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Cyprus Tax Facts 2014



The present Grant Thornton publication aims to provide the reader with an overview and a quick reference guide to the Cyprus tax system. The information contained in this publication relates to the regulations in force as of 15 February 2014.

This publication is not intended to be comprehensive so specific professional advice should always be obtained before taking any action.

You may also download Cyprus Tax Facts online on our website www.gtcyprus.com

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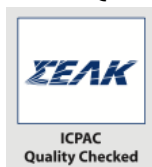
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Introduction

Since its accession to the European Union in 2004, the tax legislation of Cyprus complies with EU requirements and with the OECD initiative against harmful tax practices.

The significant tax advantages offered by Cyprus to international companies with a Cyprus tax-resident base include:

- double tax treaties with over 50 countries
- favourable tax regime, including corporation tax of 12,5%, one of the lowest rates in the EU
- nil withholding taxes on dividends and on interest payable to non-Cyprus tax residents
- exemption from tax in most cases on dividends received
- exemption from tax of profits from operations of permanent establishments situated abroad
- exemption from tax of profits on disposal of shares, bonds and other securities (except in the case where the company issuing the shares owns immovable property situated in Cyprus)
- exemption from capital gains tax on gains arising from the disposal of immovable property situated abroad.

International companies which choose to have a permanent establishment in Cyprus can enjoy additional benefits such as:

- strategic geographic location
- availability of free zone area
- excellent communications infrastructure
- efficient legal, accounting and banking services
- liberal foreign direct investment regime
- highly qualified, well-educated and multilingual labour force
- freedom of movement of foreign currency
- one of the lowest crime rates in Europe.

All the above factors combine to make Cyprus an ideal and effective location for EU inbound and outbound investments and a preferred jurisdiction of international tax planners.



Personal Taxation

Imposition of tax

Individuals who are Cyprus tax residents are subject to tax on their worldwide income, whether remitted to Cyprus or not. Individuals who are non-Cyprus tax residents are subject to tax only on their Cyprus-source income.

Tax residence

For Cyprus tax purposes, “Cyprus tax resident” means an individual who, in the year of assessment (calendar year), stays in the Republic of Cyprus for a period or periods exceeding in aggregate 183 days. For company residence, see page 10.

Days in and out of Cyprus are calculated as follows:

- (a) the day of departure from Cyprus is taken as a day of residence outside Cyprus
- (b) the day of arrival in Cyprus is taken as a day of residence in Cyprus
- (c) arrival in and departure from Cyprus on the same day is taken as a day of residence in Cyprus
- (d) departure from and arrival in Cyprus the same day is taken as a day of residence outside Cyprus.

Income tax rates for 2014

Taxable income €	Rate %	Tax €	Cumulative taxable income €	Cumulative Tax €
First 19.500	-	-	19.500	-
Next 8.500	20	1.700	28.000	1.700
Next 8.300	25	2.075	36.300	3.775
Next 23.700	30	7.110	60.000	10.885
Over 60.000	35			

Exempt income

Type of income	Limit	Note
Profits on disposal of titles	100%	1
Remuneration from salaried services rendered outside Cyprus	100%	2
Dividend income	100%	3
Interest income	100%	4
Remuneration of individuals who, before commencing employment in Cyprus, were not Cyprus tax residents	20% of emoluments, up to a maximum of €8.550 p.a.	5, 7
Remuneration of individuals who, before commencing employment in Cyprus, were not Cyprus tax residents and their income from employment is more than €100.000 per annum	50% of total emoluments	6, 7
Lump sum on retirement, commutation of pension or compensation for death or personal injury	100%	
Capital sums received in respect of eligible life insurance policies or provident, pension and other funds	100%	
Profits from a permanent establishment abroad are exempt subject to certain conditions	100%	

Notes

1. "Titles" means ordinary shares, founder's shares, preference shares, options on titles, debentures, bonds, short positions on titles, futures/forwards on titles, swaps on titles, depository receipts on titles like ADRs and GDRs, claim rights on bonds and debentures (excluding the rights on interest of such products), index participations (provided that they represent titles), repurchase agreements or Repos on titles, participations in companies like Russian OOO & ZAO, American LLCs (provided that they are not transparent entities), Romanian SAs & SRLs, Bulgarian ADs and OODs and units in open-ended or close-ended collective investment schemes that have been established and registered, and function, in accordance with the provisions of specific and relevant legislation in the country of the registration. Promissory notes and bills of exchange are not included under definition of titles.
2. The employer must either be a non-Cyprus tax resident or a Cyprus tax resident with a permanent establishment abroad. For the exemption to apply, the service abroad must be for a period or periods of more than 90 days in aggregate in any one year of assessment.
3. Such dividend income is subject to Special Defence Contribution for Cyprus tax residents.
4. The exemption does not apply if interest arises or is closely related to business activities, which will be treated as trading income.
5. The exemption applies for a period of three years, commencing on 1 January following the year of commencement of the employment.
6. The exemption applies for a period of five years, commencing on 1 January 2012.
7. In practise the tax authorities will allow only one out of the two claims (see note 5 & 6 above).

Allowable deductions

Description	Limit	Note
Annual subscriptions to trade unions and professional associations	100%	
Donations to approved charitable institutions (with receipts)	100%	1
Rental income if the rented property is a building	20% on gross rental income	
Interest on a loan used to acquire rented properties	100%	
All expenses incurred wholly and exclusively for the production of income provided that are supported by proper documentation	100%	2
Expenditure incurred for the purpose of maintaining a preserved building	Subject to restrictions	3
Life insurance premiums	100%	4 & 5
Wages and salaries and contributions to Social Insurance Fund, Redundancy Fund, Human Resource Development Fund, Social Cohesion Fund, Pension Fund and Provident Fund	100%	5, 6 & 7

Notes

1. In case of a loss, to the extent of the donation, the loss is not carried forward.
2. Excludes interest and/or running expenses of private motor vehicles.
3. Restriction depends on the covered area of the building.

Square meters	€ per square meter
Up to 120	Up to €1.200
121 – 1.000	Up to €1.100
Over 1.000	Up to €700

4. The deduction for annual life insurance premium is restricted to 7% of the capital sum assured on death. The life insurance should be for the life of the taxpayer and not for his/her spouse unless it relates to policies affected before 1 January 2003. When a life insurance policy is cancelled within six years of its inception, there is a claw-back of premium relief as follows:

Cancellation (in year)	% of premiums allowed treated as income
1 - 3	30%
4 - 6	20%

5. The total deduction for all the above allowances (life insurance, Contributions to the social insurance, provident, pension, medical or other “approved” fund) is restricted to 1/6 of an individual’s taxable income before deducting these allowances.
6. Wages and salaries for which the above mentioned contributions have not been paid in the year, in which they were due, will not be tax deductible for the calculation of taxable income.
7. If the contributions (including any penalties and interest) are paid in full within two years from their due date, then such wages and salaries and their associated contributions will be a tax deductible expense in the year that they are paid.

