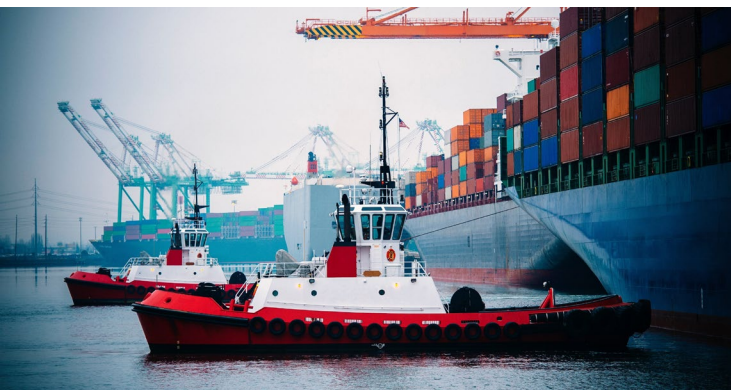
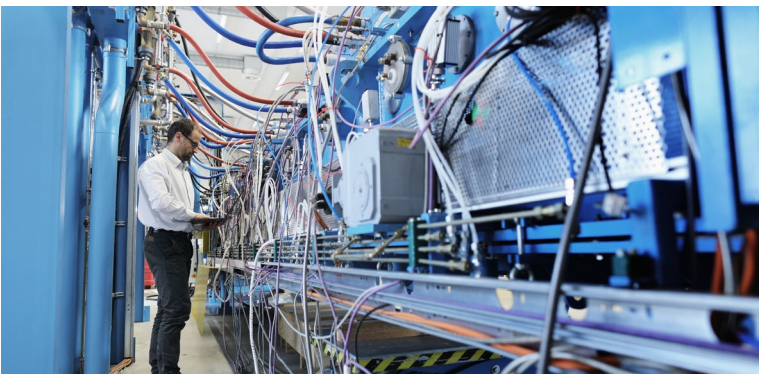
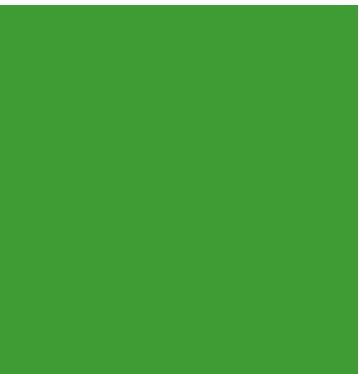


CYPRUS TAX FACTS 2024





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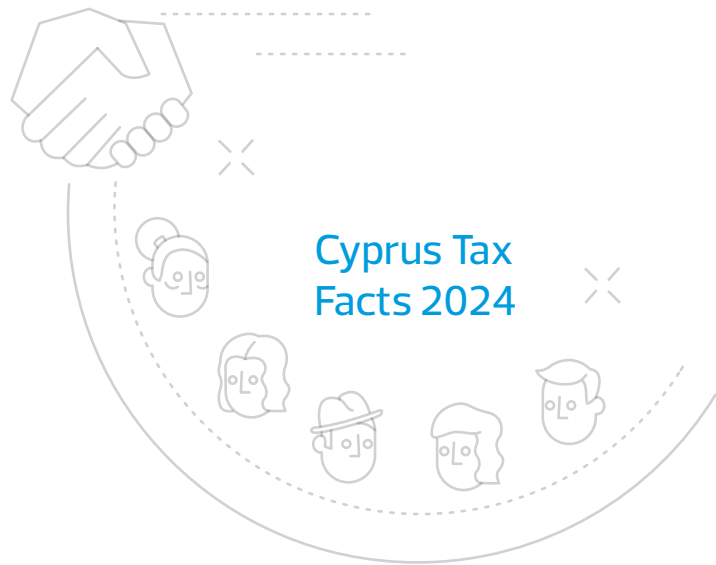
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Foreword

With great pleasure, we welcome all individuals, businesses, and professionals looking for insights into Cyprus' legislative tax framework. The comprehensive Cyprus Tax Facts 2024 is a valuable resource designed to help you navigate the demanding tax landscape.

The Cyprus Tax Facts 2024 is a trustworthy information source, providing a comprehensive understanding of tax requirements without providing tailored advice. It is important to note that the information presented in this guide is primarily for general informative purposes and should not be considered as expert tax advice.

