



2017 Guide to Cyprus Direct and Indirect Taxation

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TABLE OF CONTENTS

Personal Income Tax

Social Insurance Contributions

Special Contribution of Private sectors' employees and pensioners and self-employed individuals

Corporation Tax

Special Contribution for Defense

Capital Gains Tax

Immovable Property Tax

Transfer fees by the department of land and surveys

Estate Duty

Value Added Tax (VAT)

Tax Calendar

Penalties

About Us

Contact Us

Personal Income Tax

Basis of Taxation

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

An individual is considered to be a resident of the Republic if he/she stays in the Republic for a period or periods exceeding in aggregate 183 days in the tax year. Days in and out of the Republic are calculated as follows:

- * The day of departure from the Republic counts as a day of residence outside the Republic.
- * The day of arrival in the Republic counts as a day of residence in the Republic.
- * Arrival in and departure from the Republic in the same day counts as a day of residence in the Republic.
- * Departure from and arrival in the Republic in the same day counts as a day of residence outside the Republic.

Foreign taxes paid can be claimed as a credit against the income tax liability in Cyprus.

Tax Rates

The following income tax rates apply to individuals from tax year 2008 onwards:

	Tax Year
Chargeable Income (€)	Tax Rate % 2011 onwards
0-19.500	Nil
19.501—28.000	20
28.001—36.300	25
36.301—60.000	30
60.001 and over (from 2011)	35

Exemptions

The following are exempt from Income Tax:

Type of Income	Exemption
Interest (unless the interest derives from the ordinary carrying on of a business or is closely related with the ordinary carrying on of a business)	The whole amount
Dividends	The whole amount
Remuneration from any employment exercised in the Republic by an individual who was not resident of the Republic before the commencement of his/her employment. This exemption is valid for a period of 3 years commencing from the 1 st of January following the year of commencement of the employment. For individuals who commenced employment during or after 2012, the exemption is granted for a period of five years , with the last year up to which the 20% exemption will be available being 2020	20% of income with a maximum amount of €8.550 annually
Remuneration from any employment exercised in the Republic by an individual who was not a resident of the Republic before the commencement of his/her employment. The exemption is valid for a period of 10 years starting from the year of the commencement of employment provided that the employment commences as from 1 January 2012 and the annual remuneration exceeds €100.000. For employments from 1 January 2015, the exemption cannot be claimed in case the individual was a Cyprus tax resident for 3 out of the last 5 tax years immediately prior to the tax year of commencement of the employment nor in the preceding tax year.	50% of income
Remuneration from salaried services rendered outside the Republic for a period exceeding 90 days in a tax year to a non-resident employer or to a foreign permanent establishment of a resident employer	The whole amount
Profits of a permanent establishment abroad unless the permanent establishment directly or indirectly engages more than 50% in activities which lead to investment income and the foreign tax burden is substantially lower than the tax burden in the Republic.	The whole amount
Lump sum received by way of retiring gratuity, commutation of pension or compensation for death or injuries.	The whole amount
Capital sums accruing to individuals from any payments to approved funds (e.g. provident funds)	The whole amount
Profits from the sale of shares, bonds, debentures, founders shares and other securities of companies incorporated in Cyprus or abroad and options thereon ¹	The whole amount
Rent of a preserved buildings (subject to conditions)	The whole amount

¹ A circular has been issued by the Tax Authorities in 2008 further clarifying what is included in the term Securities. According to the circular 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 circular also clarifies specific types of participation in foreign entities which are considered as Securities.

Tax Deductions

The following are deducted from income:

On any rental income	The whole amount 20% of rental income
Interest paid in respect of rented buildings	The whole amount
Contributions to trade unions or professional bodies	The whole amount
Losses of previous years	Individuals with turnover exceeding €70,000 that have the obligation to prepare audited financial statements can carry forward tax losses incurred during a tax year over the next five years from the end of the period of which those losses relate.
Donations to approved charities with receipts	The whole amount
Expenditure incurred for the maintenance of a building in respect of which a Preservation Order is in force	Up to €1.200, €1.100 or €700 per square meter (depending on the size of the building)
Social Insurance, provident fund, medical fund (restricted to 1% of remuneration), pension fund contributions and life insurance premiums (the allowable annual life insurance premium is restricted to 7% of the insured amount)	Up to 1/6 of the chargeable income
Special Contribution (abolished from 1.1.2017 – see Special Contribution section)	The whole amount
Interest relating to acquisition of fixed assets used in the business	The whole amount
Direct or indirect investment in approved innovative small and medium sized enterprise	Up to 50% of taxable income prior to this deduction (subject to a maximum of €150.000 per annum)

Social Insurance Contributions

Social Insurance

Rates

	%
Employers Contributions	7,8
Employee Contributions	7,8
Self-employed contributions	14,6

Maximum level of annual income

	EUR €	Per annum EUR €
Weekly Employees	1.046	54.392
Monthly Employees	4.533	54.396

Other Employers Contributions

	Employers Contribution %
Social Cohesion Fund	2,0
Redundancy Fund	1,2*
Industrial Training Fund	0,5*
Annual Leave Fund	8,0*

*Restricted to the maximum level as with the Social Insurance contributions.