Business Taxation

Imposition of tax

Cyprus tax resident persons (individuals and companies) are subject to tax on their worldwide income whether remitted to Cyprus or not.

Non-Cyprus tax resident persons are subject to tax only on their Cyprus-source income.

A company is subject to tax in Cyprus if its management and control is exercised in Cyprus, irrespective of its place of registration.

“Company” has the meaning given to this term by the Companies Law and includes anybody with or without legal personality, or public corporate body, as well as every company, fraternity or society of persons, with or without legal personality, including any comparable company incorporated or registered outside the Republic and a company listed in the First Schedule but it does not include a partnership.

Partnerships are not taxable entities. The income of a partnership is attributed to the partners and is subject to income or corporation tax as the case may be.

Tax registration

As of 1st July 2011, a Company is obliged to register with the tax authorities within 60 days of its registration with the Companies Registrar.

Corporation tax rate

- 12,5% of taxable income

Exempt income

Type of income	Limit	Note
Profits on disposal of securities	100%	1
Dividend income	100%	2
Interest income	100%	3
Profits from operations through a permanent establishment abroad	100%	4

Notes

1. The definition of “titles” is stated in page 7 of the booklet.
2. Such dividend income is subject to Special Defence Contribution for Cyprus tax residents.
3. The exemption does not apply if interest arises or is closely related to the business activities of the entity. Note that exempt interest income is subject to 30% Special Defence Contribution from 29/4/2013 (see page 33).
4. The exemption does not apply if the permanent establishment engages directly or indirectly more than 50% in activities which result in investment income AND the foreign tax burden is significantly lower than the Cyprus tax burden.

Allowable deductions

Description	Limit	Note
Wages and salaries and contributions to Social Insurance Fund, Redundancy Fund, Human Resource Development Fund, Social Cohesion Fund, Pension Fund and Provident Fund	100%	1
Donations to any approved charitable institution (with receipts)	100%	2
Expenditure incurred for the purpose of maintaining a preserved building	Subject to restrictions	3
Business entertainment expenses	Lower of 1% of gross income, or €17.086	
Interest on loans to acquire assets used in a business	100%	4
All expenses incurred wholly and exclusively for the production of income provided that are supported by appropriate documentation	100%	5
80% of the net income generated from the exploitation of Intellectual Property (IP) and 80% of the net profit from the disposal of such IP is not taxable	80%	See page 36
Interest expense is tax deductible if arising from loan used in acquiring direct or indirect 100% subsidiary, provided that all subsidiary's assets are used for the production of income	100%	

Notes

1. Wages and salaries for which the above mentioned contributions have not been paid in the year in which they were due, will not be tax deductible for the calculation of taxable income.
If the contributions (including any penalties and interest) are paid in full within two years from their due date, then such wages and salaries and their associated contributions will be tax deductible expense in the year that they are paid.
2. In case of a loss, any part of the loss up to the amount of the donation cannot be carried forward.
3. Depending on the covered area of the building.

Square meters	€ per square meter
Up to 120	Up to €1.200
121 – 1.000	Up to €1.100
Over 1.000	Up to €700

4. Interest payable for acquiring a saloon car whether used in the business or not, or any other asset that is not used in the business, is not allowable for the first seven years.
5. Excludes interest and running expenses of saloon (passenger) cars as classified under the Motor Vehicles and Traffic Regulations.

Wear and tear allowances

Annual wear and tear allowances are granted on the acquisition cost of assets used in a business. The following table includes commonly-used categories:

Description	Rate (%)	Note
Industrial, agricultural and hotel buildings	4	1,2
Plant and machinery used in agriculture	15	2
Commercial buildings	3	2
Plant & machinery	10	1,2
Loose tools	33⅓	2
Furniture, fixtures & fittings	10	1,2
Computer hardware and operating software	20	2
Motor vehicles (excl. saloon cars)	20	2
Excavators, tractors, bulldozers, self-propelled loaders and drums for petrol companies	25	2
Application software	33⅓ (100% if less than €1.709)	2
Air-conditioning	10	2
Printing and binding machines	10	2
Bullet-proof commercial vehicles	20	2
Sailing/Motor yachts	4½ / 6	2
Wind turbines	10	2
Photovoltaic systems	10	2
New aeroplanes and helicopters	8	2

Notes

- For the cost on the following assets acquired through 2012-2014 (new, used, additions) an increased allowance is provided as follows:
 - Plant and Machinery 20%
 - Furniture and fittings 20%
 - Industrial Buildings 7%
 - Hotel Buildings 7%.
- Allowances start when the asset is used in the business. For assets acquired from related companies, within this period, Art.33 may apply.

Losses

Tax losses incurred in any one year and which cannot be set off against other profits of the same year, can be carried forward and set off against future profits of the next five years.

This new amendment in the income tax law applies from 1/1/2013 and acts retrospectively for losses carried forward from the year 2008.

Relief in respect of group trading losses is allowed among Cyprus tax resident companies which are members of the same group (with at least 75% control) for the whole year. Only current year group trading losses can be surrendered from one company of the group to another. As from 1/1/2012 companies incorporated by their parent company within the year (with at least 75% ownership), will qualify for group relief for the whole year.

Losses of a sole trader or a partnership business converted into a limited liability company can be set off against future profits of the company.

Losses of a permanent establishment abroad can be set off against the Cyprus profits of a business whether incorporated or unincorporated. However, future profits of the permanent establishment are liable to tax, to the extent of the losses allowed (loss recapture).

Company reorganisations

Transfers of assets and liabilities between companies in the course of a reorganisation (including provisions and reserves) can be affected without any tax consequences.

The term reorganisation includes exchange of shares, transfer of commercial activities, mergers and de-mergers.

Value added tax (VAT)

Imposition of VAT

VAT applies to any person who is, or should be, registered for VAT (a taxable person) in the course of furtherance of a business on every taxable supply. A taxable supply is any supply of goods or services which is not exempt.

Registration

Registration is compulsory for businesses if at any time their taxable supplies in the preceding 12 months are in excess of €15.600. Additionally there is an obligation to register at any time where it is expected that taxable supplies will exceed the threshold in the next 30 days.