The tax law environment is challenging; therefore, as a taxpayer, you need to have accurate insights into Cyprus' tax requirements. Cyprus Tax Facts 2024 aims to equip you with the necessary knowledge, whether you are a tax professional, a business owner, or an individual taxpayer.

The legislation and regulations continuously change, affecting tax compliance and planning methods. Therefore, even though the tax insights have been carefully gathered and presented, it is recommended that you seek expert advice from our Firm to receive guidance that is particular to your situation.

You are more than welcome to contact us for additional information or clarifications you may need.

We hope you find the new comprehensive digital edition of Cyprus Tax Facts 2024 helpful.

This is The Power of Being Understood.



George Themistocleous
Managing Partner, CEO, RSM Cyprus

Few words about
RSM Cyprus

RSM Cyprus Business
Insights & News





Personal Taxation





Individuals who claim themselves Cyprus tax residents are taxed on their worldwide income accruing or arising from all sources. Where persons are not Cyprus tax residents, tax is imposed on specific incomes accrued and arising from certain sources (Cyprus sourced generated income).

Cyprus tax resident is a person who physically resides in Cyprus more than 183 days in aggregate during a calendar year. These days do not have to be consecutive, however they must be during the same calendar year. In addition to the classic definition of Cyprus tax resident, the '60-days rule' introduced in the Cyprus Tax Law as from 1 January 2017. An individual will then be considered as a Cyprus tax resident, if she/he satisfies either the existing '183-days rule' or the '60-days rule'. The '60-days rule' applies to persons who in the relevant tax year:

1. Do not reside in any other state for more than 183 days in aggregate.
2. Are not considered tax residents in any other state.
3. Spend at least 60 days in Cyprus.
4. Own or rent a permanent home in Cyprus.
5. Are employed in the Republic or hold an office, as Directors, in a legal person who is tax resident in Cyprus at any time during the calendar year. Also, a person who exercises business activities in the Republic can satisfy the conditions to be considered as a Cyprus tax resident.

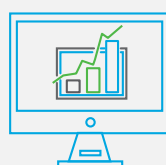
If any of the above (holding of office, exercise business activities or employment) terminates during the year, the individual ceases to be considered as Cyprus Tax resident.

Notes:

1. Taxpayers whose gross annual incomes for 2023 do not exceed €19,500, will be exempted from preparing and filing a personal tax return for 2023.

For purposes of calculating the days of presence in Cyprus the following are important:

- The day of departure from the Republic is considered as a day out of the Republic.
- The day of arrival in Cyprus is considered a day in Cyprus.
- Arrival in and departure from Cyprus in the same day is considered a day in Cyprus.
- Departure from and arrival in Cyprus in the same day is considered a day outside Cyprus.



Personal tax rates



The applicable rates for personal income tax rates for the year 2024 are :

Chargeable income for the year (€)	Tax rate (%)
First €19,500	0%
From €19,501 to €28,000	20%
From €28,001 to €36,300	25%
From €36,301 to €60,000	30%
Over €60,000	35%

Foreign pension incomes of a Cyprus tax resident are taxed at 5% flat on incomes over €3,420. However, on an annual basis the taxpayer is free to elect to be taxed at the normal tax rates and bands as described above.

Widow(er)'s pension sourced from Cyprus is taxed separately at 20% if it exceeds €19,500. The taxpayer, however, on an annual level can elect to add the pension on the total income and be taxed at the normal tax rates and bands as described above.

Exemptions



The following types of income are exempt from income tax:

Type of Income	Exemption	Note
Interest income, except for interest income incurred due to ordinary course of business or closely linked to the ordinary business of an individual	The whole amount	1
Dividends	The whole amount	1
Remuneration of individuals who took up their first employment in Cyprus from 1 January 2022 onwards, subject to the condition that the individuals were not tax residents in Cyprus for at least 15 consecutive years immediately prior to the year of first employment in Cyprus and that their annual remuneration from the first employment exceeds €55,000 during the first or second year of employment. The exemption is granted in the tax year of first employment in Cyprus and applies for a maximum period of 17 years (lifetime exemption) starting from the month of employment.	50% of the remuneration	2
The old 50% exemption may still be applicable for the remaining years up to the maximum allowable years, if the taxpayers are not eligible for the new 50% exemption. The old 50% exemption applied for 10 years commencing from the year of employment.		



