TAX FACTS & FIGURES 2023

HLB CYPRUS

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This booklet has been prepared to explain the system of taxation in Cyprus. The information included is based on current law applicable from January 2023.

The booklet does not contain complete information with regard to the tax system in Cyprus. Rather, it provides a general layout of the system's structure and, for further information, interested individuals should obtain professional tax advice prior to acting.

Should any advice or further information be desired, the reader may contact any of the professionals indicated on the final page of this booklet.

Expertise which has been gained over years is applied to assist our clients to resolve their needs as well as to achieve their goals.

HLB CYPRUS LIMITED
Chartered Accountants
April 2023

Cyprus Tax Residency Rules

Tax resident company

A company is considered a tax resident if the management and control is exercised in Cyprus.

In addition, as of 31 December 2022, a company which is incorporated or registered in Cyprus, and its management and control is exercised outside Cyprus, should be considered resident for tax purposes of Cyprus unless it is a tax resident in another country.

Tax resident individual

An individual is considered as resident if he/she stays in the country for a period or periods exceeding 183 days in aggregate during a tax year.

As of 1 January 2017, an individual who does not remain in any other state for one or more periods which altogether exceed 183 days in the same tax year and who is not tax resident in any other state for the same tax year, may also be considered as tax resident of Cyprus for income tax purposes, provided that the following conditions are cumulatively met:

- he/she remains in Cyprus for at least 60 days during the tax year.
- he/she pursues any business in Cyprus and/or he/ she works in Cyprus and/or he/she is a director in a company tax resident in Cyprus at any time during the tax year.
- he/she maintains a permanent residence in Cyprus (owned or rented by him).

Domiciled in Cyprus

An individual is considered as domiciled if he/she has a domicile of origin in Cyprus as this is defined in the Wills and Succession Law (WSL) (i.e. domicile of the father at the time of birth), except in specified cases. The following individuals are not considered to be domiciled in Cyprus:

- An individual who has obtained and maintained a domicile of choice outside Cyprus in accordance with the Wills and Succession Law, provided that such an individual has not been a tax resident of Cyprus for a period of 20 consecutive years preceding the tax year in which he becomes tax resident of Cyprus; or
- An individual who has not been a tax resident of Cyprus for a period of 20 consecutive years prior to July 2015 (when the relevant changes in the law were introduced).

Notwithstanding the above, an individual, who has been a tax resident of Cyprus for at least 17 years out of the 20 years prior to the tax year, will be considered to be "domiciled in Cyprus".

Taxation of Companies

A Cypriot tax resident company is taxed on its income accrued or derived from all chargeable sources in Cyprus and abroad.

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

The term "permanent establishment" describes a fixed place of business through which the business of an enterprise is wholly or partly carried on.

Corporate tax rate

The corporation tax rate for all companies is 12,5%.

In the case of insurance companies, where the corporation tax payable on taxable profit of the life insurance business is less than 1,5% of the gross premium, the difference is paid as additional corporation tax.

Exemptions available

- Passive interest (i.e. not connected to ordinary business)
- Dividends (subject to conditions)
- Profits of a permanent establishment abroad
- Foreign exchange gains (realized and unrealized), unless they result from trading in currencies and/or currency derivatives
- Profits from the sale of securities (titles)

The term "titles" includes:

- ordinary shares, founder shares, preference shares and options on shares
- debentures and bonds
- short positions on titles, futures/forwards on titles and swaps on titles
- depositary receipts on titles (such as ADRs and GDRs)
- index participations only if they result in titles and repurchase agreements or Repos on titles
- participations in companies (provided that themselves are subject to taxation on their profits)
- units in open-end or closed-end collective investment schemes (which are incorporated, registered and operating according to the provisions of a specific and relevant legislation of the country in which they were founded).

Deductions

In general, expenses incurred wholly and exclusively in the course of the business, for the production of taxable income and supported by documentary evidence, are tax deductible. Such expenses include the following:

- Expenditure on patents, patent rights or intellectual property rights
- Expenditure in relation to rental income
- Expenditure incurred for research and development including research and development incurred by small and medium sized "innovative businesses"
- Expenditure on entertainment for business purposes (lower of; 1% of the gross income of the business and €17.086)
- Donations or contributions made for educational, cultural or other charitable purposes (with receipt)
- Contributions to social insurance and approved provident funds on employees' salaries
- Contributions to a fund approved under regulations for educational purposes and maintenance of an individual attending any

university, college, school or other educational institution

- Expenditure incurred by a Legal entity who is an independent investor, either directly, through an investment fund or through an alternative trading platform, for a risk finance investment in an innovative small and medium-sized enterprise (SME), shall be deducted from that person's taxable income on their investment. In case the investor is a Legal entity, an amount equal to 30% of the costs incurred either directly, through an investment fund or through an alternative trading platform and only for equity investments, shall be considered as tax deductible
- Additional increased deduction equal to 20% of the actual amount of the relevant Research & Development (R&D) expenses granted for R&D expenses incurred during the tax years 2022-2024 (including expenses of a capital nature) hence accelerating the eligible R&D expenses deducted from the taxable income of the economic owner of the IP assets to 120% of the actual R&D expenses incurred. However, this deductible is not granted to taxpayers that claim a deduction under the Cyprus IP Box Regime.

Deductibility of Interest

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, then the interest expense deduction is restricted to the amount which relates to assets used in the business. This applies for acquisitions of subsidiaries as from 1 January 2012.

Notional interest deduction ("NID")

Corporate entities (including permanent establishments of foreign companies) are entitled to NID on new equity. The NID equals to the multiple of the reference interest rate and the new equity held and used by a company in the carrying on of its business activities.

"Reference interest rate" means the yield of the 10-year government bond of the country where the funds are employed in the business of the company, increased by 5% premium. In case the country in which the funds are employed does not have an issued 10-year government bond, the yield of the 10-year Cyprus government bond plus a 5% premium should be used. The bond yield is the one applicable as at 31 December of the year preceding the relevant tax year.

"New equity" means any equity introduced in the business on or after 1 January 2015 in the form of issued share capital and share premium (provided it is fully paid). New equity does not include amounts that have been capitalized as equity and which have resulted from revaluation of movable or immovable property.

The NID is considered as interest expense and is subject to the same limitation rules as normal interest expense.

The NID granted on new equity cannot exceed 80% of the taxable profit (before allowing for NID) generated from the investment of such equity funds. In the event of losses, the NID will not be available. Effectively, this means that the NID cannot create or increase a tax loss.

Taxpayers can elect not to claim the NID or claim part of it for each tax year.

Annual wear and tear allowances on tangible fixed assets

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

	Percentage %
Plant and Machinery	
Plant and Machinery - acquired in the years 2012-2018 - otherwise	 20 10
Furniture and fittings	10
Buildings	
Commercial and other buildings (maximum 33 years)	3
Hotel, industrial and agricultural buildings - acquired in the years 2012-2018 - otherwise (maximum 25 years)	 7 4
Computer Hardware and Software	
Computer hardware and operating software	20
Application software: - if not exceeding €1.710 - if exceeding €1.710	 100 33,3
Vehicles and Means of Transport	
Motor vehicles other than saloon cars	20
Tractors, trenchers, excavators, bulldozers, transcavators, self-propelled shovels and loaders, drums, oil tanks	25
New airplanes	8
New helicopters	8
Boats	
Sailing vessels	4,5
Steamers, tugs and fishing boats	6
Ship motor launches	12,5
New cargo vessels	8
New passenger vessels	6
Photovoltaic Systems	10
Wind Power Generators	10
Tools in general	33,3

Increased capital allowances

- For all plant and machinery acquired during the tax years 2012-2018 (inclusive), a deduction for wear and tear at 20% per annum will be allowed (increased from 10% per annum). Assets which are already eligible for a higher wear and tear allowance are excluded.
- For industrial and hotel buildings and for agricultural and livestock production buildings acquired during the tax years 2012-2018 (inclusive), a deduction for wear and tear at 7% per annum will be allowed (increased from 4% per annum).

Intellectual property ("IP") rights

NEW RULES

As from 1 July 2016 new rules apply for taxpayers wishing to obtain benefit under the so called "IP Box Regime". The rules and conditions, which are applicable for assets which are developed after 1 July 2016, are summarized below.

Qualifying intangible assets

"Qualifying intangible asset" means an *asset which was acquired, developed or exploited by a person in furtherance of his business, (excluding intellectual property associated with marketing) and which is the result of research and development activities and includes intangible assets for which only economic ownership exists*.

These assets are:

- patents as defined in the Patents Law
- computer software
- other IP assets which are legally protected and they fall under one of the following:

  > utility models, intellectual property assets which provide protection to plants and genetic material, orphan drug designations and extensions of protections for patents;
  > non-obvious, useful, and novel, where the person which utilizes them in furtherance of a business does not generate annual gross revenues exceeding €7.500.000 (in case of a group of companies not exceeding €50.000.000), which are certified as such by an Appropriate Authority in Cyprus or abroad.

Business names (including brands), trademarks, image rights and other intellectual property rights used to market products and services are not considered as qualifying intangible assets.

Income includes, but is not limited to the following:

- royalties or other amounts in connection with the use of qualifying intangible asset
- any amount for a license for the operation of qualifying intangible asset
- any amount received from insurance or as compensation in relation to the qualifying intangible asset
- capital gains and other income from the sale of qualifying intangible asset
- embedded income of qualifying intangible asset arising from the sale of products or by using procedures that are directly related to this item

Overall Income (OI)
"Overall Income" arising from the qualifying intangible asset means the gross income accrued within the tax year, less the direct costs for generating such income.

Direct costs include:
- all direct and indirect costs incurred in earning the income from the qualifying intangible asset
- the amortization of the cost of the intangible
- notional interest on equity contributed to finance the development of the qualifying intangible asset

Qualifying expenditure (QE)
"Qualifying expenditure" for qualifying intangible asset is the sum of total research and development costs incurred in any tax year, wholly and exclusively for the development, improvement or creation of qualifying intangible assets and which costs are directly related to the qualifying intangible assets.

Qualifying expenditure includes, but is not limited to, the following:
- wages and salaries
- direct costs
- general expenses relating to installations used for research and development
- expenses for supplies related to research and development activities
- costs associated with research and development that has been outsourced to non-related person

But do not include:
- cost for the acquisition of intangible assets
- interest paid or payable
- costs relating to the acquisition or construction of immovable property
- amounts paid or payable directly or indirectly to a related person to conduct research and development activities, regardless of whether these amounts relate to cost sharing agreement
- costs which cannot be proved directly connected to a specific eligible intangible asset

Up-lift expenditure (UE):
An up-lift expenditure (UE) will be added to the above costs, which means the lower of:
- 30% of the eligible costs, or
- the total amount of the cost of acquisition and outsourcing to related parties for research and development in relation to the eligible intangible asset.

Overall Expenditure (OE) is the total of:
- the Qualifying Expenditure and
- the total amount of the cost of acquisition of the QA and outsourcing to related parties for research and development in relation to the eligible intangible asset.

Qualifying profits (QP)
"Qualifying profits" means the proportion of the overall income corresponding to the fraction of the qualifying expenditure plus the uplift expenditure over the total expenditure incurred for the qualifying intangible asset, namely the "nexus approach" as illustrated below.

$$QP = \frac{(QE+UE) \times OI}{OE}$$

Calculation of taxable profit:
80% of the qualifying profits derived from the qualifying intangible asset is treated as deductible expense. Such profit is calculated based on a specific formula which follows the "nexus approach" mentioned above. Every year the taxpayer may elect not to claim the whole or part of this allowance. In the case of a resulting loss, only 20% of the loss can be surrendered to other group companies or be carried forward to subsequent years.

Accounting Records
Any person who claims benefit under the above regime is obliged to maintain proper books of account and records of income and expenses for each intangible asset.

TRANSITIONAL ARRANGEMENTS FOR IP BOX REGIME FOR ASSETS ACQUIRED BY 31 DECEMBER 2015
The existing IP Box regime (which was introduced in Cyprus in 2012) covers intangible assets which are defined in the Patents Law, the Trade Marks Law and the Intellectual Property Rights Law. Effectively, it provides for an exemption from taxation of 80% of the gross income from the use of the intangible, i.e. after deducting from the total revenues all direct costs (including interest and the amortization of the cost of the intangible over 5 years).

