

Tax Facts & Figures 2021 - Cyprus

The tax system in Cyprus
January 2021

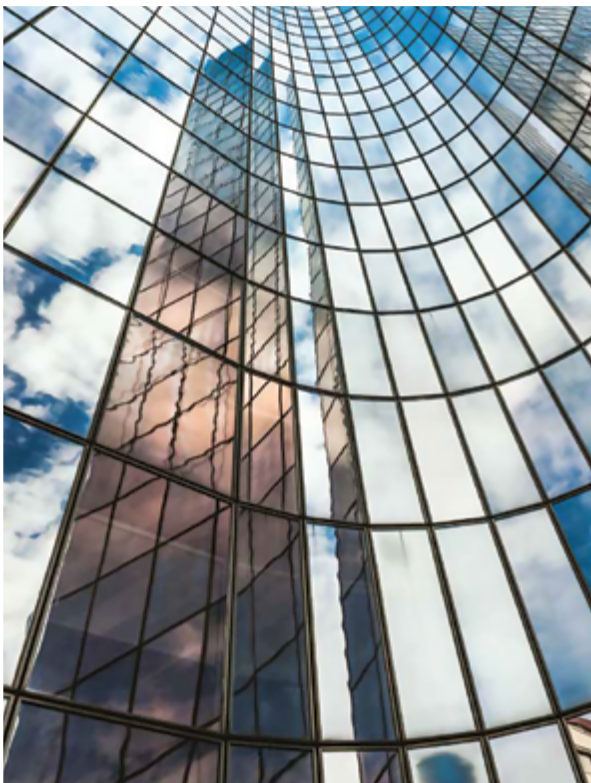




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Foreword

Our “Tax, Facts & Figures 2021 - Cyprus” publication which provides valuable information about the Cyprus tax system represents a rich source of general guidance that will enable you to consider your tax planning as well as your compliance obligations towards the Tax Department for year 2021.

However, in no case a publication can substitute proper professional advice and specialized solutions that may be specifically applicable to your own needs. All of us at PwC are here to offer you our knowledge and expertise and to support you in achieving your personal and corporate tax goals.

Please do not hesitate to contact us at any of the addresses shown at the end of this publication.

Wishing you a healthy and prosperous 2021!

PwC Cyprus
January 2021



Personal income tax

Basis of taxation

All Cyprus tax resident individuals are taxed on all chargeable income (including certain employment benefits) accrued or derived from all sources in Cyprus and abroad. Individuals who are not tax residents of Cyprus are taxed on certain income accrued or derived from sources in Cyprus.





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

With effect as from 1 January 2017, an individual may also be considered tax resident in Cyprus if (s)he satisfies the “60 day rule”. The “60 day rule” applies to individuals who in the relevant tax year:

1. do not reside in any other single state for a period exceeding 183 days in aggregate, and
2. are not considered tax resident by any other state, and
3. reside in Cyprus for at least 60 days, and
4. have other defined Cyprus ties. To satisfy this condition the individual must carry out any business in Cyprus and/or be employed in Cyprus and/or hold an office (director) of a company tax resident in Cyprus at any time in the tax year, provided that such is not terminated during the tax year. Further the individual must maintain in the tax year a permanent residential property in Cyprus which is either owned or rented by him/her.

For the purposes of both the “183 days rule” and the “60 days rule” days in and out of Cyprus are calculated as follows:

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

In relation to Covid-19, in accordance with a Directive issued in 2020, the Cyprus tax authorities will generally follow the OECD non-binding guidance in relation to tax residency of individuals. The application of the Directive remains optional on the taxpayer. Furthermore, the Directive also mentions that each case will be assessed on its own merits.

Personal tax rates

The following income tax rates apply to individuals:

Chargeable income for the tax year	Tax rate	Accumulated tax
€	%	€
First 19.500	Nil	Nil
From 19.501 - to 28.000	20	1.700
From 28.001 - to 36.300	25	3.775
From 36.301 - to 60.000	30	10.885
Over 60.000	35	

Foreign pension income is taxed at the flat rate of 5% on amounts over €3.420. The taxpayer can however on an annual basis elect to be taxed at the normal tax rates and bands set out above.

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

Exemptions

The following are exempt from income tax:

Type of income

- Interest, except for interest arising from the ordinary business activities or closely related to the ordinary business activities of an individual

Exemption

The whole amount (1)

Type of income

- Dividends
- Remuneration from any employment exercised in Cyprus by an individual who was not a resident of Cyprus before the commencement of the employment, exemption applies for a period of 10 years for employments commencing as from 1 January 2012 provided that the annual remuneration exceeds €100.000. For employments commencing as from 1 January 2015 the exemption does not apply in case the said individual was a Cyprus tax resident for 3 (or more) tax years out of the 5 tax years immediately prior to the tax year of commencement of the employment nor in the preceding tax year. In certain cases it is possible to claim the exemption where income falls below €100.000 per annum.
- Remuneration from any employment exercised in Cyprus by an individual who was not a resident of Cyprus before the commencement of the employment. The exemption is available for a period of 5 years for employments commencing during or after 2012 and it applies from the tax year following the year of commencement of the employment, with the last eligible tax year being 2030. This exemption may not be claimed in addition to the immediately above mentioned 50% exemption for employment income.

Exemption

The whole amount (1)

50% of the remuneration

20% of the remuneration with a maximum amount of €8.550 annually

Type of income

Exemption

<ul style="list-style-type: none">• 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
<ul style="list-style-type: none">• Profits of a foreign permanent establishment under certain conditions(2)	The whole amount
<ul style="list-style-type: none">• Lump sum received by way of retiring gratuity, commutation of pension or compensation for death or injuries	The whole amount
<ul style="list-style-type: none">• Capital sums accruing to individuals from any payments to approved funds (e.g. provident funds)	The whole amount
<ul style="list-style-type: none">• Profits from the sale of securities (3)	The whole amount
<ul style="list-style-type: none">• 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 dividend and interest income may be subject to Special Contribution for Defence - refer to the Special Contribution for Defence section - page 26.
2. With effect as from 1 July 2016, taxpayers may elect to tax the profits earned by a foreign permanent establishment, with a tax credit for foreign taxes incurred on those foreign permanent establishment profits. Transitional rules apply in certain cases on the granting of foreign tax credits where a foreign permanent establishment was previously exempt and subsequently a taxpayer elects to be subject to tax on the profits of the foreign permanent establishment.

Notes:

3. The term "Securities" is defined as shares, bonds, debentures, founders' shares and other securities of companies or other legal persons, incorporated in Cyprus or abroad and options thereon. Circulars have been issued by the Tax Authorities further clarifying what is included in the term Securities. According to the circulars the term includes, among others, options on Securities, short positions on Securities, futures/forwards on Securities, swaps on Securities, depositary receipts on Securities (ADRs, GDRs), rights of claim on bonds and debentures (rights on interest of these instruments are not included), index participations only if they result on Securities, repurchase agreements or Repos on Securities, units in open-end or close-end collective investment schemes. The circulars also clarify specific types of participation in foreign entities which are considered as Securities.