Special Contribution of private sectors' employees and pensioners and self-employed individuals

The Special Contribution of private sector's employees and pensioners and self-employed individuals has been abolished from the tax year 2017 onwards.

The Special Contribution of private sector's employees and pensioners and self-employed individuals as applicable for the tax years **2014, 2015 and 2016** is calculated as follows:

Monthly Gross Income (€)	Special Contribution rate
0 - 1.500	0%
1.501 - 2.500	2,5% (with a minimum amount of special contribution of €10)
2.501 - 3.500	3%
3.501 and over	3,5%

The special contribution is calculated on the gross monthly earnings with no maximum limit on the amount of contribution.

For the cases of employees in the private sector and pensioners receiving pensions as a result of their employment in the private sector, the payment of the Special Contribution will be effected in similar way the Income Tax is deducted according to the PAYE provisions of the legislation (i.e. the Special Contribution will be withheld at source from the individuals' monthly salary/pension). It is highlighted that in the case of employees in the private sector, 50% of the applicable Special Contribution will be contributed by their respective employer and the remaining 50% will be deducted from employees' salaries.

The Special Contribution paid within a tax year will be treated as a tax allowable expense from the taxable income of the employee or the employer that it relates to.

Corporation Tax

Basis of Taxation

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

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

Tax Rates

	Corporation Tax Rate %
Companies and Semi Government Organisations	12.5

Exemptions

Including but not limited to:

Type of Income	Exemption limit
Profit from the sale of securities	The whole amount
Dividends (From 1 January 2016 dividend income received by a Cyprus tax resident company, will be treated as taxable under Income tax in case the payment of the dividend was treated as an allowable deduction for the paying entity).	The whole amount
Interest not arising from the ordinary activities or closely related to the ordinary activities of the company ¹	The whole amount ²
Profits of a permanent establishment abroad, under certain conditions ³	The whole amount
Rent of a preserved building (under certain conditions)	The whole amount

¹ 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.

² Interest income exempt from corporation tax is subject to Special Defense Contribution tax

³ From 1 July 2016, an election can be made to tax the profits earned by a foreign permanent establishment, with a credit for the foreign tax incurred on the foreign permanent establishment profits claimed as a credit against the amount of the Cyprus tax.

Tax Deductions

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

Type of Expense	Exemption limit
Donations to approved charities (with receipts)	The whole amount
Employer's contributions to social insurance and approved funds on employees' salaries	The whole amount
Any expenditure incurred for the maintenance of a building in respect of which there is a Preservation Order	Up to €1.200, €1.100 or €700 per square meter (depending on the size of the building)
Entertainment expenses for business purposes	Lower of €17.086 or 1% of the gross income of the business
Interest expense incurred for the direct or indirect acquisition of a 100% subsidiary for acquisitions performed from 1 January 2012 onwards , provided that the subsidiary does not own any assets not used in the business	The whole amount provided the subsidiary does not own any assets not used in the business. In case the subsidiary owns assets not used in the business then the interest expense deduction will apply only to the extent of assets used in the business.
80% of the Qualifying profits deriving from royalty income, embedded income and gain on disposal of Qualifying Intangible assets	80%
Interest incurred for the acquisition of a fixed asset which is being used in the business	The whole amount
New "qualifying equity" invested into a Cyprus company from 1.1.2015 will qualify for a notional interest deduction (NID) at a reference rate. New qualifying equity includes any equity in the form of share capital and share premium introduced and settled on or after 1st January 2015.	Capped to 80% of the taxable income of the company.

The applicable reference rate is defined as the 10-year government bond rate of the country in which the new equity is invested increased by 3% subject to a minimum rate equal to the 10-year Cyprus Government bond rate increased by 3%.	
Amortization on any capital expenditure for the acquisition or development of IP (applies from 1 July 2016)	Over the lifetime of the IP with a maximum period 20 years

But not including:

Type of Expense	Non-deductible amount
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 interest applicable to the cost of acquiring any other asset not used in the business	The whole amount for 7 years
Professional tax	The whole amount
Taxes and penalties/interest on late payment of taxes	The whole amount
Expenditure not supported by invoices and relevant receipts or other supporting documentation as required by the relevant Regulations	The whole amount
Any wages and salaries that relate to services offered within a tax year on which contributions to the relevant funds (Social Insurance fund, Redundancy fund, Human Resource Development Fund and Provident Fund) have not been paid (In case the above contributions are paid in full within two years following the due date, then, the wages and salaries to which these contributions relate to, will be tax deductible in the year the contributions have been paid.)	The whole amount

Tax Incentives

A. Utilisation of losses carried forward

* *For Companies*

The tax loss incurred during a tax year and which cannot be set off against other income, is carried forward and set off against future profits for a period of 5 years from the end of the tax year to which the losses relate to.