In the case of a resulting loss, only 20% of the loss can be surrendered to other group companies or be carried forward to subsequent years.

There are transitional provisions for persons who have entered the existing IP Box regime, which enables them to continue claiming the benefit until 30 June 2021 with respect to intangible assets which:

- were acquired before 2 January 2016; or
- were acquired directly or indirectly from a related person during the period from 2 January 2016 until 30 June 2016 and which assets at the time of their acquisition were benefiting under the IP Box regime or under a similar scheme for intangible assets in another state; or
- were acquired from an unrelated person or developed during the period from 2 January 2016 until 30 June 2016.

Tax Losses

Set-off losses against profits of the same year
The amount of any loss which, if a gain or profit would be subject to tax, is set off against the income of that person from other sources for the same year of assessment. The loss is computed in the same way as computing the profit.

No carry back of losses is allowed
Under the provisions of the Law the carry back of losses is not allowed.

Carry forward of losses
Where the amount of a loss, which, if a gain or profit would be subject to tax cannot be wholly set off against the person's income from other sources for that year of assessment, the amount of such loss, to the extent to which it is not set off, is carried forward and is set off against the income of such person for the next five subsequent years.

Losses of a business carried on outside Cyprus

Losses incurred by any person from any business carried on outside the Republic, whether through a permanent establishment or not, are allowed as a deduction from such person's income from other sources for the same year. To the extent that it cannot be wholly set off in this way, the remaining amount of such loss is carried forward and set off against such person's income for subsequent years.

Surrendering of losses

Losses may be surrendered by a company resident in Cyprus (the "surrendering company") to another company resident in Cyprus (the "claimant company").

Definition of a group

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

- one is at least 75% subsidiary of the other; or
- both, each one separately, are at least 75% subsidiaries of a third company.

Set-off of group

Group companies may be a mixture of resident or non-resident companies, provided the non-resident company owns at least 75% of the resident company.

As from 1 January 2015, the group loss relief provisions are extended to cases where a subsidiary company which is tax resident in another EU member state, can surrender its taxable losses to another group member company tax resident in Cyprus, provided the subsidiary has exhausted all the means of surrendering or carrying forward the losses in its member state of residence, or to any intermediary holding company.

Reorganizations

Transfers of assets and liabilities between companies can, subject to conditions, be effected without tax consequences within the framework of a reorganization and tax losses can be carried forward by the receiving entity.

Types of reorganizations:

- Merger
- Division
- Partial division
- Transfer of assets
- Exchange of shares
- Transfer of registered office of a European company ("SE") or a European cooperative company ("SCE").

Anti-avoidance provisions for reorganizations

A reorganization would only be eligible to qualify as tax-free, where the Commissioner is satisfied that such a reorganization has real commercial or financial purpose.

The Tax Commissioner may not exempt from tax, any profits arising from a reorganization, where, in his judgment, the main purpose or one of the main purposes of such a reorganization is the reduction, avoidance or deferment of payment of taxes or the direct or indirect transfer of any assets owned by a business without the payment or reduction or delay of payment of the taxes due.

The Commissioner may request supporting evidence, if, in his judgment, he considers necessary, to establish the purpose of the reorganization. In any case though, the Commissioner's decision not to grant the relevant tax exemptions due to reorganization should be fully justified. Such a decision can in anyway be objected in accordance with the relevant provisions of the Assessment and Collection of Taxes Law.

Should the Commissioner decide to approve the tax exemptions available due to re-organization, he may still enforce conditions in relation to:

- the number of shares which will be issued as a result of the re-organization; and
- the period for which the issued shares must be held by the recipient, which cannot exceed 3 years

Any shares listed in an approved stock exchange and any shares transferred due to hereditary succession are exempt from the holding period limitation. In case the conditions set by the Commissioner are not satisfied, then the reorganization would not qualify under the tax-free reorganization provisions of the Law and any tax initially not due would be considered as payable. These anti-avoidance provisions apply as from 1 January 2016.

Transfer Pricing

Introduction

As from July 2017, loan transactions between related parties are subject to Transfer Pricing Guidelines in order to confirm whether these are market compliant.

For example, all intra-group back to back financing arrangements are required to follow the arm's length principle under the transfer pricing framework. The intra-group back to back financing arrangements apply where loans are granted by a financing company to related parties, and which are financed by financial means and instruments, such as private loans, cash advances, bank loans and debentures.

New TP rules were further introduced and are outlined below.

Arm's length principle for intra group financing transactions

The related party transactions should be priced similarly as it would have been accepted by independent entities in comparable circumstances, taking into account the economic nature of the transaction. The arm's length principle is provided in the Cyprus Income Tax Law (as amended), Article 33.

The Cypriot tax legislation allows adjusting the reported profits of a Cypriot tax resident company in case the transfer prices differ from prices that would have been agreed between independent entities.

Simplification measures

A financing company which meets the substance requirements and is engaged in purely intermediary financing activities, borrowing from related entities and lending to related entities, will be deemed for the sake of simplification to comply with the arm's length principle if it receives in relation to its controlled transactions a minimum return of 2% after-tax on assets, as per Interpretive Circular 3, issued on 30 June 2017.

The simplification procedures can only be used by a group financing company, which meets the criteria for substance, such as an actual presence in Cyprus, which takes into account:

(i) the number of the members of the board of directors who are tax resident of Cyprus,
(ii) the number of meetings of the board of directors taking place in Cyprus and
(iii) the availability of qualified personnel to control the transactions performed.

In order to benefit from this simplification measure, entities should communicate to the Tax Department the use of the simplification procedure, by completing the relevant field in the tax return of the corresponding fiscal year.

A deviation from the minimum return of 2% is not allowed unless it is duly justified by an appropriate transfer pricing analysis.

Circular 3 on back to back loan arrangements and the eligibility of selection of a safe harbour rate instead of a different rate supported by detailed Transfer Pricing Study was abolished and is only effective from its issuance until the end of 2021.

New Transfer Pricing Rules ("TP rules")
Effective as of 1 January 2022, the Cypriot Income Tax and the Assessment and Collection of Taxes Laws were amended to introduce Transfer Pricing rules in accordance with the Organization for Economic Co-operation and Development on Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (OECD TP Guidelines). The TP rules provide for the content of the TP Documentation Files ("Local" and "Master" Files) and the Summary Information Table ("SIT") as well as introduce the concept of Advance Pricing Agreements ("APAs").

The Transfer Pricing Documentation rules apply to all Cyprus tax resident companies, as well as permanent establishments of non-resident companies.

Master File
Master File is a document which contains high level information about the global business operations of a multinational group. The content of the Master File should be in line with the OECD TP Guidelines.

The Master File shall be prepared by Multinational groups that meet both of the below requirements:
- Consolidated revenue exceeding €750 million (groups with CbCR obligation)
- The Ultimate Parent Entity (UPE) or Surrogate Parent Entity of the group is Cypriot tax resident company.

The Master File is to be prepared by the Income Tax Return submission deadline for the respective tax year. After the preparation deadline the Master File must be made available by the taxpayer and submitted to the tax authorities upon request within 60 days.

Local File
The Local File is a document which contains detailed information about the local business of the taxpayer, including description and documentation of related- party transactions. The content of the Local File should be in line with the OECD TP Guidelines.

The Local File shall be prepared by Cypriot tax resident companies/Cypriot tax resident companies with a foreign branch/Cypriot branches of non- Cypriot tax resident companies being engaged in related-party transactions with an accumulated amount during the tax year exceeding €750,000 (per transaction category as defined in the SIT).

The Local File should be subject to Quality Assurance Review (sign-off) by a person who has a practicing certificate of ICPAC or any other recognized institute of certified accountants in Cyprus. The Local File is to be prepared by the Income Tax Return submission deadline for the respective tax year. After the preparation deadline the Local File must be made available by the taxpayer and submitted to the tax authorities upon request within 60 days.

A Transfer Pricing Study, ("TPS") is defined as the document to be provided to the Cyprus Tax Authorities as a supporting document, evidencing that the transaction which took place, was based on the arm's length principle.

According to the legislation, a TPS should include the following:

1. **Comparability analysis**
   An appropriate comparability analysis must be carried out in order to determine whether transactions between independent entities are comparable to transactions between related entities.

2. **Functional analysis**
   The purpose of the functional analysis is to identify the economically significant activities, responsibilities and functions, the assets used or contributed and the risks assumed by the parties in the context of the transaction.

   The functions that can be performed by companies conducting intra-group financing transaction relate to origination of the transaction and managing the transaction.

The minimum requirements for transfer pricing analysis, include:
- a description of the computation of equity allocation required to assume risks,
- a description of the group and the inter-linkages between the functions performed by the entities,
- the precise scope of the transactions analysed,
- a complete list of the potentially comparable transactions searched,
- a rejection matrix for rejected potentially comparable transactions with justifications,
- the final list of comparable transactions selected,
- a general description of the market conditions,
- a list of all previous transfer pricing agreements concluded with other countries in relation to the transactions,
- a list of all previous agreements concluded and being still valid with the entity/ies under analysis,
- projected income statements for the years covered by the request.

The TPS should be prepared by a Transfer Pricing Expert and must be submitted to the Cypriot Tax Department by a person who has licence to act as auditor of a company in Cyprus, who is required to carry an assurance control of the transfer pricing analysis.

Summary Information Table ("SIT")

The SIT is an additional form (i.e., TP return) that should reflect high-level information about the taxpayer's related-party transactions, including details of the counterparties, category of intercompany transactions entered into, and amount per transaction category. The categories of transactions as per SIT is Goods, Services, Royalties and Other Intangibles, Financing Transactions and Others.

The SIT reporting obligation is applicable to all taxpayers engaged in related party transactions, with no reporting materiality threshold. The SIT shall be submitted to the tax authorities on an annual basis concurrently with the Income Tax Return.

Advance Pricing Agreements ("APAs")

Taxpayers may submit advance pricing agreements (APA) to the Cypriot tax authorities, to agree on pricing methodologies in advance. Such APAs may have unilateral, bilateral or multilateral application and will be valid for a period of up to four years.

More specifically, an APA determines an appropriate set of criteria (e.g. method, comparables and appropriate adjustments thereto, critical assumptions as to future events) to be applied for a fixed period of time with respect to specific controlled transactions concluded based on the arm's-length principle.

Exchange of information

The issuance of advance tax rulings or advanced pricing arrangements, as well as the use by a taxpayer of the simplification measures, will be subject to the exchange of information rules set under the Directive on Administrative Cooperation.

Penalties for non-compliance with the new TP legislation
The new law provides specific penalty provisions. In the event of late submission of the SIT, a €500 fine is imposed.

Additionally, the TP documentation file should be submitted to the Tax Department upon request within 60 days. If the TP documentation file is submitted after the 60th day, the penalties vary as follows:

- If submitted between 61 and 90 days, the penalty is €5.000
- If submitted between 91 and 120 days, the penalty is €10.000

Anti-tax avoidance measures

The income tax legislation implements the provisions of the EU anti-tax avoidance directives, as of 1st January 2019.

Amendments Applicable as of 2019

Interest Limitation Rules

The interest limitation applies to:

- Companies which are tax residents of Cyprus.
- Permanent establishments ("PEs") of companies which are tax resident in another EU member state or a third country.
- Each company separately, unless it relates to companies/PEs belonging to a Cypriot Group.
- A Cypriot Group is defined the same way as for group loss relief purposes plus PEs in Cyprus belonging to non-resident companies (i.e. a minimum shareholding of 75% is required).

The limitation does not apply to:

- Standalone companies, for example a company not forming part of a group for accounting purposes or does not have an associated business (meaning participation of at least 25% in the share capital or participating at least 25% in the profits) or does not maintain a permanent establishment.
- Financial institutions.
- To companies with exceeding borrowing cost below €3.000.000.

Maximum deduction

The maximum amount which can be claimed is the higher of:

- the actual amount of the exceeding borrowing costs if below €3 million;
- 30% of the taxable income before exceeding borrowing costs, taxes, depreciation and amortisation of assets ("EBITDA").