Tax deductions

The following are deducted from income:

- | | |
|--|---|
| • Contributions to trade unions or professional bodies | The whole amount |
| • Loss of current year and previous years (for individuals required to prepare audited financial statements, current year losses and losses of the previous five years only may be deducted) | The whole amount |
| • Rental income | 20% of gross rental income |
| • Donations to approved charities (with receipts) | The whole amount |
| • Expenditure incurred for the maintenance of a building in respect of which there is in force 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
- Amount invested each tax year as from 1 January 2017 in approved innovative small and medium sized enterprises either directly or indirectly (applicable up to 30 June 2021). Up to 50% of the taxable income as calculated prior to this deduction (subject to a maximum of €150.000 per year) (1)
- Eligible infrastructure and technological equipment expenditure in the audiovisual industry 20%

Note

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

Example of personal Tax computation for 2020

Salary (€5.885 monthly)	€70.620
Rent receivable	€5.000
Interest receivable	€700
Dividend income	€600
Social Insurance contributions	€4.554
General health system contributions	€2.235
Life insurance premiums	€8.500
Insured sum	€100.000
Provident fund contribution	€3.000
Donations to approved charities – with receipts	€300

Tax computation

	€	€
Salary	70.620	
Rent receivable**	5.000	
Interest receivable (exempt)	-	
Dividends receivable (exempt)	-	
Total income		75.620
Less: deductions		
Donations - (with receipts)	300	
20% of rent income	1.000	1.300
Net total income		74.320
Life insurance premiums: Restricted to 7% of the insured sum (7% @ €100.000 = €7.000) Provident fund contributions (€ 3.000 < 10% of € 70.620) Social insurance contributions (€4.554) General health system contributions (€2.235)		(14.864)
All contributions restricted to 1/5 of net total income (€7.000 + €3.000 + €4.554 + €2.235 = €16.789 restricted to 1/5 of €74.320)		
Taxable income		59.456



	€	€
Tax payable: - first	19.500	0
- next	8.500	1.700
- next	8.300	2.075
- next	23.156	6.947
Income tax payable		10.722
Special Contribution for Defence*		
Dividends receivable €600 x 17%	102	
Interest receivable €700 x 30%	210	
Rent receivable**		
€5.000 – 25% = €3.750 x 3%	112	424
Social insurance		4.554
General health system contributions		2.235
Total tax payable		€17.935

**Please refer to Special Contribution for Defence section (page 26).
The individual in this example is both Cyprus tax resident and Cyprus domiciled for the purposes of the Special Contribution for Defence.*

*** In regards to the immovable property on which rental income is earned, the deductions could additionally include any interest expense accruing on borrowings that were obtained by the individual to finance the acquisition of the building as well as wear and tear allowances (if not already exhausted).*



Corporation tax

Basis of taxation

A company is tax resident of Cyprus if it is managed and controlled in Cyprus.

Additionally, in accordance with the Cyprus Government Budget for 2021, as from 2021 a Cyprus incorporated company will by default be considered a tax resident of Cyprus, subject to the relevant law being enacted.

All Cyprus tax resident companies are taxed on their income accrued or derived from all chargeable sources in Cyprus and abroad.

With effect as from 1 January 2019 Controlled Foreign Company (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 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.

In relation to Covid-19, in accordance with a Directive issued in 2020, the Cyprus tax authorities will generally follow the OECD non-binding guidance in relation to tax residency of corporations and the existence of permanent establishments. The application of the Directive remains optional on the taxpayer. Furthermore, the Directive also mentions that each case will be assessed on its own merits.

Corporate tax rate

Tax rate
%

The corporation tax rate for all companies is 12,5

Exemptions

The following are exempt from corporate tax:

Type of income	Exemption limit
<ul style="list-style-type: none">Profit from the sale of securities (1)	The whole amount
<ul style="list-style-type: none">Dividends (excluding, as from 1 January 2016, dividends which are tax deductible for the paying company)	The whole amount (2)
<ul style="list-style-type: none">Interest not arising from the ordinary activities or closely related to the ordinary activities of the company (3)	The whole amount (4)
<ul style="list-style-type: none">Profits of a foreign permanent establishment, under certain conditions (5)	The whole amount
<ul style="list-style-type: none">Gains relating to foreign exchange differences (forex) with the exception of forex arising from trading in foreign currencies and related derivatives.	The whole amount
<ul style="list-style-type: none">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:

- For a definition of securities see page 7.
- Such dividend income may be subject to Special Contribution for Defence (page 267).
- All the interest income of Collective Investment Schemes is considered to be arising from the ordinary activities or closely related to the ordinary activities of the Scheme.
- Such interest income is subject to Special Contribution for Defence (page 26).
- With effect as from 1 July 2016, taxpayers may elect to tax the profits earned by a foreign permanent establishment, with a tax credit for foreign taxes incurred on those foreign permanent establishment profits. Transitional rules apply in certain cases on the granting of foreign tax credits where a foreign permanent establishment was previously exempt and subsequently a taxpayer elects to be subject to tax on the profits of the foreign permanent establishment.

Corporate tax deductions for expenses

Generally expenses incurred wholly and exclusively in earning taxable income and supported by documentary evidence are deductible for corporate tax purposes, including:

Type of expense

- 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 such acquisitions of subsidiaries from 1 January 2012.
- Equity introduced to a company as from 1 January 2015 (new equity) in the form of paid-up share capital or share premium may be eligible for an annual notional interest deduction (NID). The annual NID deduction is calculated as the new equity multiplied by the NID interest rate. The relevant interest rate is the yield on 10 year government bonds (as at December 31 of the prior tax year) of the country where the funds are employed in the business of the company plus a 5% premium. A taxpayer may elect not to claim all or part of the available NID for a particular tax year. Certain anti-avoidance provisions apply.

Deduction limit

The whole amount of interest expense if the subsidiary does not own (directly or indirectly) any assets not used in the business. A restricted amount of interest expense is allowed to the extent the subsidiary owns (directly or indirectly) assets used in the business. Moreover as from 1 January 2019 an interest limitation rule applies in accordance with the EU Anti-tax Avoidance Directive.

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).

- | | |
|--|--|
| <ul style="list-style-type: none"> Royalty income, embedded income and other qualifying income derived from qualifying intangible assets in the 'new' Cyprus intellectual property (IP) box (provision applies with effect from 1 July 2016)(1) | <p>80% of the net profit as calculated using the modified nexus fraction (2)</p> |
| <ul style="list-style-type: none"> Royalty income, embedded income and other qualifying income derived from qualifying intangible assets in the 'old' Cyprus IP box (3) | <p>80% of the net profit</p> |
| <ul style="list-style-type: none"> Tax amortisation on any expenditure of a capital nature for the acquisition or development of IP (provision applies with effect from 1 July 2016) (4) | <p>Allocated over the lifetime of the IP (maximum period 20 years)</p> |
| <ul style="list-style-type: none"> Donations to approved charities (with receipts) | <p>The whole amount</p> |
| <ul style="list-style-type: none"> Employer's contributions to social insurance, General Health System (see page 56) and approved funds on employees' salaries | <p>The whole amount</p> |
| <ul style="list-style-type: none"> Employer's contributions to: <ul style="list-style-type: none"> - Medical fund for employees - Provident/Pension fund for employees | <p>1% on employee's remuneration
10% on employee's remuneration</p> |
| <ul style="list-style-type: none"> Any expenditure incurred for the maintenance of a building in respect of which there is in force a Preservation Order | <p>Up to €700, €1.100 or €1.200 per square meter (depending on the size of the building)</p> |

- | | |
|---|--|
| • Entertainment expenses for business purposes | Lower of €17.086 or 1% of the gross income of the business |
| • Expenditure incurred for the acquisition of shares in an innovative business (abolished as from 1 January 2017) | The whole amount |
| • Eligible infrastructure and technological equipment expenditure in the audiovisual industry | 20% for small/ 10% for medium enterprises |

Notes:



1. Qualifying 'intangible assets' maybe legally or economically owned and comprise patents, copyrighted software, utility models, intangible assets that grant protection to plants and genetic material, orphan drug designations, extensions of patent protection. It also comprises of other intangible assets which are non-obvious, useful and novel, that are certified as such by a designated authority, and where the taxpayer satisfies size criteria (i.e. annual IP related revenue does not exceed €7,5m for the taxpayer, and group total annual revenue does not exceed €50m, using a 5 year average for both calculations). Marketing-related intangible assets, such as trademarks, do not qualify.
2. A fraction is applied to the net profit based on research and development (R&D) activity. The higher the amount of R&D undertaken by the taxpayer itself or via a taxable foreign permanent establishment or via unrelated third party outsourcing, the higher the amount of R&D fraction (modified nexus fraction).

