



Eurofast



CYPRUS TAX CARD

2017

TAX CARD 2017 – CYPRUS

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1. Principles of Cyprus Taxation

From a Cyprus perspective, tax residency is determined by the application of the management and control principle. In the absence of a formal definition with respect to the establishment of the management and control of a company in Cyprus, the definition of “place of effective management” provided by the OECD model convention is followed by the tax authorities. As such, the following parameters should be taken into account:

- The majority of the directors of the company are resident in Cyprus;
- Important company decisions are taken in Cyprus by the local directors;
- The headquarters of the company are maintained in Cyprus;
- The Company has an economic substance in Cyprus.

2. Tax Incentives

Cyprus is one of the most attractive jurisdictions for holding, financing, trading and intellectual property structures. More specifically Cyprus offers:

- Low corporate taxation at the rate of 12.5%;
- Extended and exceptionally beneficial network of double tax treaties;
- Full adoption and compliance with the EU Directives;
- Unilateral tax-relief for foreign tax suffered is granted irrespective of the absence of a double tax treaty;
- Attractive intellectual property regime;
- Tax relief for group losses and losses carried forward for the next five years;
- No withholding tax on dividends, interest and royalties paid to non tax residents;
- Gains from trading and disposal of securities are tax exempt;
- Dividend income is tax exempt upon easily met conditions;
- No inheritance and gift tax;

- Attractive permanent establishment rules;
- Low personal tax rates and introduction of significant incentives for first time employment in Cyprus for highly paid non-resident individuals;
- 50% tax exemption for newcomer employees with an annual salary of at least €100,000 (applicable if certain criteria are met);
- Option for overseas pensions to be taxed at 5%;
- Favourable VAT rates for private yachts and aircrafts as low as 3.26%;
- No transfer fees for property transfers if the transaction is subject to VAT and, if not, a 50% reduction of transfer fees for all transfers;
- A government's scheme for naturalization of investors in Cyprus by exception whereby Cypriot citizenship may be acquired by non-Cypriot investors. Thus, an EU passport can be obtained, within three months, with a minimum investment of €2.5 million.
- No immovable property taxes from 1.1.2017 onwards

3. Transfer Pricing

The Cyprus Tax Legislation does not include any specific Transfer Pricing regulations, rather, a general provision stating that transactions between related parties should be carried out on an “arm’s length” basis. However, in line with the international landscape, a draft transfer pricing legislation is currently under discussion by the Cypriot Parliament.

The draft legislation is expected to adopt strict provisions on high-risk transactions in an attempt to combat beneficial transfer pricings between related enterprises/persons. Therefore, it is recommended that taxpayers- regardless of the size of their business transactions- should bear in mind that the legislation may soon enter into force and should seek for professional advice prior to conducting transactions that may result in onerous tax inquiries.

4. Personal Income Tax

4.1. Personal Tax Rates

Chargeable Income (EUR)	Tax Rates	Accumulated Tax
0 – 19,500	0%	-
19,501 – 28,000	20%	1,700
28,001 – 36,300	25%	3,775
36,301 – 60,000	30%	10,885
Over 60,001	35%	

4.2 Tax Deductions

Type of expenditure	Deduction
Contributions and donations to approved charities (with receipts)	The whole amount
Expenditure incurred for the maintenance of buildings for which there is a Preservation Order in force	Up to 120 Sq m - €1,200 121 – 1,000 Sq m - €1,100 Over 1,001 Sq m - €700
Social Insurance, Provident Funds, Pensions, Life Insurance Premiums (up to 7% of the insured amount), Medical Funds (max 1% of remuneration)	Restricted to 1/6 of the chargeable income
Contributions to trade unions and professional bodies	The whole amount
Rental income	20% of income
Expenditure incurred for the acquisition of shares in an innovative business	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

