

Cyprus Tax Facts

2019

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Cyprus Tax Facts 2019

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CORPORATION TAX

- **Cyprus tax resident companies:** All companies tax resident of Cyprus are taxed on all income accrued or derived from all sources in Cyprus and abroad.
- **Non-Cyprus tax resident companies:** 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. A permanent establishment is a fixed place of business through which the business of an enterprise is wholly or partly carried on. The term permanent establishment includes a place of management, a branch, an office, a factory and a workshop. A Company is a tax resident of Cyprus if it is managed and controlled in Cyprus. There is no exact definition of management and control. However, the basic requirements for management and control are as follows:
 - The residency of the majority of the directors.
 - The location where the board meetings of the Company are held.
 - The location of the formation of the general policy and strategy of the Company.
 - The location where the accounting books and records are stored and maintained.
 - Preparation of audited Financial Statements, submission of tax declarations and payment of tax liabilities.
 - Maintaining an office with personnel and declaring them to the Social Insurance department, telephone and fax lines, website, e - mail accounts and signature of contracts in Cyprus. The above list is not exhaustive but covers in majority the basic requirements for satisfying management and control in Cyprus and on the same time securing the tax position of the Company in the case of other countries claiming taxing rights over the profits of the Cyprus Company.

Tax rate Corporate income tax 12,5%

Tax free income

Type of income	Exemption limit (%)
Profit from the sale of securities	100 %
Dividends (excluding, as from 1 January 2016, dividends which were treated as tax deductible in the hands of the paying company, hybrid instruments)	100 %
Interest not arising from the ordinary activities or closely related to the ordinary activities of the Company (passive) (if related then fully taxable – active)	100 %
Profits of a permanent establishment abroad, under certain conditions (more than 50% of the income of the permanent establishment abroad derives from trading activities or the	100 %

tax rate applicable overseas is not significantly lower than the tax rate applicable in Cyprus)	
Rental income from a preserved building	100 %
Foreign exchange gains, either realised or unrealised, with the exception of foreign exchange gains arising from trading in foreign currencies. Persons trading in foreign currencies have an option to make an irrevocable election to be subject to tax only on the realised foreign exchange differences	100%

Tax deductible expenses

Type of Expense	Non -tax deductible Limit
Expenses for private use of directors	100 %
Expenses of a private motor vehicle	100 %
Expenses incurred (interest and legal fees) for the acquisition of investments	100 %
Administrative expenses related to activities generating tax exempted income like trading in securities, holding of investments etc.	100 %
Payments of a voluntary nature	100 %
Fines and penalties	100 %
Mortgage fees	100 %
Unrealised and realised foreign exchange losses as from 1 January 2015 are not tax-deductible excluding realised foreign exchange losses deriving from trading in foreign currencies and related derivatives	100 %
Payment for immovable property tax	100 %
General provision of doubtful debts	100 %
Rent of owned premises	100 %
Taxes (including annual levy)	100 %
Professional tax	100 %
Expenses of a capital nature	100 %
Any expenses not made wholly and exclusively for the purpose of the trade	100 %
Any expenses which are not supported by invoices and relevant receipts	100 %
Losses generated from the use of the IP Tax regime are offset against gains from other sources or to be carried forward (only 20% is allowable)	80%
Wages and salaries related to services offered within the tax year but for which the necessary contributions have not been paid to the Republic in the year in which they were due will not be treated as tax deductible In case the above contributions are paid in full within two	100 %

years following the due date then such salaries will be treated as tax deductible in the tax year of payment	
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Tax losses

The tax loss incurred during the year, which cannot be set off against other income, is carried forward to be utilized from the first available future taxable profits of the next five years. In case there is any change in the ownership of the shares of a company and a substantial change in the nature of business of the company, within any three -year period from the year of the loss, then the loss cannot be carried forward to the following years.

Group Relief

Set -off of group losses are allowable only with profits of the corresponding fiscal year. Both Companies should be Cypriot tax resident Companies and should be members of the same group for the whole year of assessment. As from 1st of January 2012, losses can be transferred between members of the group for Companies incorporated during the year as well.

