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Auditors  
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# Tax Guide 2019 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 2019 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  
Cyprus**

**January 2019**

# Personal Income Tax

Cyprus tax residents are taxed on all income accrued or derived from all sources in Cyprus and abroad.

Individuals who are not tax residents of Cyprus are taxed on income accrued or derived from sources in Cyprus.

An individual is tax resident in Cyprus if (s)he spends in Cyprus more than 183 days in any one calendar year.

As from 1 January 2017, an individual may also be considered tax resident in Cyprus if (s)he satisfies the “60 day rule”. The “60 day rule” applies to individuals who in the relevant tax year:

- do not reside in any other single state for a period exceeding 183 days in aggregate, and not considered tax resident by any other state, and
- reside in Cyprus for at least 60 days, and
- carry out any business in Cyprus and/or are employed in Cyprus and/or hold an office (director) of a company tax resident in Cyprus at any time in the tax year, provided that is not terminated during the tax year.

The individual must maintain in the tax year a permanent residential property in Cyprus which is either owned or rented by him/her.

Days in and out of Cyprus are calculated as follows:

- The day of departure from Cyprus counts as a day of residence outside Cyprus.
- The day of arrival in Cyprus counts as a day of residence in Cyprus.
- Arrival and departure from Cyprus in the same day counts as one day of residence in Cyprus.
- Departure and arrival in Cyprus in the same day counts as one day of residence outside Cyprus.





## 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	

## 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%
Remuneration from any office or employment exercised in Cyprus by an individual who was resident outside Cyprus before the commencement of his employment. This exemption applies for a period of 5 years commencing from 1 January following the year of commencement of employment. This exemption applies up to the tax year 2020. In case the 20% is claimed, the 50% exemption does not apply	20% of income or €8.550 (lower of)
Remuneration from any office or employment exercised in Cyprus by an individual who was resident outside Cyprus before the commencement of his employment. This exemption applies for a period of 10 years for employments commencing as from 1 January 2012 if the annual remuneration exceeds €100.000. As from 1 January 2015, the exemption does not apply in case the individual was a Cyprus tax resident for 3 out of 5 years preceding the year of employment <b>or</b> to be tax resident of Cyprus in the year preceding the year of commencement of employment	50% of income
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	100%
Profit from the sale of securities	100%
Profits from a permanent establishment	100%
Foreign exchange gains (realized and unrealized), unless they result from trading in currencies and/or currency derivatives	100%

## Deductions for individuals

Rental income	20% on gross rental income
Interest paid in respect of rented buildings	100%
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 1/6 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%
Expenditure made for maintenance of a building in respect of which there is in force a Preservation Order	Up to €1.200, €1.100 or €700 per square meter (depending on the building size)
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)



# 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.

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

## 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%



## 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.

Expenditure on patents, patent rights or intellectual property rights	80% of the net profit (old IP box), 80% of the net profit using the nexus approach as from 1 July 2016
Donations to approved charities	100%
Employer's contributions to social insurance and approved provident funds on employees' salaries	100%
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

### 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 3% premium (subject to a minimum amount which is the yield on the 10 year Cyprus government bond as at the same date plus a 3% premium).

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

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.

## 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
Expenses for improvements, alterations or additions to immovable property	100%
Expenditure of a capital nature (see capital allowances)	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%



## Tax Losses

Tax loss incurred during a tax year, which cannot be set off against other income is carried forward subject to conditions and set off against future profits of the next five years.

Set-off of group losses are allowable only with profits of the corresponding year of assessment.

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

- one company is holding directly or indirectly at least 75% of the voting rights of the other company
- both of the companies are at least 75% held directly or indirectly by another third company

As from 1 January 2015, the group loss relief provisions are extended to cases where a subsidiary company is tax resident in another EU member state or in a country with which Cyprus has a tax treaty or an exchange of information agreement (bilateral or multilateral), provided that 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.

Losses from a permanent establishment abroad can be set off with profits of a Cyprus company. Profits of an exempt permanent establishment abroad are taxable up to the amount of losses allowed.

## Reorganisations

Transfers of assets and liabilities between companies can, subject to conditions, be effected with no tax consequences within the framework of a reorganisation, and tax losses can be carried forward by the receiving entity.

