



OBLIGATIONS OF A CYPRUS COMPANY

Owning a Company in Cyprus requires a number of statutory reporting and financial obligations, with which is essential to comply. With the increased number of regulations set by the Authorities in the last years, we have to ensure the full compliance by the companies, in order to avoid any monetary penalties or any tax authorities' investigations.



**Starting a
business
Tax
obligations**

Cyprus taxation at a glance

Cyprus offers one of the most attractive tax regimes and this is the one of the most decisive reasons why foreign investors and businessmen choose Cyprus to operate. The local tax system is fully compliant with EU laws and regulations. The favourable conditions of the Cyprus tax legislation reduce significantly the amount that both residents and investors pay in taxes.

What are the key benefits of the Cypriot tax system?

- ✓ Only 12.5% corporation tax
- ✓ Extensive double tax treaty network (tax treaties with more than 60 countries)
- ✓ No withholding tax on the repatriation of income as dividends, interest and royalties
- ✓ Income tax exemptions for taking up employment in Cyprus up to fifty percent of the remuneration for 10 years for employment income of more than €100,000 per annum
- ✓ Low social insurance contributions
- ✓ No tax on worldwide dividend and interest income for non-domiciled individuals for 17 years
- ✓ No tax on retirement gratuity and special tax regime on foreign pension income
- ✓ No estate duty, wealth tax, gift tax or inheritance tax
- ✓ Most international transactions exempted from VAT
- ✓ EU & OECD Compliant
- ✓ Exemption from tax on gains from the disposal of securities (e.g. shares, bonds)
- ✓ Notional interest deduction on equity
- ✓ Exemption on profits from foreign permanent establishments (subject to conditions)
- ✓ Attractive Intellectual Property regime in line with “Nexus approach”
- ✓ Tonnage Tax regime attractive for ship owners, managers and charters
- ✓ No tax on entry, reorganisations and exit



Tax Registration: For all Cyprus Companies the registration to the tax authorities is mandatory. The registration has to be made within 60 days from its incorporation date. Failure to do so will result into financial penalties.

Corporation Tax: The taxable profits of all Companies registered in Cyprus are subject to corporation tax at a rate of 12.5%.

A corporation tax return has to be submitted by the 31st of March of the subsequent year of the year following the relevant tax year. Late submission of the return will result into financial penalties.

Temporary Tax Assessment: Cyprus Companies are required to pay provisional tax in 2 equal instalments during each year of assessment, based on the estimated taxable profits. The first instalment is due on the 31st of July and the second instalment on the 31st of December. The provisional tax is payable through a self-assessment system. If any instalment of the provisional tax is not paid within 30 days from the due date, interest is charged at the rate of 1.75% per annum and a further penalty of 5% is imposed.

When the actual tax liability is estimated for the year of assessment, a final payment must be made by 1st of August of the following the year of the assessment year, in order to settle any unpaid amount which may arise between the estimated and the actual taxable profit.

If the provisional tax paid is lower than 75% of the actual liability for the year, a surcharge of 10% is imposed on the underestimated tax payable.

Value Added Tax (VAT): All Cyprus Companies that meet the criteria for VAT registration are obliged to register with the VAT Authorities within 30 days from the date that the criteria were met. The criteria for VAT registration are the following:

- ✓ If annual turnover of taxable supplies exceeds €15,600 or
- ✓ If is expected to exceed €15,600 within the next 30 days
- ✓ At any time it makes supplies of services to any taxable person in another EU state which are taxable where the person is established.

However, all companies are allowed to register voluntarily with the VAT Authorities even if the above criteria are not met.

VAT Returns have to be prepared on a quarterly basis and submitted by the 10th day of the second month following the end of the assessment period. If a VAT liability exists, the payment has to be made the same day with the submission. Failure to comply with the above will result in monetary penalties and interest charges.

De-registration with VAT Authorities can be made within 60 days from the date at which the requirement to be registered no longer exists.

Some companies are also obliged to register with VIES & Intrastat.

Special Contribution for Defence (SCD): The SCD is a tax imposed on dividend income (SCD 17%), rental income (SCD 3% on 75% of rents) and interest income (SCD 30%). SCD relates only to the income derived from Cyprus domiciled and resident companies and individuals. Non-compliance with the above will result in monetary penalties and interest charges.

Social Insurance and other Contributions: Social insurance contributions and other contributions (e.g. Cohesion fund, Redundancy Fund etc) payable to Authorities are applicable only for companies that have employees. Those companies are also obliged to prepare Employee Emoluments Returns as well as Employers Annual Return.

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**Starting a
business
Statutory
obligations**

Annual Return filing (Form HE32)

Annual Return is a report which includes information about the Company's Directors, Secretaries, Shareholders and Registered Office.

All Cyprus Companies are obliged by the legislation to submit once a year an Annual Return to the Registrar of Companies. The Annual Return shall be accompanied with the prior year's signed financial statements of the Company and with its auditors' report.

The first Annual Return of the Company shall be prepared within 18 months from its incorporation date and submitted to the Registrar of Companies within 28 days from the date of preparation.

If the Annual Return is not submitted, the Registrar of Companies will impose penalties to the Company and to its officers.

Annual General Meeting

Every Company registered in Cyprus must hold once a year an AGM, for which the shareholders have to receive a notice of at least 21 days.

The agenda of the AGM in the most cases includes the review and approval of the financial statements, the election or re-election of the Board of Directors and Secretaries, the appointment or re-appointment of Auditors and the approval of any dividend payments.

All resolutions passed in AGM shall be documented in the Board Minutes of the AGM by the Secretary and filed at the Registered Office.

The first AGM of the Company shall take place within 18 months from its incorporation date.

Annual Levy

Annual Levy is a tax of €350, which is payable by all Cyprus Companies to the Registrar of Companies by 30th June every year.

Delays in Annual Levy payments impose monetary penalties or eventually removal from the Registrar of Companies.

Bookkeeping

All Companies incorporated in Cyprus are obliged to comply with the below accounting procedures:

- ✓ Keep proper books and records at all times (for at least 6 years)
- ✓ Updated bookkeeping records within 4 months from each transaction date
- ✓ Prepare financial statements in accordance with the International Financial Reporting Standards

Failure to comply with the above is a criminal offence with adverse consequences.

Audit

Every company registered in Cyprus must have its financial statements audited by a licensed auditor. Each company which has subsidiaries, shall consolidate its financial statements with the financial statements of its subsidiaries as prescribed by the International Accounting Standards. Small and medium sized groups are exempt from the obligation to prepare consolidated financial statements.

Statutory Records

All companies registered in Cyprus are obliged by Cyprus Companies Law to file their statutory records at their Registered Office.

Filed statutory records include a register of Shareholders, a register of Directors and Secretaries, register of Changes, the Audited Financial Statements, copies of the Annual Returns submitted to the Registrar of Companies and resolutions and minutes kept from the General Meetings.

All companies are required to inform the Registrar of Companies for any changes of the above, by completing relevant forms. Failure to do so will result in financial penalties.

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