"Taxable EBITDA" is defined as the total of net taxable income (calculated as per the Cypriot income tax laws) increased by the exceeding borrowing costs, the depreciation and amortization of fixed assets and intangibles and the notional deduction of

80% on the gross profit as a result of the Intellectual Property ("IP") Box regime. Losses brought forward are not taken into consideration for group loss relief.

Borrowing costs

"Exceeding borrowing costs" is defined as the excess of borrowing costs over interest income and other economically equivalent taxable revenues.

The definition of "borrowing costs" is based on the provisions of the ATAD, i.e., interest expense on all forms of debt, other costs economically equivalent to interest, as well as expenses incurred in relation with the raising of finance.

There is no distinction on the deductibility based on who is the lender/creditor and the rule applies to both interest under intra-group and third-party loans alike.

The following are not included in exceeding borrowing costs:

- Notional Interest Deduction ("NID")
- Financial costs resulting purely by applying International Accounting Standards when not relating to finance leases
- Interest costs not tax deductible under section 11 of the income tax laws
- Interest income exempt from taxation as provided in the income tax laws
- If interest income exceeds interest expense, then there is no restriction

For Cypriot groups, the exceeding borrowing costs mean total tax-deductible interest costs less total taxable interest income of the members of the Cypriot Group.

The interest limitation is apportioned between the members of the Cypriot Group on the basis of their exceeding borrowing costs.

Exclusions

The law contains a grandfathering clause according to which interest on loans that were concluded before 17 June 2016, is excluded from the borrowing cost definition, but the grandfathering will not apply to any subsequent modifications of such loans.

The law also excludes interest on loans used to fund long term public infrastructure projects where the operator, borrowing costs, assets and income are all located in the EU.

Carry forward of excess borrowing costs / unused interest capacity

The law allows the possibility for the taxpayer to carry forward exceeding borrowing costs for a tax year for the next 5 years.

As a result, if a taxpayer's exceeding borrowing costs during a given financial year are below 30% of its taxable EBITDA, it may still deduct, in addition to the exceeding borrowing costs of the current financial year, those exceeding borrowing costs that were not deductible in previous financial years (within the limits of the 30% EBITDA limit of the same year).

Furthermore, the law allows for a five-year carry forward of unused interest capacity, i.e., the amount by which 30% of taxable EBITDA exceeds the amount of exceeding borrowing costs. The unused interest capacity does not take into account the limit of €3 million.

Controlled Foreign Corporations ("CFC")

Definition

A CFC is defined as a company not tax resident in Cyprus or a permanent establishment ("PE") outside Cyprus of a company tax resident in Cyprus, whose income is not taxable or exempt in Cyprus if the following two conditions are met:

- In the case of a non-Cypriot tax resident entity, the Cypriot tax resident company ("the Controlling Entity"), alone or together with its associated enterprises (companies with more than 25% participation), holds a direct or indirect participation of more than 50% in such entity. The threshold is determined in terms of participation in the share capital, voting rights or the entitlement to profits.
- The company or PE is low-taxed, i.e., the income tax it pays is lower than 50% of the Cypriot corporate income tax that it would have paid by applying the provisions of the Cypriot income tax law.

Application of CFC rules

A Cypriot Controlling Entity is obliged to add to its taxable income the profits of losses of the CFC provided all the following conditions are satisfied:

- the CFC has undistributed profits to the extent that such profits would be taxable in Cyprus;
- the arrangements between the Controlling Entity and the CFC are not genuine arrangements and which have been put in place in order to take tax advantage;
- the Controlling Cypriot Entity or persons related to the Controlling Cypriot Entity company based in Cyprus exercise the functions of significant persons, which functions actually contribute to the generation of the income of the CFC.

De minimis exemption

No CFC inclusion should be made of any non-distributed income of a CFC if a CFC profits either:
- do not exceed €750.000 and the passive income does not exceed €75.000; or
- do not exceed 10% of its operating costs for the tax period.

Effectively the above limits the application of the CFC rules to entities that were not able to generate the income themselves, (considering the assets owned and the risks assumed), and in relation to which the significant people functions are carried out by the controlling Cypriot entity or persons in Cyprus.

CFC's income to be included

- The income to be included is the income of the CFC not distributed to the Controlling Entity within the same tax year or within the 7 months following the year end.
- The income to be included in the tax base is calculated in accordance with IFRS or other accepted accounting standards.
- The income to be included in the tax base is calculated in proportion to the entitlement of the taxpayer to receive profits of the entity.
- The income is included in the tax year in which the tax year of the entity ends.

Avoidance of double taxation - credit for foreign tax paid

Where the CFC's profits are subject to the CFC rules and are included in the Controlling Entity's taxable income, any foreign tax paid on the CFC profits is given as a tax credit against the Cypriot tax on the basis of the provisions of sections 35 and 36 of the income tax laws. Foreign tax includes (1) profits tax paid by the CFC, (2) withholding tax on income received by the CFC and (3) tax resulting from the CFC rules applied in another jurisdiction based on similar CFC rules like Cyprus.

Amendments Applicable as of 2020:

Anti-hybrid mismatch rules

Definition of a hybrid mismatch

Hybrid mismatches arise as a consequence of differences in the tax treatment of instruments, entities or transfers between two or more countries.

They may be used to exploit differences in countries' tax rules and achieve results such as:

(i) the multiple deductions of the same expense in different countries,
(ii) the deduction of a payment in the country of the payer without a corresponding inclusion in the country of the payee and
(iii) multiple tax credits for a single amount of foreign tax paid. Hybrid mismatch arrangements, therefore, raise a number of tax policy issues, affecting for example tax revenue, competition, economic efficiency, transparency and fairness.

Scope and objective

The objective of anti-hybrid mismatch rules is to ensure that deductions or credits are only taken in one jurisdiction and that there are no situations of deductions of a payment in one country without taxation of the corresponding income in the other country concerned. It is clear that the rules are typically limited to mismatches as a result of hybridity and do not impact the allocation of taxing rights under tax treaties.

They are designed to neutralise the tax effects of hybrid mismatch arrangements and prevent multinational companies from gaining an unfair competitive advantage by avoiding income tax or obtaining double tax benefits through hybrid mismatch arrangements.

Application dates

The rules are applicable as of 1 January 2020 (with the exemption of reverse hybrids which will be applicable as of January 2022).

Types of arrangements

Under the Law, the hybrid mismatch rules apply to both Cypriot tax resident companies and foreign companies with a PE in Cyprus and cover the following hybrid mismatch arrangements:

(a) Hybrid Financial Instrument mismatches: A payment under a financial instrument that gives rise to a deduction without inclusion and as a result, the payment is not included in the jurisdiction of the payee within a reasonable time; and the mismatch is attributable to differences in the characterisation of the instrument/payment.
(b) Hybrid entity mismatch: A case where an entity is qualified as transparent to one jurisdiction and non-transparent to the other jurisdiction.
(c) Hybrid Transfers: An arrangement to transfer a financial instrument where the laws of two jurisdictions differ on whether the transferor or the transferee has got the ownership of the payments on the underlying asset.
(d) Hybrid PE mismatch leading to double deduction: A hybrid PE mismatch may lead to a deduction without inclusion, if a payment made by the hybrid PE to its head office is deducted from the taxable base in the jurisdiction in which the hybrid PE is situated but is not included in the taxable base in the jurisdiction in which the taxpayer is a resident because the latter jurisdiction does not recognise the PE.
(e) Imported mismatches: Situations where the effect of a hybrid mismatch between parties in third countries is shifted into the jurisdiction of a Member State through the use of a non-hybrid instrument thereby undermining the effectiveness of the rules that neutralize hybrid mismatches. This includes a deductible payment in a Member State under a non-hybrid instrument that is used to fund expenditure involving a hybrid mismatch.
(f) Dual resident mismatches: A dual resident mismatch may result in a double deduction outcome if a payment made by a dual resident taxpayer is deducted under the laws of both jurisdictions where the taxpayer is resident.

Exit Taxation

The ATAD I exit taxation rules are designed to prevent taxpayers from avoiding tax, by transferring residence, activities or assets out of the country in which economic value has been created. Based on this rule, Cyprus will have the right to tax, subject to the provisions of the Cypriot Income Tax Law (CITL), any unrealised gain created in Cyprus at the time of the exit. The value of such gain should reflect the arm's length principles.

Scope of application

A company which is tax resident in Cyprus or a non-Cypriot tax resident company which has a permanent establishment (PE) in Cyprus, will be subject to the Cyprus exit taxation provisions in any of the following situations:

1. A Cypriot tax resident company transfers asset(s) from its head office in Cyprus to its PE outside Cyprus, resulting in Cyprus no longer having the right to tax the transferred assets due to the transfer;
2. A non-Cypriot tax resident company with a PE in Cyprus transfers assets from its PE in Cyprus to its head office or another PE outside Cyprus, resulting in Cyprus no longer having the right to tax the transferred assets due to the transfer;
3. A Cypriot tax resident company transfers its tax residence from Cyprus to another jurisdiction (exit taxation provisions exclude assets that remain effectively connected with a PE in Cyprus following the transfer);
4. A non-Cypriot tax resident company with a PE in Cyprus transfers the business carried on by its PE from Cyprus to another jurisdiction causing the taxpayer no longer to have a taxable presence in Cyprus and Cyprus no longer having a right to tax the transferred assets due to the transfer; while also acquitting a taxable presence in another jurisdiction without becoming tax resident there.

Under certain conditions, the exit taxation provisions exclude temporary asset transfers that fall within the above-mentioned categories.

Amount subject to exit tax

In the circumstances outlined above, at the time of the transfer, the taxpayer is deemed to have transferred the assets at an amount equal to their market value at that time, such that any profit thereon is calculated as the difference between that market value less their value for tax purposes at that time.

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

Definition of AIFs

An Alternative Investment Fund ("AIF") is defined as a collective investment undertaking, raising external capital from a number of investors with a view to investing it in accordance with a defined investment policy for the benefit of those investors, and that has not been authorised as an Undertaking for Collective Investments in Transferable Securities ("UCITS").

Types of AIFs

The AIF Law allows for the creation of the following three types of AIFs in Cyprus:

(a) AIFs with Limited Number of Persons (up to 50)
(b) AIFs with Unlimited Number of Persons
(c) Registered AIFs

Forms of AIFs

AIFs can take the following legal forms and may be established with limited or unlimited duration:
(a) Common Fund
(b) Variable Capital Investment Company
(c) Fixed Capital Investment Company
(d) Limited Partnership

Definition of UCITS

An Undertaking for Collective Investment in Transferable Securities ("UCITS") is defined as a collective investment undertaking whose sole aim is the collective investment in transferable securities and/or other liquid financial instruments, of capital raised from the public, and which operates on the principle of risk-spreading and whose units are, at the request of holders, repurchased or redeemed, directly or indirectly out of the UCITS' assets.

UCITS can take the following legal forms:

UCITS:

- Variable Capital Investment Company
- Common Fund

Key tax highlights

Taxation of carried interest / performance fee for AIF and UCITS fund managers

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

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

No creation of a permanent establishment

No permanent establishment will be deemed to arise in Cyprus in cases of (a) investment into Cyprus tax-transparent investment funds by non-Cyprus tax resident investors, and (b) management from Cyprus of non-Cyprus investment funds.

Taxation of Individuals

Basis of taxation

Tax residents are taxed on all chargeable income accrued or derived from all sources in Cyprus and abroad, and include:

- Income from business
- Income from any office or employment
- Dividends and interest
- Rents and royalties
- Pensions and annuities

Non-tax residents are taxed on certain income accrued or derived from sources in Cyprus, such as:

- Income from any office or employment
- Pensions derived from past employment
- Rent from property
- The gross income derived by an individual from the exercise in Cyprus of any profession or vocation and the remuneration of public entertainers
- Directors' fees and similar remuneration in their capacity as directors of companies considered to be tax resident companies of Cyprus

Personal tax rates

The following income tax rates apply to all individuals:

Chargeable income for the tax year	Tax rate	Tax amount	Cumulative tax
€	%	€	€
First 19.500	Nil	Nil	Nil
From 19.501 - 28.000	20	1.700	1.700
From 28.001 - 36.300	25	2.075	3.775
From 36.301 - 60.000	30	7.110	10.885
Over 60.000	35		

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

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

Exemptions from employment income

20% or €8.550 (lower of) under the provisions of the below Articles:

- Article 8(21) - Remuneration from any employment exercised in Cyprus by an individual who was residing outside Cyprus before the commencement of his employment.
  This exemption applies for a period of five years commencing from 1 January of the year following commencement of employment (provided the employment started during or after 2012). Following amendment of article 8(21) this exemption applies only for employments which commenced up until 26.07.22.

