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Tax Guide Cyprus



Dear Reader,

Throughout its history in Cyprus, CFA Auditors Ltd (CFA) has striven to display the highest values and standards in serving its clients and people. As a result, our Company has experienced unprecedented growth and targets to establish itself as one of the business leaders of the island.

At CFA, we seek to always set a standard for business, be among the leading firms in the profession and achieve the highest standards of quality in delivering client focused services that would help you create the value in your business that you are looking for. What sets us apart from other service providers is our dedication in serving our clients. Each service line of our firm has a robust commitment to quality and is driven by the value of support our clients need.

Together we build relationships based on trust and through open discussions we are dedicated to assist you on tomorrow's challenges by sharing our knowledge and expertise through our diverse teams and network of professionals.

To continue to be among the best professional services organisation, we must maintain our tradition of excellence for our business, and especially for our clients. Our core values of Commitment, Excellence, Teamwork and Leadership are our Company's founding principles. We uphold these values, through a "Code of Conduct", by respecting and understanding other points of view. Along with proper communication, it defines how we conduct our business and ourselves.

Our Vision is to be recognized as one of the leading firms in Cyprus, best known for its professional conduct and client focused services which in a demanding and challenging business environment we can assist on your increasingly complex needs.

We look forward to be of service to you.

Yours Sincerely

Nicolas Trikkis
Managing Director



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Foreword

This publication aims to provide a general description of the tax system in Cyprus. The information contained is based on the tax legislation and practice as at January 2023 and should be used only for general information purposes and cannot substitute professional advice.

Please do not hesitate to contact us at our office at the address shown at the back of this publication.

CFA Auditors Limited
Cyprus

January 2023



Personal tax rates for individuals

Chargeable income €	Tax rate %	Accumulated tax €
0 – 19.500	Nil	Nil
19.501 – 28.000	20	1.700
28.001 – 36.300	25	3.775
36.301 – 60.000	30	10.885
Over 60.000	35	

Foreign taxes paid can be credited against the Cyprus corporation tax liability. The tax credit is equal to the actual income tax paid on the foreign income and cannot exceed the amount of income tax payable in Cyprus on the said income.

Pensions from Overseas

Overseas pension is assessed to tax at the rate of 5%. An annual exemption of €3.420 is granted. The taxpayer however can elect to be taxed at the normal rates (set out above).

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

Exemptions for individuals

Income from interest. Interest accruing to any person from the ordinary carrying on of any business including any interest closely connected with the ordinary carrying on of the business, is not exempted but included in the calculation of profit	100%
Dividends	100%
Capital sums from approved provident funds	100%
Lump sum payment on retirement of pension, or a gratuity on death or injuries	100%
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 5 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 Individuals granted the above 50% exemption will not be eligible for this exemption.	20% of income or €8.550 (lower of)
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 Individuals granted the above 50% exemption will not be eligible for this exemption.	20% of income or €8.550 (lower of)
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:	50% of income

<ul style="list-style-type: none"> • 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 <p>Following amendment of article 8(23) this exemption applies only for employment which commenced up until 26.07.22</p>	
<p>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 10 consecutive years prior the commencement of his employment in the Republic.</p> <p>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.</p> <p>The exemption is granted for a period of 17 tax years commencing as of the year of employment in the Republic.</p> <p>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:</p> <ol style="list-style-type: none"> 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 	50% of income
<p>Remuneration for the rendering outside Cyprus of salaried services for more than 90 days in a tax year to an employer not resident in Cyprus or to a foreign permanent establishment of a Cypriot resident employer</p>	100%

Deductions for individuals

Rental income	20% on gross rental income
Interest paid in respect of rented buildings	100%
Capital Allowances for Rental Income on Cost of Residential Buildings	3%
Subscriptions to trade unions or professional associations	100%
Donations to approved charitable institutions, supported by receipts	100%
Social insurance contributions, provident fund, pension fund and medical fund (maximum 1,5% of remuneration) and life insurance premiums (annual premiums restricted to 7% of the insured amount)	Up to 1/5 of taxable income before the deduction of these allowances
In the case of cancellation of a life insurance policy within 6 years from the day of its issue, a percentage of the premiums, which were previously allowed, is taxable as follows: - Cancellation within 3 years - Cancellation from 4 to 6 years	30% 20%
Loss of current year and previous 5 years for individuals that prepare audited financial statements	100%
As from 1 January 2017, expenditure incurred by a person, who is an investor in an approved innovative small and medium sized business	Up to 50% of the taxable income before this deduction (subject to maximum of €150.000 per year) (1)
Eligible infrastructure and technological equipment expenditure in the audiovisual industry	20%

Note

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

Corporation Tax

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

Non-Cyprus resident companies are taxed on income accrued or derived from a business activity which is carried out through a permanent establishment in Cyprus and on income arising from sources in Cyprus.

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

As from 2023, a Cyprus incorporated company will by default be considered a tax resident of Cyprus provided it is not tax resident in any other jurisdiction.

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

Foreign taxes paid can be credited against the Cyprus corporation tax liability.

Exemptions

Dividends	100%
Profit from the sale of securities	100%
Profits from a permanent establishment	100%
Interest not arising from the ordinary activities or closely related to the ordinary activities of the company	100%
Foreign exchange gains (realized and unrealized), unless they result from trading in currencies and/or currency derivatives	100%
Profits from the production of films, series and other related audiovisual programs	The lower of 35% of the eligible expenditure and 50% of the taxable income. Any restriction may be carried forward for 5 years

Tax deductions

In general expenses incurred wholly and exclusively for the production of taxable income and supported by documentary evidence, are deductible for corporate tax purposes.

Royalty income, embedded income and other qualifying income derived from qualifying intangible assets in the 'new' Cyprus intellectual property (IP) box (provision applies with effect from 1 July 2016)(1)	80% of the net profit as calculated using the modified nexus fraction
Tax amortisation on any expenditure of a capital nature for the acquisition or development of IP (provision applies with effect from 1 July 2016)	The whole amount allocated over the lifetime of the IP (maximum period 20 years)
Expenditure incurred for research and development An increased deduction by 20% is provided for the years 2022, 2023 and 2024 (subject to conditions)	100% (plus increased deduction of 20% for 2022, 2023 and 2024)
Donations to approved charities	100%
Employer's contributions to social insurance, General Health System (page 39) and approved provident funds on employees' salaries	100%
Employer's contributions to: <ul style="list-style-type: none"> • Medical fund for employees • Provident/Pension fund for employees 	1% on employee's remuneration 10% on employee's remuneration
Expenditure incurred for the maintenance of a building in respect of which there is a Preservation Order	Up to €700, €1.100 or €1.200 per square meter (depending on the building size)
Entertainment expenses for business purposes	Lower of €17.086 or 1% of the gross income of the business

Eligible infrastructure and technological equipment expenditure in the audiovisual industry	20% for small / 10% for medium enterprises
Amount invested each tax year as from 14 February 2022 in approved innovative small and medium sized enterprises either directly or indirectly, subject to conditions (applicable up to 31 December 2023)	Up to 50% of the taxable income as calculated prior to this deduction (subject to a maximum of €150.000 per year) or 30% if the investments are financed from own funds

Interest expense deductibility

Interest expense incurred for the direct or indirect acquisition of 100% of the share capital of a subsidiary company will be treated as deductible for income tax purposes provided that the 100% subsidiary company does not own (directly or indirectly) any assets that are not used in the business. If the subsidiary owns (directly or indirectly) assets not used in the business the interest expense deduction is restricted to the amount which relates to assets used in the business. This applies for such acquisitions of subsidiaries from 1 January 2012.