Registration is also compulsory, irrespective of the value of the supplies, where a business provides services to a business registered in another EU Member State.

Other situations where obligatory registration applies include the acquisition of goods from other EU Member States over the threshold of €10.251 or the provision of distance sales from other EU Member States to Cyprus over the value of €35.000.

Zero-rated supplies are taxable supplies and should be included in the total of taxable supplies for the purposes of determining whether the threshold has been reached. If a business makes only zero-rated supplies that exceed the threshold it has to register for VAT.

Voluntary registration is available for businesses which make taxable supplies and do not yet meet the prescribed threshold of €15.600.

Goods or services exempt from VAT

These include:

- land
- used buildings
- new buildings for which application for a building permit was made prior to 1 May 2004
- rents
- banking and financial services
- insurance
- medical and hospital services
- education

- sports
- lottery tickets and betting.

VAT rates

The VAT legislation provides for the following four VAT rates:

1. Zero rate 0%
2. Lower reduced rate 5%
3. Higher reduced rate currently 9% (8% prior to 13/1/2014)
4. Standard rate currently 19% (18% from 14/1/2013 until 12/1/2014).

Zero-rated taxable supplies (0%)

These include:

- exports to non EU Countries
- supplies to other EU member states provided the purchaser uses these supplies for business purposes
- commissions received from abroad relating directly to exports of goods outside member states
- commissions received from abroad relating directly to the importation of goods from non EU member states where the goods are placed under customs suspense arrangements, including temporary storage, free zones, customs warehousing, etc.
- international air and sea transport.

Lower reduced rate taxable supplies (5%)

These goods include:

- foodstuffs, other than those supplied in the course of catering
- medicines and vaccines for the prevention of illness, and as a treatment for medical and veterinary purposes
- new buildings to approved consumers who will use it as their principal place of residence from 1/10/2011
- supply of agricultural fertilizers and insecticides
- animal feed, including feed for fish and birds
- supply of live animals used for human consumption
- non-bottled water
- newspapers, magazines, books
- equipment for use by the disabled
- ice cream and similar products including various spices, salted or roasted products
- gas

- confectionery except biscuits and cakes, but including chocolates and chocolate covered biscuits
- bottled water, industrialized drinks, juice drinks (excluding carbonated drinks, alcoholic beverages, beer and wine)
- ingredients used in the production of foods
- car seats for children
- services of writers, composers and artists, as well as the royalties received by them
- hair salon services
- improvement and repair of a private residence (older than 3 years)
- products for contraception
- products for women's health
- medical equipment used exclusively by handicapped persons
- services by undertakers and coffins
- road cleaning, refuse collection and recycling, other than services supplied by state authorities, local authorities and public utility corporations
- transport of passengers and their accompanying luggage by urban and rural buses
- letting of places on camping or caravan sites
- admission to shows, circuses, parks, concerts, museums, zoos, movie theatres, galleries and similar cultural events
- admission to sporting events and use of sporting facilities
- repair of medical equipment and certain products that are used by handicapped persons
- medical and dental services and bathing-cure that are not exempted from VAT under paragraphs 2 and 3 of the 7th Schedule of the VAT Law. Medical examinations or treatment of cosmetic or aesthetic nature are excluded from this treatment.

Higher reduced rate taxable supplies (9%)

- transport of passengers and their accompanying luggage with urban, suburban and rural taxis as well as with tour, excursive and suburban buses
- restaurant services and other similar catering services, including alcoholic beverages, beer and wine

- accommodation in hotels, tourist and other similar establishments including provision of holiday accommodation
- domestic sea transport of passengers and their accompanying luggage.

Zero-rate vs. Exemption

Businesses which provide zero-rated supplies are entitled to recover input VAT, whereas businesses which only supply exempt goods or services, are not entitled to recover VAT which they have incurred on their purchases, expenses or imports.

Mechanics of VAT

- VAT is charged on taxable supplies of goods and services made (output tax) and is paid on purchases of goods and services received (input tax)
- VAT returns showing the output tax and input tax must normally be submitted quarterly, or monthly if approved or directed by the VAT Commissioner
- If the output tax is greater than the input tax, the difference must be paid to the VAT Office within 40 days from the end of each VAT period
- If the output tax is less than the input tax, the difference is carried forward, except in specific cases when it may be refundable.

Refund of excess VAT

In most cases a business which has a refundable VAT balance can claim this amount, following an application to the Commissioner. From 19/2/2013 interest is payable by the VAT Authorities for refund applications filed after this date. Interest becomes payable where a VAT refund claim is delayed for more than four months from the date of submission of the refund application. This period is extended to 8 months where the application is to be reviewed by the Authorities. The interest applies from the 1st day of the 5th month until the date that the refund is processed. The interest rate is 4.5% for 2014 (4.75% for the year 2013).

Irrecoverable input tax

For certain supplies of goods and services, input VAT is irrecoverable. These include:

- private or non-business activities or the business of another person
- purchase, import or hire of saloon cars, unless used for qualifying purposes, such as car rental and driving lessons, or as taxis
- business entertainment expenses (unless relating to employees and directors not including ancillary expenses)
- goods acquired in accordance with a second-hand goods scheme
- accommodation of directors and their connected persons
- purchases which directly relate to the provision of exempt supplies.

With effect from 1 January 2010, Cyprus has implemented the changes introduced by EU directives in relation to:

- the place of supply of services
- the introduction of an electronic VAT Refund Scheme for expenses incurred in other Member States
- intra-community sales list – form VIES.

Following on from the above provisions, the general rule for the place of supply of intra-EC services for B2B (Business to Business) supplies of services is where the customer is established. In this case the customer will have to account for VAT under the reverse charge method. Prior to this the place of supply was generally where the supplier was established.

For B2C (Business to Consumer) supplies, the general rule for the supply of services continues to be the place where the supplier is established.

As was the case before 1.1.2010, there continue to be exceptions to the general rule for certain services, with a view to achieving taxation in the place of consumption. These were mainly implemented on 1 January 2010, with further changes to the ‘where performed’ rule from 1 January 2011 and for long-term hire of means of transport from 1 January 2013 (see below).

From 1 January 2010, EC Sales Lists (VIIES) need to be completed for intra-EC taxable supplies of services which are subject to the reverse charge arrangements in the customer's Member State, irrespective of the value.

As of 1st January 2011 there has been a change regarding the place of supply for admission to events. The place of supply following this change is where the event actually takes place. Services related to the admission of events also come under this scope.