3. The term 'qualifying intangible assets' under the old Cyprus IP box includes copyrights, patents and trademarks. The old Cyprus IP box closed as from 30 June 2016. Under transitional/grandfathering rules, taxpayers with intangible assets that were already included in the old Cyprus IP box as at 30 June 2016 continue to apply the old Cyprus IP box provisions for a further five years i.e. until 30 June 2021 for those intangible assets. A much shorter transitional/grandfathering period to 31 December 2016 applied in the case of intangible assets acquired directly or indirectly from related parties during the period 2 January 2016 – 30 June 2016, unless at the time of acquisition such intangible assets were already benefitting from an IP box (including the Cyprus IP box) or were not acquired with the main purpose (or one of the main purposes) being tax avoidance. Embedded income and income earned from intangible assets economically but not legally owned will only qualify in the relevant transitional/grandfathering period if earned from those type intangible assets that would qualify for the new Cyprus IP box (i.e. patents, copyrighted software, etc.). Additionally any expenditure of a capital nature incurred for the acquisition or development of such intangible assets may be claimed as a tax deduction in the year in which it was incurred and the immediate four following years on a straight line basis.
4. Excluding goodwill and intangible assets falling under the transitional rules of the old Cyprus IP box which continue with that box's tax amortisation (see 3 above). A taxpayer may elect not to claim all or part of the available tax amortization for a particular tax year. Unclaimed tax amortisation capacity may be carried forward to be used in future years (spread over the remaining UEL of the asset).

but not including:

- | | |
|--|--|
| • Expenses of a private motor vehicle | The whole amount |
| • Interest applicable to the cost of acquiring a private motor vehicle irrespective of its use and to the cost of acquiring any other asset not used in the business | The whole amount for 7 years from the date of acquisition of the asset |

Losses carried forward

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

The current year loss of one company can be set off against the profit of another, subject to conditions, provided the companies are Cyprus tax resident companies of a group(1). Group is defined as:

- One Cyprus tax resident company holding directly or indirectly at least 75% of the voting shares of another Cyprus tax resident company, or,
- Both Cyprus tax resident companies are at least 75% (voting shares) held, directly or indirectly, by a third company

As from 1 January 2015 interposition of a non- Cyprus tax resident company(ies) will not affect the eligibility for group relief as long as such company(ies) is/are tax resident of either an EU country or in a country with which Cyprus has a tax treaty or an exchange of information agreement (bilateral or multilateral).

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

Losses of an exempt foreign permanent establishment can be set off with profits of the Cyprus head office. In such case, future profits of an exempt foreign permanent establishment abroad are taxable up to the amount of losses allowed.

Note:



1. 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.

Reorganisations

Transfers of assets and liabilities between companies can, subject to conditions, be effected in a tax neutral manner within the framework of a qualified reorganisation, and tax losses may be carried forward by the receiving entity.

Reorganisations include:

- mergers
- demergers
- partial divisions
- transfer of assets
- exchange of shares
- transfer of registered office of a European company (SE) or a European cooperative company (SCE).



Annual wear and tear allowances on tangible fixed assets

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

Fixed assets	
<i>Plant and machinery (1)</i>	%
Plant and machinery	10
Furniture and fittings	10
Industrial carpets	10
Boreholes	10
Machinery and tools used in an agricultural business	15
<i>Buildings (2)</i>	%
Commercial buildings	3
Industrial, agricultural and hotel buildings (3) (4)	4
Flats	3
Metallic greenhouse structures	10
Wooden greenhouse structures	33 1/3

Vehicles and Means of Transportation (1)	%
Commercial motor vehicles	20
Motor cycles	20
Excavators, tractors, bulldozers, self-propelled loaders and drums for petrol companies	25
Armoured Motor Vehicles (e.g. used by Security Services)	20
Specialised Machinery for the laying of Railroads (e.g. Locomotive engines, Ballast wagons, Container wagons and Container Sleeper Wagons)	20
New Airplanes	8
New Helicopters	8
Sailing vessels	4,5
Motor Yachts	6
Steamers, tugs and fishing boats	6
Shipmotor launches	12,5
New cargo vessels	8
New passenger vessels	6
Used cargo/passenger vessels	Over their useful lives

Other (1)	%
Televisions and videos	10
Computer hardware and operating systems	20
Application software	33 1/3
Expenditure on application software less than €1.709, is written off in the year of acquisition	
Wind Power Generators	10
Photovoltaic Systems	10
Tools in general	33 1/3
Videotapes property of video clubs	50

Notes



1. Plant and machinery, vehicles (excluding private motor vehicles) and other assets acquired during the tax years 2012 - 2018 (inclusive) are eligible to accelerated tax depreciation at the rate of 20% per annum (excluding such assets which are already eligible for a higher annual tax rate of tax depreciation).
2. The rates stated for buildings are for new buildings. Rates are amended in the case of second-hand buildings.
3. In the case of industrial and hotel buildings which are acquired during the tax years 2012 - 2018 (inclusive), an accelerated tax depreciation at the rate of 7% per annum applies.
4. Buildings for agricultural and livestock production acquired during the tax years 2017-2018 (inclusive) are eligible for accelerated tax depreciation at the rate of 7% per annum.

Special type 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 shipmanagers, from the operation of qualifying community ships (ships flying a flag of an EU member state or of a country in the European Economic Area) and foreign (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/ shipmanager of a group elects to be taxed under the Tonnage Tax regime, all shipowners/ charterers/ shipmanagers 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 shipowning 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.



Shipmanagers

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 shipmanagers must satisfy the following additional requirements:

- Maintain a fully fledged office in Cyprus with personnel sufficient in number and qualification
- At least 51% of all onshore personnel must be community citizens
- At least 2/3 of total tonnage under management must be managed within the community (any excess of 1/3 taxed under corporation tax)

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

Insurance companies

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



The Cyprus Alternative Investment Funds (AIFs) and Undertakings for Collective Investment in Transferable Securities (UCITS)

The Alternative Investment Funds Law 124(I)/2018, to the extent amended (hereinafter, the “AIF Law”) defines alternative investment funds as any collective investment undertakings, including investment compartments thereof, which, collectively:

- raise capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors, and
- do not require authorisation pursuant to section 9 of Law 78(I)/2012, as amended (hereinafter, the ‘UCI Law’), or pursuant to the legislation of another member state that harmonises the provisions of Article 5 of the Directive 2009/65/EC, as amended.

The AIF Law allows for three types of AIFs to be established in Cyprus which are as follows:

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

The various legal forms in which either type of AIFs can manifest are as follows:

AIFLNP:

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

AIF/RAIF:

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

UCITS:

The UCI Law defines UCITS as undertakings the sole object of which is the collective investment in transferable securities and/or other liquid financial instruments as referred to in section 40 (1) of the UCI Law, of capital raised from the public, which operate on the principle of risk-spreading, and the units of which are, at the request of investors, redeemed or repurchased, directly or indirectly, out of these undertakings' assets.

UCITS can take the following legal forms:

- CF
- VCIC

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.

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.



Special Contribution for Defence

Special Contribution for Defence is imposed on dividend income, 'passive' interest income and rental income earned by companies tax resident in Cyprus and by individuals who are both Cyprus tax resident and Cyprus domiciled. It is charged at the rates shown in the table below:

	Tax rates	
	Individuals (1)	Legal entities (1)
	%	%
Dividend income from Cyprus tax resident companies	17(5)	Nil (2)
Dividend income from non-Cyprus tax resident companies	17(5)	Nil (3)
Interest income arising from the ordinary activities or closely related to the ordinary activities of the business	Nil (4)	Nil (4)
Other interest income ('passive')	30(5)	30(5)
Gross rental income (reduced by 25%)	3(5) (6)	3(5) (6)

Notes:



1. Legal entities are subject to Special Contribution for Defence if they are tax resident in Cyprus (see page 11). Prior to 16 July 2015 individuals were subject to Special Contribution for Defence if they were tax resident in Cyprus (see page 2). As from 16 July 2015 individuals are subject to Special contribution for defence if they are both Cyprus tax resident and Cyprus domiciled. An individual is domiciled in Cyprus for the purposes of Special Contribution for Defence if (s)he has a domicile of origin in Cyprus per the Wills and Succession Law (with certain exceptions) or if (s)he has been a tax resident in Cyprus for at least 17 out of the 20 tax years immediately prior to the tax year of assessment. Anti-avoidance provisions apply.
2. Dividends received by a Cyprus tax resident company from other Cyprus tax resident companies are exempt, subject to certain anti-avoidance provisions.
3. The exemption of this section 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%.