Notional interest deduction (NID)

Equity introduced to a company as from 1 January 2015 (new equity) in the form of paid-up share capital or share premium may be eligible for an annual notional interest deduction (NID).

NID deduction is calculated as the new equity multiplied by the NID interest rate. The relevant interest rate is the yield on 10-year government bonds (as at December 31 of the prior tax year) of the country where the funds are employed in the business of the company plus a 5% premium, and there is no minimum reference rate. A taxpayer may elect not to claim all or part of the available NID for a particular tax year.

The NID deduction cannot exceed 80% of the taxable profit derived from the assets financed by the new equity (as calculated prior to the NID deduction). In the event of losses, the NID will not be available.

EU Anti - Tax Avoidance Provisions

Cyprus has implemented in its legislation all the provisions of the EU Anti – Tax Avoidance Directive, with some of the provisions being introduced as from 2019 and others in 2020.

Interest Limitation Rules

Interest limitation rules apply as from 1st January 2019.

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 earnings before interest, tax, 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 or 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.

Controlled Foreign Company (CFC) rule

The CFC Rules apply as from 1 January 2019

The undistributed income of a Controlled Foreign Company (CFC) or of a foreign permanent establishment arising from non genuine arrangements which are controlled by the controlling company resident in the Republic, is added to the taxable income of the controlling company resident in the Republic, subject to certain exceptions.

Any foreign tax paid on the income of the CFC is credited against income tax payable in the Republic.

Expenses not allowed

Expenses of a private motor vehicle	100%
Interest applicable to the cost of acquiring a private motor vehicle, irrespective of its use and to the cost of acquiring any other asset not used in the business	100% for 7 years
Expenditure not supported by appropriate documentation	100%
Expenditure of a capital nature	100%
Salaries for which contributions in respect to provident funds, pension funds, social security and other related funds were not paid within the year of due payment are not allowed to be deducted. If paid within 2 years from the due date, salaries and related contributions will be allowed in the year of payment	100%

Annual wear and tear allowances on fixed assets

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

	Annual wear & tear allowance %
Fixed assets	
Plant and machinery (Note 1)	
Plant and machinery	10
Furniture and fittings	10
Industrial carpets	10
Boreholes	10
Machinery and tools used in agricultural business	15
Buildings	
Commercial buildings/flats	3
Industrial, agricultural and hotel buildings (Note 2)	4
Metallic greenhouse structures	10
Wooden greenhouse structures	33 1/3
Vehicles and Means of Transportation	
Motor vehicles	20
Motor cycles	20
Excavators, tractors, bulldozers, self-propelled and drums for petrol companies	25
Armoured Motor Vehicles (e.g. used by security services)	20
Specialised Machinery for the laying of Railroads (e.g. Locomotive engines, Ballast wagons, Container wagons and Container Sleeper Wagons)	20
New Airplanes	8
New Helicopters	8
Sailing vessels	4,5
Motor Yachts	6
Steamers, tugs and fishing boats	6
Shipmotor launches	12,5
New cargo vessels	8
New passenger vessels	6
Used cargo / passenger vessels	Over their useful lives

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

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 acquired during the tax years 2012-2018 and for agricultural and livestock production buildings acquired during the tax years 2017-2018 (inclusive), a deduction for wear and tear at 7% per annum will be allowed (increased from 4% per annum)

Transfer Pricing

Comprehensive transfer pricing documentation requirements apply to Cyprus taxpayers as from 1 January 2022.

Transfer Pricing Documentation

Comprehensive transfer pricing documentation include:

- Maintaining a Cyprus Local File if the aggregated value of transactions with related parties per tax year exceed (or should exceed based on the arm's length principle) €750.000 per category of transaction. The relevant categories are goods, services, IP related income, financial transactions and other transactions.
- Maintaining a Master File if the Cyprus taxpayer is either the Ultimate Parent Entity or the Surrogate Parent Entity of an MNE Group with consolidated group revenues exceeding €750 million for Country-by-Country Reporting purposes.
- The preparation and submission of a Summary Information Table ('SIT') by all taxpayers. The SIT contains high level information on related party transactions, such as the identity of the counterparties, their jurisdiction of tax residency and the value of the transactions.

Transfer Pricing Documentation Reporting Deadlines and Record Keeping

The Local File (and Master File, if relevant) for a particular year should be prepared no later than the due date for submitting the taxpayer's Corporate Income Tax Return for that year.

Upon request by the Cyprus Tax Department, the Local File (and Master File, if applicable) should be made available within 60 days from the receipt of the relevant request by the taxpayer or by a person authorised to act as a representative of the taxpayer.

The SIT should be prepared for each separate tax year and be submitted to the Cyprus Tax Department, along with the taxpayer's Corporate Income Tax Return for that year.

Transfer Pricing Documentation Penalties

Where a taxpayer has received a notice from the Cyprus Tax Department to provide the Local file and/or Master File and fails to do so within the required timeframe of 60 days, penalties ranging from €5.000 to €20.000 will apply depending on the length of the delay.

In the cases where a taxpayer fails to submit a SIT, a penalty of €500 will be imposed.

Mandatory Disclosure Rules (DAC6)

The provisions of the EU Council Directive 2018/822, known as "DAC6", are effective since 1 January 2021 through the amending Law on Administrative Cooperation in the field of taxation of 2021.

The Cyprus DAC6 Law is broadly aligned with the Directive, which is intended to increase transparency in the area of direct taxation, with a view of combating tax avoidance and tax evasion in the EU. The Cyprus Tax Authorities (CTA) have also issued guidance, in the form of a Decree, which provides clarifications on the main provisions of the Law and its practical application.

Disclosure requirement: The Cyprus DAC6 Law requires from intermediaries 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.

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

Reportable cross-border arrangement: A cross border arrangement that meets at least one of the hallmarks.

