Group</i>	More than €20.000.000	More than €40.000.000	More than 250	Groups which on a consolidated basis, exceed the limits of at least two of the criteria as at the balance sheet date of the parent company

If a Cyprus company is holding subsidiaries, it is required to prepare consolidated financial statements. The following exemptions apply:

- Small and medium sized groups (see definition above) are exempt from the obligations to draw up consolidated financial accounts (Note: The exemptions from consolidation in the cases of (i) severe and long-term restrictions, (ii) disproportionate cost or undue delay and (iii) held exclusively with the view to subsequent sell, as these were provided by the previous Law have been abolished.
- Groups of companies, the holding or mother companies of which publish consolidated financial accounts on the basis of Generally Accepted Accounting Principles, shall be exempt from the obligation to draw up consolidated financial accounts.

Under the Companies Law, the term ‘small/medium-sized group’ shall mean a group of companies, of which the companies being consolidated:

- Are non-publicly traded companies
- The drawing up of their consolidated financial accounts is not subject to other legislation
- Fully comply with two out of the three criteria referred to above at the date of closure of the balance sheet of the holding company

AUDIT OF FINANCIAL STATEMENTS

The Financial Statements of all Cyprus companies have to be audited by an independent auditor or auditors

Exemptions from audit requirements in Cyprus for small companies

In June 2022 an important update to the Cyprus Companies Law, Cap 113, was enacted with the aim of simplifying accounting and audit practices for small size companies (the Companies (Amendment No.2) Law of 2022 (the “Law”). The purpose of the amendment is to simplify the financial reporting process for companies, partnerships and self-employed persons that fall within the specified criteria to use an alternative assurance framework, that is the International Standard on Review Engagements (ISRE) 2400 (Revised) Engagements to Review Historical Financial Statements as issued by the International Auditing and Assurance Standards Board (IAASB).

According to the amendment, to determine whether a Company may apply a review engagement instead of a statutory audit:

- a. the Company must be a private limited liability company (i.e., not a public limited liability company, not a public interest entity, and not subject to regulation and supervision by the Central Bank of Cyprus, the Superintendent of Insurance and the Cyprus Securities and Exchange Commission), **and**
- b. not be required to prepare consolidated financial statements, **and**
- c. Both its Net turnover **and** the total value of the assets (gross, not net, i.e. without deducting liabilities) does-not exceed €200,000 and €500,000, respectively, in two consecutive financial years.

It is important to note that the Law includes specific exemptions, for example, for several categories of companies, including:

- companies subject to regulation and supervision by certain independent authorities,
- parent companies required to prepare consolidated financial statements,
- subsidiaries whose parent company must prepare consolidated financial statements.

The amendment is applicable from the 1st of January 2023 to financial statements ending on or after 31 December 2022.

Notwithstanding the above audit exemption, within Company Law see also the below requirements of Income Tax law which effectively obliges all **other** Cyprus companies to obtain an audit of their financial statements.

In an audit, the auditors are required to express an opinion on the financial statements and state the following in the auditors' report:

- Whether they have obtained all the information and explanations which, in their opinion, were necessary for the purpose of their audit
- Whether, in their opinion, the financial statements give the information required by law, and give a true and fair view of the state of the company's affairs as at the date of the balance sheet and the profit or loss for the financial year ended on the balance sheet date

- Whether, in their opinion, the information given in the Management Report (previously referred to as “report of the Board of Directors”), if accompanying the financial statements*, is consistent with the financial statements.
- *Note – Management Report: For small and medium-sized companies, as defined in the Law (with specific asset, turnover and employees’ criteria), the report is optional.

Furthermore, auditors in Cyprus have to follow International Standards on Auditing and report as to whether the financial statements comply with International Financial Reporting Standards.

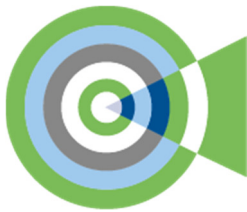
ANNUAL INCOME TAX RETURN

Every company resident in Cyprus for tax purposes is required to complete and submit an annual Income Tax Return (TD4) to the Department of Inland Revenue (Cyprus Income Tax Office, CITO).

The annual Tax Return for all Cyprus companies (including small companies) should be based on the Company’s standalone financial statements.

Cyprus Tax Laws require the TD4 to be based on the Company’s audited financial statements and be accompanied by an Auditor's Confirmation of compliance.

8 – UHY REPRESENTATION IN CYPRUS



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To find out how UHY can assist your business, contact any of our member firms. You can visit us online at www.uhy.com to find contact details for all of our offices, or email us at info@uhy.com for further information.

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