Type of Income	Exemption	Note
<p>Remuneration of individuals who took up first employment in Cyprus from 26 July 2022 onwards, provided that these individuals were employed outside Cyprus by a non-Cyprus tax resident employer for a period of at least 3 consecutive years immediately prior to their first employment in Cyprus. The exemption is granted in the tax year following the first year of employment in Cyprus, and the exemption applies for a maximum period of 7 years.</p> <p>The old 20% exemption may still be applicable for the remaining years up to the maximum allowable years, if the taxpayers are not eligible for the new 20% exemption. The old 20% exemption applied for 5 years commencing from the year following the year of employment.</p>	20% of the remuneration earned or €8.550, whichever is lower in each case	3
90-day rule: remuneration from services rendered to a non-Cyprus tax resident employer or a permanent establishment outside Cyprus of a Cyprus tax resident employer for more than 90 days in a tax year.	The whole amount	
Gains of a permanent establishment registered outside the Republic (subject to conditions).	The whole amount	4
Lump sum payment on retirement, commutation of pension or compensation of death or injury.	The whole amount	
Sums paid to individuals from payments to approved funds e.g. provident funds, medical schemas etc and/or repayments from life insurance schemas as well.	The whole amount	
Gains from the disposal of securities.	The whole amount	5
Capital gains from the disposal of a qualifying IP asset – new regime.	The whole amount	6

Notes:

1. The dividends and interests mentioned above can however be subject to Special Defence Contribution, if certain conditions are met – refer to Special Contribution for Defence Section.
2. Taxpayers who commenced their first employment prior to 1st of January 2022, can also claim the new exemption, subject to conditions.
3. Taxpayers who were already granted the new 50% exemption cannot claim the new 20% exemption.



Notes:

4. As from 1 July 2016, taxpayers are free to elect to tax the profits generated by a foreign permanent establishment, with a tax credit relevant to the tax already paid abroad on those profits generated by the permanent establishment. There are transitional rules in place for cases where foreign permanent establishments were previously exempt and subsequently were elected to be taxed on the profits earned.
5. The 'Securities' term include shares, bonds, debentures, founders' shares and other securities of companies or other legal entities, incorporated in the Republic or abroad and options thereon. Additionally, the term, among others, includes options on Securities, short positions on Securities, futures/forwards on Securities, swaps on Securities, depositary receipts on Securities (ADRs, GDRs), rights of claim on bonds and debentures (rights on interest of these instruments are not included), index participations only if they result on Securities, repurchase agreements or Repos on Securities, units in open-end or close-end collective investment schemes. Circulars drafted from the Tax Authorities from time to time, also clarify specific types of participation in foreign entities which are considered as Securities.
6. As of 1 January 2020, the taxpayers who dispose qualifying IP assets, given that the transaction is of a capital nature, will not be subject to tax in Cyprus. Where the transaction is deemed as being of a trading nature, then an accounting gain or loss should be calculated and taxed accordingly.

Tax deductions



The following are deducted from income (expenses incurred wholly and exclusively to perform the duties of the profession, thus the production of the income, of each individual):

Type of Expense	Exemption	Note
Subscriptions to trade unions or professional bodies.	The whole amount	
Losses for current and previous financial years (relevant to individuals required to present and submit audited annual financial statements). Only the losses of the current and the previous 5 years are deductible.	The whole amount	
Rented property related expenses.	20% of gross rental income	
Interest paid in respect of rented property.	The whole amount	
Donations to approved charitable organisations (with receipts).	The whole amount	
Costs incurred in order to maintain buildings on which a Preservation Order has been issued (subject to conditions).	Up to €1.200, €1.100 or €700 per square meter (depending on the size of the building)	



Type of Expense	Exemption	Note
Sum of: Social Insurance contributions, Contribution to National Health System, Medical Fund contributions (should not exceed the 1.5% of the remuneration), Pensions and Provident Fund payments (should not exceed the 10% of the remuneration) and Life Insurance Premiums (should be up to 7% of the insurable amount).	Up to 1/5 of the taxable income	1
Investments in approved innovative small/medium sized businesses (directly or indirectly) as from 1 January 2017.	Up to 50% of the taxable income as calculated prior to this deduction (subject to a maximum of €150.000 per year)	2 3

Notes:

1. In cases where a life insurance policy was cancelled within 3 years from the day it was initially entered into force, a 30% of the premiums allowed in previous years is now taxable. In cases where the cancellation takes place within 4–6 years from the date the contract was initially issued, a 20% of the premiums is now taxable.
2. The exemption is provided until 31 December 2026.
3. Any unutilised deduction can be carried forward and claimed in the following 5 years (subject to the maximum 50% of taxable income and overall maximum of €150.000 per year).