Application: Retroactive application, being in force as of 25 June 2018. Intermediaries and relevant taxpayers must review the necessary information relating to transactions implemented on or after that date.

Reporting deadlines: Administrative fines would not be imposed for DAC6 information that was submitted until 31 January 2022, in the following cases:

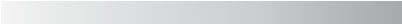
- Reportable cross-border arrangements (RCBAs), the first step of which was implemented between 25 June 2018 and 30 June 2020 (“the transitional period”) and had to be submitted by 28 February 2021;
- RCBAs held between 1 July 2020 and 31 December 2021, that had to be submitted within 30 days from the date they were made available for implementation or were ready for implementation or the first step in the implementation was made, whichever occurred first (Promoters, taxpayers);
- 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 from 1 January 2022, a 30-day rolling window for submission of RCBAs applies.

Filing process: Intermediaries and taxpayers can register in the Government Gateway Portal “Ariadni” and upon validation, information on RCBA can be submitted by uploading an XML file.

Legal professional privilege (LPP): Practising lawyers are excluded from the obligation to file information to the CTA, where such information falls within the scope of LPP. They are however required to notify, within ten days, any other intermediary involved in the RCBA of their reporting obligation, or if there is no such other intermediary, the relevant taxpayer.

Right to request information: For the purposes of ascertaining whether there is compliance with the provisions of the legislation, the competent authority may require, with written notice, to receive information within 14 days from the intermediary or the relevant taxpayer.

Administrative fines: Penalties for non-compliance vary depending on the type of infringement, with a maximum of €20.000 per arrangement (please refer to the table below).



Failure/delay to submit information for a RCBA	Failure: €10.000 to €20.000
Failure/delay to notify of the application of a waiver due to LPP	Delay ≤ 90 days: €1.000 to €5.000 Delay > 90 days: €5.000 to €20.000
Submission of incomplete or misleading information for a RCBA by the intermediary or relevant taxpayer	€1.000, with a maximum of €10.000
Failure to submit information and documents for an arrangement within 14 days from the date of obtaining the relevant notice by the CTA	
Failure to pay the administrative fine imposed or continuation of the infringement	Increase of the fine up to €20.000

Alternative Investment Funds

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

AIFs are utilized by asset managers for the raising of capital from a number of investors, to be invested in accordance with a defined investment policy for the benefit of such investors.

The AIF Law allows for three types of AIFs:

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

Three forms of AIF's:

- Common Fund
- Investments Company (with variable or fixed capital)
- Limited Partnership (with or without separate legal personality)

UCITS are utilized for the collective investment in transferable securities and/or other liquid financial instruments.

UCITS can take the following legal forms:

- Common Fund
- Investment Company (with variable capital)

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.

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.

Sale of Fund Units

- There is no Income Tax and
- no Capital Gains Tax on the gains arising from the disposal or redemption of units in funds

Capital Gains Tax will arise in case the fund owns directly or indirectly immovable property in Cyprus.

However, no Capital Gains Tax arises if the Fund is listed on a recognized stock exchange.

Stamp Duty

The subscription, redemption, conversion or transfer of a fund's units should be exempt from Cyprus stamp duty.

Management services

The management fee charged for the provision of collective management services to investment funds is exempt from VAT, provided certain conditions are met.

Interest received

Interest received is considered 'active' interest income and taxed only at 12.5% corporate tax.

The NID is available to Funds (please refer to NID section).

Dividend income

Dividend received by a Fund should generally be exempt from tax.

Withholding tax

No withholding tax is levied on profit distributions made to non-Cyprus tax resident investors or to Cypriot tax resident companies.

A withholding tax at the rate of 17% should be made on profit distributions made to individuals who are considered to be both tax residents and have a domicile in Cyprus.

Special Contribution for Defence

All individuals who are tax resident and domiciled in Cyprus are subject to defence contribution on the sources of “passive” interest income and rental income indicated in the table below.

Non-resident individuals and resident individuals considered as non-domiciled are not subject to the defence contribution.

Tax rates

	Individuals resident and domiciled %	Individuals resident and non-domiciled %	Legal entities %
Dividend income from Cyprus resident companies	17	Nil	Nil
Dividend income from non-Cyprus resident companies	17	Nil	Nil
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	Nil	30
Rental income (reduced by 25%)	3	Nil	3

- Dividend income from abroad is exempt from defence fund contribution.
- This exception does not apply if:
 - the company paying the dividend engages directly or indirectly more than 50% in activities that lead to investment income, and
 - the foreign tax is substantially lower than the tax burden in Cyprus
- When the exemption does not apply, the dividend income is subject to special contribution for defence at the rate of 17%.
- Interest income from corporate bonds (as from 26 June 2019), Cyprus government savings bonds, development bonds and all interest earned by a provident fund is subject to special contribution for defence at the rate 3% (instead of 30%).

As from 8 June 2022, the reduced rate of 3% applies to both legal persons and individuals tax resident in Cyprus earning interest income from: (i) Cyprus government bonds, (ii) Cyprus and foreign corporate bonds listed on a recognised stock exchange and (iii) bonds issued by Cyprus state organisations, or by Cyprus or foreign local authorities, listed on a recognised stock exchange. Furthermore, the reduced rate of 3% also applies to pension funds.

- In the case where the total income of an individual (including interest) does not exceed €12.000 in a tax year, then the rate is reduced to 3%.
- Rental income is subject to personal income tax / corporation tax.
- Foreign taxes paid can be credited against the defence tax liability.

Deemed dividend distribution

A Cyprus resident company is deemed to distribute as a dividend the 70% of its accounting profits as adjusted (net of corporation tax, special contribution, capital gains tax and foreign taxes) within two years from the end of the tax year in which the profits were generated (i.e. 2020 profits are subject to deemed distribution rules as at 31 December 2022).

Special contribution for defence at 17% is imposed on deemed dividend distribution applicable to shareholders who are residents of Cyprus.

When an actual dividend is paid after the deemed dividend distribution, then special contribution for defence is imposed only on the dividend paid over and above the dividend that was previously deemed to have been distributed.

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.

Disposal of assets to shareholder at less than market value

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

Company dissolution

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

The above will not apply in the case of dissolution under a Reorganisation.



Reduction of capital

In the case of a reduction of capital of a company, any amounts paid or due to shareholder individuals over and above of the share capital will be considered as dividends distributed subject to special defence contribution at the rate of 17% after deducting any amounts which have been deemed as distributable profits.

The above provisions apply only in cases where the ultimate shareholders are Cyprus tax resident individuals and Cyprus domiciled.

The redemption of units or shares in an opened-ended or closed-ended Collective Investment Scheme is not subject to the above provisions.