4.3 Exemptions

Type of income	Exemption
Interest Income (other than interest income arising in the ordinary course of business activities of an individual)	The whole amount
Dividend Income	The whole amount
Profits from the sale of securities (Refer to section 7.2. for a detailed description).	The whole amount
Remuneration from any employment exercised in Cyprus by an individual who was not a resident of Cyprus before the commencement of the employment. For employments commencing during or after 2012 the exemption applies for a period of 5 years starting from the tax year following the year of commencement of the employment with the last eligible tax year being 2020. This exemption may not be claimed in addition to the immediately below mentioned 50% exemption for employment income.	The lower of: 20% of remuneration or EUR 8,550

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. This provision shall apply where the annual employment income exceeds €100,000 during the first year of employment and the Commissioner is satisfied that the decrease and subsequent increase observed in the annual income of the employee was not intended to take advantage of the 50% tax exemption.	50% of remuneration
Profits from a Permanent Establishment abroad (pertinent to conditions)	The whole amount
Remuneration received for salaried services to a non resident employer or to a permanent establishment outside the Republic for a period of over 90 days in a tax year.	The whole amount
Widows' pension	The whole amount
A lump sum received by virtue of a retirement bonus, pension or compensation for death or injury.	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 securities	The whole amount

5. Special Contribution

On 1 January 2017, the Special Contribution was abolished. It was applicable between January 2014 and 31 December 2016 at progressive rates ranging from 0% to 3.5%.

6. Social Insurance Contributions

	Social Insurance Contributions	Redundancy Fund	Industrial Training Fund	Social Cohesion Fund
Self Employed	14.6%	-	-	
Employee	7.8%	-	-	
Employer	7.8%	1.2%	0.5%	2%

The maximum amounts of Social Insurance Contributions for 2017 are as follows:

	Weekly	Monthly	Annually
Weekly employees	€1,046	-	€54,392
Monthly employees	-	€4,533	€54,396

7. Corporate Taxation

The corporation tax rate applicable for all companies and other legal entities is 12.5%.

7.1 Tax Deductions

Type of expenditure	Deduction
Qualifying income from qualifying intangible assets (Note 1, 2, 3)	80% of the net income
Employers' contributions to social insurance and other approved funds	The whole amount
Interest expense incurred for the acquisition of fixed assets used in the business	The whole amount
Expenditure incurred for business entertainment purposes	The lower of: EUR 17,086 or 1% of the gross income
Donations to approved charities (with receipts)	The whole amount
Expenditure incurred for a building for which there is a Preservation Order in force	Up to 120 Sq m - €1,200 121 – 1,000 Sq m - €1,100 Over 1,001 Sq m - €700
Interest expense incurred for the direct or indirect acquisition of 100% of the share capital of a subsidiary company will be treated as deductible for income tax purposes provided that the 100% subsidiary company does not own (directly or indirectly) any assets that are not used in the business. If the subsidiary owns (directly or indirectly) assets not used in the business the interest expense deduction is restricted to the amount which relates to assets used in the business. This applies for acquisitions of subsidiaries from 1 January 2012.	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 if the subsidiary owns (directly or indirectly) assets not used in the business.
Equity introduced to a company as from 1 January 2015 (new equity) in the form of paid-up share capital or share premium is eligible for an annual notional interest deduction (NID). The annual NID deduction is calculated as an interest rate on the new equity. 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 3% premium (subject to a minimum amount which is the yield on the 10 year Cyprus government bond as at the same date plus a 3% premium). Certain anti-avoidance provisions apply.	The NID deduction cannot exceed 80% of the taxable profit derived from assets financed by new equity (as calculated prior to the NID deduction)

Notes:

- (1) The term 'Qualifying intangible assets' refer to assets that were acquired, developed or exploited by a person in the course of his business (excluding intellectual property associated with marketing) and which pertains to research and development activities for which economic ownership exists.
- (2) 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.
- (3) As at 30 June 2016, the old Cyprus IP Box Regime closed and under the transitional rules, taxpayers with intangible assets that were included in this old Cyprus IP Box Regime will continue to apply its provisions up to 30 June 2021.