Corporate tax



Basis of taxation



Companies that are considered Cyprus tax residents are taxed on their annual income accrued and derived from all taxable sources in Cyprus and abroad.

Companies that are registered in Cyprus, but their exercise of management and control is held outside the Republic, are considered tax residents in Cyprus, given that they are not tax residents in any other jurisdiction. This is applicable as from 31 December 2022.

A company which is not Cyprus tax resident, is taxed on income accrued or derived from activities undertaken through a permanent establishment located in Cyprus and on income deriving from Cyprus taxable sources of income.

A company is considered Cyprus tax resident if its management and control are exercised in Cyprus. In cases where foreign taxes are paid, these can be credited against the ultimate tax liability in Cyprus.

Corporate tax rate for all companies

12.5%

Exemptions



The following are exempt from corporate taxation:

Type of Income	Exemption	Note
Gains arising from the sale of Securities.	The whole amount	1
Dividend income (as from 1 January 2016, the exemption will not apply to the extent that the paying company has been benefited from tax deduction in their tax jurisdiction in respect of such dividends).	The whole amount	2
Any interest income arising from sources other than the ordinary course of business of the company or from activities closely related to those activities undertaken by the company.	The whole amount	3 4
Gains of a foreign permanent establishment, subject to certain conditions.	The whole amount	5
Foreign exchange difference gains, except from such gains in case of dealing with trading in foreign currencies and related derivatives (ordinary course of business).	The whole amount	
Capital gains from the disposal of a qualifying IP asset – new regime.	The whole amount	6



Notes:

1. For a definition, refer to Note 3 in Personal income tax exemptions.
2. Such dividend income can be taxed under the Special Contribution for Defence – Refer to Special Contribution for Defence section.
3. Interest income arising from Collective Investment Schemes is considered interest arising from the ordinary activities or closely related to the ordinary activities of the Scheme
4. Such interest income can be taxed under the Special Contribution for Defence – Refer to Special Contribution for Defence section
5. As from 1 July 2016, taxpayers are free to elect to tax the profits generated by a foreign permanent establishment, with a tax credit relevant to the tax already paid abroad on those profits generated by the permanent establishment. There are transitional rules in place for cases where foreign permanent establishments were previously exempt and subsequently were elected to be taxed on the profits earned.
6. See note 4 in the personal income tax exemptions in the Personal Taxation section.

Corporation tax deductions



All expenses taken place wholly and exclusively in order to produce the chargeable income are deductible for corporation tax purposes:

Type of expense	Deduction limit	Note
Interest expenses associated to the direct / indirect acquisition of 100% of the share capital of a subsidiary, provided that the subsidiary owns assets that are utilised in the production of taxable income.	The whole amount of interest expense is deducted if it is proved that the subsidiary owns assets that are in their entirety used in the business.	
In cases where, the subsidiary company does not own assets utilised in the production of taxable income, the interest expense deduction will be restricted to the percentage which relates to the assets which are used to the business.	In case where the subsidiary directly /indirectly owns assets that are not used in the business, the interest expense is restricted to the percentage related to the assets that are used for the business.	
This deduction applies from 1 January 2012.	As from 1 January 2019 an interest limitation rule applies in accordance with the EU relevant Directive.	