With effect from 9 March 2012 provisions affecting the construction industry, provide that a taxable person shall not impose VAT on services provided to another business in respect of, construction, alteration, demolition, repair or maintenance of any building or civil engineering project. The VAT is to be accounted for by the recipient of the services by way of reverse charge.

As from 1st January 2013, there has been a change in provisions governing the long term hire of means of transport by non-taxable persons (B2C). The changes provide that the place of supply for B2C long term hire of means of transport is where the means is made available to the customer (rather than where the supplier is established), but only to the extent that the provider has a permanent or business establishment there. Where the provider does not have a permanent or business establishment the place of supply is where the recipient normally resides.

Refund for expenses incurred in other Member States

Businesses may claim electronically for the refund of any VAT paid on business expenses in another Member State (state of refund). VAT may be refunded only on prescribed business expenses in respect of input tax allowable in accordance with the VAT legislation of the refunding Member State.

Reduced rate 5% for principal place of residence

A reduced rate of 5% has been introduced for new properties which are purchased by eligible persons and used as their main place of residence. This applies for agreements concluded after 1st October 2011 (a grant also applies for agreements concluded prior to 1st October

2011). The reduced rate may be applied following an application and approval by the Commissioner. From 8th June 2012 the reduced rate has been extended to include residents of non-EU countries where the property will be used as their primary residence in the Republic.

Yacht Scheme

From 13 March 2012 it is possible to opt for a favorable Yacht Scheme whereby the yacht comes under a hire purchase agreement. According to VAT provisions, the sale of a yacht through a hire-purchase agreement is a taxable transaction to the extent that it is used within the European Union and the scheme provides for a standard non-EU usage based on vessel size rather than actual usage.

Changes officially published on 20th December 2013

Time of supply

Continuous supplies of goods for a period longer than one calendar year which relate to the supply of goods from the Republic to a taxable person in another Member State who is liable to account for the VAT or the movement of goods to another Member State by a taxable person for the purpose of their business, are deemed to be supplied at the end of each calendar month until the completion of the supply.

Continuous acquisition of services for which the reverse charge applies (based on Article 11 of the VAT Law) which are made for a period longer than a year and for which no payment is made during the course of this period, are deemed to be completed at the end of each calendar year.

Where goods are dispatched from the Republic and acquired by a person in another EU Member State who is liable to account for the VAT, or where goods are transported by a taxable person to another Member State for the purpose of their business the transaction is deemed to be carried out on the earlier of the 15th day of the month following the month in which the chargeable event occurs, or the date that the invoice is issued.

In relation to the implementation of VAT, when a taxable supply is made within the Republic by a taxable person

who has a fixed establishment in the Republic they are considered as a non-established taxable person where their fixed establishment in the Republic does not intervene in the supply.

Time of supply – Lawyers and Construction Industry

The special arrangements which were in place with regards to services provided by lawyers and those which were supplied in the construction industry have been replaced by the general rule with regards to the time of supply. These are deemed to take place as follows:

- at the time when the services are executed
- when an invoice is issued if it is issued within the 14 days following the execution of the services
- when an invoice is issued or payment is received, where and to the extent that this occurs before the execution of the services.

Cash Accounting Scheme

From 20th December 2013 an optional cash accounting scheme may be applied. The scheme provides that output VAT is to be accounted for at the time when the consideration is received and input VAT is claimed when the consideration is paid.

The scheme may be applied if the value of transactions in the 12 months before the beginning of the taxable period do not exceed €25.000. The VAT Commissioner must be notified in writing of the application of the scheme and the taxable person must meet specific criteria with regards to their compliance history.

The scheme cannot be applied for transactions where the VAT is payable by the recipient of the supply, where goods are imported from outside the EU or acquired from another Member State, for hire-purchase agreements, conditional agreements or sales on credit.

Invoicing

Invoices must comply with the provisions of the Member State in which the supply of goods or services is deemed to have been made according to the provisions governing the place of supply. By way of derogation, invoices must comply with the provisions of the Member State in which

the supplier belongs when the supplier is not established in the Member State where the supply is deemed to have been made, if their establishment in that Member State does not intervene with the supply, or if the supply is deemed not to be made within the Community.

The obligation to issue VAT invoices has been extended to include circumstances where:

- a prepayment or a payment on account is received by a taxable person for the supply of goods or services to another taxable person or to Government, Local and Public Authorities (as specified in Article 31 of the VAT Law)
- supplies are made to non-taxable persons in other Member States for goods which are subject to excise tax.

Where goods or services for which the recipient is obligated to account for VAT are supplied, an invoice must be provided by the 15th day of the month following the month in which the supply is made.

Specific references must be included on invoices in certain cases as follows:

- where the VAT becomes chargeable at the time when the payment is received in accordance with Article 42E and the right of deduction arises at the time the deductible tax becomes chargeable, the mention "Καθεστώς Ταμειακής Λογιστικής"
- where the customer receiving a supply issues the invoice instead of the supplier, the mention "Αυτοτιμολόγηση"
- where the customer is liable for the payment of the VAT, the mention "Αντίστροφη Χρέωση"
- in cases where the supply is within the context of a triangular transaction the invoice must state "Τριγωνική Συναλλαγή"
- where the margin scheme for travel agents is applied, the mention "Καθεστώς περιθωρίου κέρδους-Οργανωτές τουριστικών περιηγήσεων"
- where one of the special arrangements applicable to second-hand goods, works of art, collectors' items and antiques is applied, the mention "Καθεστώς περιθωρίου κέρδους-Μεταχειρισμένα αγαθά"; "Καθεστώς περιθωρίου κέρδους-Έργα Τέχνης" or "Καθεστώς περιθωρίου κέρδους-

Αντικείμενα συλλεκτικής και αρχαιολογικής αξίας"
respectively.

Summary invoices

Taxable persons may issue summary invoices which relate to separate supplies of goods or services on the condition that the VAT for the supplies which are included on the invoice is deemed payable during the same calendar month.

Electronic Invoicing

The new provisions are based on the principle that electronic invoices must reflect the actual supply of goods or services. The integrity of their content and authenticity of their source must be guaranteed from the time of issue throughout the period for which there is an obligation for them to be maintained. No specific means of achieving this requirement are specified however, in contrast to the prior provisions, though a specific framework must be adhered to.

Storing invoices

Invoices must be stored in the original form in which they were provided or received. When electronic invoices are stored by electronic means then any data which guarantees the authenticity of the source and the integrity of content must also be stored in the same form.