7.2 Tax Exemptions

Type of income	Deduction
Dividends received (Note 1)	The whole amount
Profits from the sale of securities (Note 2)	The whole amount
Interest received given that such interest is neither derived in the ordinary course of business nor is closely related to the ordinary course of business of the company (Note 4)	The whole amount (Note 3)
Profits of a permanent establishment abroad (Pertinent to conditions)	The whole amount
Gain relating to foreign exchange differences (forex) with the exception of forex arising from trading in foreign currencies and related derivatives.	The whole amount

Notes:

- (1) Excluding as from 1 January 2016, dividends which are tax deductible for the paying company
- (2) The term "securities" is deemed to include:
 - Ordinary shares
 - Founders' shares
 - Preference shares
 - Options on titles
 - Debentures
 - Bonds
 - Short positions on titles
 - Futures/Forwards on titles
 - Swaps on titles
 - Depository receipts on titles (i.e. ADRs and GDRs)
 - Rights of claim on bonds and debentures (excluding the right of interest on such products)
 - Index participations (provided they are related to securities)
 - Repurchase agreements or Repos on titles
 - Participations in companies
 - Units in open-ended or closed-ended collective investment schemes
- (3) Such interest income is subject to Special Contribution for Defence. Refer to section 8 for more details.
- (4) All 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.

7.3 Non deductible expenses

Type of expenditure	Disallowance
Private motor vehicle expenses	The whole amount
Professional tax	The whole amount
Immovable property tax	The whole amount
Interest incurred for the acquisition of a private motor vehicle or, any other asset not used in the business	The whole amount for a period of 7 years from the purchase of the asset

7.4 Losses carried forward

- Tax loss arising in a tax year can be set-off against the taxable profit of the same company. Remaining tax losses may be carried forward and be set-off with taxable profits arising in the following five years.
- Tax loss arising in a tax year can be set-off against the taxable profit of other companies arising in the same year, provided that the companies are within the same group.
- Tax loss arising in a tax year can be set-off against the taxable profit of other companies arising in the same year, provided that the companies are within the same group (Note 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
 - At least 75% of both companies (voting shares) are held, directly or indirectly, by a third company
- As from 1 January 2015 interposition of a non-Cyprus tax resident company will not affect the eligibility for group relief as long as such company is tax resident of either an EU country or a country with which Cyprus has a double 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.

Notes:

- (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.

7.5 Capital allowances

Assets	Rate
Commercial buildings	3%
Flats	3%
Industrial, agricultural and hotel buildings (Note 1)	4%

Plant and machinery	10%
Furniture and fittings	10%
Motor vehicles (other than saloon cars)	20%
New Airplanes	8%
New Helicopters	8%
Personal computers (hardware)	20%
Personal computers (application software)	100% 33.33%
All tools	33.33%

Notes:

- (1) In the case of industrial and hotel buildings which are acquired during the tax years 2012 - 2016 (inclusive), an accelerated tax depreciation at the rate of 7% per annum applies.

8. Special Contribution for Defence

8.1 Special Contribution for Defence on types of income

Type of Income	Legal entities	Individuals
Interest received that is not derived in the ordinary course of business or is closely related to the ordinary course of business of the company	30%	30%
Interest received from Cyprus government savings bonds and from a provident fund	3%	3%
Dividends received from Cypriot companies	0% (1)	17%
Dividends received from abroad	0% (2)	17%
Rental income (75% of the gross rental income) - See note 3	3%	3%

Special Contribution for defence is imposed on companies tax resident in Cyprus and on individuals who are both Cyprus tax resident and Cyprus domiciled.

Notes:

- (1) Special Defence Contribution at the rate of 17% on dividends received from Cypriot companies which are declared/paid after the lapse of 4 years from the end of the year of which the profits were generated. Dividends which emanate directly or indirectly out of such dividends on which special contribution for defence was previously suffered are exempt.
- (2) The exemption of dividends received from abroad does not apply when:
- The paying company is engaged (directly or indirectly) by more than 50% in the activities leading to investment income, and
 - The tax obligation of the foreign company is substantially lower than that of the Cyprus company (i.e. 6.25%).
 - 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 only applies to dividends which are not deductible for tax purposes by the paying company.