As from 1 January 2016 this section also does not apply to dividends which are deductible for tax purposes by the paying company. In such cases, dividends are subject to corporation tax and not Special Contribution for Defence.



4. Such interest income is subject to personal income tax / corporation tax.
5. The Special Contribution for Defence rate on interest income of 30% is effective for interest received or credited from 29 April 2013 onwards.

Interest income earned by individuals from corporate bonds (as from 26 June 2019), Cyprus government savings and development bonds as well as all interest earned by a provident fund is subject to Special Contribution for Defence at the rate 3% (instead of 30%).

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 30%). For Cyprus sourced rental income where the tenant is a Cyprus company, partnership, the state or local authority Special Contribution for Defence on rental income is withheld at source and is payable at the end of the month following the month in which it was withheld. In all other cases the Special Contribution for Defence on rental income is payable by the landlord in 6 monthly 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.

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

Foreign taxes paid can also be credited against the Special Contribution for Defence liability.



Deemed dividend distribution

A Cyprus tax resident company is deemed to distribute as a dividend 70% of its accounting profits (as adjusted for Special Contribution for Defence purposes⁽¹⁾ and net of Corporation Tax, Special Contribution for Defence on company incomes, Capital Gains Tax and unrelieved foreign taxes) two years from the end of the tax year in which the profits were generated.

Such a deemed dividend distribution is reduced with payments of actual dividends paid during the relevant year the profits were generated and the two following years.

On the remaining net amount (if any) of deemed dividend 17% Special Contribution for Defence is imposed to the extent that the ultimate direct/ indirect shareholders of the company are individuals who are both Cyprus tax resident and Cyprus domiciled (see page 29). Prior to 16 July 2015 the imposition applied to the extent the ultimate direct/indirect shareholders of the company were Cyprus tax resident individuals.

When an actual dividend is paid after the deemed dividend distribution date, then if Special Contribution for Defence is due on such a dividend, the 17% is imposed only on the amount of the actual dividend paid which exceeds the dividend that was previously deemed to have been distributed and previously suffered Special Contribution for Defence.

Notes:



A number of adjustments to the accounting profit are required for deemed distribution purposes, including for tax years 2012, 2013 and 2014 if the company has acquired in those years plant, machinery or buildings (excluding private motor vehicles) for business purposes; the full cost of these assets will be deductible against the accounting profits.



Disposal of assets to shareholder at less than market value

When a company disposes of an asset to an individual shareholder or a relative of his/her up to second degree or his/her spouse for a consideration less than its market value, the difference between the consideration and the market value will be deemed to have been distributed as a dividend to the shareholder. This provision, does not apply for assets originally gifted to the company by an individual shareholder or a relative of his up to second degree or his/her spouse.

Company dissolution

The cumulative profits of the last five years prior to the company's dissolution, which have not been distributed or deemed to have been distributed, will be considered as distributed on dissolution and will be subject to Special Contribution for Defence at the rate of 17%.

This provision does not apply in the case of dissolution under a Reorganisation (see page 18).

Reduction of capital

In the case of a reduction of capital of a company, any amounts paid or due to physical persons shareholders over and above the previously paid-in equity will be considered as dividends distributed subject to special Defence Contribution at the rate of 17% after deducting any amounts which have been deemed as distributable profits.

The redemption of units or shares in a Collective Investment Scheme is not subject to the above provisions.

Prior to 16 July 2015 the above three provisions applied only to the extent that the ultimate shareholders (direct or indirect) are Cyprus tax resident individuals. As from 16 July 2015 the above provisions apply

Capital gains tax

Capital Gains Tax (CGT) is imposed (where the disposal is not subject to income tax) at the rate of 20% on gains from the disposal of immovable property situated in Cyprus including gains from the disposal of shares in companies which 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.

Disposal for the purposes of CGT specifically includes; exchange, leasing, gifting, abandoning use of right, granting of right to purchase, and any sums received upon cancellation of disposals of property.

Shares listed on any recognised stock exchange are excluded from these provisions.



Exemptions

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

- Subject to conditions, land as well as land with buildings, acquired at market value (excluding exchanges, donations, and foreclosures) from unrelated parties in the period 16 July 2015 up to 31 December 2016 will be exempt from CGT upon their future disposal.
- Transfers arising on death
- Gifts made from parent to child or between husband and wife or between up to third degree relatives
- Gifts to a company where the company's shareholders are members of the donor's family and the shareholders continue to be members of the family for five years after the day of the transfer
- Gifts by a family company to its shareholders, provided such property was originally acquired by the company by way of gift. The property must be kept by the donee for at least three years
- Gifts to charities and the Government
- Transfers as a result of reorganisations
- Exchange or disposal of immovable property under the Agricultural Land (Consolidation) Laws
- Expropriations
- Exchange of properties, to the extent that the gain made on the exchange has been used to acquire the new property. The gain that is not taxable is deducted from the cost of the new property, i.e. the payment of tax is deferred until the disposal of the new property
- Donations to a political party

Determination of capital gain for CGT purposes

Liability arises only on gains accruing as from 1 January 1980, i.e. deducted from gross proceeds on the disposal of immovable property are its market value at 1 January 1980, or the costs of acquisition and improvements of the property, if made after 1 January 1980, as adjusted for inflation up to the date of disposal on the basis of the consumer price index in Cyprus.

Expenses that are related to the acquisition and disposal of immovable property are also deducted, subject to certain conditions e.g. interest costs on related loans, transfer fees, legal expenses etc.

Example	€	€
Sale price in June 2020	500.000	
Cost of acquisition as at 1 January 1991	(90.000)	
Indexation allowance January 1991 to May 2020 (month prior to sale) (€90.000 @ 219,84/119,43) - €90.000	(75.667)	
Capital gain		€334.333
Legal expenses		(1.000)
Taxable Capital Gain		€333.333
Capital Gains Tax @20% thereon		€66.667

Lifetime Exemptions

Individuals can deduct from the taxable capital gain the following:

	€
Disposal of private principal residence (subject to certain conditions)	85.430
Disposal of agricultural land by a farmer	25.629
Any other disposal	17.086

The above exemptions are lifetime exemptions subject to an overall lifetime maximum of €85.430



Inheritance Tax

Estate duty has been abolished since 1 January 2000.

The executor/ administrator of the estate of the deceased, is however required by the Deceased Persons Estate Law, to submit to the tax authorities a statement of assets and liabilities of the deceased within six months from the date of death.



Value Added 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 EU and the importation of goods into Cyprus.

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

If output tax in a VAT period exceeds total input tax, a payment has to be made to the state. If input tax exceeds output tax, the excess input tax is carried forward as a credit and set off against future output VAT.





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

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

No VAT cash outflow arises on intra-community acquisition of goods (with the exception of goods subject to excise taxes) as VAT is accounted by using the acquisition accounting method. This involves a simple accounting entry in the books of the business whereby it self-charges VAT and at the same time claims it back, provided it relates to supplies for which the right to recover input VAT is granted, thereby creating no cost to the business.

In cases the acquisition relates to a transaction for which the right to recover the input VAT is not granted, the trader must pay the VAT that corresponds to the acquisition.

VAT rates

The legislation provides for the following four tax rates:

- Zero rate (0%)
- Reduced rate of five per cent (5%)
- Reduced rate of nine per cent (9%)
- Standard rate 19%

Exemptions

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

- leasing of buildings used for residence
- most banking, financial services and insurance services;
- most hospital, medical and dental care services;
- certain cultural educational and sports activities;
- supplies of second-hand buildings;
- 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 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) **Repossession of immovable property by financial institutions**

VAT must be accounted under the reverse charge provisions on transactions relating to transfers of immovable property during the process of loan restructuring and for compulsory transfer to the lender, as from 2 January 2018. As from 5 December 2019, the definition of the term 'lender' includes licensed credit and financial institutions, credit acquiring companies, including their subsidiaries, as well as a public body or any licensed company which acquired/received from a credit institution any non performing/overdue loans. This provision is effective until 31 December 2020.