Records for temporary movement of goods to another Member State

Records must maintain details which are specified by law to allow identification of goods which are temporarily dispatched to another Member State for the purpose of:

- carrying out valuation or work on the goods in the Member State of arrival of the goods
- temporary use of the goods in the Member State of arrival for the purposes of the provision of services by the taxable person
- temporary use of the goods for a period not exceeding 24 months in another Member State where the goods would qualify for temporary importation relief in that Member State.

Also records must be kept to allow identification of goods which are sent from another Member State upon which

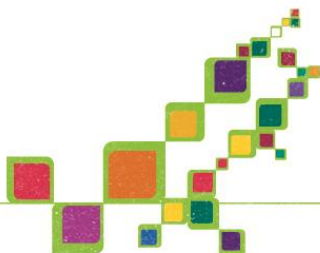
valuation or work is to be carried out as a provision of services to their owner.

VAT - Interest and Penalties

Description	Interest or penalty
Late registration	€85 per month
Late submission of VAT return	€51
Late payment of VAT due on submission of VAT return	10% on VAT due plus interest of 4.5% p.a. (4.75% for 2013)
Late de-registration	€85
Late submission of VIES statement	€50 per statement

VAT Thresholds

Description	Amount
Registration threshold (taxable supplies in Cyprus)	€15.600
Registration threshold for distance sales (sale of goods to non-taxable persons in Cyprus from suppliers belonging to other Member States)	€35.000
Registration threshold for acquisition of goods in Cyprus from suppliers established in other Member States	€10.251,61
Registration threshold for the acquisition of services from outside Cyprus for which the recipient is liable to account for the VAT by application of a reverse-charge.	€15.600
Registration threshold for the inter-communal supply of services	No threshold applies



Tax treaties

Cyprus has a wide and expanding network of double tax treaties, including particularly favourable treaties with Russia and most Eastern European Countries.

Irrespective of the provisions of these treaties, there is no withholding tax on dividends and interest paid to non-tax residents of Cyprus.

Cyprus has concluded double tax treaties with the countries listed below.

EU Countries	Ratification date
Austria	11 January 2013
Belgium	8 December 1999
Bulgaria	3 January 2001
Czech Republic	26 November 2009
Denmark	7 September 2011
Estonia	1 January 2014
Finland	1 January 2014
France	1 April 1983
Germany	16 December 2011
Greece	16 January 1969
Hungary	24 November 1982
Ireland	12 July 1970
Italy	9 June 1983 amendment
Malta	11 August 1994
Portugal	1 January 2014
Poland	11 January 2013
Romania	8 November 1982
Sweden	14 November 1989
Slovenia	14 September 2011
Slovakia ²	30 December 1980
United Kingdom	1 November 1974

Other Countries (non - EU)	Ratification date
Armenia	19 September 2011
Azerbaijan ³	26 August 1983
Belarus	12 February 1999
Canada	3 September 1985
China	5 October 1991
Egypt	14 March 1995
India	21 December 1994
Kurghystan ³	26 August 1983
Kuwait	1 January 2014
Lebanon	14 April 2005
Mauritius	12 June 2000
Moldova	3 September 2008
Montenegro ¹	8 September 1986
Norway	1 January 1955
Qatar	20 March 2009
Russia	2 April 2012 amendment
San Marino	18 July 2007
Serbia ¹	8 September 1986
Seychelles	27 October 2006
Singapore	8 February 2001
South Africa	8 December 1998
Syria	22 February 1995
Thailand	4 April 2000
United Arab Emirates	Not ratified as at the date of issue of this publication
United States	31 December 1985
Ukraine ³	1 January 2014
Tajikistan ³	26 August 1983
Uzbekistan ³	26 August 1983

Notes

1. The convention between the Republic of Cyprus and the Socialist Federal Republic of Yugoslavia is still applicable.
2. The convention between the Republic of Cyprus and the Czechoslovak Socialist Republic is still applicable
3. The convention between the Republic of Cyprus and the Union of Soviet Socialist Republics (USSR) is still applicable.
4. New treaty has been signed with United Arabic Emirates on 27 February 2011, but has not yet been ratified.

Miscellaneous

Special modes of taxation

International trusts

Trust Law in Cyprus is based on English legal principles and the legislation in force follows the English Trustees Act of 1925. In 1992, the International Trust Law was enacted in order to facilitate the use of the basic law by non-residents. The law was amended on 9 March 2012 to become more attractive.

A Cyprus international trust is a trust which has the following characteristics:

- the settlor and beneficiaries other than charitable institutions must not be Cyprus residents during the calendar year prior to the year of creation of the trust (may become Cyprus resident at any time following its creation)
- the trustees may vest the beneficiaries' interests in movable and immovable property both in Cyprus and abroad and in shares in Cyprus companies
- the trust can have Cyprus sourced income
- a trust may continue to be valid and enforceable without time restriction.

Taxation of a trust in Cyprus:

- transparent for Cyprus tax purposes which means that the income is only assessable on Cyprus resident beneficiaries
- no capital gains tax is charged on the disposal of assets held abroad.

Foreign pensions

Foreign pensions of a Cyprus resident individual which exceed the amount of €3.420 per annum are taxable at the rate of 5%. The recipient of such pension may elect, for each year of assessment, to be taxed at the normal rates.

Shipping companies

As of 1 January 2010 a new Tonnage Tax System (TTS) was introduced, which covers the three main “Maritime Transport” Activities offered in international shipping today, namely ship-owning, ship-management (split into crew and/or technical management) and chartering. It also applies to fleets comprising of either EU flag or “mixed fleets” (EU & Non-EU Flag ships).

Under the new TTS, no tax is imposed on:

- profits from shipping operations
- dividends paid directly or indirectly out of such profits or from the sale of a ship
- interest earned on funds used as working capital or for the financing, operation or maintenance of the ship
- profits from sale of a ship or the shares of the ship-owner company.

The same tax exemptions are offered with regard to the taxation of charterers and ship-management companies, respectively.

Furthermore, the remuneration of a Cyprus ship crew is tax exempt.

Insurance companies

Insurance companies are taxed at the same rate of tax as all other companies. However, where the corporation tax payable on the taxable income of the life insurance business is less than 1,5% of the gross premiums, excluding the contributions in any approved pensions, provident or other fund administered by the insurance company on behalf of its members, the insurance company has to pay the difference as additional corporation tax.