Two companies are deemed to be members of the group if:

- One is by 75% subsidiary of the other; and
- Both companies are by 75% subsidiaries of a third company (direct and indirect control). As from 1 January 2015, the following amendments were incorporated in the law regarding group tax relief:
- Interposition of holding companies established in other EU Member State or in a State in which Cyprus has concluded a double taxation treaty or in a State which has signed the OECD multilateral convention for exchange of information will not affect the eligibility for group relief.
- A subsidiary company in other Member State can surrender its tax losses to another group member company tax resident in Cyprus provided that the subsidiary has exhausted all the means of surrendering or carrying forward the losses in its own member state of tax residency or to any intermediary holding company. In such a case, tax losses are calculated in accordance to the Cyprus tax law.

A partnership or a sole trader converted to a limited liability company can transfer tax losses into the company for future utilization. Losses from permanent establishment overseas can be set off with profits of the Company in Cyprus. However, when profits arise from such permanent establishment overseas, an amount equal to the losses that have been utilized in the past against profits arising in the Republic will be included in the taxable income.

Annual Wear and Tear Allowances on Fixed Assets

Asset	%
Plant and Machinery	10
Motor vehicles (except saloons) and motorcycles	20

Computer Hardware and software	20
Commercial Buildings	3
Sailing vessels	4.5
Photovoltaic systems	10
Intellectual Property	5 - 100

Notes

1. The capital allowance is granted in full in the year of acquisition, but no capital allowance is entitled in the year of disposal.
2. In the case of disposal of a fixed asset, balancing statement should be prepared (disposal proceeds less tax base amount of the asset). If balancing charge is calculated (i.e. disposal proceeds are higher than the tax base amount) then this is treated as disallowable expenditure. If balancing allowance is calculated (i.e. disposal proceeds are lower than the tax base amount) then this is a tax-free income. The balancing charge is restricted to the total amount of capital allowances granted to the asset. On the other hand, any accounting loss or profit on disposal of the fixed asset is adjusted in the tax computation.

Tax credit for foreign tax paid subject to unilateral tax relief:

Any tax suffered abroad on income subject to income tax will be credited against any income tax payable on such income irrespective of the existence of a double taxation treaty.

Tax base on specific industries

Shipping Companies:

The new Merchant Shipping Legislation fully approved by the EU and in force as from 1 January 2010 provides for exemption from all direct taxes and taxation under tonnage tax of qualifying shipowners, charterers and ship managers, from the operation of qualifying EU/EEA (European Economic Area) ships (and foreign ships under conditions) in qualifying activities.

The legislation allows non-EU/EEA vessels to enter the tonnage tax regime provided the fleet is composed by at least 60% EU/EEA vessels. If this requirement is not met, then non-EU/EEA vessels can still qualify if certain criteria are met.

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

Shipowners

The exemption applies to

- Profits derived from the use of the ships
- Interest income related to the corking capital of the Company
- Profits from the disposal of qualifying ships
- Dividends received from the above profits at all distribution levels

- Profit from the disposal of ship owning Companies.

The exemption also applies to the bare boat charterer of a vessel flying the Cyprus flag under parallel registration Charterers Exemption is given to:

- Profits derived from the operation of chartered ships
- Interest income related to the working capital of the Company
- Dividends received from the above profits at all distribution levels

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

Ship managers

The tax exemption covers

- Profits from technical/crew management
- Dividends paid out of these profits at all levels of distribution
- Interest income relating to the working capital of the Company In order to qualify ship managers must satisfy the following additional requirements:
 - Maintain a fully-fledged office in Cyprus with personnel sufficient in number and qualification • At least 51% of all onshore personnel must be EU/EEA citizens
 - At least 2/3 of total tonnage under management must be managed within the EU/EEA (any excess of 1/3 taxed under corporation tax)

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

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% on gross premium. In this case the difference is paid as additional corporation tax.