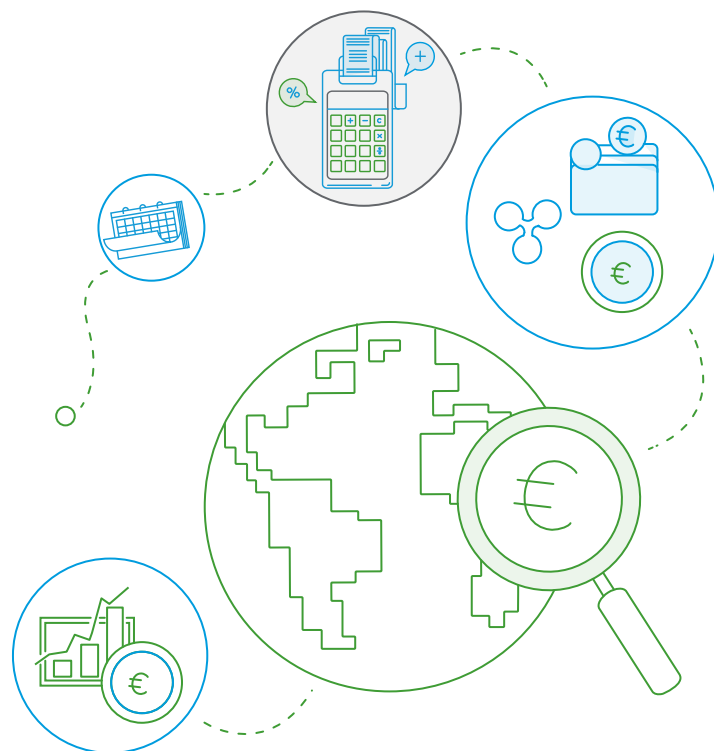
Type of expense	Deduction limit	Note
<p>As from 1 January 2015, new equity introduced to the entity in the form of paid-up share capital or share premium (and is used for the generation of income) can be eligible for an annual Notional Interest Deduction (NID). The NID is calculated as a percentage on the new equity. The percentage (reference rate) is the yield on the 10-year government bond (31 December of the prior tax year) of the country where the funds are employed plus a premium of 5%.</p> <p>Taxpayers can elect not to claim all or in part the available NID in each tax year.</p>	NID shall not exceed the 80% of the taxable profit generated by the injection of new equity (as this is calculated before the NID deduction).	
Gains from the exploitation of intellectual property rights, as described in the new Cyprus intellectual property (IP) box (applied as from 1 July 2016).	80% deduction on the net profit from the exploitation of qualifying intangible assets, calculated based on a modified nexus approach.	1 2
Tax amortisation on an expenditure of a capital nature for the acquisition or development of IP (provision applies with effect from the 1st of July 2016).	Allocated over the lifetime of the IP, with maximum 20 years.	3
Expenditure for scientific research and for research and development (R&D)	The whole amount	4
Donations to approved charitable organisations (with receipts).	The whole amount	
Employer's contributions to Social Insurance, medical scheme and other approved funds on salaries of employees.	The whole amount	
Employer's contributions to: <ul style="list-style-type: none"> - Medical fund for employees. - Provident/Pension fund for employees. 	1% on employee's remuneration 10% on employee's remuneration	



Type of expense	Deduction limit	Note
Costs incurred in order to maintain buildings on which a Preservation Order has been issued (subject to conditions).	Up to €700 for buildings above 1,000m ² , €1,100 for buildings with area between 121m ² -1,000m ² , or €1,200 for buildings with area up to 120m ²	
Expenses related to entertainment while on Business.	Lower of €17,086 or 1% of the gross income of the business.	
Interest expense incurred exclusively in relation to rented property.	The whole amount	

Notes:

1. Qualifying intangible assets, are assets which have been acquired, developed or exploited by a person for the purpose of carrying out their business, which is the result of research and development activity. Economic ownership must be verified in order to allow for such assets be considered as qualifying intangible assets for this purpose. It comprises of patents, copyrighted software, utility models, intangible assets that grant protection to plants and genetic material, orphan drug designations, extensions of patent protection. It also comprises of other intangible assets which are non-obvious, useful and novel, that are certified as such by a designated authority, and where the person utilising such does not generate annual IP related revenues more than €7.5m for the taxpayer (€50m is the cap for group of companies). Intangible assets related to marketing e.g. trademarks, business names, image rights etc do not qualify.



2. This is a fraction which is applied on the net profit generated based on the research and development (R&D) activity. The higher the R&D activity by the taxpayer itself or via a taxable foreign permanent establishment or via unrelated third-party outsourcing, the higher the fraction it is.
3. A taxpayer may elect not to claim all or part of the available tax amortization for a particular tax year.
4. For expenditure incurred during the years 2022, 2023 and 2024, including expenses of capital nature, for which a deduction is granted already, an additional deduction for research and development expenses is granted of 20% of the said expenses. The additional tax deduction is not granted when the deduction for IP Box is already granted.