Capital Gains Tax

Capital Gains Tax (CGT) in Cyprus is imposed at the rate of 20% on:

- gains from the disposal of immovable property situated in Cyprus,
- gains from the disposal of shares in companies which own such immovable property in Cyprus, excluding shares listed on any recognised stock exchange,
- as from 17 December 2015 gains from the disposal of shares in companies which indirectly own such immovable property in Cyprus and derive at least 50% of their market value from such immovable property.

Disposals for the purposes of CGT include:

- Transfer of ownership of the property by sale, gift or exchange
- Transfer of a registered lease over 15 years
- An abandonment of the use of right

Exemptions

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

- Transfer by reason of death
- Gifts from parent to child or between spouses or relatives within the third degree of kindred
- Gift to a company of which the shareholders are and continue to be members of the donor's family for five years after the date of the transfer
- Gift by a company, of which all the shareholders are members of the same family, to any of its shareholders when the property gifted was also acquired by the company as a gift. The property must remain in the hands of the donee for a period of at least three years
- Gift to the Republic or to a local authority for educational or other charitable purposes or to approved charitable institutions
- Transfer as a result of reorganisations
- Exchange or sale of property in accordance with the Agricultural Land (Consolidation) Laws
- Expropriations
- Exchange of properties, provided that the whole of the gain made on the exchange has been used to acquire the other property. The gain that is not taxable is deducted from the cost of the new property, e.g. the payment of tax is deferred until the disposal of the new property
- Immovable property (land or building) acquired during the period 16 July 2015 up to 31 December 2016, provided that:
 - The property consists of land, building, or land and buildings,
 - It is acquired from an independent third party, and
 - It is not acquired through an exchange of property or through donation / gift
- Donations to political party

Determination of profit

Liability is imposed on gains accruing since 1 January 1980. The costs that are deducted from gross proceeds on the disposal of immovable property are its market value at 1 January 1980, or the costs of acquisition and improvements of the property, if made after 1 January 1980, as adjusted for inflation. Inflation is calculated using the official retail price index in Cyprus.

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

Immovable Property Tax

Immovable property tax has been abolished as from 1 January 2017.

Until tax year 2016, the owner of immovable property situated in Cyprus was liable to pay an annual IPT which was calculated on the market value of the property as at 1 January 1980, at the varying rates as noted in the table below, which apply per owner and not per property.

Tax rates

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

Exemptions

The following were never subject to Immovable Property Tax:

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

Valued Added Tax

VAT is imposed on the supply of goods and provision of services in Cyprus, as well as on the acquisition of goods from the European Union (EU) and the importation of goods into Cyprus.

Rates

Zero rate	0%
Reduced rate of five percent	5%
Reduced rate of nine percent	9%
Standard rate	19%

Taxable person is a person who carries on a business, and is either registered or is required to be registered for VAT purposes.

It can be a company, a partnership, a sole trader, a joint venture, a club, a charity etc.

Taxable supply is any supply of goods and services which is not an exempt supply or a supply outside the scope of Cypriot VAT.

Taxable supplies are taxed at the reduced rate of 5% or 9% or at the standard rate of 19%.

Zero rated supply is a taxable supply at zero rate. Zero rated supplies are exports and a number of other products and services.

Exempt supply is a supply which is specifically exempt from VAT.

Examples of exempt supplies:

- Financial services, banking and insurance services
- Hospital, medical and dental care services
- Certain cultural, educational and sports activities
- Lottery tickets and betting coupons for football and horse racing
- Postal services
- Rental of immovable property (subject to legislation conditions in relation to leasing immovable property for business purposes)
- Management services provided to mutual funds

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

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

Input VAT is deductible, provided it relates to taxable supplies within Cyprus and 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 exception to the general rule, input VAT cannot be recovered in certain cases which include the following:

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

VAT Registration

Registration is compulsory for businesses if:

- turnover subject to VAT exceeds €15.600 during the 12 preceding months.
- expected turnover subject to VAT exceeds €15.600 within the next 30 days.
- at any time, it makes supplies of services to a taxable person in another EU member state which are taxable where the person is established.
- at the end of any month, if the person's acquisitions of goods from other EU Member States is in excess of €10.251,61 or at any time if there are grounds to believe that the value of the acquisitions that person would be making in the following 30 days will exceed the registration threshold of €10.251,61.
- at any time if in the twelve-month period starting from 1 January of the year, the value of distance sales of a person to non-VAT registered persons established in other EU Member States exceeds €10.000.

A person has the option to register on a voluntary basis, if turnover is less than €15.600 or supplies that are outside the scope of VAT but for which the right to claim the amount of the related input VAT is granted.

Persons with no establishment in the Republic of Cyprus

As from 20 August 2020, registration is compulsory for persons with no establishment in Cyprus which are engaged or expect to be engaged in taxable activities in Cyprus in the course of their business. No VAT registration threshold exists for the non-established persons engaging in such activities.

The non-established person may request to obtain an exemption for VAT registration in Cyprus from the Tax Commissioner, on the basis that it is engaged only/merely in activities which are subject to 0% VAT.

VIES registration

A taxable person delivering intracommunity supplies of goods and/ or services to taxable persons in other EU Member States has an obligation to register with VIES and to submit monthly electronic VIES forms.



VAT declaration payment/refund of VAT

VAT returns must be submitted electronically on a quarterly basis.

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.

Where in a quarter input tax is higher than output tax, the difference is refunded by completing form 4B via the Taxisnet system or is transferred to the next VAT quarters.

Taxpayers who make a claim for VAT refund will be entitled to repayment of the principal amounts together with interest in the event that the repayment is delayed for a period exceeding four months from the date of the submission of the claim.

The grace period for the Tax Department to repay the refundable amounts is extended by another four months (i.e. eight months in total) in the event that the Commissioner of Taxation is carrying out an investigation in relation to the submitted claim.

VAT refunds are made via bank transfer. In order to obtain the refund, Form T.D.1900 must be completed and submitted to the relevant district VAT office along with an IBAN certificate or equivalent documentation issued by the bank showing the bank details.

As from 20 August 2020, the Tax Commissioner reserves the right to suspend the payment of a VAT refund and interest in cases where taxpayers have failed to comply with the obligation to submit income tax returns. The refund is suspended until the taxpayer complies with the relevant obligations.

The right to request refund of a VAT credit balance will be limited to six (6) years from the end of the VAT period in which it arose. Any requests submitted after the six-year period has elapsed will be examined at the discretion of the Tax Commissioner.

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

Reverse charge	Article of the Law	Registration threshold
Construction services	11B	€15.600
Trade of specific goods	11C	€15.600
Disposal of immovable property and plots to the Borrower as part of the loan restructuring	11D	€15.600
Supply of certain electronic devices	11E	€15.600
Supply of raw and semi-finished precious metals	11B	€15.600

The failure of the reverse charge provisions application, will result to the imposition of €200 one-off penalty per VAT return but will not exceed the total penalty amount of €4.000.