Intellectual property rights

Royalties income received by a non-resident person in the Republic and this income is arising from intellectual property rights exploited in the Republic is subject to withholding tax at the rate of 10%. Royalties received by a connected company registered in a European Union Member State are exempt from taxation. Rights granted for use outside the Republic are not subject to any withholding tax.

Film royalties

Royalties income received by a non-resident person in the Republic and this income is arising from film projection in the Republic is subject to withholding tax at a rate of 5%.

Royalties received by a connected company registered in a European Union Member State are exempt from taxation.

Rights granted for use outside the Republic are not subject to any withholding tax.

Profits of professionals, entertainers

The gross income derived by an individual not resident in the Republic from the exercise in the Republic of any profession or vocation, the remuneration of public entertainers not resident in the Republic, and the gross receipts of any theatrical or musical or other group of public entertainers, including football clubs and other athletic missions from abroad, derived from performances in the Republic is subject to a 10% withholding tax.

Profits from Intellectual Property (IP)

New IP Tax Regime: The new IP Tax Regime applies from 1 July 2016 and onwards. It basically rewards the taxpayers who substantially developed the IP internally through real expenditure undertaken by them (called qualifying expenditure). The qualifying expenditure constitutes research and development costs, wages and salaries, direct expenses like amortisation and outsourcing costs to unrelated parties, general expenses related to installations used for research and expenditure, supplies etc.

Non qualifying expenditure includes cost for acquisition of the IP, interest paid or accrued, amounts paid directly or indirectly for research and development expenses to related parties and costs which cannot be linked to the specific IP.

The 80% deemed deduction is granted but only to the qualifying profits which are calculated in accordance to the following formulae:

$[(\text{Qualifying expenditure} + \text{Uplift expenditure}) / \text{Overall expenditure}] * \text{Overall IP income}$.

Overall income has the meaning of gross income arising from the qualifying IP minus any direct expenses for generating such income.

Uplift expenditure is the lower of

1. A rate of 30% calculated additionally on the qualifying expenditure.
2. The total amount of the cost of acquisition and outsourcing to related parties for research and development in relation to the qualifying IP.

Qualifying IPs include patents, computer software and other IPs that are legally protected like drug designations, IPs which are used for the protection of plants and genetic material and utility models. IPs which are used for marketing purposes like trademarks, business names, brands, image rights are not qualifying as intangible assets.

The IPs are amortised over their useful economic life in accordance with accepted accounting principles with a maximum period of 20 years.

Back-to-back financing arrangements

This is an arrangement where a Cyprus tax resident Company acts as a financial intermediary within a group. As from 1 July 2017, back-to-back financing arrangements are subject to taxation in accordance with the arm's length principle. The old IP Tax regime which was providing for privilege tax rates of 0,35 to 0,125% was abolished. The arm's length review on such arrangements should be supported with comparability analysis.

The law provides also for simplification procedures where a 2% return after tax on asset is expected to be generated by a Company entering into such arrangements.

Controlled Foreign Companies and Thin Capitalisation Rules

It is expected that as from 1st of January 2019, Cyprus will introduce Controlled Foreign Company (CFC) rules which means that nondistributable profits of CFCs directly or indirectly controlled by a Cyprus tax resident Company, will be added to the taxable profits of the controlling company in Cyprus and thus subject to tax.

Any foreign tax paid on the profits of the CFC will be credited against the Cyprus tax liabilities. In addition, Cyprus will introduce thin capitalisation rules since 1 January 2019 restricting deductibility of interest expense.

Any interest or other borrowing costs exceeding 30% of EBITDA (earnings before interest, taxation, depreciation and amortisation) will be treated as non-tax deductible expense.

Both CFCs and thin capitalisation rules are expected to be voted with retrospective effect from 1st of January 2019.

PERSONAL INCOME TAX

Taxation

All Cyprus tax residents are taxed on all income accrued or derived from all sources in Cyprus and abroad. Non-tax resident individuals are taxed on income accrued or derived from sources in Cyprus only provided that they are physically present in Cyprus when offering their services.