- Article 8(21A) - Remuneration from first employment exercised in the Republic of Cyprus, by a person who for a period of at least 3 consecutive years prior to the commencement of his employment in the Republic was employed outside the Republic by an employer not resident in the Republic.
  This exemption is granted to a person who's first employment in the Republic commenced after 26.07.22 and up until the year 2027 inclusive.
  The exemption is granted for a period of 7 tax years following the year of employment in the Republic.

50% under the provisions of the below Articles:

- Article 8(23) - Remuneration exceeding €100.000 per annum from any employment exercised in Cyprus by an individual who was a tax resident outside Cyprus prior to the commencement of employment. This exemption applies for the first 10 years of employments commencing as from 1 January 2012. The 50% exemption is not available to individuals whose employment commenced on or after 1 January 2015 if such individuals were:

> tax residents of Cyprus for a period of 3 out of 5 years preceding the year of employment
> tax residents of Cyprus in the year preceding the year of commencement of employment

Following amendment of article 8(23) this exemption applies only for employment which commenced up until 26.07.22.

- Article 8(23A) - Remuneration from first employment which is exercised in the Republic of Cyprus by a person who was a resident outside the Republic of Cyprus for a period of at least ten consecutive years prior the commencement of his employment in the Republic.

  The employment should have commenced after 1 January 2022 and the emoluments should exceed €55.000 during the first or second year of employment in the Republic.

  The exemption is granted for a period of seventeen tax years commencing as of the year of employment in the Republic.

  An individual whose employment commenced before 1 January 2022 and who was not Cyprus tax resident for a period of at least 10 consecutive years immediately before the commencement of his employment in Cyprus, may also be eligible to claim the 50% exemption, during any tax year in which this remuneration exceeds the amount of €55.000, starting from tax year 2022 and until the completion of 17 consecutive tax years beginning from the tax year in which the employment commenced in the Republic, provided he meets one of the following conditions:

1. The individual has benefited from the 50% exemption under the provisions of Article 8(23) of the Income Tax Law, and has continuous employment in Cyprus from the year of commencement of his employment up until the tax year 2021; or
2. The individual's first employment in Cyprus commenced during the years 2016- 2021 with remuneration exceeding the amount of €55.000 per year; or
3. The individual's first employment in Cyprus commenced during the years 2016- 2021 with remuneration not exceeding the amount of €55.000 per annum, and within 6 months from 26.07.22 the said remuneration exceeds the amount of €55.000 per annum.

90 days rule

Remuneration from salaried services rendered outside Cyprus for more than 90 days in a tax year of assessment to a non-Cypriot tax resident employer or to a foreign permanent establishment of a Cypriot resident employer is exempt from income tax in Cyprus.

Other exemptions available

The following income is exempt from income tax:

- Profits on disposal of shares or securities (titles)
- Lump sum payments on retirement or commutation of pension or a gratuity on death
- Foreign exchange gains (realized and unrealized), unless they result from trading in currencies and/or currency derivatives

Dividends

Dividends received by a Cypriot tax resident individual are exempt from income tax (whether received from a company located in Cyprus or abroad) and instead are taxable under special contribution for defence.

Tax deductions

The following are deducted from taxable income:

- Subscriptions to trade unions or professional bodies
- Donations to approved charitable institutions and political parties (subject to certain restrictions), supported by receipts
- 20% deduction on rental income and 3% wear and tear allowance on the cost of the building (provided that the rented property is a building)
- Interest paid on a loan used to acquire the rented property
- Expenditure incurred by a person, for the purchase of shares in an innovative business (up to 30 June 2024 and subject to conditions)
- Social insurance contributions
- General healthcare system ("GESY") contributions
- Pension and provident fund contributions
- Life insurance premiums (allowed the lower between 7% of the capital sum insured and the actual amount of premium paid)

The maximum deduction allowed for contributions to social insurance, national health system medical fund, pension and provident fund, and life insurance premium is up to 1/5 of the total taxable income of the individual.

Benefits in kind

Benefits in kind paid by an employer to or on behalf of its employee, such as housing, travelling, school fees and food allowances, are taxable in the hands of the employees.

Benefit in kind is also assessed on the private use of cars belonging to the employer.

Loans or financial assistance from a company to an individual director, shareholder, or up to a second degree relative, are taxable as a monthly benefit in kind equal to 9% per annum on the amount of the loan or financial assistance, payable on a monthly basis by the company under the PAYE system.

Shipping Companies

The Cyprus Tonnage Tax System ("TTS") fully approved by the EU (approval extended up to 31 December 2029), provides for the exemption from all direct taxes and taxation under tonnage tax regime of qualifying ship owners, charterers, and ship managers from the operation of qualifying ships in a qualifying shipping activity. These include qualifying community ships (ships flying a flag of an EU member state or of a country in the European Economic Area) and foreign (non-community) ships (under conditions).

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

The legislation includes an "all or nothing" rule, meaning that if a shipowner/charterer/shipmanagers of a group elects to be taxed under the TTS, all shipowners/charterers/shipmanagers of the group should elect the same.

Shipowners

The exemption applies to:

- Profits derived from the use/chartering out of the ships
- Interest income relating to the working capital of the company
- Profits from the disposal of qualifying ships
- Dividends received from the above profits at all distribution levels
- Profit from the disposal of ship owning companies and the distribution of this profit

The exemption also applies to the bare boat charterer of a vessel flying the Cyprus flag under parallel registration.

A shipowner opting for the tonnage tax system must remain in the system for ten years.

Charterers

Any charterer, tax resident of Cyprus, who charters a ship under bareboat, demise, time or voyage charter is eligible for the tonnage tax system.

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.

A charterer opting for the tonnage tax system must remain in the system for ten years.

The exemption applies to:

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

Ship managers

A ship manager, tax resident of Cyprus, who provides crew and/or technical management services is eligible for the tonnage tax system provided it satisfies certain criteria, which include:

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

The exemption applies to:

- Profits from technical and/or crew management
- Dividends paid out of these profits at all levels of distribution
- Interest income relating to the working capital of the company

A ship manager opting for the tonnage tax system must remain in the system for ten years.

Income from bareboat chartering

As of January 2020, a shipowner generating income from bareboat chartering a qualifying vessel engaged in qualifying activities will be considered qualifying provided:

- The vessel is bareboat chartering (BBC) out to a member of the same group (intra-group transaction), or
- The shipowner confirms to the Director General that the vessel was BBC out due to temporary overcapacity and the term of BBC does not exceed 3 years, provided that at least 50% of the fleet under the TTS during a tax year continues to be under the operation of the shipowner.

The above BBC income limitations will not apply to existing BBC arrangements until the date of their termination or until 31 December 2022, whatever is earlier.

Tonnage Tax Rates

Units of net tonnage	Rate per 100 units of the net tonnage	
	Ship owners / charterers	Ship managers
0 - 1.000	€36,50	€9,13
1.001 - 10.000	€31,03	€7,76
10.001 - 25.000	€20,08	€5,02
25.001 - 40.000	€12,78	€3,20
In excess of 40.000	€7,30	€1,83

Any residual tonnage of less than 100 units of net tonnage shall be charged proportionally.
The above rates are reduced (up to 30%) for Cyprus/Community flagged vessel which uses environmentally friendly equipment. The criteria are expected to be clarified by a Council Minister's Decree.

Administration

Tonnage tax is payable on 28 of February each year and is calculated by reference to the net tonnage of the qualifying ships under one's ownership, charter or management (i.e. for the tax year 2022 the tonnage tax return and tonnage tax payment are due by 28 February 2023).

Special Contribution for Defence

Special Contribution for Defence ("SDC") is imposed on dividend income, "passive" interest income and rental income earned by companies which are tax resident in Cyprus and by individuals who are both tax resident and domiciled in Cyprus.

Such tax is charged at the rates shown in the table below and is imposed on the gross income received or credited.

Tax rates

	Individuals resident and domiciled %	Individuals resident and non-domiciled %	Legal entities resident in Cyprus %
Dividend income from Cyprus tax resident companies	17	Nil	Nil (1)
Dividend income from non-Cyprus tax resident companies	17	Nil	Nil (2)
Interest income arising from the ordinary activities or closely related to the ordinary activities of the business	Nil	Nil	Nil
Other interest income ("passive")	30 (3)	Nil	30 (3)
Rental income received from Cyprus or abroad (reduced by 25%)	3 (4)	Nil	3 (4)

Notes

1. Dividends received by a Cyprus resident company from other Cyprus tax resident company are exempt (subject to certain anti-avoidance provisions).

2. Dividends received by a Cyprus resident company from a non-Cyprus tax resident company are exempt from SDC unless:
   - The company paying the dividend engages (directly or indirectly) more than 50% in activities that lead to investment income, and
   - The foreign tax burden on the income of the company paying the dividend is substantially lower than the tax burden of the company that receives the dividend.

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

3. Passive interest income is taxable under SDC at the rate of 30%. However, interest received by the Social Insurance Fund or a Provident Fund or interest received by a tax resident individual from Cyprus Governments sources (government savings bonds, development bonds and corporate bonds) is subject at the reduced rate of 3% (instead of 30%).
   A Cypriot tax resident individual, whose annual income, including interest, does not exceed €12.000, has the right to a refund of the tax withheld on interest in excess of the amount corresponding to 3%.

4. Rental Income is also subject to personal income tax/ corporation tax.

5. An individual is domiciled in Cyprus for SDC purposes if he/she has a domicile of origin in Cyprus as per the Wills and Succession Law (with certain exceptions) or if he/she has been a tax resident in Cyprus for at least 17 out of the 20 tax years immediately prior to the tax year of assessment.

Deemed dividend distribution

A Cypriot tax resident company is obliged to pay 17% SDC on a deemed distribution of 70% of the accounting profits after tax and before set-off of losses brought forward from previous years. The deemed distribution takes place two years after the end of the year to which the profits relate to and the amounts subject to the deemed distribution are reduced by any actual dividends paid during the two years.

For example, profits of the tax year 2020 are subject to the deemed distribution rules as at 31 December 2022.

Deemed distribution does not apply in respect of profits that are directly or indirectly attributable to shareholders that are not tax resident of Cyprus or to individuals who are tax residents but are not considered to be domiciled in Cyprus.

Method and dates of payment of SDC

Dividends

SDC on dividends paid by a Cypriot tax resident company to individuals who are tax residents of Cyprus (who are also domiciled in Cyprus) is deducted at source by the dividend paying Cypriot tax resident company and must be paid to the Cypriot tax authorities by the end of the following month.

Dividends received by individuals who are tax resident of Cyprus (who are also domiciled in Cyprus) and from which SDC has not been deducted at source (for example, dividends received from a non-Cyprus tax resident company) are subject to SDC, which must be paid on a self-declaration basis by the individual on a six month basis.

Passive Interest

SDC on interest paid by a Cypriot tax resident company or individual to a tax resident company or to an individual (who is also domiciled in Cyprus), is deducted at source by the interest paying Cypriot tax resident company or individual. The SDC deducted must be paid to the Cypriot tax authorities by the end of the following month.

Interest received by tax resident companies or individuals (who are also domiciled in Cyprus) and from which SDC has not been deducted at source (for example, interest received from a non-tax resident company) is subject to SDC, which must be paid on a self-declaration basis on a six month basis.

Rental Income

75% of the rental income received is subject to SDC at the rate of 3%.

For Cypriot source rental income earned by a landlord who is either a tax resident company or individual (who is also domiciled in Cyprus) and where the tenant is a Cypriot company, partnership, the state, or a local authority, SDC is withheld at source and is payable at the end of the month following the month in which it was withheld.