* *For Companies within a tax relief group*

The current year loss of one company can be set off against the profit of another provided the companies are Cyprus tax resident companies of a group. Two companies are considered to be members of a group for group relief purposes if:

- One company holding at least 75% of the shares of the other company, or,
- Both, each one separately, are 75% subsidiaries of a third company.
- The companies must be part of the same group for a full year ¹

As from 1 January 2015 losses of a group company which is tax resident in another EU country may be surrendered to a Cyprus tax resident company, provided such EU Company exhausts all possibilities available to utilise its losses in its country of residence or in the country of any intermediary EU holding company

¹ From 1 January 2012, in the event that a company is incorporated during a tax year, the company will be considered as a member of the group for the whole tax year, for the purpose of surrendering of losses between group companies, thus allowing group relief provision to come into effect from the year of incorporation.

* *For partnerships or sole traders*

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

* *Losses from a permanent establishment abroad*

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

* *Foreign tax credit*

Any tax suffered abroad on income that is subject to tax in Cyprus, will be credited against any tax payable on such income in Cyprus irrespective of whether a tax treaty exists.

B. Reorganisations

Transfers of assets and liabilities including provisions and reserves between companies can be affected without any tax consequences within the framework of a reorganisation and tax losses can be carried forward by the receiving entity.

Reorganisations include:

- * mergers
- * demergers
- * partial divisions
- * transfer of assets
- * exchange of shares
- * transfer of registered office

C. *Special Regime for Intellectual Property rights*

As from 1 July 2016, the Cyprus IP regime has been amended in accordance with the recent international developments and recommendations of BEPS Action 5. Under the new regime, **80%** of Qualifying Profits from Qualifying Intangible Assets are treated as tax exempt.

The new regime applies for income arising amongst other from:

- i) rights of use (Royalties), or other amounts, in relation to the use of the Qualifying Intangible Asset
- ii) any amount for granting license for the exploitation of the Qualifying Intangible Asset
- iii) any amount which arises from the insurance or compensation in relation to the Qualifying Intangible Asset
- iv) trading income, from the sale of the Qualifying Intangible Asset
- v) embedded income of the Qualifying Intangible Asset which arises from the sale of goods, services or from the use of any processes directly related with the Qualifying Intangible Asset

1. Qualifying Intangible Asset

A Qualifying Intangible Asset is an asset which was acquired, developed or exploited by a person in the course of exercising its business and constitutes an IP (excluding any IP which relates to marketing) which is a result of Research and Development (R&D) and includes also intangibles for which there is only economic ownership.

Qualifying intangible assets consist of:

- i) patents, as these are defined in the Patents Law*
- ii) computer software*
- iii) other intangible assets that are legally protected and fall under the provisions of the below sub-paragraphs:*
 - a. utility models, intellectual property assets which provide protection to plants and genetic material, orphan drug designations and extensions of patent protections, or,*
 - b. IP assets which are non-obvious, useful and novel for which the gross income of the person who exploits them in the course of its business does not exceed, in a 5 year period, the average amount of EUR 7.5m per annum (or EUR 50m for taxpayers forming part of a Group) and are not trade names, including*

brands, trademarks or image rights of intellectual property used in the trading of goods and services.

It is noted that the Qualifying Intangible Asset should be certified as such, by the responsible body of the Republic or the foreign country.

2. Qualifying Profits

The Qualifying Profits are calculated based on the below formula:

$$\frac{(QE+UE) *OI}{OE}$$

where,

QE is the qualifying expenditure on the Qualifying Intangible Asset,

UE is the Up-Lift expenditure

OE is the Overall Expenditure on the Qualifying Intangible Asset

OI is the Overall Income derived from the Qualifying Intangible Asset

a) Qualifying Expenditure (QE)

The Qualifying Expenditure of a Qualifying Intangible Asset, is the sum of all R&D expenditure which was incurred during any tax year wholly and exclusively for the development, improvement, or generation of the Qualifying Intangible Asset and which relates directly with the Qualifying Intangible Asset.

Transition rules and grandfathering provisions

Grandfathering rules apply in respect of the old regime allowing entities that got “locked into “ the old regime to use it until **30 June 2021**. The current IP Regime will apply until this date in relation to intellectual property which:

- i. Qualified under the current IP Regime before the 2nd of January 2016, or,
- ii. Was acquired directly or indirectly from a related person during the period starting from the 2nd of January 2016 and ending on the 30th of June 2016 and for which at the time it was acquired qualified for benefits under the current IP Regime or other similar Regime and its acquisition was not made with a principal purpose (or having as a principal purpose) the avoidance of tax, or,
- iii. Was acquired or developed by the taxpayer itself, during the period starting 2nd of January and ending on the 30th of June 2016.

Special Contribution for Defense (SDC)

Special contribution for defence is imposed on income earned by Cyprus tax residents. Non-tax residents are exempt from special contribution for defence. SDC is imposed on Cyprus tax residents at the rates shown in the table below:

	Tax Rates %		
	From 1 January 2014 to current		
	Legal Entities	Individuals	
		Domicile	Non domicile ⁶
Dividend income from Cyprus resident companies	Nil ¹	17%	Nil
Dividend income from non-Cyprus resident companies	Nil ¹	17%	Nil
Interest income arising from the ordinary activities or closely related to the ordinary activities of the business	Nil	Nil	Nil
Other interest income	30 ²	30 ²	Nil
Rental income (reduced by 25%)	3 ³	3 ³	Nil

¹ Dividend income from abroad is exempt from defence fund contribution.