Cyprus tax residents

An individual is considered to be tax resident in Cyprus if he stays in Cyprus more than 183 days in the year of assessment.

Tax residents are taxable on the following income:

- Income from business in Cyprus and outside Cyprus.
- Income from any office or employment.
- Dividends and interest.
- Rents and royalties in Cyprus and abroad.
- Pensions and annuities in Cyprus.
- Widow's pension (voted by House of Representative as taxable income on 5 February 2014). As from 1 January 2017, an individual can be tax resident of Cyprus if he/she satisfies the "60 days rule" within a tax year. The "60 days rule" applies to individual who cumulatively satisfies the below conditions:
 - Spends at least 60 days in Cyprus.
 - Does not spend more than 183 days in any other country.
 - Is not tax resident in any other country.
 - Maintains permanent home in Cyprus which is either rented or owned.
 - Carries out business in Cyprus or is employed in Cyprus or is a director in a Cyprus tax resident Company as at 31 December of the relevant tax year.

The above conditions should be supported with adequate documentation such as property title or lease contract, employment contract valid until 31 December, passport with stamps of entry and exit from Cyprus, utility bill, boarding passes and/or electronic tickets etc.

The individual claiming tax residency through the "60 days rule" could also be considered as non-domiciled in Cyprus and thus exempts from Special Defence Contribution.

Non-tax residents

The non-tax residents are taxable on the following income

- Income from a permanent establishment situated in Cyprus.
- Income from any office or employment exercised in Cyprus.
- Pensions derived from past employment exercised in Cyprus.
- Rent from property situated in Cyprus.
- Any amount or consideration in respect of any trade goodwill reduced by any amount incurred for the purchase of such trade goodwill
- The gross income derived by an individual from the exercise in Cyprus of any profession or vocation the remuneration of public entertainers and the gross receipts of any theatrical, musical or other group of public entertainers.

Personal tax rates

Tax rates applicable to individuals

Chargeable Income (€)	Chargeable Income (%)	Amount of Tax (€)	Accumulated Tax (€)
0 – 19.500	Nil	Nil	Nil
19.501 – 28.000	20	1.700	1.700
28.001 – 36.300	25	2.075	3.775
36.301 – 60.000	30	7.110	10.885
Over 60.000	35		

Foreign pension is taxed at the rate of 5%. An annual exemption of €3.420 is granted. The taxpayer receiving foreign pension, however, can elect to be taxed on an annual basis under the normal tax rates and bands stated above where in such a case the foreign pension is added to the other taxable income received by the taxpayer.

The widow's pension is taxed at the flat rate of 20% on amounts exceeding €19.500. The taxpayer, however, can elect on an annual basis to be taxed at the normal rates and bands stated above where in such a case the widow's pension is added to the other taxable income received by the taxpayer.

Tax credit for foreign tax paid subject to unilateral tax relief

Any tax suffered abroad on income subject to income tax will be credited against any income tax payable on such income irrespective of the existence of a double taxation treaty.

Income not taxable

Type of Income	Exemption Limit
Income from interest, unless falls within the ordinary activities is not exempted	100%
Income from dividends	100%
Profits from the sale of securities	100%
Lump sum payment on retirement, computation of pension or compensation for death or injury	100%
Capital sums from life insurance or approved provident funds	100%
Profits of a permanent establishment abroad under certain conditions	100%
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	100%
Remuneration from any office or employment exercised in Cyprus by an individual who was not resident of Cyprus before commencement of his employment, for a period of 5 years commencing from 1st January following the year of commencement of the employment and can be claimed only until the year 2020. This exemption cannot be claimed in addition to the 50% exemption for employment income stated below	20% or €8.550 (lower of)
Remuneration from any office or employment exercised in Cyprus by an individual who was not resident of Cyprus before commencement of his employment if the individual is receiving remuneration of more than €100.000. The exemption is applicable for a period of 10 years starting from the first year of employment. As from 1 January 2015, the benefit of 50% deduction is given only if the individual was not tax resident of Cyprus for the three out of the last five years prior commencement of the employment and at the same time was not Cyprus tax resident in the previous tax year prior commencement of the employment	50% of income
Income from scholarship or other educational endowment	100%
Rent of preserved building under certain conditions	100%