(iv) **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.





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.

The reduced rate of 5% applies to contracts that have been concluded from 1 October 2011 onwards provided they relate to the acquisition and/ or construction of residences to be used as the primary and permanent place of residence for the next 10 years.

The reduced rate of VAT of 5% applies on the first 200 square meters. The standard rate applies for the remaining square meters as determined based on the building coefficient.

The reduced rate is imposed only after obtaining a certified approval from the Tax Authority.

The eligible person must submit an application on a designated form, which will state that the house will be used as the primary and permanent place of residence. The applicant must attach a number of documents supporting the ownership rights on the property and evidencing the fact that the property will be used as the primary and permanent place of residence. The application must be filed prior to the actual delivery of the residence to the eligible person.

Eligible persons include residents of Cyprus, EU and non-EU Member States, provided that the residence will be used as their primary and permanent place of residence in the Republic.

The documents supporting the ownership of the property must be submitted together with the application. The documents supporting the fact that the residence will be used as the primary and permanent place of residence (copy of telephone, water supply or electricity bill or of municipal taxes) must be submitted within six months from the date on which the eligible person acquires possession of the residence.

A person who ceases to use the residence as his primary and permanent place of residence before the lapse of the 10-year period must notify the Commissioner of Taxation, within thirty days. The person must also pay the difference resulting from the application of the reduced and the standard rate of VAT attributable to the remaining period of 10 years for which the property will not be used as the main and primary place of residence.

Persons who have already acquired a residence on which the reduced VAT rate was imposed, can re-apply and acquire a new residence on which the reduced VAT rate will be imposed, irrespective of whether the 10 year prohibition period for using the initial residence has lapsed or not. A condition for this to apply is that in case the 10 year period of using the residence as the main and permanent place of residence has not lapsed, the persons must return to the Tax Department the difference in VAT between the standard and reduced VAT rates applicable at the time of the acquisition or construction of the residence.

Persons who make a false declaration to benefit from the reduced rate are required by law to pay the difference of the additional VAT due. Furthermore, the legislation provides that such persons are guilty of a criminal offence and, upon conviction, are liable to a fine, not exceeding twice the amount of the VAT due, or imprisonment up to 3 years or may be subject to both sentences.



Imposition of the reduced rate of 5% on the renovation repair and extension of private residences

The renovation and repair of used private residences (for which a period of at least three years has elapsed from the date of their first use) is subject to VAT at the reduced rate of VAT of 5%, excluding the value of materials which constitute more than 50% of the value of the services.

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

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

Difference between zero rate and exempt supplies

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

Irrecoverable input VAT

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

- acquisitions used for making exempt supplies;
- purchase, import or hire of saloon cars;
- entertainment and hospitality expenses (except those relating to employees and directors).

VAT treatment of vouchers

A voucher is an instrument (whether in physical or in electronic form) which contains an obligation to accept it as consideration, or partial consideration, for a supply of goods or services. It does not include discount vouchers, an instrument functioning as ticket or postage stamps.

As per the legislative provisions, two types of vouchers exist, namely "single-purpose" and "multi-purpose" vouchers and the timing at which the VAT must be accounted for is different.

"Single-purpose" vouchers

A "single-purpose" voucher is a voucher with respect to which the place of supply of the goods or services to which the voucher relates, and the VAT due on those goods or services, are known at the time of issue of the voucher.

The VAT due on the underlying goods and services is due at the time of issue of the voucher, as well as at the point in time of any future transfer of the voucher if that transfer is effected for consideration.

"Multi-purpose" vouchers

A "multi-purpose" voucher is a "voucher other than a single-purpose voucher".

The VAT due on the underlying goods and services is accounted for at the time of redemption of the voucher while at the time of issue or during any subsequent transfer of the voucher prior to its redemption, there is no supply from a VAT perspective.

Registration

Established persons in the Republic of Cyprus

Persons that have a business establishment or other permanent establishment in the Republic of Cyprus in relation to its business activities will constitute an established person in Cyprus for registration purposes. For persons established in 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 effected 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.

VAT declaration - payment/refund of VAT

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

VAT registered persons have the right to request for a different filing period. The approval of the Commissioner of Taxation is required. The Commissioner of Taxation also has the right to request from a taxable person to file his VAT returns for a different period.

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.

Under Cyprus VAT Law, the domestic reverse charge mechanism is applicable to the following transactions between business persons:

DOMESTIC REVERSE CHARGE	Article of the Law	Registration threshold
Construction services	11B	€15.600
Trade of specific goods (i.e. scrap metals)	11C	€15.600
Disposal of immovable property and plots to the Borrower as part of the loan restructuring	11D	€15.600
Supply of certain electronic devices	11E	€15.600



Covid-19 – Temporary measures

In response to the effects of Covid-19 on the economy, the Cyprus Government introduced, inter alia, the subsequent amendments:

1. The suspension of payment of VAT corresponding to the VAT periods ending on 29 February 2020, 31 March 2020 and 30 April 2020. The obligation to pay the corresponding VAT for the suspended periods shall be made in six equal monthly instalments over a period of six months. The instalments will be payable on 10 November 2020, 10 December 2020, 10 January 2021, 10 February 2021, 10 March 2021 and 10 April 2021.
2. The reduction of the VAT rate from 9% to 5% for the provision of restaurant and catering services, hotel accommodation services and domestic passenger transport services. The reduced rate 5% will be applicable for the period from 01 July 2020 to 10 January 2021.

Brexit

As from 1 January 2021, following the end of the transitional period, the EU VAT Directives and Unions Customs Code will cease to apply with respect to transactions between Member States of the EU and the United Kingdom. For VAT purposes, the United Kingdom will be considered as a third country and third country rules will apply thereafter.

Thresholds and penalties		Amount in Euro (€)
1	Registration threshold for established persons in the Republic of Cyprus (taxable supplies in Cyprus)	15.600
2	Registration threshold for non-established persons in the Republic of Cyprus (taxable supplies in Cyprus)	no threshold
3	Registration threshold for distance sales (sale of goods to persons not subject to VAT registration in Cyprus, by suppliers resident in another EU Member State)	35.000
4	Registration threshold for acquisition of goods in Cyprus from suppliers resident in another EU Member State	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 of 1 July 2021)	200 for each return
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 registration with the VAT authorities	85 per month of delay

Immovable Property Tax

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 which was calculated on the market value of the property as at 1 January 1980, at the varying rates as noted in the table below, which apply per owner and not per property.



Tax rates

Property value (as at 1 January 1980) €	Rate ‰	Accumulated tax €
First 40.000*	6	240
From 40.001 – to 120.000	8	880
From 120.001– to 170.000	9	1.330
From 170.001– to 300.000	11	2.760
From 300.001– to 500.000	13	5.360
From 500.001– to 800.000	15	9.860
From 800.001 – to 3.000.000	17	47.260
Over 3.000.000	19	

* Property owners whose property had a total value of €12.500 or less (as at 1.1.1980) were exempt from Immovable Property Tax from year 2013 to 2016

Exemptions

The following were never subject to Immovable Property Tax:

- Public cemeteries
- Churches and other religious buildings (partly exempt)
- Public hospitals
- Schools
- Immovable property owned by the Republic
- Foreign embassies and consulates
- Common use and public places
- Property under Turkish occupation
- Buildings under a Preservation Order
- Buildings of charitable organisations
- Agricultural land used in farming or stock breeding, by farmer or stock breeder residing in the area

Trust

A trust may be defined as the obligation under which a person to whom property is transferred (i.e. the trustee) is bound to deal with the beneficial interest in such property in a particular manner in favor of a specified person or persons or class of persons (i.e. the beneficiaries). The creator of the trust is the settlor. A trust is not a separate legal entity.