- Dividends which are deductible for tax purposes by the paying company are subject to Corporation Tax.

(3) Rental income is also subject to corporation tax/income tax

8.2 Deemed Dividend Distribution

Type of Income	Legal Entities	Collective Investment Schemes
Deemed Dividend Distribution is forced on 70% of the adjusted profits of the company/mutual funds that remain undistributed for a period of two years from the end of the tax year they have arisen.	17%(1)	3%

Notes:

- (1) The Deemed Dividend Distribution provisions do not apply for legal entities that are directly or indirectly owned by non-Cypriot tax resident shareholders.
- (2) The cost of acquisition of plant and machinery will be deducted from the profits of the company for deemed dividend distribution purposes provided that these were acquired in the years 2012 to 2014.
- (3) 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 tax is imposed only on the amount of the actual dividend paid which is over and above the dividend that was previously deemed to have been distributed and previously suffered Special contribution for defence

9. Capital Gains Tax

9.1 Imposition of Capital Gains Tax

Type of Income	Capital Gains Tax
Applies to the gains arising from the disposal of immovable property situated in Cyprus or from the disposal of shares in companies which own immovable property in Cyprus. Capital Gains Tax is imposed on the gains that arise on disposal after the deduction of the value of the property at 1.1.1980 or the acquisition costs if the property was acquired after 1.1.1980 (as adjusted for inflation). As of 17 December 2015, gains from disposal of shares in companies that indirectly own immovable property in Cyprus by directly or indirectly holding shares in a company that owns immovable property in Cyprus, will also be subject to capital gains tax, if the value of the immovable property represents more than 50% of the value of the assets of the company whose shares are sold.	20%

9.2 Exemptions

Exemptions
Transfer by reason of death
Gifts among spouses or relatives of up to 3 rd degree
Gifts to companies by members of the family of the shareholders (the relationship must be present for at least 5 years)
Gift by a family-owned company to its shareholders given that the donated property was also acquired by the company by way of gift (the property should remain in the possession of the shareholders for at least 3 years)
Donation for charity, to charitable organisations or to the Republic
Sale or exchange of property consistent with the provisions of the Agricultural (Consolidation) Laws
Exchange of properties of equal value
Expropriation of property
Profit from the transfer of ownership of property or shares where a company reorganisation has taken place
Transfer of ownership between spouses that their marriage has been dissolved by a court order or in case of transfer of ownership between the same persons for the purpose of settling their property according to the Settlement of Property Relationships between Spouses Law
Transfer of property of a missing person under administration
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
Subject to conditions, land as well as land with buildings, acquired in the period 16 July 2015 up to 31 December 2016 will be exempt from Capital Gains Tax upon its disposal.

9.3 Lifetime exemptions for individuals (max. of EUR 85,430.00)

Lifetime Exemptions	EUR
Principal dwelling residence used by the owner exclusively for own habitation for a period of at least 5 years	85,430.00
Agricultural property	25,629.00
For any other disposal/s of immovable property	17,086.00

10. Immovable Property Tax

Immovable property tax is abolished as from 1 January 2017.

11. Land Transfer fees

Property Value	Tax Rate	Transfer Fees	Accumulated Transfer Fees
Up to €85,000	3%	€2,550	€2,550
€85,001 - €170,000	5%	€4,250	€6,800
Over €170,000	8%		

Notes:

- (1) As of 2 December 2011 individuals who paid VAT at the time of the first acquisition of immovable property will not incur any transfer fees. For those who did not pay VAT at the time of the first acquisition of immovable property, transfer fees are reduced by 50%.
- (2) In the case of companies' reorganizations, transfers of immovable property are not subject to transfer fees or mortgage registration fees.
- (3) In the case of property transferred to a family company, transfer fees are refundable after five years if the property remains with the company and the shareholders remain the same.
- (4) Where there is a transfer of immovable property from a family company to its shareholders, transfers between spouses, parents and children or between relatives up to the 3rd degree, transfer fees are calculated based on the value of the property in the deed at the following rates:
 - Transfer between spouses and relatives up to the 3rd degree – 0.1%
 - Transfer to child – 4%

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

- Transfer between spouses and third degree relatives – 0,1%
- From parent to child – Nil
- Transfer to trustees – €50

12. Stamp Duty

12.1 Stamp Duty provisions

- Stamp Duty is payable on a document if it relates to a property situated in Cyprus or to any matters or things to be performed or done in Cyprus, irrespective of the place where it is executed.
- Documents relating to assets situated outside Cyprus or business affairs that take place outside Cyprus are exempt from stamp duty.
- Stamp Duty is levied on a variety of commercial and legal documents such as cheques, letters of credit, receipts, customs, documents, declarations of trust, powers of attorney e.t.c at a fixed amount or may depend on the value in the document.

- Transactions under the reorganisation provisions are exempt from Stamp Duty.

The following types of documents when relating to property located in the Republic of Cyprus or to any topics / issues performed within the Republic of Cyprus, are subject to the indicated stamp duty:

- Issue of tax residency certificate by the Inland Revenue: €80
- General power of attorney: €6
- Special power of attorney: €2
- Bills of exchange : €1 (payable at sight on first demand or within 3 days from demand or sight)
- Letters of guarantee: €4
- Letters of credit: €2
- Bills of lading: €4
- Charterhire document: €18
- Estate administration document: €9
- Customs documents : €18 - €35
- Cheques: €0.05
- Receipts for amounts over €4 : €0.07
- Will €18
- Certified copies of contracts and documents €2
- Contracts with a specified consideration
- For contracts with specified consideration up to €5,000 : 0%
- For contracts with specified consideration between €5,001 - €170,000 : 0.15%
- For contracts with specified consideration over € 170,000: 0.2% with maximum at €20,000
- Contracts without a specified consideration €35

12.2 Applicable rates on commercial contracts

Contracts up to February 28 2013	Rates
Up to €170,860	0.15%
Over €170,860	0.20%
	max. duty €17,086

Contracts up from March 1 2013 onwards	Rates
Up to €5,000	0
Between €5,000 and €170,000	€1.50 for every €1,000
Over €170,000	€2.00 for every €1,000 (max. duty €20,000)

13. Cyprus International Trusts

The reform of the International Trust Law in 2012 brought Cyprus once again in the forefront of trust jurisdictions. The provisions of the legislation are as follows:

- All matters arising in relation to a Cyprus International Trust are determined in accordance with the applicable law of the Republic of Cyprus;
- The settlor and the beneficiaries must not be tax resident in Cyprus during the year preceding the year of the creation of the Cyprus International Trust;
- The powers of trustees have been extended to hold, maintain or invest in movable and immovable property in Cyprus and abroad;
- The settlor has the right to reserve many powers such as the ability to change the governing law of the trust, to revoke or amend the terms of the trust, to appoint and remove trustees and act as the protector and enforcer of the Cyprus International Trust; and
- No restrictions on the duration of the Cyprus International Trust;
- Cyprus International Trusts can be used for asset protection, estate planning, inheritance planning and tax planning.