Temporary measures as a result of Covid-19

In response to the effects of Covid-19, the Cyprus Government introduced, inter alia, the following amendments which are applicable in 2023:

1. The imposition of 0% VAT rate on the delivery of in vitro diagnostic medical devices and vaccines, including the supply of services closely related to the supply of these goods. The zero rate will be applicable from 23 December 2020 to 31 December 2023.

Thresholds and penalties	Amount €
Registration threshold (taxable supplies in Cyprus)	15.600
Registration threshold for distance sales ((sale of goods consumers in Cyprus as well as electronically supplied services to consumers established in Cyprus, by suppliers resident in another EU Member State)	10.000
Registration threshold for non-established persons in the Republic of Cyprus (taxable supplies in Cyprus)	No threshold
Registration threshold for acquisition of goods in Cyprus from suppliers resident in another EU Member States	10.251,61
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 returns (from 20 August 2020)	100 for each return
Penalty for failure to apply the reverse charge provisions (from 1 July 2021)	200 for each return up to a maximum of 4.000
Penalty for omission to keep proper 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
Penalty for late VAT de-registration	85 (one-off)
Penalty for late payment of VAT	10% additional tax plus default interest on the late payment, including the 10% additional tax

VAT on Immovable Property

As from 1st 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 constitutes a supply of goods subject to 19% VAT (under conditions).

As from 2nd January 2018

The transfer of non-developed building land intended for the construction of structures in the source of carrying out a business activity is subject to 19% VAT.

In the course of loan restructuring or compulsory transfer of property to the lender, the recipient of the property is liable to account for VAT (reverse charge mechanism).

As from 13th November 2017

Leasing of immovable property, except 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 11th November 2022

Per a Council of Ministers Order 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.



Trusts

A trust may be defined as the obligation of a person (i.e. the trustee) to whom property is transferred by the owner of the property and the creator of the trust (i.e. the settlor), to hold and manage such property for a defined period according to the wishes of the settlor, oral or written as these as expressed in a Deed of Trust or a Will, in favour of a specified person or persons or class of persons (i.e. the beneficiaries). A trust is not a separate legal entity.

International Trusts

The Law defines an International Trust as being a trust in respect of which: (i) the settlor is not a tax resident in Cyprus (ii) at all times there is at least one trustee resident in Cyprus and (iii) none of the beneficiaries are tax residents in Cyprus during the calendar year which precedes the year of creation of the trust.

According to applicable law:

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

Transfer fees by the department

Transfer fees by the department of land and Surveys

Land registration fees are paid on transfer and registration of immovable property.

Rate of fees

Value €	Rate %	Fee €	Accumulated fees €
0 - 85.000	3	2.550	2.550
85.000 - 170.000	5	4.250	6.800
Over 170.000	8		

- No Land transfer fees or mortgage fees are payable on transfers of immovable property from a company to another company under an approved reorganization scheme.
- No Land transfer fees are payable if VAT was paid on the purchase of the property.
- The above transfer fees are reduced by 50% in case the purchase of immovable property is not subject to VAT.
- The transfer fees in the case of free transfers of property, are calculated on the value of the property as follows:
 - From parents to children – Nil
 - Between spouses - 0,1%
 - Between third degree relatives - 0,1%
 - To trustees - €50

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

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

Social Insurance

Contributions to Social Insurance by employee for 2023 are 8.3% and by employer are 8.3%. The rate of 8.3% will apply as from 1 January 2019 and for the next five years. Thereafter, will increase by 0.5% every five years until it reaches 10.3% as from 1 January 2039. As from 1 January 2039 the rate will be 10.3%.

The maximum amount that applies for 2023 is €60.060 per annum for monthly paid employees, €5.005 per month for monthly paid employees and €1.155 per week for weekly paid employees (for the year 2022 the levels were €58.080, €1.117, €4.840, for year 2021 the levels were €57.408, €4.784, €1.104, for year 2020 the levels were €54.864, €4.572, €1.055, for year 2019 the levels were €54.648, €4.554, €1.051 whereas for years 2015-2018 the levels were €54.396, €4.533, €1.046 respectively).

Other employer's contributions

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

	%
Social cohesion fund	2.0*
Redundancy fund	1.2**
Industrial training fund	0.5**
Holiday fund (if is not exempt)	8.0**

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

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

The contributions of self-employed persons as from 1 January 2019 are 15.6% of their income (14.6% for 2014-2018). The rate will increase by 1% every five years until it reaches 19.6% as from 1 January 2039. The amount of the contributions is subject to a lower and a maximum limit, depending on the profession or trade of the Self-Employed Person.

Deadline for payment of the contributions by the employers

The contributions that the employer is obliged to pay in accordance with the Law, should be paid not later than the end of the calendar month following the month that the contributions relate.

Additional fee for late payment of contributions

Every employer or a self employed who fails to pay the contributions within the time limit determined in the relevant regulations, is obliged to pay an additional fee in the range of 3% and 27% depending on the period of delay, on the amount of contributions due for payment.

National Health

The National Health Insurance System (“NHIS”) Law was 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”).

According to the NHIS, employer and employee contributions for the implementation of the system started on 1 March 2019 and will increase from 1 March 2020 as the the current rates as from 1 March 2020 as per table below:

Category	Apply on	As from 1 March 2019	As from 1 March 2020
(i) Employees	Own emoluments	1,70%	2,65%
(ii) Employers	Employees' emoluments	1,85%	2,90%
(iii) Self-employed	Own income	2,55%	4,00%
(iv) Pensioners	Pension	1,70%	2,65%
(v) Persons holding office*	Officers' remuneration	1,85%	2,90%
(vi) Republic of Cyprus or Physical/Legal person responsible for the remuneration of persons holding an office	Officers' remuneration	1,85%	2,90%
(vii) Persons earning rental, interest, dividend and other income	Rental, Interest, Dividend income etc.	1,70%	2,65%
(viii) Republic's Consolidated Fund	Emoluments/Pensions of persons (i), (iii), (iv) and (v)	1,65%	4,70%

* Relates to holders of public or local authority office or other office, the income out of which does not come within the scope of (i) employees, (iii) self-employed, (iv) pensioners, (vii) persons earning rental, interest, dividend and other income.

Method of deduction

NHIS 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).

Stamp Duty

Transactions which fall within the scope of **reorganizations** are exempt from stamp duty.

Also, any agreements/contracts relating to assets situated outside Cyprus or business affairs that take place outside Cyprus are exempt from stamp duty.