International Trusts

The Law defines an International Trust as being a trust in respect of which:

- (a) The Settlor is not a tax resident in Cyprus during the calendar year which precedes the year of creation of the trust; (b) At least one of the Trustees is a tax resident in Cyprus during the trust period; and
- (c) None of the Beneficiaries are tax residents in Cyprus during the calendar year which precedes the year of creation of the trust.

According to applicable law:

- (i) Where the beneficiary is resident in Cyprus, the income and profits of a Cyprus International Trust which are earned or deemed to be earned from sources within and outside of Cyprus, are subject to every form of taxation imposed in Cyprus and
- (ii) Where the beneficiary is not a resident of Cyprus, the income and profits of a Cyprus International Trust which are earned or deemed to be earned from sources within Cyprus, are subject to every form or taxation imposed in Cyprus.

Transfer fees by the department of land and surveys

The fees charged by the Department of Land and Surveys to the acquirer for transfers of immovable property are as follows:

Market Value	Rate	Fee	Accumulated fee
€	%	€	€
First 85.000	3	2.550	2.550
From 85.001 to 170.000	5	4.250	6.800
Over 170.000	8		

However:

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

In the case of free transfers of property the transfer fees are calculated on the value of the property as follows:

- from parents to children – Nil
- between spouses – 0,01%
- between third degree relatives – 0,01%
- to trustees €50

'Value' in these cases refers to values as at 1 January 2013.

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

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

Further, certain debt-for-asset swap arrangements may under conditions be exempted from transfer fees.



Social insurance

Contributions %	2021	2020
Employer	8,3	8,3
Employee	8,3	8,3





The rate of Social insurance contributions is applied to a maximum level of emoluments. **The maximum level of emoluments for 2021 is €57.408 (weekly €1.104/monthly €4.784)** (for the year 2020 the levels were €54.864, €1.055, €4.572, for the year 2019 the levels were €54.648, €1.051, €4.554 whereas for the years 2015-2018 the levels were €54.396, €1.046, €4.533 respectively).

The rate of 8,3 applies for both the employer and the employee as from 1 January 2019 and for the next five years. Thereafter, the rate will increase every five years until it reaches 10,7% as from 1 January 2039.

Other employer's contributions

The employer makes the following other contributions based on employee's emoluments:

	%
Social cohesion fund	2,0*
Redundancy fund	1,2**
Industrial training fund	0,5**
Holiday fund (if not exempt)	8,0**

* *Social cohesion fund is calculated on total emoluments and has no maximum level*

** *Restricted to the maximum level of emoluments as with the social insurance contributions*

As from 1 January 2019 the contributions of self-employed persons are 15,6% of their income (14,6% for 2014-2018). Thereafter, the rate will increase by 1% every five years until it reaches 19,6% 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

As per General Health System Law of 2001 (89(I)/2001 as amended 2017, a general health system was introduced in Cyprus aiming to provide to the population equal access to a holistic health care system. Patients will have the option to select a health care provider from the private as well as the public health care sector.





Contributions relating to the implementation of the General Health System (NHS) 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 (Πάγιο Ταμείο της Δημοκρατίας)	Emoluments/Pensions of persons (i), (iii), (iv) and (v)	4,70%

**Relates to holders of public or local authority office or other office, the income out of which does not come within the scope of (i) or (iii) or (iv) of (vii).*

GHS contributions are capped at €180.000 total annual incomes.

Stamp duty

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





Nature of documents

Receipts (if not exempt) - for sums of over €4	7 cents
Cheques	5 cents
Letters of credit	€2
Letters of guarantee	€4
Bills of exchange (payable within three days, on demand or at sight)	€1
Contracts with a fixed amount	
- the first €5.000	0
- between €5.001 - to €170.000	1.5‰
- above €170.000	2‰*
Contracts without fixed sum	€35
Customs declaration documents (depending on document type)	€18-€35
Bills of lading	€4
Charterparty	€18
Powers of attorney	
- general	€6
- limited	€2
Certified copies of contracts and documents	€2

* Capped at a maximum of €20.000.

Capital duty

Upon incorporation of a Cyprus company

Authorised share capital €105

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

Upon subsequent increases

Authorised share capital Nil

Issued share capital €20 on every issue, whether the shares are issued at nominal value or at a premium

Tax treaties and withholding tax (WHT) tables

WHT on dividends, interest and royalties

Cyprus does not levy a WHT on dividends, interest and royalties paid to non-residents of Cyprus except in the case of royalties earned on rights used within Cyprus, which are subject to a WHT of 10% (5% in the case of cinematographic films). Such Cyprus WHT on royalties for rights used within Cyprus may be reduced or eliminated by double tax treaties entered into by Cyprus or by the EU Interest and Royalty Directive as enacted in the Cyprus tax legislation.

Please note that, in accordance with the Cyprus Government Budget for 2021, Cyprus intends to introduce WHT on dividend, interest and royalty payments to countries in Annex I of the EU list of non-cooperative jurisdictions on tax matters (commonly referred to as the EU 'blacklist').



WHT on other types of income

Cyprus levies a 10% WHT on technical services performed by non-residents in Cyprus. However no such WHT is levied if such services are performed via a permanent establishment in Cyprus of the non-resident or if performed between 'associated' companies as these are defined by the EU Interest and Royalty Directive as enacted in the Cyprus tax legislation.

Cyprus also levies a 10% WHT on the gross income/ receipts derived by a non- resident individual from the exercise in Cyprus of any profession or vocation and the remuneration of non-resident public entertainers (such as theatrical, musical including football clubs, other athletic missions etc).

Further, a 5% WHT is levied on gross income derived from within Cyprus by non-residents with no local permanent establishment for services in regards to the exploration, extraction or exploitation of the continental shelf as well as the establishment and use of pipelines and other installations on the ground, on the seabed and on the surface of the sea.

WHT on dividend, interest and royalties tables

Table A below illustrates the applicable Cyprus WHT rates on outbound dividend, interest and royalty payments.

Table B, further below, illustrates the WHT rates provided for in the double tax treaties entered into by Cyprus. This table illustrates the maximum tax rates on Cyprus inbound payments which the treaty partner country may charge on such type incomes qualifying under the respective treaty. The actual WHT rate charged may be lower/eliminated based on each paying country's domestic law provisions.

Table A- WHT on outbound payments from Cyprus

Paid from Cyprus				
Paid to	Dividends (1) %	Interest (1) %	Royalties Rights not used within Cyprus %	Royalties Rights used within Cyprus %
Non-treaty countries	Nil	Nil	Nil	5/10 (2)
Andorra (15)	Nil	Nil	Nil	Nil
Armenia	Nil	Nil	Nil	5
Austria	Nil	Nil	Nil	Nil
Bahrain	Nil	Nil	Nil	Nil
Barbados (18)	Nil	Nil	Nil	Nil
Belarus	Nil	Nil	Nil	5
Belgium	Nil	Nil	Nil	Nil
Bosnia (7)	Nil	Nil	Nil	5/10 (5)
Bulgaria	Nil	Nil	Nil	5/10 (5)
Canada	Nil	Nil	Nil	0/5/10 (4), (5)
China, P.R.	Nil	Nil	Nil	5/10 (5)
Czech Republic	Nil	Nil	Nil	0/10 (11)
Denmark	Nil	Nil	Nil	Nil
Egypt (16)	Nil	Nil	Nil	5/10 (5)
Ethiopia	Nil	Nil	Nil	5
Estonia	Nil	Nil	Nil	Nil
Finland	Nil	Nil	Nil	Nil
France	Nil	Nil	Nil	0/5 (3)
Georgia	Nil	Nil	Nil	Nil
Germany	Nil	Nil	Nil	Nil
Greece	Nil	Nil	Nil	0/5 (5)
Guernsey	Nil	Nil	Nil	Nil
Hungary	Nil	Nil	Nil	Nil
Iceland	Nil	Nil	Nil	5
India	Nil	Nil	Nil	5/10 (5)
Iran	Nil	Nil	Nil	5/6 (5)
Ireland, Rep. of	Nil	Nil	Nil	0/5 (5)
Italy	Nil	Nil	Nil	Nil