Tax Deductions from Income

Contributions to trade unions or professional bodies (including professional books)	100%
Rental income	20% of the rents
Interest paid in respect of rented buildings	100%
Loss of current year and previous years (restricted to 5 years)	100%
Donations to approved charities (with receipts)	100%
Expenditure incurred for the maintenance of a building in respect of which there is in force a preservation order	Up to €700, €1.100 or €1.200 per square meter (depending on the size of the building)
Social insurance, contributions to the National Health Plan (restricted to 1,5% of remuneration, note 2), provident fund, medical fund, 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)
Investment in approved innovative small and medium sized enterprise either directly or indirectly as from 1 January 2017	Up to 50% of the taxable income as calculated prior to this deduction with a maximum deduction of €150.000
In the case of cancellation of a life insurance policy within 6 years from the day its issue, a percentage of the premiums, which were previously allowed, is taxable:	
Cancellation within 3 years	30
Cancellation from 4 to 6 years	20

SPECIAL CONTRIBUTION FOR DEFENCE

Tax Rates

	Individuals	Legal Entities
Dividend income from Cyprus resident Companies	17	Nil
Dividend income from non-Cyprus resident Companies	17	Nil
Interest income arising from the ordinary activities or closely related to the ordinary activities of the business (Active income)	Nil	Nil
Other interest (Passive income)	30	30
Interest from saving certificates, development bonds and deposits with the Housing Finance Corporation	3	30
Interest earned by an approved provident fund	3	30
Rental income minus 25	3	3

Deemed dividend distribution

If a Cyprus resident Company does not distribute a dividend within two years from the end of the tax year then:

- 70% of its accounting profits after taxation* (after some adjustments which include cost for acquisition of plant and machinery and motor vehicles, except salon car, acquired during the tax years 2012 – 2014 which reduce the accounting profits) are deemed to have been distributed as dividends.
- 17% special contribution for defence is imposed on deemed dividend distribution applicable to shareholders who are residents of Cyprus (companies tax residents and individuals being both tax residents and domiciled, 3% on deemed dividend distribution of Collective Investment Schemes).
- Deemed distribution is reduced with payments of actual dividends that have already been paid during the relevant year and during the following two years from the profits of the relevant year.

When an actual dividend is paid after the deemed dividend distribution, then defence tax is imposed only on the additional dividend paid exceeding the 70% deemed or actual dividend distribution.

In case of two tier structures of Cyprus companies (parent with subsidiary) owned 100% by non-resident shareholders, defence contribution should not be paid by the subsidiary on deemed

distribution. This Income Tax department published a circular clarifying this. In cases where the subsidiary is not ultimately held 100% by non-Cyprus tax resident and domiciled shareholders, any defence contribution paid by the subsidiary on deemed dividend distribution is refundable to any non-resident shareholders upon receipt of an actual dividend.

The term taxation includes corporation tax, special defence contribution tax, Capital Gains tax and any tax paid abroad which has not been credited against tax payable for the relevant year.

Deemed distribution does not apply to the shareholders who are not Cyprus residents.

Reduction of capital

In the case of a reduction of capital of a Company, any amounts paid to the shareholder individuals in excess of the amount of the share capital that was actually paid by the shareholder will be treated as deemed dividend.

The buy back or redemption of units or other ownership interests in an open-ended or closed-ended collective investment scheme is not considered a capital reduction and is not subject to special defence contribution tax.

These provisions do not apply where the shareholders are non-residents in the Republic.

CAPITAL GAINS TAX

Tax rate and determination of profit

The tax is imposed on the net profit from disposal at the rate of 20%.