Nature of documents

Receipts – for sums of €4.00	7 cents
Cheques	5 cents
Letters of credit	€2
Letters of guarantee	€4
Bills of exchange (payable within three days, on demand or at sight)	€1
Contracts	Nil
€1 - €5.000	1.5‰
€5.001 - €170.000	2‰ at a max. of €20.000
Over €170.000	€35
Without fixed sum	€35
Customs declaration documents	€18 - €35
Bills of lading	€4
Charter party	€18
Powers of attorney	
▪ General	€6
▪ limited	€2
Certified copies of contracts and documents	€2
Issue of tax residence certificate by Inland Revenue Department	€80



Withholding Taxes

Dividends

Dividends, paid to a non-resident company or individual are not subject to withholding tax.

Interest

No withholding tax is imposed on interest paid to a non-resident company or individual.

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.

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:

- the gross income derived from the exercise of any profession or vocation in Cyprus;
- 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.



Payments to recipients located in EU blacklisted jurisdictions

As from 31 December 2022, Cyprus applies WHT of 17% on dividends paid by non-quoted companies, 30% on payments of passive interest (excluding payments by individuals) and 10% on payments of royalties and similar type payments (excluding payments by individuals) if the recipient of the payment is a company in a jurisdiction included on the EU list of non-cooperative jurisdictions on tax matters (commonly referred to as the EU 'blacklist').

Withholding tax based on Double Tax Treaties

WHT on dividends, interest and royalties

Cyprus does not impose a WHT on dividends, interest and royalties paid to non-residents of Cyprus, except in the case of royalties earned on rights used within Cyprus, which are subject to a WHT of 10% (5% in the case of cinematographic films).

WHT on royalties for rights used within Cyprus may be reduced or eliminated by double tax treaties entered into by Cyprus or by the EU Interest and Royalty Directive as enacted in the Cypriot tax legislation.

WHT on other types of income

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

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

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

WHT on outbound payments from Cyprus

Paid from Cyprus	
Paid to	Royalties rights used within Cyprus %
Non-treaty countries	5/10 (2)
Andorra	0
Armenia	5
Austria	0
Bahrain	0
Barbados	0
Belarus	5
Belgium	0
Bosnia (7)	5/10 (5)
Bulgaria	5/10 (5)
Canada	0/5/10 (4), (5)
China	5/10 (5)
Czech Republic	0/10 (11)
Denmark	0
Egypt	5/10 (5)
Ethiopia	5
Estonia	0
Finland	0
France	0/5 (3)
Georgia	0
Germany	0
Greece	0/5 (5)
Guernsey	0
Hungary	0
Iceland	5
India	5/10 (5)
Iran	5/6 (5)
Ireland	0/5 (5)
Italy	0
Jersey	0
Jordan (15)	5/7 (16)
Kazakhstan	5/10 (5)
Kuwait	5
Latvia	0/5 (12)
Lebanon	0

Paid from Cyprus	
Paid to	Royalties rights used within Cyprus %
Lithuania	5
Luxembourg	0
Malta	5/10 (5)
Mauritius	0
Moldova	5
Montenegro (7)	5/10 (5)
Netherlands	0
Norway	0
Poland	5
Portugal	5/10 (5)
Qatar	5
Romania	0/5 (10)
Russia	0
San Marino	0
Saudi Arabia (13)	5/8 (14)
Serbia (7)	5/10 (5)
Seychelles	5
Singapore	5/10 (5)
Slovakia (9)	0/5 (10)
Slovenia	5
South Africa	0
Spain	0
Sweden	0
Switzerland	0
Syria	5/10 (5)
Thailand	5/10 (6)
Ukraine	5/10 (8)
United Arab Emirates	0
United Kingdom	0
United States of America	0



Notes

1. No tax is withheld for payment of dividends and interest to non-residents of Cyprus.
2. Royalties earned on rights used within Cyprus are subject to WHT of 10% (except royalties relating to cinematographic films, where the WHT rate is 5%).
3. A WHT rate of 5% is applicable on royalties for cinematographic films including films and video tape for television.
4. 0% on literary, dramatic, musical, or artistic work (excluding motion picture films and works on film or videotape for use in connection with television).
5. The WHT rate of 5% is applicable on cinematographic film royalties.
6. 5% WHT applies for any copyright of literary, dramatic, musical, artistic, or scientific work.
7. Serbia, Montenegro and Bosnia apply the Yugoslavia/ Cyprus treaty.
8. A 5% WHT will be levied on payment of royalties in respect of any copyright of scientific work, any patent, trademark, secret formula, process, or information concerning industrial, commercial, or scientific experience and cinematographic films.
9. The Cyprus-Czechoslovakia treaty applies with the Slovak Republic.
10. 5% WHT rate applies for patents, trademarks, designs or models, plans, secret formulas, or processes, or any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience.
11. 10% WHT rate applies for patent, trademark, design or model, plan, secret formula or process, computer software or industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience.
12. Nil applies if the payer is a company that is a resident in Cyprus and the beneficial owner of the income is a company (other than partnership) that is a resident in Latvia. 5% WHT rate applies for all other cases.
13. The treaty is effective as from 1 January 2020.
14. A WHT rate of 5% is applicable on royalties for the use of, or the right to use, industrial, commercial or scientific equipment and on royalties for cinematographic films including films and video tape for television. A WHT rate of 8% applies in all other cases.
15. The treaty is effective as from 1 January 2023.
16. A WHT rate of 7% is applicable on royalties and fees for technical services. A WHT rate of 5% is applicable on royalties for cinematographic films including films and video tape for television.

WHT on inbound payments to Cyprus

Received in Cyprus			
Paid from	Dividends	Interest	Royalties
	%	%	%
Andorra (48)	0	0	0
Armenia	0/5 (1)	5	5
Austria	10	0	0
Bahrain	0	0	0
Barbados	0	0	0
Belarus	5/10/15 (2)	5	5
Belgium	10/15 (3)	0/10 (4), (5)	0
Bosnia (6)	10	10	10
Bulgaria	5/10 (7)	0/7 (4), (8)	10 (8)
Canada	15	0/15 (9)	0/10 (10)
China	10	10	10
Czech Republic	0/5 (11)	0	0/10 (12)
Denmark	0/15 (4), (13)	0	0
Egypt	5/10 (53)	10	10
Ethiopia	5	5	5
Estonia	0	0	0
Finland	5/15 (14)	0	0
France	10/15 (15)	0/10 (16)	0/5 (17)
Georgia	0	0	0
Germany	5/15 (18)	0	0
Greece	25	10	0/5 (19)
Guernsey	0	0	0
Hungary	5/15 (3)	0/10 (4)	0
Iceland	5/10 (39)	0	5
India	10 (20)	0/10 (44)	10 (21)
Iran	5/10 (45)	5	6
Ireland	0	0	0/5 (19)
Italy	15	10	0
Jersey	0	0	0
Jordan (56)	5/10 (57)	5	7
Kazakhstan	5/15 (54)	10	10
Kuwait	0	0	5
Latvia	0/10 (42)	0/10 (42)	0/5 (43)
Lebanon	5	5	0