In all other cases, the SDC on rental income received from Cyprus or abroad by Cypriot tax resident companies or individuals (who are also domiciled in Cyprus) must be paid on a self-declaration basis on a six month basis.

Capital Gains Tax

Capital gains tax in Cyprus is imposed (where disposal is not subject to income tax) on gain from the disposal of immovable property situated in Cyprus.

Disposal of shares listed on any recognized stock exchange are not subject to capital gains tax.

Definitions

Determination of profit

The tax is imposed on the net profit from the disposal of the immovable property. The net profit is calculated as the disposal proceeds, less the greater of the cost or market value on 1 January 1980 adjusted for inflation. Inflation is calculated using the official Retail Price Index.

Property means:

- Immovable property which is situated in Cyprus
- Shares of companies whose property also consists of immovable property situated in Cyprus
- Shares of companies which directly or indirectly participate in a company or companies which own immovable property situated in Cyprus and at least the 50% of the market value of these shares comes from the market value of the immovable property situated in Cyprus

Immovable property includes:

- Land
- Buildings and other erections, structures or fixtures affixed to the land or to any buildings
- Other erections or structures
- An undivided share in any property set out above
- Oilfields and pipelines

Chargeable disposals include:

- A transfer of ownership of the property at the District Lands Office by sale, gift or exchange
- A transfer of a registered lease over 15 years
- An agreement for the sale on the basis of an agreement for sale
- An abandonment of the use or enjoyment of any relevant right

Capital gains tax rate

Capital gains tax is imposed at the tax rate of 20%. No other capital gains are taxable in Cyprus. The tax is payable within one month from the date of disposal of the property.

Exemptions

The following disposals of immovable property are not Subject to Capital Gains Tax (CGT):

Gifts

- A gift made from parent to child or between spouses or relatives within the third degree of kindred.
- A gift of property made by a limited company, where all the shareholders are members of the same family, to any of its shareholders when the property which is gifted was acquired by the company also as a gift. The property must remain in the hands of the donee for a period of at least three years.
- A gift of property made to the Republic or a gift of property made for educational, instructive or other charitable purposes to a local authority or to any charitable institution in Cyprus approved as such by the Council of Ministers.

Transfers

- A transfer arising by reason of death/inheritance. In case of a future disposal of the property, the cost to be taken into consideration is deemed to be the cost of acquisition of the property by the deceased/donor or its value on 1 January 1980, whichever date is subsequent.
- A transfer of immovable property between estranged spouses after the issue of a divorce court order which constitutes a settlement of property between them under the relevant laws. The donee/transferee may elect, in case the property was acquired by the deceased / donor before 14 July 1974 that the value of the property be deemed to be the value as at 14 July 1974. Thus, effectively, the payment of capital gains tax is deferred until the property is actually sold by the new owner.

Exchanges of shares and reorganizations

- An exchange or sale of property under the Agricultural Land (Consolidation) Laws.
- An exchange of property where the market values of the exchanged properties are the same.
- A transfer of property in the course of an approved company reorganization. In case of a future disposal of the property, the cost be taken into consideration is deemed to be the cost of acquisition of the property by the transferor or its value on 1 January 1980, whichever date is subsequent.
- A transfer of shares, under a company reorganization, representing the capital of the receiving or acquiring company to or by a shareholder of the transferring or acquired company in exchange for shares representing the capital of the latter company. In case of a future disposal of the property, the cost to be taken into consideration is deemed to be the cost of acquisition of the property by the transferor or its value on 1 January 1980, whichever date is subsequent.

Property acquired between 16 July 2015 and 31 December 2016

- Any immovable property (land or building) acquired during the period 16 July 2015 up to 31 December 2016 will be exempt from capital gains tax whenever its disposal takes place, provided that:

  > The property consists of land, buildings, or land and buildings; and
  > It is acquired from an independent third party; and
  > It is not acquired through an exchange of property or through donation/gift.

Lifetime exemptions

The following can be deducted by individuals from the capital:	€
Sale of own residence (subject to certain conditions)	85.430
Sale of agriculture land by a farmer	25.629
Other sales	17.086

The combination of the above exemptions cannot exceed €85.430 per individual.

Value Added Tax ("VAT")

VAT is a tax on consumer expenditure, which has been adopted by all the EU member states, as well as a number of countries outside EU.

VAT is based on a number of EU Directives which, subject to certain exceptions, have been incorporated into the Cypriot VAT legislation.

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

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

Where VAT is charged

VAT is charged on:

- The supply of goods and services made in Cyprus for a consideration, by a taxable person in the course or furtherance of business
- The import of goods to Cyprus, irrespective of whether they are imported for business purposes or not, and whether the importer is a taxable person or not
- The intra-community acquisition of goods into Cyprus (usually by a taxable person)
- On certain services received from abroad by a taxable person

There are special rules for trade with businesses located in other EU member states.

VAT rates

The legislation provides for the following tax rates:

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

Taxable person

Under the provisions of the VAT legislation, a taxable person is a person who:

- carries on a business, and
- is either registered or is required to be registered for VAT purposes

A taxable person could be a company, a partnership, a sole trader, a joint venture, a club, a charity etc.

Taxable supplies

Supplies for VAT purposes can be:

Taxable supplies: A taxable supply is any supply of goods or services made within Cyprus, other than an exempt supply or a supply outside the scope of Cypriot VAT. Taxable supplies may be taxed at the reduced rate of 5% or 9% or at the standard rate of 19%.

Zero-rated supply: This is a taxable supply but at zero rate (0%). Zero-rated supplies are exports and a number of other products and services.

Exempt supplies: These are supplies which are specifically exempted from VAT.

Examples include the following exempt supplies:

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

Persons who make only exempt supplies with EU parties cannot register for VAT purposes, however they should register if they receive services from abroad, which are subject to the reverse charge rules in Cyprus.

Transactions which are outside the scope of VAT:
Certain transactions are not considered supplies of goods nor supplies of services and are therefore outside the scope of VAT.

Difference between zero rate and exempt supplies

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

Input VAT

Input VAT is the VAT paid by a taxable person on goods and services supplied to him or imported by him.

Input VAT is recoverable provided the following conditions are met:

- The claimant must be a taxable person when the VAT was incurred
- The supply must have been made to the claimant
- The supply must be supported by the required evidence
- The claimant must use the goods or services for the purpose of carrying out his business

Input VAT is normally deductible to the extent it is incurred in making:

- Taxable supplies (including standard, reduced and zero rated supplies) within Cyprus
- Supplies in the course of business which take place outside Cyprus, but would have been taxable in Cyprus, if they had been made in Cyprus

Irrecoverable input VAT

As an exemption to the general rule, input VAT cannot be recovered in the following circumstances:

- Acquisitions used for making exempt supplies
- Purchase, import or hire of saloon cars
- Entertainment expenses for customers (those relating to employees and directors are allowed)

VAT Registration

Registration for VAT purposes can be either Compulsory Registration or Voluntary Registration.

A person is obliged to register if:

- At the end of any month the value of taxable supplies for the last 12 months exceeds €15.600.
- At any time, when there are reasonable grounds to believe that the value of taxable supplies in the next 30 days from that point in time will exceed €15.600.
- At any time, it makes supplies of services to a taxable person in another EU member state which are taxable where that person is established.

A person may decide to register even though his taxable turnover falls below the registration limit, so he can recover the input tax he pays on purchases. However, that person must take into account the cost of compliance of being a VAT registered person.

VAT registration in Cyprus for persons not established in the Republic

The VAT law specifies new provisions relating to the VAT registration, irrespective of any threshold, for persons not established in the Republic, and who are providing taxable supplies, for which the place of supply is the Republic, to non-taxable persons in the Republic.

A non-established person is a person that does not have a business establishment or any other fixed establishment in the Republic of Cyprus related to the business being carries out.

VAT on immovable property

Imposition of the standard VAT rate of 19%

- The supply of new buildings (including the land in which they are erected) before their first use is subject to VAT at the standard VAT rate of 19%. Buildings include both commercial or industrial buildings and dwellings.
- As from 13 November 2017, the leasing of immovable property, except for residential dwellings, to taxable persons for taxable business activities is subject to 19% unless a permanent non-imposition of VAT option is exercised by the lessor.
- As from 2 January 2018, the transfer of the ownership of undeveloped land, which is intended for the construction of one or more fixed structures and is carried out in furtherance of the business, is subject to VAT at the standard VAT rate of 19%. No VAT will be imposed on the purchase or sale of land located in a livestock zone or areas which are not intended for development such as zones/areas of environmental protection, archaeological and agricultural.
- As from 2 January 2018, the lease or rental of immovable property to a taxable person for furtherance of the business, unless the building is used as a dwelling. The lessor may opt for the exemption from VAT of the lease or rental of immovable property. The option is irrevocable.
- As from 1 January 2019, for equal treatment purposes, a long-term lease of immovable property which effectively transfers the right to dispose the property as owner to the lessee may constitute a supply of goods subject to 19% VAT (certain conditions apply).
- As from 11 November 2022, by the Council of Ministers Order, the buildings' definition subject to VAT was amended. New building sale is subject to VAT provided that the disposal is made within a period of 5 years from the date of complete erection and the building is not used systematically by a non-related party for a period of 2 years. Further developments on the Order are expected post release of this publication hence affected taxpayers shall seek advance consultation.

Imposition of the reduced VAT rate of 5% for the acquisition and/ or construction of a dwelling for use as the primary and permanent place of residence

The reduced VAT rate of 5% applies to contracts concluded after 1 October 2011 relating to the acquisition and/or construction of dwellings by qualified persons for use as their primary and permanent residence for the next 10 years.

As from 8 June 2012, eligible persons include residents of non-EU Member States, provided that the residence will be used as their primary and permanent place of residence in the Republic.
Certain conditions must be met for the submission of the relevant application to the Tax Commissioner.

Imposition of the reduced VAT rate of 5% on the renovation and repair of private dwellings

The renovation and repair of old private residences (for which a period of at least three years has elapsed from the date of their first use) is subject to VAT at the reduced VAT of 5%, excluding the value of materials which constitute more than 50% of the value of the services.
In addition, the renovation and repair of old private dwellings (for which a period of at least three years has elapsed from the date of their first use) and which are used as the place of residence of vulnerable groups, or residences that are used as the place of residence and which are located in remote areas are subject to VAT at the reduced VAT rate of 5%.

Reverse charge

Reverse charge on civil engineering and related services

The VAT law provides that a business person who provides services or services with goods relating to civil engineering, construction, conversion, demolition or maintenance of a building, in furtherance of his business, does not charge VAT. In such a case, the recipient of the above services is required to account for VAT on the value of the transaction by applying the reverse charge method.

The amendment VAT law applies where any person provides such services (and, if applicable, goods). Previously, the article applied only if the supplier was a taxable person.

Reverse charge on certain types of electronic devices

As from 1 October 2020, where the purchaser of certain types of electronic devices is a taxable person, and provided the devices will be used for business purposes, the purchaser must self-account for VAT under the reverse charge provisions. These electronic devices include:

i. Mobile phones;
ii. Integrated circus devices (such as microprocessors) and central processing units;
iii. Gaming consoles, computer tablets and laptops.

Reverse charge on loan restructuring arrangements

As from 2 January 2018, the VAT reverse charge mechanism will apply when a property is transferred from the borrower in the course of a loan restructuring process as well as under a compulsory transfer procedure to the lender.

VAT declaration-payment / refund of VAT

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.

VAT registered persons have the right to request for a different filing period, which needs to be approved by the Tax Commissioner. The Tax 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 refund applications cannot be submitted after six years from the end of the relevant tax period. Exceptions will be allowed only if approved by the Tax Commissioner.

EU VAT e-commerce package

From 1 July 2021, a number of amendments to Directive 2006/112/EC (the VAT Directive) will start to apply affecting the VAT rules applicable to cross-border business-to-consumer (B2C) e-commerce activities known as E-Commerce Package.