Taxation of non-Cyprus tax residents

Subject to specific provisions in the relevant tax treaties between Cyprus and the country of residence of the persons concerned, the resident person who makes a payment to a non-Cyprus tax resident is obliged in the following cases to withhold and pay over to the Revenue Authorities tax as follows:

1. Entertainers and Athletes

The gross income derived by an individual from the exercise of any profession or vocation, the remuneration of public entertainers and the gross receipts of any theatrical or musical or other group of public entertainers including football clubs and other athletic missions is taxed at the rate of 10%.

2. Royalties etc.

Non-Cyprus tax resident individuals or companies who derive income from sources within Cyprus by way of royalties, premiums, compensation or other similar income are taxed at the rate of 10%.

However, such income is exempt where the beneficial owner has direct minimum holding of 25% in a company of another EU member state or a permanent establishment of such a company.

3. Film rentals

The income derived by non-Cyprus tax resident individuals or companies from film rentals is taxed at 5%. However, such income is exempt where the beneficial owner has direct minimum holding of 25% in a company of another EU member state or a permanent establishment of such a company.

Any such tax withheld should be paid to the Inland Revenue department by the end of the following month, as an additional penalty of 5% will be imposed on the tax withheld in addition to any interest that may be imposed.

Special contribution for defence Imposition

A Special Defence Contribution (SDC) is imposed on interest, dividend and rental income of Cyprus tax resident individuals and companies. Non-Cyprus tax resident companies and individuals are exempt from SDC.

Special defence contribution rates

Type of income	Tax rate %	Note
Interest income of resident companies and individuals from sources within the Republic of Cyprus	30	1
Interest income of resident companies and individuals from sources outside the Republic of Cyprus	30	1
Interest income of resident companies and individuals arising from or closely related to the ordinary carrying on of a business	Nil	
Interest income of resident individuals from Cyprus Government development bonds and savings certificates	3	
Interest income of resident companies from Cyprus Government development bonds and saving certificates	10	
Interest income of provident funds	3	
Rental income of resident companies and individuals (reduced by 25%)	3	2
Dividend income of Cyprus tax resident companies	Nil	3 & 4
Dividend income of Cyprus tax resident individuals	17	4

Notes

1. Interest income received as from 29 April 2013 is subject to an increased rate of 30%.
Individuals whose total yearly income including interest does not exceed €12.000 are entitled to a refund of 27%.
2. As from 1st July 2011, legal entities that are paying rent must withhold SDC and pay it to the Revenue Authorities during the month following the month in which the tax was withheld.
3. Dividends received from a non-Cyprus tax resident company are exempt from SDC. The exemption does not apply where the dividend paying company engages directly or indirectly more than 50% in activities which lead to investment income and the foreign tax burden is substantially lower than the Cyprus tax burden. The words “substantially lower” are not interpreted in the law but are taken to mean lower than 50% of the Cyprus corporation tax, i.e. lower than 6.25%. When the exemption does not apply, the dividend income is subject to SDC at 17%.
4. Foreign tax paid can be credited against SDC payable.

Exemption from special contribution for defence

- dividends received by a company resident in Cyprus from another company resident in Cyprus, excluding dividends paid indirectly after 4 years from the end of the year in which the distributed profits arose
- dividends received directly or indirectly from dividends on which defence contribution has already been paid.

Deemed dividend distribution

If a Cyprus tax resident company does not distribute by way of dividend at least 70% of its accounting profits (starting from the profits of the year 2003) within the year of assessment and the two years following the end of the year of assessment to which the profits refer, the company is deemed, as at the end of the two years from the end of the year of assessment, to have distributed such profits and is liable to pay 17% special defence contribution on the deemed dividends attributable to its shareholders, including companies, who are Cyprus tax residents.

The term ‘dividend’ includes the amount of surpluses arising from business profits of a public corporate body deposited to the Consolidated Fund of the Republic of Cyprus and the term ‘shareholder’ includes the holder of a unit or share in an open-ended or close-ended collective

investment scheme (CIS), and, in the case of a public corporate body, the Republic of Cyprus. Any deemed dividend in the case of a CIS is subject to special defence contribution at 3%.

The deemed distribution is reduced by the amount of actual dividends declared and paid out of the profits of the year to which the profits refer and the two years following it.

Actual dividends paid after the deemed distribution are subject to special defence contribution only on the additional dividends remaining after deducting any deemed dividend.

The deemed distribution provisions do not apply to profits which relate directly or indirectly to non-resident shareholders.

A non-Cyprus tax resident receiving a dividend emanating from profits which at any stage were subject to deemed distribution, is eligible to a refund.

Dividend 4 years rule

Any amount of dividend distribution will be subject to SDC after 4 years from the year of distribution irrespective of who the shareholder is as long as it is a tax resident of Cyprus.

Voluntary winding-up

Within one month from the approval of a resolution for voluntary winding-up, a company must submit a deemed dividend declaration and pay any SDC due on the profits of that year and the two preceding years.

Transfer of assets

Transfer of a company's assets to its shareholders (or to their relatives of up to 2nd degree) at below market value will be considered a deemed dividend, equal to the difference between the amount of the consideration and the amount of the asset market value. However, if the asset was originally donated to the company, the deemed dividend distribution will not apply.

Reduction of capital and deemed dividends

When a company reduces its capital, any amounts paid to a shareholder in excess of the share capital contributed will be treated as deemed dividend to the shareholder. The redemption of a unit or share in an open-ended or close-ended CIS does not constitute a reduction of capital.

Intellectual property (IP) regime

On 24th May 2012, the Cyprus Parliament voted into law certain tax incentives in an attempt to encourage development and growth in the economy of the island. The most important of these tax incentives relates to the taxation of Intellectual Property (IP), which has been amended as follows:

- the cost of acquisition of IP is written off in the year incurred and in the following 4 years i.e. 20% amortisation on a straight line basis
- 80% of any income generated from the exploitation of the IP is exempt from taxation. The income is calculated after deducting all direct expenses associated with the production of that income
- 80% of any profit generated from the disposal of IP is exempt from taxation. The profit is calculated after deducting all direct expenses associated with the disposal.

The definition of IP includes all intangible assets described in the Patent Rights Law, the Intellectual Property Law and the Law regarding Trademarks. It therefore includes patents, trademarks, copyrights etc.

Capital gains tax

Companies and individuals are subject to capital gains tax at the rate of 20% on gains arising from the disposal of:

- immovable property situated in Cyprus
- shares in a company which owns immovable property situated in Cyprus (excluding shares listed on any recognised stock exchange).

Indexation allowance applies on the market value of the immovable property at 1 January 1980 (or on the actual cost of acquisition and on improvements to the property if acquired later).