Received in Cyprus

Paid from	Dividends	Interest	Royalties
Lithuania	0/5 (22)	0	5
Luxembourg	0/5 (46)	0	0
Malta	0	10	10
Mauritius	0	0	0
Moldova	5/10 (24)	5	5
Montenegro (6)	10	10	10
Netherlands	0 (58)	0	0
Norway	0/15 (36)	0	0
Poland	0/5 (23)	0/5 (4)	5
Portugal	10	10	10
Qatar	0	0	5
Romania	10	0/10 (4)	0/5 (25)
Russia	5/15 (26)	0/15 (55)	0
San Marino	0	0	0
Saudi Arabia (48)	0/5 (49)	0	5/8/(50)
Serbia (6)	10	10	10
Seychelles	0	0	5
Singapore	0	0/7/10 (4), (27)	10
Slovakia (37)	0/5 (28) 10	0 0/10 (4)	0 0/5 (25)
Slovenia	5	5	5
South Africa	5/10 (41)	0	0
Spain	0/5 (28)	0	0
Sweden	5/15 (3)	0/10 (4)	0
Switzerland	0/15 (40)	0	0
Syria	0/15 (29)	0/10 (9)	10/15 (38)
Thailand	10	10/15 (30)	5/10/15 (31)
Ukraine (51)	5/10 (52)	5	5/10 (33)
United Arab Emirates	0	0	0
United Kingdom	0/15 (47)	0	0
United States of America	5/15 (35)	0/10 (16)	0



Notes

1. The WHT rate of 5% applies where a dividend is paid by a company in which the beneficial owner has invested less than €150.000.
2. A WHT rate of 5% applies where the investment is not less than €200.000 in the share capital of the company paying the dividend. If such investment is less than €200.000, dividends are subject to 15% WHT which is reduced to 10% if the recipient company controls 25% or more of the paying company.
3. A WHT rate of 15% applies if received by a company holding less than 25% of the share capital of the paying company and in all cases if received by an individual.
4. No WHT if paid to the government/Central Bank/ Public Authority of the other state.
5. No WHT for interest on deposits with banking institutions.
6. Serbia, Montenegro and Bosnia apply the Yugoslavia/Cyprus treaty.
7. The WHT 5% rate applies to companies holding directly at least 25% of the share capital of the company paying the dividend. In all other cases the WHT is 10%.
8. The treaty rates do not apply if the payment is made to a Cyprus entity by a resident of Bulgaria owning directly or indirectly at least 25% of the share capital of the Cyprus entity and the Cyprus entity pays tax in Cyprus at a tax rate lower than the usual tax rate.
9. Nil if paid to a government/Central Bank/ Public Authority or for export guarantee.
10. Nil on literary, dramatic, musical, or artistic work (but not including royalties in respect of motion picture films and works on film or videotape for use in connection with television).
11. Nil applies if received by a company (excluding partnership) which holds directly at least 10% of the share capital of the paying company for an uninterrupted period of no less than one year. A WHT rate of 5% applies in all other cases.
12. 10% WHT applies for patent, trademark, design or model, plan, secret formula or process, computer software or industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience.
13. A WHT rate of 15% if received by a company controlling less than 10% of the share capital of the paying company or the duration of any holding is less than one uninterrupted year. A WHT rate of 15% also applies if received by an individual.



14. A WHT rate of 15% applies if received by a company controlling less than 10% of the voting power in the paying company and in all cases if received by an individual.
15. A WHT rate of 15% if received by a company (partnership is excluded) holding less than 10% of the capital of the paying company and in all cases if received by an individual.
16. Nil if paid to a government, bank, or financial institution.
17. A WHT rate of 5% on royalties for cinematographic films including films and video tapes for television.
18. A WHT rate of 15% if received by a company holding less than 10% of the capital of the paying company and in all cases if received by an individual.
19. A WHT rate of 5% on cinematographic film royalties (other than films shown on television).
20. Prior to 1 April 2017, the applicable WHT rate is 15% if received by a company holding less than 10% of the shares of the paying company and in all cases if received by an individual.
21. A WHT rate of 10% is also applicable for payments of a technical, managerial, or consulting nature. Prior to 1 April 2017, a rate of 15% applies on royalties.
22. A WHT rate of 5% if received by a company (other than partnership) holding less than 10% of the capital of the company paying the dividend and, in all cases, if received by an individual.
23. Nil rate applies if the recipient company (partnership is excluded) holds directly 10% of the share capital of the paying company for an uninterrupted period of at least 2 years. 5% in all other cases.
24. A WHT rate of 5% applies if the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the capital of the company paying the dividends. 10% WHT rate with rate in all other cases.
25. 5% WHT rate applies for patents, trademarks, designs or models, plans, secret formulas, or processes, or any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience.
26. A WHT rate of 5% applies if the beneficial owner of the company is an insurance undertaking or pension fund, or if the beneficial owner is a company whose shares are listed on a registered stock exchange provided no less than 15% of the voting shares of that company are in free float and which holds directly at least 15% of the capital of the company paying the dividends throughout a 365 day period that includes the day of payment of the dividends, or if the beneficial owner of the dividends is the government of that contracting state or a political subdivision / local authority thereof.



27. A WHT rate of 7% if paid to a bank or financial institution.

28. A WHT rate of 5% if received by a company holding less than 10% of the capital of the paying company and in all cases if received by an individual or a company not limited at least partly by shares.
29. A WHT rate of 15% if received by a company holding less than 25% of the share capital of the paying company and in all cases if received by an individual or a company not limited at least partly by shares.
30. A WHT rate of 10% on interest received by a financial institution or when it relates to sale on credit of any industrial, commercial, or scientific equipment or of merchandise.
31. A WHT rate of 5% applies for any copyright of literary, dramatic, musical, artistic, or scientific work. A WHT 10% rate applies for industrial, commercial or scientific equipment. A 15% rate applies for patents, trademarks, designs or models, plans, secret formulas, or processes.
32. A WHT rate of 15% if a dividend is paid by a company in which the beneficial owner holds less than 20% of the share capital of the paying company and the beneficial owner has invested less than €100.000.
33. A WHT 5% WHT will be levied on payment of royalties in respect of any copyright of scientific work, any patent, trade mark, secret formula, process or information concerning industrial, commercial or scientific experience. 10% WHT will be levied in all other cases.
34. A WHT rate of 15% applies to individual shareholders regardless of their percentage of shareholding. Companies controlling less than 10% of the voting shares are also entitled to a rate of 15%. Companies controlling at least 10% of the voting shares are entitled to nil WHT.
35. A WHT rate of 15% if received by a company controlling less than 10% of the voting power of the paying company and in all cases if received by an individual. If a company controls at least 10% of the voting power of the paying company in order to benefit from the WHT rate of 5% other conditions relating to the income of the paying company need to be satisfied, otherwise a WHT rate of 15%.
36. Nil rate applies if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends or if the beneficial owner of the shares is the Government of Cyprus or Norway. A WHT rate of 15% in all other cases.
37. The Cyprus - Czechoslovakia treaty applies with the Slovak Republic.