The new EU VAT rules for e-commerce cover the following:

- Current distance selling thresholds will be abolished and a new EU Wide threshold for small EU businesses will be introduced. There will be a single turnover threshold for all distance sales to another EU country. If you sell for no more than €10.000 to all other EU countries together, you may continue to charge and pay the VAT in the country of dispatch. If you exceed this threshold, you will now have to pay VAT in the destination countries.
- Mini One Stop Shop to be extended to One-Stop-Shop. To prevent companies from having to register for VAT and pay VAT over distance sales in all EU-countries, the One-Stop-Shop scheme will be extended. This scheme (Mini-One-Stop-Shop), already exists for Telecommunication, Broadcasting and Electronically Supplied Services (TBE Services). The scheme is extended to include distance sales and most B2C services. One-Stop-Shop is not mandatory, but offers many benefits.
- OSS for distance sales of goods. You can register for One-Stop-Shop the tax authorities of your companies' country of establishment (in case of EU businesses) or in an EU MS of departure of goods (for non-EU businesses).
- OSS applicable to all B2C services. In addition to the distance sales, the One-Stop-Shop will be extended to include more services as of 1 July 2021.
- Introduction of Import One Stop Shop (IOSS). From 1 July 2021, all commercial goods imported into the EU from a third

country or third territory will be subject to VAT irrespective of their value. The customs duty relief for goods with an intrinsic value not exceeding €150 imported into the EU remains in place.

Introduction of special arrangements for declaration and payment of import VAT as an alternative simplification for the collection of import VAT in cases where neither the import scheme (IOSS) nor the standard VAT collection

- mechanism on importation are being used.
- Deemed Supplier provision. A supplier is responsible to collect VAT, even if there is indirect involvement in the transfer of goods.

Registration thresholds and penalties

Thresholds and penalties	Amount
	€
Registration threshold (taxable supplies in Cyprus)	15.600
Registration threshold for distance sales (sale of goods to persons not subject to VAT registration in Cyprus, by suppliers resident in another EU Member State)	35.000
Registration threshold for acquisition of goods in Cyprus, by suppliers resident in another EU Member State	10.252
Registration threshold for intra-community supply of services	No threshold
Registration threshold for receipt of services from abroad for which the recipient must account for VAT under the reverse charge provisions	15.600
Penalty for late submission of VAT return	100 for each return
Penalty for omission to keep books and records for a period of 6 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 constitutes a criminal offence with a maximum penalty of	850
Penalty for late registration with the VAT authorities	85 per month of delay
As from 1 July 2021 a penalty per return will be imposed where the reverse charge provisions are not correctly applied in relation to the receipt of the services from abroad or the receipt of services and or goods by other Cypriot established traders	200 per return. The total penalty may not exceed 4000.
Late submission of Intrastat forms	15 per form
Omission or delay in submission of Intrastat forms for a period beyond 30 days constitutes a criminal offence with a maximum penalty of	€2.562

Contribution to the central agency for the equal distribution of burdens

A seller, who as a part of a sales transaction transfers immovable property located in the areas controlled by the Republic of Cyprus, is liable to a contribution equal to 0.4% of the sales proceeds.

A similar contribution is also due in the case of transferring shares in any company that directly or indirectly owns such immovable property, which is not listed in any recognized stock-exchange. The contribution, at the rate of 0.4%, is estimated by reference to the latest valuation of the immovable property carried out by the Department of Lands and Surveys.

Transactions entered into as part of loan restructuring or company reorganizations may be exempted from the above contribution.

Transfer Fees by the Department of Land and Surveys

Land registration fees are imposed by the Land and Surveys Department on the transfer and registration of immovable property, which is defined in the Immovable Property (Tenure, Registration and Valuation) Law as follows:

- Land
- Buildings and other erections, structures or fixtures affixed to the land or to any building or other erections or structures
- An undivided share in any property

In the majority of cases these fees are paid by the transferee.

Rates of fees

The fees charged by the Department of Land and Surveys of the acquirer for transfers of immovable property are calculated on the assessed value of the land and buildings on the date of transfer or the date of the sale contract if the property was sold at an earlier date as follows:

Market Value €	Rate %	Fee €	Cumulative Fee €
0 - 85.000	3	2.550	2.550
85.001 - 170.000	5	4.250	6.800
Over 170.000	8		

Land transfer fees are not payable on transfers of immovable property from one company to another company under an approved reorganization scheme.

Land transfer fees are not payable if VAT is applicable upon purchasing the immovable property.

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

Stamp Duty

Basic rules for instruments liable to duty

Every instrument (i.e. agreement / contract) is subject to Cypriot stamp duty if:

- it relates to any property situated in Cyprus, or
- it relates to any matter or thing which is performed or done in Cyprus.

The above obligation arises irrespective of whether the instrument is executed in Cyprus or abroad. It may be relevant to note that in case a document is executed outside of Cyprus and chargeable with duty, such document shall not be treated as executed or brought into force within Cyprus until it has been duly stamped with the proper duty.

When several instruments are executed for the completion of a simple transaction (whether executed at the same time or at different times) only the principal instrument shall be chargeable with the stamp duty and each of the other instruments shall be chargeable with a stamp duty of €2.

Instruments subject to stamp duty at a fixed fee

Nature of documents	€
> All documents embodying any agreement which do not stipulate a fixed amount	35
> Bill of Lading	4
> Transfer of shares without consideration	8
> Letters of credit	2
> Letters of guarantee	4
> Surrender of lease without consideration	4

Instruments which are subject to stamp duty based on the value of the instrument

Nature of documents
> Agreements or memorandum of agreement and all documents embodying any agreement with a fixed amount
> Lease agreements
> Bills of exchange payable other than on demand
> Bonds
> Promissory notes payable other than demand
> Surrender of lease with consideration
> Contract of employment

The stamp duty payable on the value of the above instruments is as follows:

For sums €1 - €5.000	Nil
For sums €5.001 - €170.000	€1,50 for every €1.000 or part of €1.000
For sums exceeding €170.000	€2 for every €1.000 or part of €1.000 plus €247,50

The maximum stamp duty payable is capped at €20.000.

Time of payment of stamp duty and penalties payable for late payment

The stamp duty is payable to the Inland Revenue Department at the time of execution. The stamp duty should be paid within 30 days from the execution date. If the stamp duty is paid within 6 months, penalties may be imposed.

Restructuring of Loans

Introduction

The Cypriot tax laws were amended to temporarily exempt loan restructurings from taxation, in order to facilitate and encourage the restructuring of non-performing loans ("NPLs").

The amendments affected the Income Tax Law, the Capital Gains Tax Law, the Special Defence Contribution Law, the Stamp Duty Law, the VAT Law, the Collection of Taxes Law and the Department of Lands and Surveys (Fees and Charges) Law.

The exemptions introduced in 2015 were intended to be valid for two (2) years from the date the various amending laws entered into force, however, the exemptions have been extended, until 31 December 2023.

Transactions covered by these provisions

The exemptions cover transactions relating to the direct or indirect sale and transfer of immovable property and rights upon immovable property pursuant to a contract deposited with the Land Registry Office between borrowers and lenders, with the objective of reduction or settlement of loans, advances or other credit facilities granted by financial institutions and other lenders, which were considered as non-performing loans at or before 31 December 2015.

These cover only transactions affecting the transfers of property between a borrower and a lender or between a borrower and a person who is not a related party.

The term "lender" is defined as 'a licensed credit institution' and its subsidiaries as per the provisions of the Business of Credit Institutions Law or as 'a credit acquiring institution' and its subsidiaries as per the provisions of the Sale of Credit Facilities and Related Matters Law.

The term "borrower" is defined as 'a person who contracted with the lender'. In addition, Borrower is also considered any person which is related with the primary borrower, in accordance with the provisions of Article 33 of the Income Tax Law provided that the disposal and transfer of immovable property is made for the benefit of the Lender.

Summary of the direct tax exemptions

The acquisition of an immovable property by a bank or its wholly owned Special Purpose Company ("SPV") in the context of a loan restructuring arrangement, will be subject to the following direct tax exemptions:

- No corporate income tax for the bank/wholly owned SPV of the bank or the debtor.
- No capital gains tax for the bank/wholly owned SPV of the bank or the debtor.
- No special defence contribution for the bank/wholly owned SPV of the bank or the debtor.
- No deemed dividend distribution liability for the bank/wholly owned SPV of the bank or the debtor.
- No stamp duty is imposed on the loan restructuring arrangement.
- No contribution to the Central Agency for the Equal Distribution of Burdens (0,4%).

Corporate income tax

As per the amended articles of the corporate income tax law, any benefit, surplus, profit or loss arising in the context of a restructuring transaction is exempt from corporation tax.

In the event of the property disposal or possession of a property by the lender for own use, which such property was acquired under restructuring, the acquisition cost for the lender is considered for income tax purposes to be agreed restructuring price and the disposal value is reduced by any amount returned to the borrower.

The legislation further provides that in the event where part of the disposal proceeds have been returned to the borrower, any tax exemption granted to the borrower may be liable to clawback. In this instance, the lender is responsible to withhold the appropriate amount of tax and make the relevant payment to the Tax Department on behalf of the borrower.

Capital gains tax

Similarly to corporate income tax law, the capital gains tax law provides that no tax liability arises on any gain arising from the disposal proceeds of any property which falls under the provisions of restructuring.

In the event of property disposal, or possession of a property by the lender for own use the same provisions, as stated above for corporation tax, apply.

Special defence contribution

As per the amended special defence contribution ("SDC") law, no SDC is paid for deemed distribution purposes on accounting profits arising in the context of a restructuring.

Similarly to the corporate income tax and capital gains tax laws, the SDC law has been amended to provide that in the case of a property disposal, or possession of a property for own use by the lender, which was acquired in the context of a restructuring, for purposes of taxation of the lender, the (tax) acquisition cost (for the lender) is considered the restructuring price and the disposal value is reduced by any amount returned to the borrower.

It is further provided that upon a restructuring, in the case where any part of the disposal value is refunded to the borrower, then this amount is included in the accounting profit of the borrower in the tax year in which the amount was refunded and is subject to deemed distribution.

Stamp duty

According to the amended stamp duty law, contracts, mortgages or other documents drafted within the restructuring framework, or any future repurchase of a mortgage collateral by the borrower which was alienated as a result of restructuring, irrespective of when this was executed, are exempted from stamp duty, up to the amount of the debts outstanding at the time of restructuring.

Land Registree fees

No fee or right is charged or levied in the case of sale, transfer and registration of immovable property in the name of the buyer, if the total proceeds of such sale per owner does not exceed the amount of € 350.000 within the meaning of bankruptcy pursuant of the Bankruptcy Law and/or liquidation procedures under the provisions of the Companies Law and/or sale procedures under the provisions of 'Transfer and Mortgage of Immovable Property Law.

No fee or right is charged or levied, in the case of transfer or registration of immovable property in the name of the lender within the meaning of restructuring.

Collection of taxes

According to the amended collection of taxes law, in case where a property is acquired by the lender in the context of restructuring, any memo/charge placed on this property is transferred with the property during the transfer from the borrower to the lender.

In addition, it is provided that the Tax Commissioner may require for such memo to be transferred onto another property belonging to the borrower, the value of which amounts to double the tax due from the borrower, including interest and charges.

It is further provided that at the discretion of the Commissioner, the latter may enter into an agreement with the borrower to settle its outstanding debts/liabilities, including interest and charges, in order to allow the discharge of the property from any memos/ charges.

It should be noted that, with regard to the borrower which is a company, the amendments of the law shall apply only if the following cumulative conditions are met:

- The company is or is likely to be unable to repay its debts;
- No resolution regarding the liquidation of the company has been approved or published in the Gazette;
- No order has been issued for the winding up of the company.

A company is considered unable to repay its debts if:

- Its debts have become payable and the company fails to repay;
- The value of its assets is less than the amount of its liabilities, taking into account any future liabilities.

Value added tax

Other than the ability to transfer any memo/charge placed on an immovable property by the Tax Commissioner, concerning value added tax ("VAT") related liabilities, as analysed under "Collection of taxes law" above, the new tax loan reorganisation laws do not affect the provisions of the VAT legislation.

Therefore, loan reorganisation transactions carried out must be treated on the basis of the general provisions of the VAT legislation.

Persons engaged in loan restructuring transactions and in general persons affected by such loan restructuring transactions should examine the VAT treatment of relevant transactions in order to ensure both compliance with the provisions of the legislation and VAT efficiency.