The net profit is calculated as the disposal proceeds, less the market value on 1 January 1980 or the cost if the date of acquisition is later, less the cost of any improvements after 1 January 1980 adjusted for inflation less any expenditure incurred for the production of the gain e.g. legal expenses, transfer fees, agency fees etc. Inflation is calculated using the official Retail Price Index.

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

- Land and/or buildings acquired during the period from 16 July 2015 to 31 December 2016 will exempt from capital gains tax upon future disposal.
- Transfer arising on death.
- Gift made from parent to child or between husband and wife or between up to third degree relatives. • Gift 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 date of the transfer.
- Gift 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 donor for at least 3 years.
- Gift to charities and Government.
- Transfer as a result of reorganization.
- Exchange or disposal of immovable property under the Agricultural Land (Consolidation) Laws.
- Gain on disposal of shares, which are listed on any Stock Exchange.
- 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 is deferred until the disposal of the new property.

Lifetime exemptions for individuals

Individuals can deduct from the capital gain the following:

	€
Disposal of principal private residence	85.430
Disposal of agricultural land by a farmer	25.629
Any other disposal	17.086

The above exemptions are given only once and not for every disposal. An individual claiming a combination of the above is only allowed a maximum exemption of €85.430.

Administrative Penalties

Administrative penalty of €100 or €200 will be imposed depending on circumstances if the declaration for the disposal is submitted late or late submission of supporting documentation requested by the Tax Commissioner.

In the case the outstanding tax is not paid on due date then a penalty of 5% is imposed on the unpaid tax.

SOCIAL INSURANCE

Contribution rates for Social Insurance

Self-employed individuals	15,6%
Employee	8,3%
Employer	8,3%
Employer's contribution to the Redundancy Fund	1,2%
Employer's contribution to the Industrial Training Fund	0,5%
Employer's contribution to the Social Cohesion Fund (It is imposed on the total salary with no upper limit)	2,0%
Employer's contribution to the Holiday Fund (if it is not exempt)	8,0%
GESY contributions starting from 1st March 2019 until 28 February 2020:	
• Employee	1,70%
• Employer	1,85%
• Self-employed	2,55%
• Income earners (rent dividend, interest)	1,70%
Where the sum of the contributor's emoluments, pensions and other income exceeds €180.000 per annum, the contribution is payable only on the amount of €180.000.	
Restricted to the maximum level of emoluments as per the list below	

Maximum limit of emoluments

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

	Per week (€)	Per month (€)	Per year (€)
Weekly employees	1.051	-	54.652
Monthly employees	-	4.554	54.648

VALUE ADDED TAX

Rates:

0%	Exports, commission from abroad for imports/exports to/ from Cyprus, international air and sea transportation of persons and goods and related services (except intracommunity transport of goods), ship management services, goods that are to be placed in customs warehouses/ bonded warehouses or free-zones and be subjected to the relevant customs regime or temporary importation/transit or transshipment regime, goods that are intended to be incorporated into drilling, supply goods after importation but before customs clearance
5%	Supplies of animal feeding stuff, including food for birds and fish, supplies of fertilizers, supplies of coffins, supplies of liquefied petroleum gas in cylinders, newspapers, books, magazines and similar items, supplies of various goods for incapacitated persons, supplies of food including drinks for human consumption but excluding alcoholic beverages (beer, wine) and refreshment drinks, supplies of medicines which are used for medical treatment, illness prevention and medical and veterinary purposes, supplies of vaccines for medicine and veterinary medicine and services supplied by undertakers, services of road cleaning, refuse collection and waste treatment (other than services provided by the local administration), services of writers, composers and artists, services of hairdressers, renovation and repair services to private residences (subject to certain conditions), fares for urban and rural areas by bus, catering services from school canteens, purchase or construction of a flat or house to be used as private main residence (under certain conditions), renovation and repair of private residences, purchase of residential property subject to criteria
9%	Restaurant services and other similar catering services which consist of the supply of manufactured or non- manufactured food or drinks or both for human consumption, including refreshment drinks, alcoholic beverages (beer and wine), accommodation provided by hotels and other similar

	establishments, including the provision of holiday accommodation, transportation of passengers and their luggage by taxi
19%	All supply of goods or rendering of services, except those taxed at 0%, 5%, 9% or exempt