Life time tax-free capital gains

Individuals are entitled to a life-time exemption from capital gain on the following:

Disposal of private residence (under certain conditions)	€85.430
Disposal of agricultural land by a farmer	€25.629
Any other disposal of immovable property	€17.086

Deductions based on a combination of the above are restricted to a maximum amount of €85.430.

Exemptions

- transfers on death
- gifts between spouses and relatives up to 3rd degree
- gifts to family companies provided the shareholders continue to be members of the family for five years after the date of transfer
- gifts by a family company, of which all shareholders are members of the same family, to any of its shareholders, provided that the property gifted had itself been taken by the company by way of a gift. In case of subsequent disposal, the donee cannot use his life time exemption if he disposes of the property before the lapse of at least three years from the date of transfer of the property to his/her name
- gifts to approved charitable institutions or a local authority for educational, or other charitable purpose
- disposal of property under the Compulsory Acquisition Law
- gifts to the Republic of Cyprus
- where the 1.1.1980 indexed value (or the indexed cost of acquisition if later) of the property given under an exchange of property is less than the sales proceeds value of the property received, the gain reinvested in the property received is exempt
- exchange or disposal of immovable property under the Agricultural Land (consolidation) Laws
- gain on disposal of shares which are listed on any recognised stock exchange
- transfers of shares as a result of company reorganisations.

Estate duty

Estate Duty has been abolished for deaths on or after 1 January 2000.

However, the legal representative of a deceased person is required to submit to the Inland Revenue a statement of assets and liabilities within six months from the date of death. All outstanding tax obligations have to be settled before the estate of the deceased can be distributed to the beneficiaries.

Social insurance contributions

Employer's contribution	7,8%	Maximum earnings on which contributions are payable: - €1.046per week - €4.533per month - €54.396 per annum
Employee's contribution	7,8%	
Self-employed individual	14,6%	Contributions are payable at 14.6% based on minimum <u>weekly</u> earnings specified for various professions as follows:
Doctors, Pharmacists and other Specialists in Health matters		Up to 10yrs €383.64 Over 10yrs €775.99
Accountants, Economists, Lawyers etc.		Up to 10yrs €383.64 Over 10yrs €775.99
Managers, Real Estate Agents and Wholesalers		€775.99
Teachers and Professors		Up to 10yrs €374.92 Over 10yrs €749.83
Individuals in Construction Industry		€470.83
Farmers, Fishermen, Postmen, Miners, Salesmen, Sailors		€261.57
Shopkeepers, Cleaners, Messengers		€357.48
Technicians, Clerks, Secretaries, Carpenters		€374.92

Other contributions by employer

Social cohesion fund	2%*	
Redundancy fund	1,2%	
Industrial training fund	0,5%	
Holiday fund	8%	Unless exempt if other acceptable arrangements exist

*applies on the total emoluments without restriction.

Registrar's fee

An annual fixed levy of €350 is imposed on all Cyprus companies. A cap of €20.000 in case of groups of companies will apply. This levy is payable to the Registrar of Companies by 30 June of each year.

Exceptions that applied in 2012 are abolished. Thus all registered companies either active or dormant will have to contribute from the first year of their registration. The amendment acts retrospectively from year 2012.

Penalties on late payment of this levy:

- up to 2 months delay 10% penalty
- more than 2 months delay 40% penalty
- in case that the levy is not paid within 5 months then the Registrar of Companies may deregister the company.



Stamp duty

With effect from 1st March 2013

Contracts:	
• First €5.000	0%
• €5.001 - €170.000	0.15%
• Over €170.000	0.2%
Stamp duty ceiling	Max €20.000
Without fixed sum	€35
Certified copies of agreements	€2
Power of Attorney - specific transaction	€2
Power of Attorney - general	€6
Bill of exchange:	
• Payable on demand or at sight	€1
• Payable otherwise	Same as with contracts
Bill of lading	€4
Cheques	€0.05
Vessel's manifest for export or import of goods	€35
Charter party	€18
Letter of credit	€2
Letter of guarantee	€4
Issue of a certificate of residence	€80,00
Receipts - For sums over €4	€0.07

Exemptions

- transactions made in the course of a company reorganisation
- transactions relating to any property situated outside the Republic or to any matter or thing to be performed or done outside the Republic, irrespective of the place where it is executed.

Immovable property transfer fees

Value per plot €	Rate %
First €85.430	3,0
€85.431 - €170.860	5,0
Over €170.860	8,0

- in the case of a transfer of property to a family company, the fees are refundable after five years if the property remains with the company and no person other than the donor or his/her close relatives (spouse or relatives up to the third degree of kindred) who were shareholders at the time of the transfer or other close relatives, has become shareholder
- in the case of property transferred from a family company to one of its members, provided that there is no consideration, the fees are calculated on the assessed value written on the title deed as follows:

To a spouse	8%
To a child	4%
To a relative up to the third degree	8%

- in the case of company reorganisations, transfers of immovable property are not subject to transfer fees
- for the period 2/12/2011 to 31/12/2014, no transfer fees will be payable when the immovable property to be transferred is subject to VAT. If the immovable property to be transferred is not subject to VAT the transfer fee will be reduced by 50%. These reduced rate provisions will continue to apply until the title of the immovable property is issued, provided that the relevant agreement is filed with the Land Registry Office within the above six month period.

Immovable property annual tax

Market value at 1 January 1980 €	Rate %	Amount €	Cumulative Amount €
Up to €40.000 (First €12.500 is tax free)	0.6	240	240
€40.001 - €120.000	0.8	640	880
€120.001 - €170.000	0.9	450	1.330
€170.001 - €300.000	1.1	1.430	2.760
€300.001 - €500.000	1.3	2.600	5.360
€500.001 - €800.000	1.5	4.500	9.860
€800.001 - €3.000.000	1.7	37.400	47.260
Over €3.000.000	1.9		

Company registration fees

Authorised share capital

There is a fixed fee of €105 plus 0,6% on the nominal amount of the authorised share capital. Subsequent increases of the authorised share capital are subject to a capital duty of 0,6%.

Allotment of shares

Each application for allotment of shares for cash or otherwise, whether at nominal value or at a premium, is subject to a flat fee of €20.

Stock exchange transaction levy

The special levy imposed to all transactions entered into or announced to the Cyprus Stock, at the rate of 0,15% both for individuals and legal entities.

The following transactions are exempted:

- Issue and redemption of shares by the issuer
- Transactions in non-convertible company bonds and non-convertible promissory notes
- Transactions in debentures, development stock and government bills of exchange
- Gifts of securities from parents to their children, between spouses or relatives up to third degree.