Debt to asset swaps transactions should be considered as sale of the property. The consideration for the sale should be the Restructuring price.

The sale of immovable property is subject to VAT in Cyprus at the standard Cypriot VAT rate (19%) only in cases where all the below conditions are met:

- The property is situated in Cyprus
- The property is a building
- The building is new
- The seller of the building is considered as a Taxable person

Non-developed building land is also subject to standard Cyprus VAT rate and includes all non-developed land plots that are intended for the construction of one or more structures. This definition includes land plots of all types as listed below (non-exhaustive list):

- Land plots under development
- Finished land plots
- Land plots with a final approval certificate
- Land plots with land title

Mandatory Disclosure Rules (DAC6)

The Cyprus DAC6 law is broadly aligned with the EU Directive on Administrative Cooperation (''DAC6''). The main purpose of this directive is to strengthen tax transparency and the prevention of ''aggressive cross-border tax planning''.

Application of the Law

The Law entered into effect as of 1 January 2021. However, it has a retrospective effect for reportable cross-border arrangements concluded on or after 25 June 2018, provided that one of the prerequisite triggering events is met.

Disclosure requirement

The Cyprus DAC6 Law requires from intermediaries (including EU based tax consultants, banks, asset managers, corporate administrative service providers, insurance companies and lawyers) and relevant taxpayers to submit information to the CTA, in respect of cross border arrangements that meet at least one of the ''hallmarks'', as outlined in the Law.

Hallmarks

Represent the reporting triggers that indicate when information concerning a cross border arrangement must be submitted to the CTA.

Reportable cross border arrangements (RCBA):

An arrangement that concerns more than one EU Member State or an EU Member state and a third country.

Under the Cypriot MDR Law, an arrangement is reportable if it is cross-border and meets at least one of the hallmarks A-E and the main benefit test (MBT), where applicable.

The term 'arrangement' includes all types of arrangements, transactions, payments, schemes and structures, whether legally enforceable, and includes oral agreements.

The MBT will be satisfied if it can be established that the main or one of the main benefits which, having regard to all relevant facts and circumstances, a person may reasonably expect to derive from an arrangement is the obtaining of a tax advantage.

Reporting deadlines

Administrative fines will not be imposed for DAC6 information that will be submitted until 31 January 2022 in the following cases:

- RCBAs the first step of which was implemented between 25 June 2018 and 30 June 2020 (''the transitional period'') and had to be submitted by 28 February 2021;
- RCBAs held between 1 July 2020 and 31 December 2021, that had to be submitted within 30 days from the date they were made available for implementation or were ready for implementation or the first step in the implementation was made, whichever occurred first;
- RCBAs for which secondary intermediaries provided aid, assistance or advice, between 1 July 2020 and 31 December 2021 and had to submit information within 30 days beginning on the day after they provided aid, assistance or advice.
- The first periodic report on marketable arrangements

As of 1 January 2022, reportable cross-border arrangements (RCBA) should be filed within 30 days from the day after the RCBA is made available for implementation or the day after the RCBA is ready for implementation or when the first step in the implementation of the RCBA has been made, whichever occurs first.

Filling process

Intermediaries and taxpayers can register in the Government Gateway portal, currently available at www.gov.cy, and upon validation, information on RCBA can be submitted.

Penalties

Penalties on non-compliance vary depending on the type of infringement, with a maximum of €20.000 per arrangement.

Type of Infringement	Penalty
Failure to submit information for a RCBA	€10.000-€20.000
Delay in reporting a RCBA	Up to 90 calendar days: €1.000-5.000
	More than 90 calendar days: €5.000-20.000
Filing inaccurate or incomplete or misleading report of an RCBA	€1.000-10.000
Failure to notify other intermediaries or the relevant taxpayer by the intermediary regarding the exemption due to LPP*	€10.000-20.000
Delay in the notification of the intermediaries or the relevant taxpayer by the intermediary regarding the exemption due to LPP*	More than 10 and up to 90 calendar days: €1.000-5.000
	More than 90 calendar days: €5.000-20.000
Failure to provide the Cyprus Tax Department (CTD) with information or documents for an arrangement within 14 days from the date the CTD's written notice	€1.000-10.000
Failure to pay the administrative fines imposed/ Continuance of the relevant breach	Increase of imposed fine up to €20.000

*Legal Professional Privilege

Country by Country Reporting

Introduction

As per the Cypriot Country-by-Country ("CbC") reporting requirements, a CbC report must be prepared and submitted to the Tax Department by Multinational" ('MNE") Groups, if the annual consolidated group revenue exceeds €750 million during the fiscal year immediately preceding the reporting fiscal year as reflected in its Consolidated Financial Statements for such preceding fiscal year.

The CbC report must be submitted either by:

- The Ultimate Parent Entity ("UPE") of an MNE Group which is tax resident in Cyprus; or
- The Surrogate Parent Entity ("SPE") of an MNE Group which is tax resident in Cyprus and

has been appointed by the MNE Group as the reporting entity for CbC reporting purposes.

The deadline to file the CbC report with the Tax Department is 12 months from the end of the relevant accounting period (e.g. for groups with year-end 31 December 2022, the reporting deadline is by 31 December 2023).

Notification requirement

An annual notification should be filed to the Tax Department by the last day of the fiscal year to which the CbC report relates to by the following entities:

i. Cypriot tax resident UPEs confirming that they are the CbC reporting entity of the Group;
ii. Cypriot tax resident SPEs confirming that they are the CbC reporting entity for the Group and also provide the identity and tax residence of the Group's UPE;
iii. Cypriot tax resident Constituent Entities confirming the identity and jurisdiction of tax residence of the reporting entity of the Group.

The filing of a Notification for CbC reporting purposes is due by the last day of the reporting Fiscal Year of the Group and is done electronically via the Government's Gateway Portal. The registration with the Government's Gateway Portal is a one-off process and it is done for each entity separately (i.e. the entities cannot submit collectively a single notification).

Secondary/local filing

Constituent entities that are tax resident in Cyprus and are neither the UPE nor the SPE of an MNE Group should consider their secondary/local filing obligations in Cyprus for years starting on or after 1 January 2017.

Equivalent filing

For years starting on or after 1 January 2017, in cases where a UPE did not provide for whatever reason all the required information to the Constituent entity of an MNE Group for the submission of the CbC report, the Constituent entity is required to submit an Equivalent CbC report and notify the Cypriot authorities that the UPE failed to provide all the necessary available information.

Penalties

Non-compliance with CbC reporting requirements may result into any of the following:

- A fine of up to €10.000 in cases where the reporting entity of a MNE Group which has its residence in Cyprus, fails or refuses to submit the CbC report in accordance with the provisions of the CbC reporting legislation.
- A fine of up to €5.000 in cases where the Constituent Entity of a MNE Group which has its residence in Cyprus, omits to file a notification or violates the provisions of the CbC reporting legislation.
- A fine of up to €1.500 in cases where the reporting entity fails to maintain the necessary books, documents and records in accordance with the provisions of the CbC reporting legislation.
- A fine of up to €500 to any person for failing to provide information or access to records to the Tax Department as per the CbC reporting legislation.
- A fine up to €20.000 to any person for continuous infractions or failure to pay any fines imposed in a timely manner.

Withholding Taxes on Payments to Non-Residents

Dividends & Interest

Based on the Special Contribution to the Defence Fund Law (SDC) no withholding is imposed on dividend and interest payments made to non-resident persons. However, as of 31 December 2022, Cyprus introduced withholding of SDC on dividend (at the rate of 17%) and interest (at the rate 30%) payments made to companies which are resident in a jurisdiction listed by the EU as non-cooperative for tax matters or registered in such jurisdiction and not resident in another jurisdiction that is not included in the EU list (subject to conditions).

Royalties

Royalties paid to a non-resident for the use of rights in Cyprus are subject to a withholding tax of 5% on film royalties and 10% on all other royalties. These rates may be reduced under a tax treaty or the EU interest and royalties directive.

Royalties paid to a non-resident for the use of rights outside Cyprus are exempt from withholding tax.

As of 31 December 2022, withholding tax on royalty payments will apply irrespective of whether the intellectual property rights are economically utilised in Cyprus if such payments are made to a company which is resident in a jurisdiction included in the EU list of non- cooperative jurisdictions or is registered in such jurisdiction and is not resident in another jurisdiction that is not included in the EU list of non-cooperative jurisdictions.

There is no withholding tax on the payment of royalties by one resident company to another resident company.

Income of professionals, artists and other public entertainers

Non-tax resident individuals are subject to tax at the rate of 10%, irrespective of whether they have a permanent establishment in Cyprus, on the below:
(a) the gross income derived from the exercise of any profession or vocation in Cyprus;
(b) the remuneration of public entertainers not resident in Cyprus; 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 Cyprus, the members of the group being not resident in Cyprus.

Taxation of income from exploration within the Republic of Cyprus

The gross income earned from sources within Cyprus by any person (company or individual) who is not tax resident in Cyprus and who does not have a permanent establishment in Cyprus, as consideration for services carried out in Cyprus regarding the extraction, the exploration or exploitation of the seabed, subsoil or natural resources and the establishment and operation of pipelines and other installations on the ground, the seabed or the surface of the sea, is liable to tax at the flat rate of 5%.

WHT on dividend, interest and royalties tables

Table A below illustrates the applicable Cyprus WHT rates on out- bound royalty payments.

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

Table A - WHT on outbound payments from Cyprus

Paid from Cyprus	
Paid to	**Royalties Rights used within Cyprus %**
Non-treaty countries	0/5/10
Andorra	Nil
Armenia	5
Austria	Nil
Azerbaijan	Nil
Bahrain	Nil
Barbados	Nil
Belarus	5
Belgium	Nil
Bosnia	10
Bulgaria	10
Canada	0/10
China	10
Czech Republic	10
Denmark	Nil
Egypt	10
Ethiopia	5
Estonia	Nil
Finland	Nil
France	0/5
Georgia	Nil
Germany	Nil
Greece	0/5
Guernsey	Nil
Hungary	Nil
Iceland	5
India	10
Iran	6
Ireland	0/5
Italy	Nil
Jersey	Nil
Jordan	7

Table A - WHT on outbound payments from Cyprus (continued)

Paid from Cyprus	
Paid to	**Royalties Rights used within Cyprus %**
Kuwait	5
Kazakhstan	10
Kyrgyzstan	0
Latvia	0/5
Lebanon	Nil
Lithuania	5
Luxembourg	Nil
Malta	10
Mauritius	0
Moldova	5
Montenegro	10
Norway	0
Poland	5
Portugal	10
Qatar	5
Romania	0/5
Russia	Nil
Saudi Arabia	5/8
San Marino	Nil
Serbia	10
Seychelles	5
Singapore	10
Slovakia	0/5
Slovenia	5
South Africa	Nil
Spain	Nil
Sweden	Nil
Switzerland	Nil
Syria	5/10
Thailand	5/10/15
Ukraine	5/10
United Arab Emirates	Nil
United Kingdom	Nil
United States of America	Nil
Uzbekistan	0

Table B - Maximum WHT on inbound payments to Cyprus

	Paid to Cyprus		
Paid from	**Dividends %**	**Interest %**	**Royalties %**
Andorra	Nil	Nil	Nil
Armenia	0/5	5	5
Austria	10	Nil	Nil
Bahrain	Nil	Nil	Nil
Barbados	Nil	Nil	Nil
Belarus	5/10/15	5	5
Belgium	10/15	0/10	Nil
Bosnia	10	10	10
Bulgaria	5/10	0/7	10
Canada	15	0/15	0/10
China	10	10	10
Czech Republic	0/5	Nil	10
Denmark	0/15	Nil	Nil
Egypt	5/10	10	10
Ethiopia	5	0/5	5
Estonia	Nil	Nil	Nil
Finland	5/15	Nil	Nil
France	10/15	0/10	0/5
Georgia	Nil	Nil	Nil
Germany	5/15	Nil	Nil
Greece	25	10	0/5
Guernsey	Nil	Nil	Nil
Hungary	5/15	0/10	Nil
Iceland	5/10	Nil	5
India	10	0/10	10
Iran	5/10	0/5	6
Ireland	Nil	Nil	0/5
Italy	15	10	Nil
Jersey	Nil	Nil	Nil

Table B - Maximum WHT on inbound payments to Cyprus (continued)

Paid to Cyprus			
Paid from	**Dividends %**	**Interest %**	**Royalties %**
Kazakhstan	5/15	0/10	10
Kuwait	Nil	Nil	5
Latvia	0/10	0/10	0/5
Lebanon	5	0/5	Nil
Lithuania	0/5	Nil	5
Luxembourg	0/5	Nil	Nil
Malta	Nil	10	10
Mauritius	Nil	Nil	Nil
Moldova	5/10	5	5
Montenegro	Nil	Nil	5
Norway	0/15	0	0
Poland	0/5	0/5	5
Portugal	10	10	10
Qatar	Nil	Nil	5
Romania	10	0/10	0/5
Russia	5/15	0/5/15	Nil
Saudi Arabia	5	Nil	5/8
San Marino	Nil	Nil	Nil
Serbia	10	10	10
Seychelles	Nil	Nil	5
Singapore	Nil	0/7/10	10
Slovakia	10	0/10	0/5
Slovenia	5	0/5	5
South Africa	5/10	Nil	Nil
Spain	0/5	Nil	Nil
Sweden	5/15	0/10	Nil
Switzerland	0/15	Nil	Nil
Syria	0/15	0/10	10/15
Thailand	10	0/10/15	5/10/15
Ukraine	5/10	0/5	5/10
United Arab Emirates	Nil	Nil	Nil
United Kingdom	0/15	Nil	Nil
United States of America	5/15	0/10	Nil

No tax is withheld for payment of dividends and interest to non-residents of Cyprus. No tax is withheld when the royalty is paid for the use outside Cyprus.