This exemption does not apply if:

- * more than 50% of the paying company's activities result directly or indirectly in investment income; and
- * The foreign tax is significantly lower than the tax burden in Cyprus. The tax authorities have clarified through a circular that "significantly lower" means a tax burden rate below 6.25%.

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

² Interest income from Cyprus government savings bonds and development bonds and all interest earned by a provident fund is subject to special contribution for defence at the rate 3%

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

³ When the tenant is a company, partnership, the state or local government Special contribution for defense on rental income is withheld at source. In all other cases the special contribution for the defense on rental income is payable by the landlord in 6 monthly intervals on 30 June and 31 December each year.

⁴ In the case of interest and dividends received gross any defense tax due is payable at the end of the month following the month in which they were received. However, as from June 2011, special contribution for defense on dividends from abroad and interest from abroad is payable in 6 month intervals on 30 June and 31 December each year.

⁵ Foreign taxes paid can also be credited against the defence tax liability.

⁶ In accordance with amendments in the Special Defence Contribution (SDC) Law on 16 July 2015, Cyprus tax resident but non domicile individuals are exempt from the provisions of Special Defence Contribution and therefore enjoy the following benefits:

1. Exemption from Cyprus tax on dividend income received from local or overseas companies;
2. Exemption from the deemed dividend distribution provisions of the SDC Law. According to these provisions 70% of the accounting profits of a Cyprus company that are not distributed within a period of two years, are deemed to be distributed with SDC tax at the rate of 17% being imposed for dividends attributable to Cyprus tax residents. Now, as a result of the new legislation, no SDC tax at the rate of 17% will be imposed on any deemed dividend distributions attributable to Cyprus tax residents but non domicile shareholders of the Cyprus Company;
3. Exemption from Cyprus tax on interest income received from Cyprus or overseas;
4. Exemption from SDC tax on any rental income received from property located in Cyprus or overseas (although rental income will be subject to tax under income tax).

For SDC purposes, the term "Domiciled in Cyprus" is defined as an individual who has a Domicile of Origin, in accordance with the Wills and Succession Law, in Cyprus but it does not include:

- An individual who has obtained and maintains a Domicile of Choice outside Cyprus in accordance with the Wills and Succession Law, provided that the individual was not a Cyprus tax resident for any period of 20 consecutive years preceding the tax year under examination.
- An individual who has not been a Cyprus tax resident for a period of at least 20 consecutive years before the commencement of the law.

The Law also mentions that irrespective of domicile of origin, individuals who are considered as Cyprus tax residents as defined by the Income Tax Law, for at least 17 years from the last 20 years before the year of assessment are considered as "Domiciled in Cyprus" for SDC purposes and will therefore be subject to the relevant taxation if and when this condition will be met.

On the basis of the above, a person that does not have a domicile of origin in Cyprus (even if domicile by choice in Cyprus), will be treated as non-domicile for the purposes of application of SDC tax as long as he has not been tax resident in Cyprus for at least 17 out of the last 20 years before the year of assessment

Deemed dividend distribution

If a Cyprus resident company does not distribute a dividend within two years from the end of the tax year to which the profits relate, then:

- * 70% of the accounting profits (after taxation¹) are deemed to have been distributed.
- * Special contribution for defence is imposed on deemed dividend distribution applicable to shareholders who are tax resident and domicile in Cyprus according to applicable rates (3% on deemed dividend distribution of Collective Investment Schemes).
- * Deemed distribution is reduced with payments of actual dividends which have already been paid during the two years from the profits of the relevant year.

When an actual dividend is paid after the deemed dividend distribution, then special contribution for defence is imposed only on the additional dividend paid not previously subject to deemed dividend distribution.

In case of two tier structures of Cyprus companies (parent with subsidiary) owned by non-resident shareholders, no special defense contribution needs to be paid by the subsidiary on deemed distribution, provided that the necessary declarations are made to the Inland Revenue.

¹ The term taxation, other than the corporate tax, also includes the Special Defence contribution, Capital Gains tax and any amount of withholding tax not credited against Income Tax or Special Defense tax in the relevant year.

Disposal of assets

In case where a company disposes one of its assets to an individual shareholder or to his/her relative for a consideration which is below the market value of the asset, it will be deemed that the company has distributed a dividend to the shareholder which will be equal to the difference between the market value of the asset and the amount of consideration. The above provision will not be applicable in case where the asset has been acquired by the company through a donation by its shareholder.