Paid from Cyprus				
Paid to	Dividends (1) %	Interest (1) %	Royalties Rights not used within Cyprus %	Royalties Rights used within Cyprus %
Jersey	Nil	Nil	Nil	Nil
Kazakhstan (17)	Nil	Nil	Nil	5/10 (5)
Kuwait	Nil	Nil	Nil	5
Latvia	Nil	Nil	Nil	0/5 (12)
Lebanon	Nil	Nil	Nil	Nil
Lithuania	Nil	Nil	Nil	5
Luxembourg	Nil	Nil	Nil	Nil
Malta	Nil	Nil	Nil	5/10 (5)
Mauritius	Nil	Nil	Nil	Nil
Moldova	Nil	Nil	Nil	5
Montenegro (7)	Nil	Nil	Nil	5/10 (5)
Norway	Nil	Nil	Nil	Nil
Poland	Nil	Nil	Nil	5
Portugal	Nil	Nil	Nil	5/10 (5)
Qatar	Nil	Nil	Nil	5
Romania	Nil	Nil	Nil	0/5 (10)
Russia	Nil	Nil	Nil	Nil
San Marino	Nil	Nil	Nil	Nil
Saudi Arabia (13)	Nil	Nil	Nil	5/8 (14)
Serbia (7)	Nil	Nil	Nil	5/10 (5)
Seychelles	Nil	Nil	Nil	5
Singapore	Nil	Nil	Nil	5/10 (5)
Slovakia Republic (9)	Nil	Nil	Nil	0/5 (10)
Slovenia	Nil	Nil	Nil	5
South Africa	Nil	Nil	Nil	Nil
Spain	Nil	Nil	Nil	Nil
Sweden	Nil	Nil	Nil	Nil
Switzerland	Nil	Nil	Nil	Nil
Syria	Nil	Nil	Nil	5/10 (5)
Thailand	Nil	Nil	Nil	5/10 (6)
Ukraine (15)	Nil	Nil	Nil	5/10 (8)
United Arab Emirates	Nil	Nil	Nil	Nil
United Kingdom	Nil	Nil	Nil	Nil
United States	Nil	Nil	Nil	Nil

Notes- Table A- outbound Payments from Cyprus

1. Under Cyprus legislation, there is no WHT on dividends and interest paid to non residents of Cyprus. Further, there is also no WHT on royalties paid to non-residents of Cyprus for rights not used within Cyprus.
2. Royalties earned on rights used within Cyprus are subject to WHT of 10% (except royalties relating to cinematographic films, where the WHT rate is 5%).
3. A WHT rate of 5% is applicable on royalties for cinematographic films including films and video tape for television.
4. 0% on literary, dramatic, musical, or artistic work (excluding motion picture films and works on film or videotape for use in connection with television).
5. The WHT rate of 5% is applicable on cinematographic film royalties.
6. 5% WHT applies for any copyright of literary, dramatic, musical, artistic, or scientific work.
7. Serbia, Montenegro and Bosnia apply the Yugoslavia/ Cyprus treaty.
8. A 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 and cinematographic films.
9. The Cyprus-Czechoslovakia treaty applies with the Slovak Republic.
10. 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.
11. 10% WHT rate 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.
12. Nil applies if the payer is a company that is a resident in Cyprus and the beneficial owner of the income is a company (other than partnership) that is a resident in Latvia. 5% WHT rate applies for all other cases.
13. The treaty is effective as from 1 January 2020.
14. A WHT rate of 5% is applicable on royalties for the use of, or the right to use, industrial, commercial or scientific equipment and on royalties for cinematographic films including films and video tape for television. A WHT rate of 8% applies in all other cases.
15. New protocol to the DTT with Ukraine is effective as from 1 January 2020.
16. A new treaty is effective as from 1 January 2021.
17. The treaty is effective as from 1 January 2021.
18. WHT impositions are expected for outbound dividend, interest and royalty payments to countries in Annex I of the EU list of non-cooperative jurisdictions on tax matters (commonly referred to as the EU 'blacklist').

Table B- Maximum WHT on inbound payments to Cyprus

Received in Cyprus			
Paid from	Dividends %	Interest %	Royalties %
Andorra (48)	Nil	Nil	Nil
Armenia	0/5 (1)	5	5
Austria	10	Nil	Nil
Bahrain	Nil	Nil	Nil
Barbados	Nil	Nil	Nil
Belarus	5/10/15 (2)	5	5
Belgium	10/15 (3)	0/10 (4), (5)	Nil
Bosnia (6)	10	10	10
Bulgaria	5/10 (7)	0/7 (4), (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 (4), (13)	Nil	Nil
Egypt (56)	5/10 (53)	10	10
Ethiopia	5	5	5
Estonia	Nil	Nil	Nil
Finland	5/15 (14)	Nil	Nil
France	10/15 (15)	0/10 (16)	0/5 (17)
Georgia	Nil	Nil	Nil
Germany	5/15 (18)	Nil	Nil
Greece	25	10	0/5 (19)
Guernsey	Nil	Nil	Nil
Hungary	5/15 (3)	0/10 (4)	Nil
Iceland	5/10 (39)	Nil	5
India	10 (20)	0/10 (44)	10 (21)
Iran	5/10 (45)	5	6
Ireland, Rep. of	Nil	Nil	0/5 (19)
Italy	15	10	Nil
Jersey	Nil	Nil	Nil
Kazakhstan (57)	5/15 (54)	10	10
Kuwait	0	0	5

Received in Cyprus			
Paid from	Dividends	Interest %	Royalties %
Latvia	0/10(42)	0/10(42)	0/5(43)
Lebanon	5	5	Nil
Lithuania	0/5 (22)	Nil	5
Luxembourg	0/5 (46)	Nil	Nil
Malta	Nil	10	10
Mauritius	Nil	Nil	Nil
Moldova	5/10 (24)	5	5
Montenegro (6)	10	10	10
Norway	0/15 (36)	Nil	Nil
Poland	0/5 (23)	0/5 (4)	5
Portugal	10	10	10
Qatar	Nil	Nil	5
Romania	10	0/10 (4)	0/5 (25)
Russia	5/15 (26)	0/15 (55)	Nil
San Marino	Nil	Nil	Nil
Saudi Arabia (48)	0/5 (49)	Nil	5/8 (50)
Serbia (6)	10	10	10
Seychelles	Nil	Nil	5
Singapore	Nil	0/7/10 (4), (27)	10
Slovak Republic (37)	0/5 (28) 10	Nil 0/10 (4)	Nil 0/5 (25)
Slovenia	5	5	5
South Africa	5/10(41)	Nil	Nil
Spain	0/5 (28)	Nil	Nil
Sweden	5/15 (3)	0/10 (4)	Nil
Switzerland	0/15 (40)	Nil	Nil
Syria	0/15 (29)	0/10 (9)	10/15 (38)
Thailand	10	10/15 (30)	5/10/15 (31)
Ukraine (51)	5/10 (52)	5	5/10 (33)
United Arab Emirates	Nil	Nil	Nil
United Kingdom	0/15 (47)	Nil	Nil
United States	5/15 (35)	0/10 (16)	Nil

Notes- Table B- 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. 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 which is reduced to 10% if the recipient company controls 25% or more of the paying company.
3. A WHT rate of 15% applies 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.
4. No WHT if paid to the government/Central Bank/ Public Authority of the other state.
5. No WHT for interest on deposits with banking institutions.
6. Serbia, Montenegro and Bosnia apply the Yugoslavia/Cyprus treaty.
7. The WHT 5% rate applies to companies holding directly at least 25% of the share capital of the company paying the dividend. In all other cases the WHT is 10%.
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. Nil applies 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. A WHT rate of 5% applies in all other cases.
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. A WHT rate of 15% if received by a company controlling less than 10% of the share capital of the paying company or the duration of any holding is less than one uninterrupted year. A WHT rate of 15% also applies if received by an individual.