Social Insurance

Contributions	Self-employed	Employee	Employer
Social Insurance	15,6%	8,3%	8,3%
Social Cohesion Fund	-		2,0%
Redundancy Fund	-		1,2%
Human Resources Development Authority Fund	-		0,5%
Holiday Fund (unless obtained exemption)	-		8,0%

Upper limit of insurable emoluments for 2023

	Weekly	Monthly	Annually
Weekly employees	1.155		60.060
Monthly employees		5.005	60.060

Notes

- The amount of contributions to Social Cohesion Fund is calculated on the total emoluments with no upper limit.
- An employer who has in place an annual vacation leave system which provides for more days than the ones provided under the Central Holiday Fund, he may obtain permission from the Social Insurance Department to be exempted from contributing to the Central Holiday Fund.
- The employer pays to the Social Insurance Department, on a monthly basis, his share of the contributions together with he amounts deducted from the emoluments of his employees. Penalties apply in case of late payment (with a maximum penalty of 27%).
- As of 01/01/2024 the social Insurance contribution rates will increase to 8,8% for employees and employers and to 17,6% for self-employed.

The minimum amount of insurable earnings for the period on which self-employed persons pay social insurance contributions per category are:

	Weekly	Monthly
1. Medical Doctors, Pharmacists, Health Professionals -		
a. For a time period that does not exceed ten (10) years	423,43	22.018
b. For a time period that exceeds ten (10) years	856,49	44.537
2. Accountants, Economists, Lawyers and other Professionals -		
a. For a time period that does not exceed ten (10) years	423,43	22.018
b. For a time period that exceeds ten (10) years	856,49	44.537
3. Directors (Entrepreneurs), Estate Agents, Wholesalers	856,49	44.537
4. Teaching Professionals (University and Higher, Secondary, Primary and Pre-primary, Special Education, Teaching Assistants) -		
a. For a time period that does not exceed ten (10) years	413,81	21.518
b. For a time period that exceeds ten (10) years	827,62	43.036
5. Builders and other professions related to construction industry	519,67	27.023
6. Farmers, Dairy and Livestock Producers, Poultry Producers, Fishermen and related workers	288,71	15.013
7. Drivers, Excavator Operators and related workers	413,81	21.518
8. Technicians, Telecommunication Cooperators, Machine Operators not related to Construction Industry and Metal, Rubber, Plastic, Wood and similar product assemblers	413,81	21.518
9. Clerks, Typists, Cashiers, Secretaries	413,81	21.518
10. Workers not classified in any other occupational category	413,81	21.518
11. Shop owners/supervisors (Including kiosks, hairdressers, barbers, beauticians)	394,56	20.517
12. Butchers, Bakers, Pastry-cooks, Meat, Dairy, Fruit and tobacco products makers/preservers and related professionals	317,58	16.514
13. Street Vendors, Mail Carriers, Garbage Collectors, Mining / Stone labourers, Ships' Crews, Underwater Construction Specialists, Riggers and Cable Splicers and Sweepers, Services' Supervisors and Salespersons	288,71	15.013
14. Cleaners, Messengers, Porters, Cleaning Shop Owners	394,56	20.517
15. Draughts persons, Computer Equipment Operators, Ships' Engineers, Agents and related professionals, Musicians, Magicians	423,43	22.018
16. Persons not classified in any other occupational category	423,43	22.018

General Healthcare System ("GESY")

Introduction

The General Healthcare System ("GESY") Law is introduced in 2019 and transforms the existing public health care system. Patients will have the freedom to choose their health care provider, from the private as well as the public health care sector, from those providers registered with the Health Insurance Organization ("HIO").

The GESY is a universal health care system, financed through individual, employer and government contributions. According to the GESY employer and employee contributions for the implementation of the system commence in March 2019.

Method of deduction

GESY contributions will be deducted from the entire earnings of the employee (as defined in the Social Insurance Law) up to €180.000 per annum. The insurable earnings limit of Social Insurance Fund contributions does not apply in this case.

The employer is responsible for paying both their own and their employees' contributions through Social Insurance Services (by means of deduction from their salary).

Summary table of contributions

Category	Applicable on	As from1 March 2020
(a) Employees	Own emoluments	2,65%
(b) Employers	Employees' emoluments	2,90%
(c) Self-employed	Own income	4,00%
(d) Pensioners	Pension	2,65%
(e) Persons holding office (Note 1)	Officers' Remuneration	2,65%
(f) Republic of Cyprus or Physical/Legal person responsible for the remuneration of persons holding an office	Officers' Remuneration	2,90%
(g) Persons earning rental, interest, dividend and other income	Rental, Interest, Dividend Income etc	2,65%
(h) Republic's Consolidated Fund	Emoluments/ Pensions of persons (a), (c), (d) and (g)	4,70%

Note 1: Relates to holders of public or local authority office or other office, the income out of which does not come within the scope of (a) employees, (c) self-employed, (d) pensioners, (g) persons earning rental, interest, dividend and other income

Tax Calendar

Date	Obligation	Form
January 31	Submission of deemed dividend distribution form	TD623
February 28	Submission of tonnage tax declaration and payment of tonnage tax for the previous year by qualifying charterers and managers as well as qualifying owners of foreign flagged vessels	MS TT 2 A/B/C
March 31	Submission of Company Income Tax Return (electronic submission)	TD4
	Submission of Tax Return, accounts and additional information by individuals who submit audited accounts (electronic submission)	TD1
	Submission of tonnage tax declaration upon entry to the Tonnage Tax System and payment tonnage tax for the current year by qualifying owners of Cyprus flagged vessels	MS TT 2 B/C
April 30	Payment of the first instalment of the premium tax for insurance companies (life business) for 2023	TD199
May 31	Submission of Employer's Return (electronic submission)	TD7
June 30	Payment of Contribution to the Defence Fund on Rental, Dividend and Interest income received during the first half of the current year for which no withholding has been made at source	-
	Payment of €350 Annual Fee to the Registrar of Companies	-
July 31	Submission of Temporary Tax Assessment for the current year	TD6
	Submission of Income Tax Return by individuals who do not submit audited accounts but are obligated to issue invoices, receipts, etc. (electronic submission)	TD1
	Payment of tax balance for the previous year by individuals who do not submit audited accounts but are obligated to issue invoices, receipts, etc.	-
	Payment of first instalment of tax based on the Temporary Tax Assessment	-
August 1	Payment of the tax balance for the previous year	TD158
August 31	Payment of second instalment of the premium tax for insurance companies (life business) for 2023	TD199
December 31	Submission of revised Temporary Tax Assessment for the current year, if considered necessary	TD6
	Payment of the second instalment of tax based on the Temporary Tax Assessment	-
	Payment of Special Contribution to the Defence Fund on rental income received during the second half of the current year	TD601
	Payment of the last instalment of the premium tax for insurance companies (life business) for 2023	TD199
By the end of the next month	Payment of tax deducted from employees' emoluments	TD61
	Submission of the forms for the Contribution to the Defence Fund & contribution to GHS withheld from	TD602 TD603
	Payment of Contribution to the Defence Fund and contribution to National Health System withheld from dividends, interest and rents	-
	Payment of Social Insurance and contributions to National Health Scheme deducted from employee emoluments	Y.K.A. 2-002

Date	Obligation	Form
Within 30 days	As of 1 January 2022, DAC6 disclosure of reportable cross-border arrangements to the Cypriot Tax Department shall be made within a 30 calendar days timescale from the occurrence of specific trigger events	Xml format, Government Gateway portal
	Payment of Capital Gains Tax	-
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
Within 60 days of such a change	Notification of changes of company details (i.e. registered office, activities, auditors, etc.)	TD2003
At the end of the financial period	Stocktaking must be conducted annually by businesses which have inventory	-
Within the timeframe specified by the tax authorities	Submission of information requested in writing by the tax authorities	-
By the end of the financial year	Filing of the CbC notification	
12 months from the end of the financial year	Deadline to file the CbC report with the Tax Department if the annual consolidated group revenue exceeds €750 million	-
At the end of every quarter	Special tax on bank deposits, applicable only for financial institutions, is imposed on deposits as at the end of the previous calendar quarter at the rate of 0.0375%	
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
		INTRASTAT 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

Penalties

Penalties for late payment or non-payment of taxes

Interest for late payment of tax

Interest is imposed where the tax due is not paid by the prescribed dates, either when the payment is made under a self-assessment or when the payment is made on the basis of an assessment raised by the Tax Commissioner. If an assessment is made by the Tax Commissioner after the lapse of 3 years from the due date of filing of the tax return, no interest is imposed, provided that the tax as per the tax return was paid on the due date and the tax return was filed on the due date.

The interest is calculated for complete months and it is based on the official rate announced by the Ministry of Finance from time to time, currently 2,25%.

Administrative penalties

Administrative penalties apply in the following cases:

- €100, in case a person refuses, fails or neglects to notify or submit a tax return or to supply information or perform any duty within the deadline prescribed by the law.
- €200, in case a person refuses, fails or neglects to notify or submit a tax return or to supply information or to perform a duty (for which the law prescribe a deadline for the submission) within the deadline set by the Commissioner by notice (minimum 60 days).
- €100, in case a person refuses, fails or neglects to notify or submit a tax return or to supply information or to perform a duty (for which the law does not prescribe a deadline for the submission) within the deadline set by the Commissioner by notice (minimum 60 days) and the information required to be furnished relates to a third person.
- 5% on the tax due, in case a person fails to pay the tax due by the due date or within the period prescribed by a notice issued by the Tax Commissioner.
- An additional monetary charge of 5% on the tax due, in case a person omits to pay the tax due for more than 2 months from the payment deadline.
- Up to €20.000 administrative fine, in case an individual violates the provisions of the Assessment and Collections of Taxes Law or the relevant regulations or the notifications or the decrees issued by the Tax Commissioner, depending on the level of violation. Before the Tax Commissioner proceeds to the imposition of an administrative fine, the affected individual will be notified and will have the right to submit an objection within five (5) working days from the date of notification.

Criminal liability for non-payment of taxes

. Any person who is fraudulently dealing or omitting to pay taxes.
. Any person who delays payment of taxes withheld by him, i.e. from salaries (such as PAYE and special contribution), payments to non-residents (such as films and royalties), as well as defence tax withheld from dividends, interest and rental income is guilty of an offence and is liable to fine plus imprisonment in the case of individuals. In the case of a company the directors, executive managers and accountants.

OUR OFFICE IN CYPRUS

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Stelios Prodromitis	Joint Chief Executive Officer
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