Company dissolution

Companies which are under voluntary dissolution or liquidation have the obligation to submit to the Cyprus Income Tax authorities, within one month from the date of approval of the relevant resolution, the deemed dividend distribution declaration forms and pay the accruing Special Defense Contribution in respect of the profits of the relevant tax year and the two preceding tax years. It is noted that in case where, upon the

dissolution or liquidation of a company, any profits become realized, the deemed dividend distribution of such profits may not exceed the amount or the value of the net assets distributed to the shareholders.

Any accounting profits arising during the dissolution or liquidation of a company will not be subject to deemed dividend distribution if the assets of the company do not suffice for the settlement of the balances that the company has with its creditors. In that case no amounts will be available for distribution to its shareholders.

When a company upon dissolution or liquidation distributes to its shareholders assets that have a market value exceeding their cost of acquisition by the company, then the deemed dividend distribution provisions of the Law apply. More specifically, it will be deemed that a dividend equal to the difference between the market value and the cost of acquisition of the asset has been distributed to the shareholders.

This provision is not applicable in the case of dissolution under reorganisation.

Reduction of Capital

In the case of reduction of the capital of a company, any amounts paid to the shareholders in excess of share capital which had actually been paid by a shareholder will be treated as deemed dividends and taxed accordingly.

This provision is not applicable in the case where the shareholders are non tax residents in Cyprus.

Capital Gains Tax

Capital Gains Tax (CGT) in Cyprus is imposed on the sale of immovable property located in Cyprus or sale of shares of a company that directly holds immovable property located in Cyprus. From 17 December 2015, CGT is also imposed on the sale of shares of companies which indirectly own immovable property located in Cyprus and at least 50% of the market value of the said shares derives from such immovable property.

Tax Rates

The gain arising after the deduction from sale proceeds, the value of the property at 1.1.1980 or the cost of acquisition after 1.1.1980 adjusted to account for inflation is taxed at the rate of 20%.

Gains accruing from disposal of property held outside Cyprus are exempted from capital gains tax.

Lifetime exemptions applicable to individuals for gains from the sale of immovable property are as follows:

	Gains up to EUR €
Any disposal of immovable property	17.086
Disposal of agricultural land	25.629
Disposal of private residence (subject to conditions)	85.430

An individual claiming a combination of the above is only allowed a maximum exemption of €85.430.

Exemptions

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

- * Provided certain conditions are met, immovable property acquired in the period 16 July 2015 up to 31 December 2016 will be exempt from CGT irrespective of when it is disposed
- * Transfers arising on death.
- * Gifts made from parent to child or between husband and wife or between up to third degree relatives.
- * Gifts transferred to a company where the company's shareholders are members of the donor's family and the shareholders continue to be members of the family for five years after the day of the transfer.
- * Gifts by a family company to its shareholders provided such property was originally acquired by the company by way of donation. The property must be kept by the donee for at least three years Gifts to charities and the Government.
- * Transfers as a result of reorganisations.

- * Exchange or disposal of immovable property under the Agricultural Land (Consolidation) Laws.
- * Expropriations.
- * Exchange of properties, provided that the whole of the gain made on the exchange has been used to acquire the other property. 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.

Immovable Property Tax

Immovable Property tax has been abolished as of 1.1.2017. For prior years, immovable property tax is imposed on an annual basis on immovable property situated in the Republic. It is imposed on the property value as at 1 January 1980 owned by the taxpayer on 1 January of each year. The immovable property tax applies per owner and not per property. The Immovable property bands and rates for 2016 are indicated on the table below.

Property Value (as at 1 January 1980)	Rate	Tax	Cumulative Tax
€	%	€	€
1-40,000*	0.6	240	240
40,001 - 120,000	0.8	640	880
120,001 - 170,000	0.9	450	1,330
170,001 - 300,000	1.1	1,430	2,760
300,001 - 500,000	1.3	2,600	5,360
500,001 - 800,000	1.5	4,500	9,860
800,001 - 3,000,000	1.7	37,400	47,260
3,000,001 and over	1.9		

**Property owners whose property value does not exceed €12,500 (using values of 01.01.1980), are exempt from immovable property tax.*

Exemptions

The following are exempt from immovable property tax:

- * Public cemeteries
- * Public hospitals

- * Schools
- * Immovable property owned by the Republic
- * Foreign embassies and consulates
- * Property under Turkish occupation
- * Buildings under a preservation order (subject to conditions)
- * Buildings of charitable organisations
- * Agricultural land used of agriculture or stock breeding by farmer or stock breeder
- * Property of a missing person under administration
- * Common use and public places

Transfer Fees by the Department of Land and Surveys

The following indicates the fees paid by the acquirer to the Department of Land and Surveys on transfer of immovable property. These are calculated on the market value of the property as estimated by the Land Registry Department.

Market Value	Rate	Fee	Accumulated Fee
€	%	€	€
0-85,000	3	2,550	2,550
85,000 - 170,000	5	4,250	6,800
170,000 and over	8		

Subject to conditions (a) the above transfer fees do not apply if the transaction is subject to VAT, or (b) the above transfer fees are reduced by 50%, for any immovable property in case where the transfer takes place by 31 December 2016 irrespective of the date of the signing of the contract or its submission to the Land Registry, or where the contract was signed and submitted to the Land Registry between the period 2 December 2011 – 31 December 2016 irrespective of the transfer date.