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Not allowable expenses for corporate tax purposes



The expenses below are not allowable for Corporate Tax purposes:

Type of expense	Exemption	Note
Private motor vehicle (saloon car) expenses.	The whole amount	
Interest expense related to the acquisition of motor vehicles or any other assets that are not used in the business.	Applies separately for 7 years for each non-tax generating asset from the date of the acquisition	
Wages and salaries paid during the year on which social insurance contributions and contributions to other related funds (provident fund, pension fund etc) are not paid at due time.	The whole amount	1
Cost of goods drawn from the business for private use.	The whole amount	
Expenses not validated through proper supporting documentation	The whole amount	
Taxes	The whole amount	

Note:

1. In case such contributions are settled within a period of two years from the due date, the salaries and their relate contributions will be allowed for tax purposes in the year of settlement.

Losses carried forward



Tax adjusted losses of a tax year, that cannot be set off against other income, are carried forward and set off against tax adjusted profits for the next 5 years i.e. losses incurred during 2014 and which were not utilised until 2019, cannot be carried forward in 2020.

The loss of one company can be set off against the profits of another company, provided the two companies are Cyprus tax residents of a "tax group" (Note 1). A group is formed if:

- A Cyprus tax resident company directly or indirectly holds at least 75% of the voting rights of another Cyprus tax resident company, or
- Both companies are at least 75% owned by a third company.

As from 1 January 2015, the group loss relief is also applied in cases where a non-Cyprus tax resident company is interposed. The eligibility applies when the interposed entity remains tax resident in either a EU state or in a country with which Cyprus maintains a tax treaty or a bilateral or multilateral agreement for information exchange.

Where a partnership or a sole trader's business are transformed into companies, they can carry forward tax losses into the company for utilisation against future profits.



Losses incurred during the maintenance of a foreign permanent establishment can be utilised against profits of the head company located in Cyprus. Under such condition, future tax profits of the foreign permanent establishment are taxable up to the amount of the losses that were previously utilised.

Note:

1. From 1 January 2015 onwards, the tax losses of a group company which is tax resident in another EU jurisdiction can be claimed through the Cyprus tax resident company, provided the other EU company firstly exhausted all the available possibilities to utilize such losses in their country of tax residence or in the country of tax residence of its immediate EU holding company.

Reorganisations



Reorganisations could be seen as a tax effective manner when taxpayers wish to transfer assets and liabilities between companies. Additionally, tax losses can also be carried forward by the receiving company. The above however are subject to certain conditions.

Reorganisations include:

- Mergers
- Demergers
- Partial divisions
- 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 tangible fixed assets



Annual wear and tear allowances are calculated on the cost of acquisition of the asset, and these are allowable for tax purposes:

Plant and Machinery (Note 1)	%
Plant and machinery	10%
Furniture and fittings	10%
Industrial carpets	10%
Boreholes	10%
Machinery and tools used in agricultural business	15%

Building (Note 2)	%
Commercial buildings	3%
Industrial, agricultural and hotel buildings (3) and (4)	4%
Flats	3%
Metallic greenhouses structures	10%
Wooden greenhouses structures	33 1/3%



Vehicles and other means of transportation (Note 1)	%
Motor vehicles (except saloon cars) and motorcycles	20%
Excavators, tractors, bulldozers, self-propelled loaders and drums for petrol companies	25%
Armored Vehicles	20%
Specialised machinery for the laying of Railroads (e.g. Locomotive engines, Ballast Wagons, Container wagons and Container sleeping wagons)	20%
New airplanes, New helicopters, New cargo vessels	8%
Sailing vessels	4,5%
Motor Yachts	6%
Steamers, tugs and fishing boats	6%
Ship motor launches	12,5%
New passenger vessels	6%
Used cargo/passenger vessels	Over their useful lives

Other (Note 1)	%
Television and videos	10%
Computer hardware and operating systems	20%
Application software 33 1/3	33 1/3%
Expenditure on application software less than €1.709	100%
Wind power generators	10%
Photovoltaic Systems	10%
All types of tools in general	33 1/3%

Notes:

1. For acquisitions of such assets (Plant and machinery, motor vehicles used for business purposes and other assets) between 2012–2018 (inclusive), the legislation allows for accelerated depreciation at the rate of 20% per annum.
2. Depending on the age of buildings (second-hand), the wear and tear allowance rates are amended. The above stated rates refer to new buildings.
3. Industrial and hotel buildings acquired within the period 2012–2018 (inclusive), are eligible for an accelerated wear and tear allowance of 7% per annum.
4. Buildings acquired for agricultural and livestock production activities, during the period 2017–2018 (inclusive), allow for a wear and tear rate of 7% per annum.