14. Value Added Tax (VAT)

14.1 VAT rates

	Standard VAT rate	Reduced VAT rate	Reduced VAT rate	Zero rate
Rates	Standard rate of 19% [applicable as from 13 January 2014, and previously at 18% as from 14 January 2013 to 12 January 2014)	Reduced rate of 9% (8% up to 12 January 2014)	Reduced rate of 5%	Zero Rate

Goods/Services	<p>All supplies of goods and services which are not covered by the reduced rates, the zero rate, or which are not exempted.</p>	<p>Restaurant and catering services, hotel accommodation, tourist lodgements, alcoholic beverages, wines, beer, soft drinks.</p> <p>Transportation of passengers and transportation of passengers' accompanying luggage within Cyprus by means of urban, intercity and rural taxis as well as tourist and intercity buses.</p> <p>Movement of passengers and their luggage in inland waters.</p>	<p>Supply of foodstuff, supply of prepared or unprepared foodstuff and/ or beverages or both, bottled water, supply of pharmaceutical products, and vaccines used for health care, supply of animals used for food preparation,, entryfees to theaters, festivals, concerts, museums, and similar cultural events, Books, newspapers and magazines, Entrance fees to sports events and fees for using athletic centre, Hairdressing services, Catering services from school canteens.</p> <p>Acquisition or construction of residence subject to some conditions.</p> <p>Renovation as well as repair of old private households after three years of residence.</p>	<p>On passengers transportation from the Republic of Cyprus to a destination outside the Republic of Cyprus, and vice versa, by means of seagoing vessels or aircrafts.</p> <p>On the Supply of gold to the Central Bank of the Republic of Cyprus. For the supply / repair / maintenance / modifications / chartering and hiring of: sea-going vessels used for purposes of navigation on the high seas and towards carrying of passengers after payment, or which are used for commercial, industrial or other activities. For the supply / repair / maintenance / modifications / chartering and hiring of: aircrafts which are used by airlines which are operating on reward and which are usually engaged on international routes. For the supply of services needed for the direct needs of sea going vessels and aircrafts.</p>
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Exemptions:

The distinction between zero rated and exempted supplies is that if a legal entity offers only supplies which are exempt, it is not entitled to VAT registration and to recover any VAT which is charged on the purchases it makes, neither on its expenses and/or imports.

Some exempt supplies are:

- Rental of immovable properties. [note: rental with the right of purchase is not an exempted supply.] Selling of immovable property for which the building permission application has been filed before 1 May 2004
- Other supplies of real estate including land and second-hand buildings, and excluding buildings before their first use
- Banking and financial services with some exceptions
- Insurance services
- Services of hospital, medical, and dental care

- Various particular cultural and sports activities;
- Educational services for all levels of education [subject to certain conditions]. Postal services when these are offered by the Cyprus national postal authority
- Supply of management services offered to mutual funds
- Lottery tickets and betting coupons relating to football matches and horse races

VAT which is irrecoverable:

Due to specific exceptions to the general rule, the input VAT which cannot be recovered includes:

- Saloon cars purchases, saloon cars imports, as well as hire of saloon cars
- Expenses for entertainment and hospitality [except when they are relating to Directors and / or employees]
- Acquisitions which are used towards making supplies which are exempt

14.2 VAT Registration

Compulsory VAT Registration
Persons making taxable supplies in excess of €15,600 during a year or if it is expected that their taxable supplies will exceed the €15,600 threshold in the following 30 days.
Persons making acquisitions of goods from Member States in excess of €10,251.61 during a year or are expected to exceed the €10,251.61 threshold in the following 30 days.
Distance sales of goods from persons in other Member States in excess of €35,000 to non VAT registered persons within the Republic.
Persons supplying intra-community services to taxable persons established in other Member States (The registration threshold is Nil.)
When there is receipt of services from abroad for which the recipient has to account for VAT through the reverse charge provisions, with registration threshold set at €15,600 for a period of 12 months.
Persons who offer zero rated supplies of good and / or services.
Persons who make an acquisition of a company on a going concern basis.

Note: When persons have turnover less than €15.600 or they make supplies that are outside the scope of VAT but for which the right to claim the amount of the related input VAT is granted, they have the option to register on a voluntary basis.

Right for registration:

Any person who is trading goods and services outside the Republic of Cyprus, which would have been taxable had they been provided within Cyprus, Groups of Companies, Divisions of Companies.