In specific cases transfer fees are reduced as follows:

- From parent to child – 0%
- Between spouses : 0.1%
- Transfer to 3rd party relatives : 0.1%
- To trustees : Euro50

Estate duty

Estate duty has been abolished since the 1st of January 2000.

The Deceased Persons Estate Law of 2000 provides for a compulsory submission to the tax department, a statement of assets and liabilities of the deceased person within 6 months from the date of death.

Stamp Duty

The following table gives the amount or rate of duty payable on certain documents. Transactions which fall within the scope of reorganizations are exempt from stamp duty. Also any contracts relating to assets situated outside Cyprus or business affairs that take place outside Cyprus are exempt from stamp duty.

Type of Documents	
Receipts – for sums over €4	7,00 cents
Cheques	5,00 cents
Letters of Credit	€2,00
Letters of Guarantee	€4,00
Bills of Exchange (payable within three days, on demand or at sight)	€1,00
Contracts	
- €1- €5.000	0%
- €5.001- €170.000	0,15%
- Greater than €170.000	0.2%*
- Without fixed sum	€35
Customs declaration documents	€18,00 - €35,00
Bills of Lading	€4,00
Charterparty	€18,00
Certified copies of contracts and documents	€2,00
General Power of attorney	€6,00
Special Power of attorney	€2,00

*Capped at a maximum of €20.000 as from March 2013

Value Added Tax (VAT)

Who is liable?

A taxable person is any business or individual that carries out economic activities independently and regularly. Economic activities include activities such as making supplies of goods and services, making intra community acquisitions and making importations in the course of a business.

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

In accordance with the EU VAT Directive, the general rule for place of supply of services between VAT taxable persons is where the recipient of the service is located. In the case of business to consumer supplies of services (B2C), the general rule for place of supply is where the provider of the service is located.

From 1 January 2015, changes came into effect in the EU and Cyprus VAT Legislation, with regards to Business to customer (B2C) place of supply of Telecommunications, Broadcasting and Electronically supplied services (hereafter "TBEs") within the European Union.

Up to 31 December 2014, the place of taxation of TBEs supplied to non-taxable persons in the European Union, was where the business supplier was established. With effect from 1 January 2015, the place of supply has moved to the place of consumption i.e. the place where the non-taxable customer is established or usually resides.

Recognising the significant administration burden created as a result of the above changes, the European Commission decided to introduce the Mini One-Stop Shop ("MOSS"). The MOSS system will enable businesses to remain registered only in their Member State of identification instead of registering for VAT to all Member States in which the private customers are located

VAT rates

	Rate (%)	Notes:
Standard rate	19%	Applies to the supply of all goods and services in Cyprus which are not subject to zero rate, reduced rate or are not exempted
Reduced Rate	9%	Transportation of passenger within Cyprus with taxi, agricultural and tourist buses, hotel accommodation etc. All restaurants and catering including supply of alcoholic drinks, beer, wine and soft drinks
Reduced Rate	5	Books and newspapers, foodstuff, medicaments used for healthcare hairdressing services etc. Entry fees to theaters, Luna parks, sport events,
Zero rate	0	Air passenger transportation etc.

Exemptions

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

- * the letting of immovable property (the letting of immovable property with the right of purchase is not exempt);
- * most banking and financial services and insurance services;
- * most hospital, medical and dental care services;
- * certain cultural educational and sports activities;
- * purchase, import or hire of saloon cars
- * supplies of real estate (except supply of new buildings before their first use) including supplies of land and of second-hand buildings;
- * postal services provided by the national postal authority;
- * lottery tickets and betting coupons for football and horse racing;
- * management services provided to mutual funds.
- * Educational service, at all levels, of education under certain conditions

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.

Obligation to Register with the VAT authorities in Cyprus

Registration is compulsory in the following situations:

- * At the end of any month the value of taxable supplies for the 12 months then ended exceeds €15.600.
- * At any time there is reasonable grounds to believe that the value of taxable supplies in the next 30 days from that point in time will exceed €15.600
- * A taxable person from abroad makes distance sales with registration threshold €35.000
- * Acquisition of goods made from other EU Member States in excess of €10.251,61 during any calendar year
- * If the business is engaged in the supply of intra – Community services for which the recipient must account for VAT under the reverse charge provisions. No registration threshold exists for the provision of intra-Community supplies of services
- * If the business carries out economic activities from the receipt of services from abroad for which an obligation to account for Cyprus VAT under the reverse charge provision, subject to the registration threshold of €15.600 per any consecutive 12 month period
- * Provision of services to a VAT registered person within the EU with nil registration threshold

A business 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, has the option to register on a voluntary basis.

VAT Reporting

VAT returns must be submitted quarterly 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. **From 1 May 2017 all persons subject to VAT have the obligation to submit their VAT returns (forms V.A.T.4) to the Tax Department electronically through the TAXISnet platform.**

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

Where in a quarter input tax is higher than output tax, the difference is refunded or is transferred to the next VAT quarters.