The Cyprus Income Tax Law has been amended to include the following Anti-Tax Avoidance provisions, as these were adopted by the EU Council, through the EU Directive 2016/1164 (ATAD I) and its amending 2017/952 (ATAD II).

Interest limitation rule

This rule applies to restrict interest deduction up to 30% of the taxpayer's tax adjusted Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). The most important details of the rule are:

- The rule applies to both standalone level and group level. Group is defined in the Cyprus Income Tax Law (75% rule).
- Exceeding Borrowing Costs up to €3,000,000 can be deducted per company/group
- Exemption may apply to financial institutions
- Equity escape provisions
- Carry forward provisions

Applicable as from 2019.



Controlled Foreign Company (CFC) rule

The CFC rule aims in discouraging taxpayers from shifting profits from high tax jurisdictions to low tax jurisdictions. It basically reattributes the profits from subsidiaries in jurisdictions with more preferential tax regimes, to their parents or controlling parties. The non-distributed income of the CFC may be included in the tax base of the Cyprus controlling party, if such income arose from non-genuine arrangements whose main purpose was to obtain tax advantage. Certain exemptions also apply to the CFC rule.

Applicable as from 2019.

General Anti Avoidance Rule (GAAR)

The target of this rule is to face tax abusive and non-genuine practices whose main purpose is to obtain tax advantage.

In accordance with this rule, an arrangement or a series of arrangements is not considered genuine if it lacks commercial or economic reasoning.

Applicable as from 2019.



Exit taxation

Applies to impose a tax charge (exit tax) on asset transfers from a Company taxpayers' head office to its Permanent Establishment in another Member State or in a third country and vice versa. Tax would be applied on an amount equal to the market value of the transferred assets at the time of exit, less their value for tax purposes. The below cases may trigger this rule:

- a) Assets transferred by a Cyprus tax resident company, from its head office in Cyprus to its PE in another EU Member State or in a third country in so far as Cyprus no longer has the right to tax the transferred assets due to the transfer;
- b) The Cypriot PE of a non-tax resident company transfers assets from the Cypriot PE to its head office or another PE in another EU Member State or in a third country in so far as Cyprus no longer has the right to tax the transferred assets due to the transfer;
- c) A Cyprus company transfers its tax residence to another EU Member State or to a third country, except for those assets which remain effectively connected with a Cypriot PE;
- d) The Cypriot PE of a non-tax resident company transfers the business carried on by the PE to another EU Member State or to a third country in so far as Cyprus no longer has the right to tax the transferred assets due to the transfer.

The taxpayer has also the right to pay the defer the tax and pay it in instalments over the next five years. This is applicable in the event of intra-EU transfers (including transfers within the European Economic Area where a mutual understanding for tax recovery is in place).

Applicable as from 2020.

Hybrid Mismatches

The purpose of this rule is to neutralise the tax effects of hybrid mismatch arrangements.

Hybrid mismatch is the consequence of differences in the tax treatment of two or more jurisdictions.

European Union have considered the above as abusive to the extent where they arise in the following cases:

- Between associated enterprises
- Between a taxpayer and an associated enterprise;
- Between a head office and its PE or two or more PEs of the same company;

The tax effect of a hybrid mismatch usually is:

- A double deduction, which means that in two jurisdictions the same deduction is allowed; or
- A deduction with no inclusion, which means that the deduction of the income in one jurisdiction will not be included in the tax base of the other jurisdiction.

Applicable as from 2020.



Tonnage Tax Regime



A. Shipping companies

Taxation for shipping activities is governed by the Merchant Shipping (Fees and Taxing) Legislation which provides for exemption from Income tax on the shipping activities. It, however, provides for the Tonnage Tax System (TTS) which applies to qualifying ship owners, managers and charterers. TTS can apply to qualifying community ships (ships registered to the Shipping Registry of an EU member or of a country within the European Economic Area) and to non-community ships.

