

Cyprus Tax Highlights



0% tax on Dividends received

Dividends received by a Cyprus Company, on certain conditions, are free of tax making Cyprus the most competitive jurisdiction for holding companies.

0% withholding tax on Dividend payments

Dividends payable by a Cyprus resident company to its foreign shareholders (whether a company or individual) are not subject to any withholding tax in Cyprus.

In effect, Cyprus provides full tax exception on the payment of dividends to its non-resident shareholders and has a real advantage over the other traditional holding jurisdictions.

Companies engaged in the trading of titles

Trading companies in shares and other securities as identified in the law may be formed with 0% taxation on profits from this trading. No capital gains tax is payable on the sale or transfer of shares.

12,5% Taxation for tax resident companies.

Resident trading companies, subject to certain exceptions for holding companies, and companies trading in shares / securities pay one of the lowest taxation in Europe (10%) on their net profits.

0% taxation on profits from foreign establishment.

A resident company is not taxed on profits received from its overseas establishment, subject to certain conditions.

Unilateral Tax Credit Relief.

Unilateral tax credits are granted on any tax paid abroad to any foreign country, irrespective of whether Cyprus has a Double Taxation Treaty or not. In such a case the income is not taxed twice but only once.

Trusts

International Cyprus Trusts may be established holding the shares or to be used as a vehicle for a tax structure – International trusts do not pay any taxation on their profits.

Double Tax Treaties / International Tax planning

Access to a wide and, in many cases, particularly beneficial double tax treaty network.

Re-organizations

Mergers, Takeovers and other Re-Organizations can take place within groups without tax consequence.

Losses

The tax loss in Cyprus incurred during the year is carried forward and set off against future profits for a period of five years

Group relief

Group relief (set off of the loss of one company with the profit of another) is allowed provided both companies of the group are tax resident in Cyprus.

Controlled Foreign Company (CFC) Legislation

Cyprus does not have Controlled Foreign Company (CFC) legislation.

Thin Capitalization Rules

Cyprus tax legislation does not contain Thin Capitalization provisions, namely there are no provisions in the Law requiring the companies to maintain a particular debt to equity (particular) ratio.

Holding Company Financing its Group of Companies

A holding company acting as the financing vehicle of its group of companies is considered that the interest income it receives from financing the group, is closely related to its ordinary activities and this interest income will be taxed only with income tax and not Special Defence Contribution Tax.

Financial Assistance

Financial Assistance to its shareholders to purchase its own shares is now possible.

Withholding Taxes on Interest and Royalties

There are no withholding taxes on payments of interest to non-residents. Any interest due to non-residents is paid free of withholding taxes from Cyprus.

There are also no withholding taxes on royalties arising from sources outside Cyprus.

Royalties arising from the use of an asset in Cyprus are subject to 10% withholding tax.

Liquidation

If a Cyprus holding company is liquidated and distributes its assets to its shareholders, in the case that the shareholders are non-residents of Cyprus then the distribution is done without any taxation on the non-resident shareholders.

CFA Auditors Ltd

CFA Auditors Ltd possesses the skills, knowledge and experience to assist through complex tax planning strategies for businesses and individuals, to keep the tax burden to a minimum and meet all compliance requirements with the ever changing complex regulations.

We offer a range of services to help you meet your tax obligations:

- Registration with the tax authorities
- Submission of all company and personal tax returns to the local tax authorities
- Obtaining a tax residency certificate
- Advice on optimum tax structures
- General advice on corporation tax and VAT matters
- Corporate and personal tax planning
- Advice on international tax planning

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