Type of Reorganisations:

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

## 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 %
<b>Fixed assets</b>	
<b>Plant and machinery (Note 1)</b>	
Plant and machinery	10
Furniture and fittings	10
Industrial carpets	10
Boreholes	10
Machinery and tools used in agricultural business	15
<b>Buildings</b>	
Commercial buildings/flats	3
Industrial, agricultural and hotel buildings (Note 2)	4
Metallic greenhouse structures	10
Wooden greenhouse structures	33 1/3
<b>Vehicles and Means of Transportation</b>	
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



# Fixed Assets

<b>Other</b>	
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)



## Shipping companies

The Merchant Shipping Legislation fully approved by the EU provides for exemption from all direct taxes and taxation under tonnage tax of qualifying shipowners, charterers and ship managers, from the operation of qualifying ships from a qualifying shipping activity.

***Exemption from taxation in accordance with the provisions of the Merchant Shipping Law and are subject to tonnage tax:***

### ***Ship owners***

- 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





# 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 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%).
- 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. 2016 profits are subject to deemed distribution rules as at 31 December 2018).

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.





## 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,
- 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





# 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







## 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.

An obligation for registration also arises for businesses which make acquisition of goods from other EU Member States in excess of €10.251,61 during any calendar year.

Businesses have 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.



## 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.

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 in another EU Member State)	35.000
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	51 for each return
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



## VAT on Immovable Property

### As from 1<sup>st</sup> 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 2<sup>nd</sup> 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 13<sup>th</sup> 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.



## 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.



# Social Insurance

Contributions to Social Insurance by employee for 2019 are 8.3% and by employer are 8.3%. The rate will increase by 0.5% every five years until it reaches 10.3% as from 1 January 2039.

The maximum amount that applies for 2019 is €54.648 per annum for monthly paid employees, €54.652 per annum for weekly paid employees, €4.554 per month for monthly paid employees and €1.051 per week for weekly paid employees.

## 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 from 2019 are 15.6% of their income. 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 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”).

According to the NHIS, employer and employee contributions for the implementation of the system start from 1 March 2019 and will increase 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).



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 €1 - €5.000 €5.001 - €170.000 Over €170.000	Nil 1.5‰ 2‰ at a max. of €20.000
Without fixed sum	€35
Customs declaration documents	€18 - €35
Bills of lading	€4
Charter party	€18
Powers of attorney <ul style="list-style-type: none"> <li>▪ General</li> <li>▪ limited</li> </ul>	€6 €2
Certified copies of contracts and documents	€2
Issue of tax residence certificate by Inland Revenue Department	€80.00



# Capital Duty

## Upon incorporation of the company

Authorised share capital	€105
Issued share capital	There is no capital duty payable if the shares are issued at their nominal value. There is a €20 flat duty if the shares are issued at a premium

## Upon subsequent increases

Authorised share capital	NIL
Issued share capital	€20 flat duty on every issue, whether the shares are issued at nominal value or at a premium





## 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.



## WHT on outbound payments from Cyprus

Paid from Cyprus	
Paid to	Royalties rights used within Cyprus %
Non-treaty countries	5/10 (3)
Armenia	5
Austria	0
Bahrain	0
Barbados	0
Belarus	5
Belgium	0
Bosnia (4)	5/10 (5)
Bulgaria	5/10 (5)
Canada	0/5/10 (5), (6)
China	5/10 (5)
Czech Republic	0/10 (7)
Denmark	0
Egypt	5/10 (5)
Ethiopia	5
Estonia	0
Finland	0
Georgia	0
France	0/5 (8)
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
Kuwait	5
Latvia	0 (9)
Lebanon	0

<b>Paid from Cyprus</b>	
<b>Paid to</b>	<b>Royalties rights used within Cyprus %</b>
Lithuania	5
Luxembourg (10)	0
Malta	5/10 (5)
Mauritius (10)	0
Moldova	5
Montenegro (4)	5/10 (5)
Norway	0
Poland	5
Portugal	5/10 (5)
Qatar	0
Romania	0/5 (11)
Russia	0
San Marino (10)	0
Serbia (4)	5/10 (5)
Seychelles	5
Singapore	5/10 (5)
Slovakia (12)	0/5 (11)
Slovenia	5
South Africa	0
Spain	0
Sweden	0
Switzerland	0
Syria	5/10 (5)
Thailand	5/10 (13)
Ukraine	5/10 (14)
United Arab Emirates	0
United Kingdom (15)	0
United States of America	0



## Notes

1. No tax is withheld for payment of dividends and interest to non-residents of Cyprus.
2. No tax is withheld when the royalty is paid for the use outside Cyprus.
3. 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%).
4. Serbia, Montenegro and Bosnia apply the Yugoslavia/ Cyprus treaty.
5. The WHT rate of 5% is applicable on cinematographic film royalties.
6. 0% on literary, dramatic, musical, or artistic work (excluding motion picture films and works on film or videotape for use in connection with television).
7. 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.
8. A WHT rate of 5% is applicable on royalties for cinematographic films including films and video tape for television.
9. 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.
10. The treaty/ amendments to the treaty is/are effective as from 1 January 2019.
11. 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.
12. The Cyprus-Czechoslovakia treaty applies with the Slovak Republic.
13. 5% WHT applies for any copyright of literary, dramatic, musical, artistic, or scientific work.
14. 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.
15. The treaty is effective as from 1 January 2019 for Cyprus.