Exemptions

- Rents (subject to legislation conditions in relation to leasing immovable property for business purposes)
- Supply of immovable property (except the disposal of “new buildings” and non-developed building land intended for structures construction in the course of business activity)
- Insurance and financial services
- Medical services
- Educational services

Registration

At the end of any month, if the value of the taxable supplies (supplies taxed at the rates of 0% and/or 5% and/or 9% and/or 19%) in the last 12 months has exceeded €15.600, or

- At any time, if there are reasonable grounds for believing that in the next 30 days the value of the taxable supplies will exceed €15.600, or
- At any time, if the taxable person provides taxable supplies to other taxable persons in other EU Member States, or
- At the end of any month, if the total value of that person’s acquisitions from all other EU Member States in the year beginning from 1 January has exceeded the registration threshold of €10.251,61; or if at any time there are reasonable grounds to believe that the value of the acquisitions that person would be making in the following 30 days will exceed the registration threshold of €10.251,61, or
- At any time, if in the twelve-month period starting from 1 January of the year, the value of distance sales of a person to non-VAT registered persons established in other EU Member States exceeds €35.000.

Voluntary registration

A person who has a business establishment in Cyprus, or whose usual place of residence is in Cyprus, and delivers supplies outside Cyprus which would be taxable supplies if delivered within Cyprus, is entitled to voluntary registration.

TAX CALENDAR

Date	Obligation	Form	Penalties
January 31	Submission of deemed dividend distribution form	TD623	6, 7
February 28	Qualifying charterers and managers as well as qualifying owners of foreign flagged vessels shall submit tonnage tax declaration and pay tonnage tax for the previous year	MS TT 2 A/B/C	13
March 31	Submission of Company Income Tax Return (electronic submission)	TD4	1, 6
	Submission of Tax Return, accounts and additional information by individuals who submit audited accounts (electronic submission)	TD1	1, 6
	Qualifying owners of Cyprus flagged vessels shall submit tonnage tax declaration upon entry to the Tonnage Tax System and pay tonnage tax for the current year	MS TT 8 (A)	13
June 30	Payment of tax balance for the previous year by individuals who do not submit audited accounts but are obligated to issue invoices, receipts, etc.	-	4
	Payment of Contribution to the Defence Fund on rental income received during the first half of the current year	TD601	2
	Payment of €350 Annual Fee to the Registrar of Companies		14
July 31	Submission of Temporary Tax Assessment for the current year	TD6	3(a)
	Submission of Income Tax Return by Individuals (electronic submission)	TD1	1, 6
	Submission of Employer's Return (electronic submission)	TD7	6
	Payment of first installment of tax based on the Temporary Tax Assessment	-	3(b)
August 1	Payment of the tax balance for the previous year	TD158	4
September 30	Submission of Income Tax Return by individuals who do not submit audited accounts but are obligated to issue invoices, receipts, etc. (electronic submission)	TD1	1,6
December 31	Submission of revised Temporary Tax Assessment for the current year, if considered necessary	TD6	3(a)
	Payment of second instalment of tax based on the Temporary Tax Assessment	-	3(b)
	Payment of Special Contribution to the Defence Fund on rental income received during the second half of the current year	TD601	2
End of the subsequent month	Payment of tax deducted from employees emoluments	TD61	5

	Payment of Contribution to the Defence Fund and contribution to National Health System withheld from dividends, interest and rents	TD601	2
	Payment of Social Insurance and contributions to National Health Scheme deducted from employee emoluments	Y.K.A. 2-002	8