Private sector special contribution

This measure applies for the period 1/1/2012 to 31/12/2016 and covers private sector employees, private sector pensioners and self-employed individuals at the following rates:

For the period 2012-2013

Gross monthly emoluments €	Special Contribution Rate	Amount €	Cumulative Amount €
0- 2.500	NIL	NIL	NIL
2.501-3.500	2,5% (min €10)	25	25
3.501-4.500	3,0%	30	55
4.501 plus	3,5%		

For the period 2014-2016

Gross monthly emoluments €	Special Contribution Rate	Amount €	Cumulative Amount €
0- 1.500	NIL	NIL	NIL
1.501-2.500	2,5% (min €10)	25	25
2.501-3.500	3,0%	30	55
3.501 plus	3,5%		

Special contribution does not apply to the following:

- (a) retirement benefits
- (b) payments from approved Provident Funds
- (c) remuneration of the crew of qualifying Cyprus ships
- (d) reimbursements.

The employee is liable to 50% of the contribution and the employer is liable to the remaining 50%.

For employees and pensioners, the contribution will be settled through with-holding (PAYE).

For self-employed individuals, payments will be made via the provisional tax system. This contribution will be deductible for income tax purposes, both for the individuals and for the employers.

Tax returns of non-Cypriot tax resident Companies

As from 1 January 2013, Companies incorporated in Cyprus are obliged to submit yearly a tax return to the Income Tax Authorities.

Tax calendar

End of the following month

- payment of PAYE deducted from employees' salaries
- payment of social insurance contributions
- payment of special contribution for defence deducted at source from interest or dividend paid
- payment of special contribution for defence on interest and dividends received not deducted at source
- as from 1 July 2011 payment of special contribution for defence on rental income by companies, partnerships, the Government or any local authority.

31 January

- submission of the declaration of deemed dividend distribution that relates to tax year 2011

1 March

- submission of return and payment of the first instalment of the special tax levy by Credit Institutions for the current year.

30 April

- * submission of personal income tax return (form IR1) by individuals who are receiving salaried income and will not be filing annual accounts
- * submission of employer's payroll return (form IR7) for the previous year
- payment by life insurance companies of first instalment of premium tax for the current year.

30 June

- payment of special contribution for defence on rental income for the first six months of the year
- submission of personal income tax return (form IR1) by individuals who are self-employed and will not be filing annual accounts
- payment of tax balance for previous year by individuals who do not prepare audited accounts under self-assessment method
- payment of the second instalment of the special tax levy by Credit Institutions for 2014.
- payment of the Registrars' Special Levy on registered companies €350

31 July

- submission of provisional tax declaration (forms IR5, IR6) and payment of first instalment of provisional tax.

1 August

- payment of final corporation tax for the previous year under the self-assessment method by individuals and companies preparing audited accounts.

31 August

- payment by life insurance companies of second instalment of premium tax for 2014.

30 September

- payment of immovable property tax for the year
- payment of the third instalment of the special tax levy by Credit Institutions for 2014.

31 December

- * submission of company's tax return (form IR4) for the previous year
- payment of special contribution for defence on rental income for the second half of the year
- payment of the 2nd and final instalment of provisional tax
- payment by life insurance companies of third instalment of premium tax
- payment of the fourth instalment of the special tax levy by Credit Institutions for 2014
- * submission of personal income tax return (form IR1) by individuals (self-employed) who are filing annual accounts
- physical stock-take for goods.

Note: * Please see 'electronic submission' provisions below

Electronic submission of tax returns

Electronic submission of tax returns for individuals and companies is extended for further 3 months from the normal submission deadline.

The submission of hardcopy tax returns will be accepted by the Inland Revenue Department only in cases of direct payment, winding up of companies, and issue of tax certificate. This service shall be provided under the condition that, upon becoming available, an electronic tax return will be submitted within one month the latest.

Such commitment and responsibility must be taken by the auditor by filing a relevant letter to the tax authorities. From tax year 2011 onwards, the Employers' Return (IR7) may only be submitted electronically via TAXISnet. With the three month extension granted, the deadline is moved to 31/7 of the following year.

Accounting books and records

The accounting books and records, together with the tax submission forms and documents, must be retained by companies for a period of 6 years.

Interest and penalties

Interest charges

Period	% interest
1 Jan 2007 – 31 Dec 2009	8
1 Jan 2010 – 31 Dec 2010	5,35
1 Jan 2011 – 31 Dec 2012	5
1 Jan 2013 – 31 Dec 2013	4,75
From 1 Jan 2014	4,50

Penalties

Effective from 1.7.2011 the following penalties apply to both Companies & Individuals:

- administrative penalty of €100 when a taxpayer refuses, fails or neglects to submit any notification or tax return or provide any information requested or does not perform any of their duties within the deadline stated in the law

- administrative penalty of €200 when a taxpayer refuses, fails or neglects to submit any notification or tax return or provide any information requested or does not perform any of his duties within the deadline stated in the law and the Commissioner has requested in writing the taxpayer to fulfil their obligations within a time period which is not less than 60 days
- administrative penalty of €200 when a taxpayer refuses, fails or neglects to submit any notification or tax return or provide any information or does not perform any duty requested by the Commissioner in writing within a deadline given by him which is not less than 60 days
- administrative penalty of €100 when a person refuses, fails or neglects to submit any notification or tax return or provide any information or does not perform any duty in relation to another person requested by the Commissioner in writing within a deadline given by him which is not less than 60 days
- penalty equal to 5% of the tax due will be imposed if a taxpayer does not pay the amount of tax due within the deadline stated in the law or determined in a notice issued by the Commissioner.

Other penalties:

- penalty equal to €100 is imposed in case of late registration with the Inland Revenue
- penalty equal to €100 is imposed in case of late communication (later than 60 days) of a change to the Inland Revenue department e.g. changes on legal documents etc.
- penalty equal to €100 is imposed in case the books and records are not updated on time This penalty is imposed on quarterly basis
- penalty equal to €100 is imposed in case invoices are not issued on time. This penalty is imposed on monthly basis
- penalty equal to €100 is imposed in case that no stock taking takes place at the end of the tax year

- for provisional declarations a penalty of 10% is imposed on the difference between the tax due per the final assessment and the tax per the provisional declaration, if the provisional taxable income is less than the 75% of the taxable income as will be finally determined by the tax office
- penalty equal to €100 is imposed when invoices are not issued within 30 days from the date of the transaction
- penalty of €100 is imposed when there is a delay by more than 4 months in updating the books and records by the persons who are obliged to keep such records.

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