VAT Refunds

As from 19 February 2013, taxpayers that submit a claim for VAT refund will also be entitled to interest accruing on the principal amount (currently at the rate of 4.5% per annum), in case the principal amount for which the claim is performed is not refunded to the taxpayer within 4 months from the date of submission of the claim. The interest will start accruing after the elapse of the 4 month period.

The above deadline is extended to 8 months, in case where an investigation is being carried out by the VAT Authorities.

VAT Information Exchange System (VIES)

The purpose of the VIES (VAT Information Exchange System) is to contribute to the effectiveness of the new VAT regime and provide a mechanism for preventing and deterring of the abuse of the VAT zero-rating provisions on intra-community trade of goods and detecting unreported movements of zero-rated goods between member states. An integral part of the system is a requirement that each member states must store and process specific information which it collects from its traders about their supplies to other member states.

Obligations under VIES

Under the EU and the national legislation regulating VIES, any VAT-registered person who supplies goods to a VAT-registered person in another member state has to submit the Recapitulative Statement declaring all the intra-community supplies made during a calendar month. The Statement must be submitted to the VAT Service until the fifteenth (15) day of the month following the calendar month to which the statement relates. If a person fails to comply, this person is liable to a penalty of fifty one euro (€50) for every month of non-compliance, the maximum being three months. Non-compliance that continues after the three months constitutes a criminal offense and a convicted person may incur an additional fine of up to two thousand five hundred sixty two euro (€2.562).

Moreover, the relevant legislation provides that the submitted Recapitulative Statement should not be incomplete or contain inaccuracies, such as wrong VAT numbers of the customers in other member states. If a submitted Recapitulative Statement is incomplete or contains inaccuracies, the taxpayer should submit a corrective statement within one month following the calendar month to which the Recapitulative Statement relates to. If the corrective Recapitulative Statement is not submitted within the deadline, a penalty of fifteen euro (€15) is imposed.

Thresholds and penalties

	Amount (€)
Registration threshold (taxable supplies in Cyprus)	15.600
Registration threshold for distance sales	35.000
Registration threshold for acquisition of goods in Cyprus from suppliers resident in another EU member state	10.251
Registration threshold for receipt of services from abroad for which the recipient must account for VAT under the reverse charge provisions	15.600
Registration threshold for intra – Community supply of services	No threshold
Penalty for late submission of VAT return	51 for each return

Penalty for omission to keep books and records for a period of 7 years	341
Penalty for late submission of VIES return	50 for each return
Penalty for late submission of corrective VIES return	15 for each return
Omission to submit the VIES return for a period of over 3 months constitutes a criminal offence with a maximum penalty of	2.562
Penalty for late registration with the VAT authorities	85 per month of delay
Penalty for late deregistration with the VAT authorities	85 (once off)
Late payment of VAT	10% on the payable amount due plus interest
Late submission of Intrastat form	€15 for each return

Tax Calendar 2016

The most important dates for tax purposes are as follows:

End of following month	<ul style="list-style-type: none"> ❖ Payment of PAYE Deducted from employees salaries for the previous month ❖ Payment of Special contribution for defence on dividends and interest received in the preceding month. ❖ Payment of Special contribution for defence on rental payments, if the tenant is a company, partnership, the state or local government and the SDC is withheld at source. ❖ Payments of tax withheld on payments to non-Cyprus residents.
31 January	<ul style="list-style-type: none"> ❖ Submission of declaration of deemed dividend distribution (IR623) for the year ended 31 December 2014.
31 March	<ul style="list-style-type: none"> ❖ Electronic submission of the 2015 tax returns for companies and individuals preparing audited financial statements for the year ended 31 December 2015
30 April	<ul style="list-style-type: none"> ❖ Submission of the personal tax returns of individuals where their income is from salaried services (IR1) for the year 2016.
30 June	<ul style="list-style-type: none"> ❖ Submission of personal tax return for 2016 by self-employed individuals who do not prepare audited accounts ❖ Payment of tax balance for 2016 through self-assessment by individuals who do not prepare audited accounts ❖ Payment of Special Contribution for Defence in relation to rents, dividends or interest from sources outside Cyprus for the first 6 months of the year 2017
31 July	<ul style="list-style-type: none"> ❖ Electronic submission of personal tax return (I.R.1) for 2016 by salaried individuals whose personal tax return is submitted by a professional ❖ Electronic submission of employers return and employees details (I.R.7) for 2016

	❖ Submission of provisional tax assessment for 2017 and payment of the first installment
1 August	❖ Payment of 2016 tax balance through self-assessment by individuals and companies preparing audited accounts
30 September	❖ Electronic submission of personal tax return for 2016 by self-employed individuals who do not prepare audited accounts
31 December	❖ Payment of the second and last installment of 2017 provisional tax ❖ Payment of Special Contribution for Defence in relation to rents, dividends or interest from sources outside Cyprus for the second 6 months of the year 2017

- ❖ VAT reporting deadline: 40 days following the end of the quarter to which the reporting relates to.
- ❖ VIES reporting deadline: 15th of the month following the calendar month to which the statement relates to.