Date	Obligation	Form	Penalties
Within 30 days	Payment of Capital Gains Tax	-	7
Within 60 days	Obtaining a Tax Identification Code: Following the registration or incorporation of a company with the Registrar of Companies, the company is obliged to submit an application for registration with the Tax Department. Similar rules apply in the case of companies incorporated outside Cyprus that become tax residents of Cyprus	TD2001	9
Within 60 days of such a change	Notification of changes of company details (i.e. registered office, activities, auditors, etc.)	TD2003	10
At the end of the financial period	Stocktaking must be conducted annually by businesses which have inventory	-	13
Within the timeframe specified by the tax authorities	Submission of information requested in writing by the tax authorities	-	14
By the 10th of the second month after the end of the VAT period	Submission of VAT Return and payment of VAT amount due	VAT 4	
By the 10th of the month following the end of the VAT period	Submission of Intrastat form	INTRASTAT 1.1 ,1.2	

By the 15th of the month following the end of the reporting month	Submission of VIES form for goods and services	VIES 1	
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Penalties

1. Upon conviction for failure to submit a return, a person shall be liable to a fine not exceeding €17 per day for as long as the failure continues, or to imprisonment for a term not exceeding 12 months, or both. Any person who omits any object of tax from the return shall be liable, on conviction, to a fine up to €3.417 plus the tax due, plus an amount equal to two times the difference between the amount of tax properly imposed and the amount of tax that would have been imposed had the assessment been based on the return.
2. For rental income, interest at the rate of 2%⁹ per annum is imposed from the first day after the end of the six-month period (interest is calculated on a daily basis). In case of Special Contribution to the Defence Fund withheld on rents, dividends and interest begins to accrue at the end of the month which follows the month to which it relates (interest is calculated on a daily basis). In addition, in case of delay in payment, a flat 5% penalty on the tax due is payable. Late payment of outstanding Special Contribution to the Defence Fund which relates to the rental period after 1.7.11 results in the imposition of a penalty equal to €100.
- 3(a). A penalty of 10% is imposed on the difference between the tax due per the final assessment and the tax due per the temporary assessment, if the temporary taxable income per temporary assessment is less than 75% of the taxable income per the final assessment.
- 3(b). If any installment of the temporary tax assessment is not paid within 30 days from the due date, interest at the rate of 2%⁹ per annum is imposed. In addition, in case of a delay in payment, a flat 5% penalty on the tax due is payable.
4. If the tax is not paid by the due date, interest is imposed at the rate of 2%⁹ per annum (interest is calculated on the basis of completed months).
In addition, any person omitting to pay the tax due by the payment due date is liable to a monetary charge of 5% on the tax due.
An additional monetary charge of 5% is imposed on the tax due, in cases where the tax due is not settled within two months from the deadline for payment of the relevant tax liability.
5. Late payment results in the imposition of interest at 2%⁹ per annum from the due date and an additional penalty of 1% per month calculated on the basis of completed months.

6. Late submission results in the imposition of a penalty equal to €100. If the tax return for a specific year is requested in writing by the Tax Department and this is not submitted within the requested period, a penalty of €200 is imposed for every notice issued.
7. Interest is imposed at the rate of 2%⁹ per annum from the due date. Any person omitting to pay the due tax by the due payment date is liable to a 5% penalty on the tax due.
8. Late payment results in the imposition of a penalty of 3% for each month of delay. The total amount of the penalty cannot exceed 27% of the amount due.
9. Late registration with the Tax Department results in the imposition of a penalty equal to €100.
10. Late communication of changes to the Tax Department results in the imposition of a penalty equal to €100. The penalty is applicable on each change not communicated.
11. Failing to perform stocktaking, results in the imposition of a penalty equal to €100.
12. Late submission of information requested by the Tax Department results in the imposition of a penalty equal to €200.
13. Late payment results in the imposition of a 10% surcharge on the chargeable and leviable amount of tonnage tax for every year of the delay or part thereof, until the final discharge of the chargeable and leviable tax.
14. In case the fee is not paid in a timely manner, a charge of 10% is imposed if the payment is made within 2 months of the due date. If the payment is made within 5 months of the due date, an additional charge of 30% is imposed