14.3 Interest and penalties

	Interest and penalties
Late VAT registration of taxable person	€85 for every month of delay
Late submission or refusal to submit VAT return	€51 per return
Late payment of VAT by taxable person	10% of the amount due plus applicable public interest rate [see section 16.2]
Late submission of INTRASTAT declaration	€15 per return
Late submission of VIES statements	€50 per statement
Late de-registration of taxable person	€85 fixed penalty

15. Tax Diary 2017

Submission deadlines			
31 Jan 2017	Submission of Deemed Dividend Distribution (IR623) for the year ended 31 December 2014		
31 Mar 2017	Electronic submission of the 2014 corporation tax return (IR4) for accounting periods ending on 31 December 2015 (IR4). Electronic submission of the 2015 income tax return of physical persons preparing audited financial statements (Note 2).		
30 Apr 2017	<p>Payment of premium tax for life insurance companies - first instalment for 2017.</p> <p>Non-electronic submission of 2016 personal tax returns of individuals whose incomes do not include income from a trade/business, rents, dividends, interest, royalties nor income relating to trading goodwill (Note 1).</p>	Submission of personal tax returns of salaried individuals with gross income over €19,500 for 2015.	

30 Jun 2017	<p>Payment of special contribution for defence for the first six months of 2017 on rents if such tax is not withheld at source by tenant and on dividends or interest from sources outside Cyprus.</p> <p>Payment of 2016 personal income tax under the self assessment method by individuals not preparing audited financial statements (2).</p> <p>Non-electronic submission of 2016 personal tax returns of individuals not required to prepare audited financial statements but whose incomes include income from a trade/business, rents, dividends, interest, royalties or income relating to trading goodwill (1) (2).</p>	Submission of personal return of self employed individuals (without accounting/ audit obligations) with gross income over €19,500 for 2015.	
31 Jul 2017	<p>Electronic submission by employers of the total 2016 payroll (Form IR7).</p> <p>Submission of the 2017 provisional tax return and payment of the first installment.</p> <p>Electronic submission of 2016 personal tax returns of individuals whose incomes do not include income from a trade/business, rents, dividends, interest, royalties nor income relating to trading goodwill (1).</p>	Electronic submission of personal tax returns by salaried individuals with gross income over €19,500 for 2015.	Electronic submission of employers' return and total payroll of employees for 2016.
01 Aug 2017	<p>Payment of the final corporation tax for 2016</p> <p>Payment of 2016 personal income tax under the self assessment method by individuals preparing audited financial statements (2).</p>		
31 Aug 2017	Payment of premium tax for life insurance companies – second installment for 2017.		

30 Sep 2017	Electronic submission of 2016 personal tax returns of individuals not required to prepare audited financial statements but whose incomes include income from a trade/business, rents, dividends, interest, royalties or income relating to trading goodwill (1) (2).	Electronic submission of income tax return and payment by self employed individuals (without accounting/ audit obligations) for 2015.	
31 Dec 2017	<p>Submission of revised provisional tax declaration and payment of the second instalment for 2017.</p> <p>Payment of Special Defence Contribution for the second 6 months of 2017</p> <p>Payment of provisional tax - second and last installment for 2017.</p> <p>Payment of special contribution for defence for the last six months of 2017 on rents if such tax is not withheld at source by tenant and on dividends or interest from sources outside Cyprus.</p> <p>Payment of premium tax for life insurance companies - third and last installment for 2017.</p>		
End of the following month	<p>P.A.Y.E deducted from employees' salaries.</p> <p>Payment of tax withheld in the preceding month on payments to non-Cyprus residents</p> <p>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</p>	Special Contribution for Defence withheld on payments of dividend, interest and rents.	Payment of Social Security Contributions for employees.

Notes:

- (1) Physical persons are required to submit personal tax returns only when their gross income exceeds €19.500.
- (2) A physical person is obliged to submit audited financial statements if his/her turnover exceeds €70.000 annually.