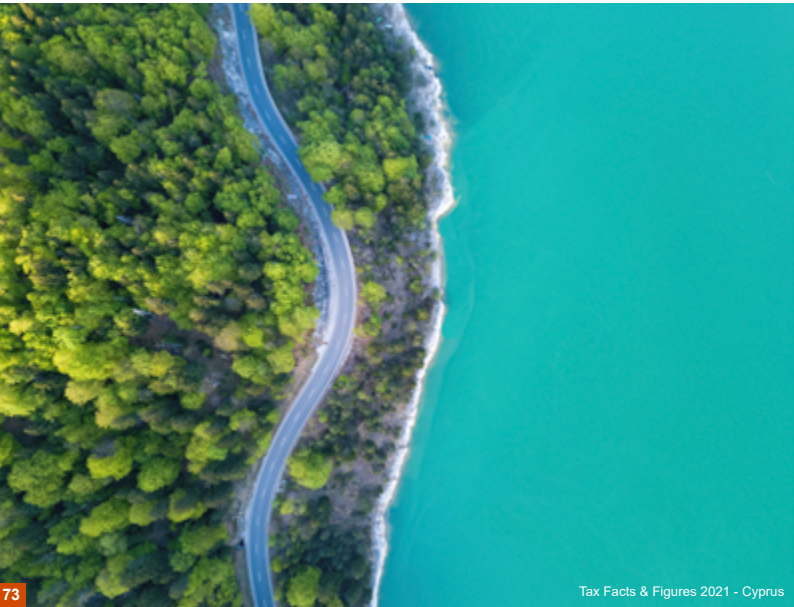
14. A WHT rate of 15% applies if received by a company controlling less than 10% of the voting power in the paying company and in all cases if received by an individual.
15. A WHT rate of 15% if received by a company (partnership is excluded) holding less than 10% of the capital of the paying company and in all cases if received by an individual.
16. Nil if paid to a government, bank, or financial institution.
17. A WHT rate of 5% on royalties for cinematographic films including films and video tapes for television.
18. A WHT rate of 15% 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.
19. A WHT rate of 5% on cinematographic film royalties (other than films shown on television).
20. Prior to 1 April 2017, the applicable WHT rate is 15% if received by a company holding less than 10% of the shares of the paying company and in all cases if received by an individual.
21. A WHT rate of 10% is also applicable for payments of a technical, managerial, or consulting nature. Prior to 1 April 2017, a rate of 15% applies on royalties.
22. A WHT rate of 5% if received by a company (other than partnership) holding less than 10% of the capital of the company paying the dividend and in all cases if received by an individual.
23. 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.
24. A WHT rate of 5% applies if the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the capital of the company paying the dividends. 10% WHT rate with rate in all other cases.
25. 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.
26. 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.
27. A WHT rate of 7% if paid to a bank or financial institution.
 28. 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.
 29. 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.
 30. 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.
 31. 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, trade marks, designs or models, plans, secret formulas, or processes.
 32. A WHT rate of 15% if a dividend is paid by a company in which the beneficial owner holds less than 20% of the share capital of the paying company and the beneficial owner has invested less than €100.000.
 33. A WHT 5% WHT will be levied on payment of royalties in respect of any copyright of scientific work, any patent, trade mark, secret formula, process or information concerning industrial, commercial or scientific experience. 10% WHT will be levied in all other cases.
 34. A WHT rate of 15% applies to individual shareholders regardless of their percentage of shareholding. Companies controlling less than 10% of the voting shares are also entitled to a rate of 15%. Companies controlling at least 10% of the voting shares are entitled to nil WHT.
 35. 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%.

36. 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.
37. The Cyprus - Czechoslovakia treaty applies with the Slovak Republic.
38. 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, trade mark, design or model, plan, secret formula or process, or any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience.
39. A WHT rate of 5% if received by company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividend. 10% in all other cases.
40. Nil rate applies if the beneficial owner is a company (other than a partnership) which holds directly at least 10 per cent of the capital of the company paying the dividends 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.
41. A protocol to the treaty entered into force on 18 September 2015 but may apply retrospectively. 5% WHT rate applies if the beneficial owner is a company which holds at least 10% of the capital of the company paying the dividend. 10% in all other cases.
42. 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).
43. 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.

44. Nil if paid to a government or any other institution agreed upon between the two States. Prior to 1 April 2017, nil rate also applies if paid to a bank or financial institution. 10% WHT rate applies in all other cases.
45. The WHT rate of 5% applies if the beneficial owner of the dividends holds directly at least 25% of the capital of the company paying the dividends.
46. Nil applies if the beneficial owner (other than a partnership) holds directly at least 10% of the capital of the company paying the dividends. 5% WHT rate applies for all other cases.
47. 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.
48. The treaty is effective as from 1 January 2020.
49. A 0% WHT rate applies to payments of dividends if the recipient is a company (other than partnership) that directly or indirectly holds at least 25% of the capital of the payer company. 5% WHT applies in all other cases.
50. 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.
51. New protocol to the DTT with Ukraine is effective as from 1 January 2020.
52. 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.
53. 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 rate of 10% applies in all other cases.

54. A WHT rate of 5% if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends. A WHT of 15% applies in all other cases.
55. 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 of 15% applies in all other cases.
56. A new treaty is effective as from 1 January 2021.
57. The treaty is effective as from 1 January 2021.



2021 Tax diary

Please note that the deadlines stipulated below may be revised as part of Cyprus' economic response to covid-19. Taxpayers are recommended to monitor developments.

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 2018.

31 March

- Electronic submission of the 2019 corporation tax return (TD4) for accounting periods ending on 31 December 2019 (TD4).
- Electronic submission of the 2019 income tax return of physical persons preparing audited financial statements (2).

30 April

- Payment of premium tax for life insurance companies - first instalment for 2021.

31 May

- Electronic submission by employers of the total 2020 payroll (Form TD7).

30 June

- Payment of Special Contribution for Defence for the first six months of 2021 on rents if such tax is not withheld at source by tenant and on dividends or interest from sources outside Cyprus.

31 July

- Submission of the 2021 provisional income tax return and payment of the first instalment.
- Electronic submission of 2020 personal income tax returns and payment of 2020 personal income tax under the self-assessment by employees and pensioners, whose incomes do not include income from a trade/business, rents, dividends, interest, royalties nor income relating to trading goodwill (1).
- Electronic submission of 2020 personal tax returns and payment of 2020 personal income tax under the self assessment method by other individuals who have gross income that falls under Article 5 (includes dividends, interest and profits from share dealings) and who are not obliged to prepare audited financial statements (1) (2).

1 August

- Payment of 2020 final corporation tax under the self-assessment method.
- Payment of 2020 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 2020.

31 December

- Payment of provisional tax - second and last instalment for 2021.
- Payment of Special Contribution for Defence for the last six months of 2021 on rents if such tax is not withheld at source by tenant and on dividends or interest from sources outside Cyprus.
- Payment of premium tax for life insurance companies - third and last instalment for 2021.

Interest and Penalties

The official interest rate, as set by the Finance Minister, for all amounts due as from 1 January 2021 is 1,75% (1,75% for 2020, 2% for 2019, 3,5% for 2017-2018, 4% for 2015-2016, 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 2019, physical persons are required to submit personal tax returns only when their gross taxable income exceeds €19.500. As from tax year 2020, 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 2020 income tax by 1 August 2021 and submitting his/her electronic tax return by 31 March 2022.

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International Private Clients

Tax Reporting Strategy



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Senior Managers	<p>Anastasia Tsentas</p> <p>Angela Eliophotou</p> <p>Antonis Petrou</p> <p>Antri Georgiou</p> <p>Constantinos Panayi</p> <p>Eleni Christoforou</p> <p>Filios Nicolaides</p> <p>George Constantinides</p> <p>Ioanna Petrou</p> <p>Iva Angelova</p> <p>Mine Onbasi</p> <p>Nicos Koufou</p> <p>Stella Geropapa</p>

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