47. A WHT rate of 15% applies to dividends paid out of income (including gains) derived directly or indirectly from immovable property by an investment vehicle which distributes most of its income annually and whose income from such immovable property is exempt from tax, except for cases where the beneficial owner of the dividend is a pension scheme established in Cyprus. Nil rate applies in all other cases.

48. The treaty is effective as from 1 January 2020

49. A 0% WHT rate applies to payments of dividends if the recipient is a company (other than partnership) that directly or indirectly holds at least 25% of the capital of the payer company. 5% WHT applies in all other cases.

50. 5% WHT rate applies on payments for the use of, or the right to use, industrial, commercial or scientific equipment. A WHT rate of 8% applies in all other cases.

51. New protocol to the DTT with Ukraine is effective as from 1 January 2020.

52. A WHT rate of 5% applies if the beneficial owner company (other than a partnership) holds directly at least 20% of the capital of the paying company and has invested at least EUR100.000 in the acquisition of shares or other rights in the paying company. A WHT rate of 10% applies in all other cases.

53. A WHT rate of 5% if the beneficial owner is a company (other than a partnership) which holds directly at least 20% of the capital of the company paying the dividends throughout a 365-day period that includes the day of the payment of the dividend. A WHT rate of 10% applies in all other cases.

54. A WHT rate of 5% if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends. A WHT of 15% applies in all other cases.

55. A WHT rate of 0% applies on interest if the beneficial owner is an insurance undertaking or a pension fund, or the Government of that Contracting State or a political subdivision or a local authority thereof, or the Central Bank of that Contracting State, or a bank. A WHT rate of 0% also applies on interest paid in respect of securities that are listed on a recognized stock exchange (government bonds, corporate bonds, Eurobonds). A WHT of 15% applies in all other cases.

56. The treaty is effective as from 1 January 2023.

57. A WHT rate of 5% applies if the beneficial owner is a company that holds directly at least 10% of the capital of the paying company. A WHT rate of 10% applies in all other cases.

58. NIL if the beneficial owner is, a company that holds directly at least 5% of the capital of the company paying the dividends, throughout a period of 365 days, that includes the day of the dividend payment, or a recognised pension fund which is generally exempt under the Cyprus Income Tax Law. 15% in all other cases.



Date	Obligation
End of each month	<ul style="list-style-type: none"> • Payment of tax deducted from employee's salary (PAYE) in the preceding month • Payment of special defence contribution withheld on payments of dividends, interests or rents made to Cyprus tax residents in the preceding month • Payment of tax withheld in the preceding month on payments to non-Cyprus residents • Payment of Social insurance deducted from employee's emoluments
31 January	<ul style="list-style-type: none"> • Submission of declaration of deemed dividend distribution for the year ended 31 December 2020
31 March	<ul style="list-style-type: none"> • Electronic submission of 2021 company's income tax return • Electronic submission of 2021 income tax return of physical persons preparing financial statements
30 April	<ul style="list-style-type: none"> • Payment of premium tax for life insurance companies – first instalment for 2023
31 May	<ul style="list-style-type: none"> • Electronic submission of 2022 employer's return
30 June	<ul style="list-style-type: none"> • Payment of Contribution to the Defence Fund (and GHS contributions if payment is made to Cyprus tax resident individual) on income received during the first half of 2023 on rents if such tax is not withheld at source by the tenant and on dividends or interest from sources outside Cyprus • Payment of €350 Annual Fee to Registrar of Companies
31 July	<ul style="list-style-type: none"> • Submission of 2023 provisional income tax and payment of first instalment • Electronic submission of 2022 personal income tax returns by employees and pensioners (whose incomes do not include income from a trade/business, rents, dividends, interest, royalties nor income relating to trading goodwill) and payment of 2022 personal income tax under self-assessment (1) • Electronic submission of 2022 personal tax returns and payment of 2022 personal income tax under the self-assessment method by other individuals who have gross income that falls under Article 5 (includes dividends, interest and profits from share dealings) and who are not obliged to prepare audited financial statements (1) (2).
1 August	<ul style="list-style-type: none"> • Payment of 2022 final corporation tax

	<ul style="list-style-type: none"> • Payment of 2022 personal income tax by self-employed individuals preparing audited financial statements
31 August	<ul style="list-style-type: none"> • Payment of premium tax for life insurance companies – second instalment 2023
31 December	<ul style="list-style-type: none"> • Submission of revised Provisional Tax Assessment for the current year, if considered necessary • Payment of second instalment of 2023 provisional tax • Payment of Contribution to the Defence fund (and GHS contributions if payment is made to Cyprus tax resident individual) on income received during the second half of 2023 on rents if such tax is not withheld at source by tenant and on dividends or interest from sources outside Cyprus • Payment of premium tax for life insurance companies – third and last instalment for 2023
By the 10th of the second month after the end of the VAT period	<ul style="list-style-type: none"> ▪ Submission of VAT Return and payment of VAT due
By the 15th of each month	<ul style="list-style-type: none"> ▪ Submission of VIES form for the previous month
By the 10th of the month following the end of the VAT period	<ul style="list-style-type: none"> ▪ Submission of Intrastat



Tax

Notes

- (1) An individual is obliged to submit an income tax return when the gross annual income exceeds € 19,500. As from tax year 2021, this threshold is abolished and therefore all individuals have an obligation to submit an individual tax return.
- (2) A self- employed individual is obliged to submit audited financial statement if his/her annual turnover exceeds €70.000.

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.

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.

The official interest rates, as set by the Finance Minister, from 1 January 2023 is 2.25%, 1,75% for all amounts due after 1 January 2020 up to 2022, 2% for the year 2019, 3,5% for the years 2017-2018, 4% for the years 2015-2016, 4,5% for the year 2014, 4,75% for the year 2013, 5% for the years 2011-2012, 5.35% for the year 2010, 8% for the years 2007-2009 and 9% before 31 December 2006.

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.
- Up to €2.000 administrative fine, in case of non-compliance with the provisions of the law regarding the obligations of payment beneficiaries to accept payment via a card. This applies as from 21 February 2021.

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 are also liable for penalties and imprisonment.



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