16. Administrative penalties

16.1 Interest and penalties

Administrative penalties amounting to €100 or €200 may be imposed in cases of late submission or non submission of a notice/return by the prescribed deadlines. A 5% fixed penalty is imposed on the late settlement of tax liabilities.

16.2 Interest rates for late settlement of tax obligations

These are the Public interest rates for late tax payments and are set by the Cyprus Ministry of Finance via a decree, and from there on they are applicable yearly.

The rate for 2017 is set at 3.5%.

Period	Rate
Up to 31.12.2006	9%
01.01.2007 – 31.12.2009	8%
01.01.2010 – 31.12.2010	5.35%
01.01.2011 – 31.12.2012	5%
01.01.2013 – 31.12.2013	4.75%
01.01.2014 – 31.12.2014	4.50%
01.01.2015 – 31.12.2015	4%
01.01.2016 – 31.12.2016	4%
01.01.2017 – 31.12.2017	3.5%

17. Double Tax Treaties

The majority of Cyprus' tax treaties follow closely the treaty developed by the Organization of Economic Cooperation and Development (OECD). Changes are made only to reflect the different tax systems of Cyprus and each treaty partner individually.

Treaties in force & withholding tax rates:

Double Tax Treaty Table - Cyprus			
Country	Dividends [1]	Interest [2]	Royalties
Armenia	0/5	5	5
Austria	10	0	0
Azerbaijan*	0	0	0
Bahrain	0	0	0
Belarus	5/10/15	5	5
Belgium	10/15	0/10	0
Bulgaria	5/10	0/7	10
Canada	15	0/15	0/10 [1]
China	10	10	10
Czech Republic	0/5	0	0/10 [1]
Denmark	0/15	0	0
Egypt	15	15	10
Estonia	0	0	0
Finland	5/15	0	0
France	10/15	0/10	0/5 [1]
Germany	5/15	0	0
Georgia	0	0	0
Greece	25	10	0/5 [1]
Hungary	5/15	0/10	0
India	10/15	0/10	15
Ireland	0	0	0/5 [1]
Italy	15	10	0
Kuwait	0	0	5 [1]
Kyrgyzstan*	0	0	0
Lebanon	5	5	0
Malta	0	10	10
Mauritius	0	0	0
Moldova	5/10	5	5
Montenegro**	10	10	10
Norway	0/15	0	0
Poland	0/5	0/5 [1]	5
Portugal	10	10	10
Qatar	0	0	5

Romania	10	0/10[1]	0/5 [1]
Russia	5/10 [3]	0	0
San Marino	0	0	0
Serbia**	10	10	10
Seychelles	0	0	5
Singapore	0	0/7/10 [1]	10
Slovak Republic***	10	0/10	0/5 [1]
Slovenia	5	5	5
South Africa	5/10	0	0
Sweden	5/15	0/10	0
Syria	0/15	0/10 [1]	10/15 [1]
Tajikistan*	0	0	0
Thailand	10	10/15 [1]	5/10/15 [1]
Turkmenistan*	0	0	0
Ukraine	5/15 [1]	2	5/10
United Kingdom	0/15 [1]	10	0/5
USA	5/15 [1]	0/10 [1]	0
Uzbekistan*	0	0	0

Notes:

[1]. Reduced rate(s) specified applies under specific circumstances.

[2]. Exemptions granted for certain types of interest are not considered in this column.

[3]. A rate of 10% on dividends if paid by a company in which the beneficial owner has invested less than EUR 100.000 in the share capital of the company paying the dividend.

* Application of the Treaty between the Republic of Cyprus and the USSR.

** Application of the Treaty between the Republic of Cyprus and Yugoslavia.

*** Application of the Treaty between the Republic of Cyprus and Czechoslovakia.

18. FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA)

Cyprus signed a FATCA Agreement with the US Treasury in December 2014. FATCA is a US tax legislation which aims to impede the non-tax compliance by US tax payers holding foreign bank accounts and/or substantial interests in foreign entities by ensuring full reporting of foreign financial assets held by US tax-payers.



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