Penalties

Penalties applicable as of 1 July 2011:

Administrative Penalty €100 (Article 50A a)	Late submission of tax returns or documents for which a deadline is imposed by the Law.
Administrative Penalty €200 (Article 50A b)	Late submission of returns or documents for which no deadline is imposed by the Law but for which the Commissioner has requested compliance within at least 60 days and there has been no compliance.
Administrative Penalty €200 (Article 50A c)	Late submission of returns or documents for which no deadline is imposed by the Law but for which the Commissioner has duly served a written notice on such person requesting the compliance with a deadline expressly mentioned in the notice.
Administrative Penalty €100 (Article 50A d)	Non submission of returns or documents in respect of another tax payer for which no deadline is imposed by the Law and the Commissioner has requested compliance within at least 60 days and there has been no compliance.
Additional Tax 5% (Article 50A e)	Late payment of tax either as provided by the law or by a demand for payment issued by the Commissioner.

About Us

Company Profile

Actively in business since 1985, K. Treppides & Co Ltd has become an excellent service provider for international companies. Our Company offers a comprehensive range of audit, tax, accounting, legal, consulting and financial advisory services to many countries from all over the world.

Client Service and Confidentiality

We are dedicated in providing superior client service with professional objectivity and working with diligence to preserve the trust of our clients. Each client is treated with strict confidence and we are able to offer our services to any kind of business, from the sole entrepreneur to the large multinational corporation.

Expertise and Quality of Service

The foundation of our success lies, in the expertise of our high- caliber staff. Their skills, knowledge, professionalism and energy enable us to provide prompt, efficient and high quality services.

Memberships

K. Treppides & Co Limited is a firm of Certified Public Accountants and is a member of the:

- Association of Chartered Certified Accountants in the UK (ACCA),
- Institute of Chartered Accountants in England and Wales(ICAEW)
- Institute of Certified Public Accountants in Cyprus (ICPAC)
- Euraudit International. This representation has given us the resources to undertake financial projects of all types. In association with the Charter Group Partnership, Euraudit has members in 200 towns, in Europe, Africa, the Middle East and Indian Ocean and is represented in all the major economic centres.

Services

Our company provides a variety of services as follows:

- ❖ Assurance Services (statutory and regulatory audit and issuance of an Audit opinion on the financial statements of a company or non for profit organizations in accordance with International Standards of Auditing (ISAs) ,preparation of Financial Statements in accordance with International Financial Reporting Standards (IFRSs),other non-statutory assurance services such as due diligence assignments, processes and controls assessment, forensic audit services, budget setting review and other management report review
- ❖ Direct and Indirect Tax Services

- ❖ Financial Regulation and Advisory Services (Internal Audit services, Capital Adequacy Reporting, Internal Capital Adequacy Assessment Process, Risk Management Services, Compliance services, Licensing services, Liquidation Services)
- ❖ Accounting and Financial Reporting Services

K. Treppides & Co Limited has extensive experience in Tax and VAT legislation and is able to provide Taxation and VAT consulting and advice to International Companies as part of the international tax planning of the client.

Contact Us

For further information you may contact:

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Kikis Treppides is the managing director of K. Treppides & Co Limited. He is a fellow member of the Association of Chartered Certified Accountants and the Institute of Certified Public Accountants in Cyprus. He is also an Associate of the Institute of Bankers.

Kikis Treppides has over 30 years of experience in the field of Cypriot tax and Vat matters and has been advising clients on structuring their corporate local and international tax affairs.

His role as managing director has allowed him to offer services to clients in various industries.

Marios Cosma

Senior Partner – Tax & Financial Institutions Compliance

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Mr. Marios Cosma is a Senior Partner and a Member of the Board of Directors of the K.Treppides &Co Limited. He is a member of the Board of Directors since 2005.

Mr. Marios Cosma holds a BA (Hons) in Accounting and Financial Management and a MA in Human Resource Management.

He is a Fellow Chartered Accountants (FCA) and a practicing member of the ICPAC and of the ICAEW. Mr. Marios Cosma has served for several years as a President and Vice President of the Financial Services Committee of ICPAC and he is a member on the Board of Directors of several international business associations.

Marios has over 15 years of experience in the field of Cypriot tax and Vat matters and has been advising clients on structuring their corporate local and international tax affairs.

Savvia Stavrou

Director-Tax Department

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Ms Savvia Stavrou is a Director of K.Treppides Co Limited since 2015.

Ms Savvia Stavrou holds a BSc in Accounting & Finance and is a member of the Institute of Chartered Accountants in England and Wales (ICAEW).

Ms. Savvia Stavrou has over 5 years of experience in the field of tax practice. She has provided tax services to various international business companies spanning different industries and covering a variety of concerns such as cross border transactions and restructuring of businesses, international tax planning and tax and VAT compliance. Clients involve large groups with operations in Russia and other Eastern European countries, USA, United Kingdom and Central Europe.

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