## WHT on inbound payments to Cyprus

Received in Cyprus			
Paid from	Dividends	Interest	Royalties
	%	%	%
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	15	15	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
Kuwait	0	0	5
Latvia	0/10 (42)	0/10 (42)	0/5 (43)
Lebanon	5	5	0
Lithuania	0/5 (22)	0	5
Luxembourg (46)	0/5 (47)	0	0
Malta	0	10	10
Mauritius (46)	0	0	0















Date	Obligation	Form
<b>End of each month</b>	<ul style="list-style-type: none"> <li>• Payment of tax deducted from employees salary (PAYE) in the preceding month</li> <li>• Payment of special defence contribution withheld on payments of dividends, interests or rents made to Cyprus tax residents in the preceding month</li> <li>• Payment of tax withheld in the preceding month on payments to non-Cyprus residents</li> <li>• Payment of Social insurance deducted from employees emoluments</li> </ul>	T.D. 61  T.D. 601
<b>31 January</b>	<ul style="list-style-type: none"> <li>• Submission of declaration of deemed dividend distribution for the year ended 31 December 2016</li> </ul>	T.D. 623
<b>31 March</b>	<ul style="list-style-type: none"> <li>• Electronic submission of 2017 company's income tax return</li> <li>• Electronic submission of 2017 income tax return of physical persons preparing financial statements</li> </ul>	T.D. 4
<b>30 April</b>	<ul style="list-style-type: none"> <li>• Payment of premium tax for life insurance companies – first instalment for 2019</li> </ul>	
<b>30 June</b>	<ul style="list-style-type: none"> <li>• Payment of Contribution to the Defence Fund on income received during the first half of 2019 on rents if such tax is not withheld at source by the tenant and on dividends or interest from sources outside Cyprus</li> <li>• Payment of 2018 personal income tax under the self-assessment method by self-employed individuals not preparing audited financial statements</li> <li>• Payment of €650 Annual Fee to Registrar of Companies</li> </ul>	T.D. 601

Date	Obligation	Form
<b>31 July</b>	• Electronic submission of 2018 employer's return	T.D. 7
	• Submission of 2019 provisional income tax and payment of first instalment	T.D. 6
	• Electronic submission of 2018 personal income tax returns (whose incomes do not include income from a trade/business, rents, dividends, interest, royalties nor income relating to trading goodwill) and payment of 2018 personal income tax under self-assessment	T.D. 1
<b>1 August</b>	<ul style="list-style-type: none"> <li>• Payment of 2018 final corporation tax</li> <li>• Payment of 2018 personal income tax by self-employed individuals preparing audited financial statements</li> </ul>	T.D. 158
<b>31 August</b>	<ul style="list-style-type: none"> <li>• Payment of premium tax for life insurance companies – second instalment 2019</li> </ul>	
<b>30 September</b>	<ul style="list-style-type: none"> <li>• Electronic submission of 2018 personal tax returns of self-employed individuals not required to prepare audited financial statements</li> </ul>	T.D. 1
<b>31 December</b>	• Submission of revised Temporary Tax Assessment for the current year, if considered necessary	I.R. 6
	• Payment of second instalment of 2019 provisional tax	I.R.6
	• Payment of Contribution to the Defence fund on income received during the second half of 2019 on rents if such tax is not withheld at source by tenant and on dividends or interest from sources outside Cyprus	I.R. 601
	• Payment of premium tax for life insurance companies – third and last instalment for 2019	
<b>By the 10<sup>th</sup> of the second month after the end of the VAT period</b>	<ul style="list-style-type: none"> <li>▪ Submission of VAT Return and payment of VAT due</li> </ul>	VAT 4

# Tax

Date	Obligation	Form
<b>By the 15<sup>th</sup> of each month</b>	▪ Submission of VIES form for the previous month	VIES 1
<b>By the 10<sup>th</sup> of the next month after the end of the period</b>	▪ Submission of Intrastat	INTRASTAT 1.1 INTRASTAT 1.2

## Notes

- (1) An individual is obliged to submit an income tax return when the gross annual income exceeds € 19,500.
- (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

The official interest rates, as set by the Finance Minister, is 2% for all amounts due after 1 January 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.









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