Non-community vessels owners

They must comply with certain conditions in order to enjoy the perks of being taxed under the TTS. These include among others:

1. At least 60% of the fleet should comprise of EU flag ships. The percentage is measured in terms of tonnage.
2. If the fleet is less than the requested 60%, the Tonnage Tax regime can still be utilized if:
 - a) The commercial and strategic management of the fleet must be carried out from the EU/EEA.
 - b) A share of the fleet should comprise of EU flag ships and this share shall not be reduced in the following 3 years from the first year of TTS election.



B. Ship owners

For companies owning Cyprus flag ships, the application of the tonnage tax system is compulsory and optional for owners of non-Cyprus flag ships, charterers and ship managers.

Income that is exempted under the TTS:

- Profits from shipping operations.
- Interest income relating to the working capital of the company.
- Gains from disposal of ships.
- Dividend income relevant to the distribution of the profits above.
- Profits from the sale of shares held in ship owning companies.

The exemption also applies to the bareboat charterer of a vessel flying the Cyprus flag under parallel registration.

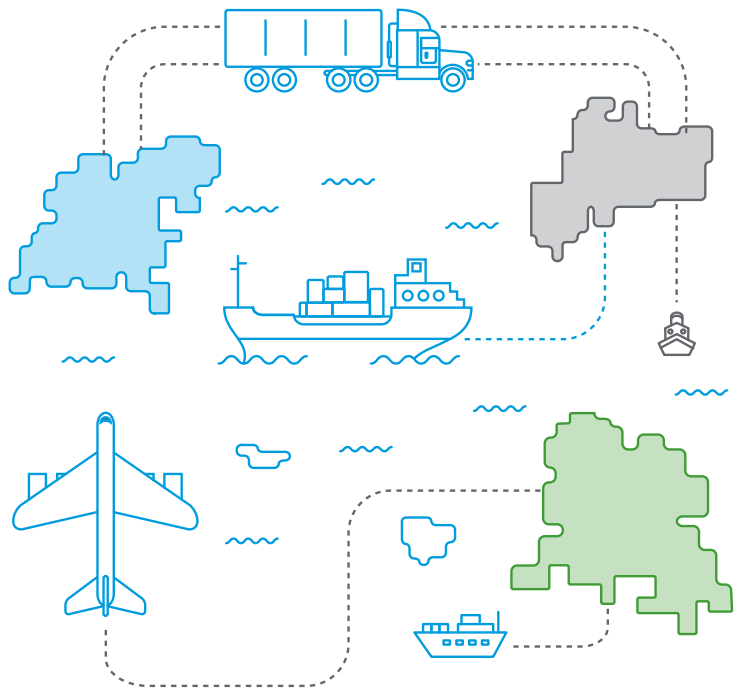
Note:

It has been defined that as from 1 January 2020, an owner who benefits from the tonnage tax regime can be considered as a qualifying owner of qualifying ships, in case the qualifying ship has been chartered out on bareboat chartered terms if:

- a) The ship was chartered out to a charterer who belongs to the same group as the actual owner of the ship, thereby allowing for the transaction to be considered as an intra-group transaction, or
- a) The owner sufficiently demonstrates to the Permanent Secretary that the ship was bareboat chartered out due to short-term over capacity and the term does not exceed three (3) years.

It is noted that for the above provisions, it should be proved that the 50% of the tonnage taxed fleet is still operated by the owner. It is highlighted that the above provisions do not apply on existing bareboat charter agreements until their expiration or until 31 December 2022, whichever takes place earlier.

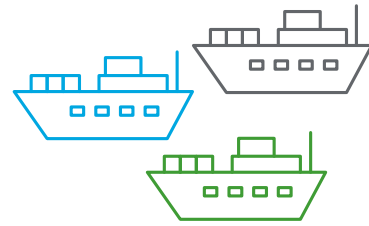
Whether you are a ship owning, ship management, chartering, or a shipping related company, our specialised team is ready to connect with you.



C. Charterers

Exemption is given to:

- Profits from the exploitation of qualifying ships.
- Interest income relating to the working capital of the company.
- Dividend income from the profits generated above.



The law grants the exemption provided that the option to register for Tonnage Tax is exercised for all vessels and provided a composition requirement is met: at least 25% (reduced to 10% under conditions) of the net tonnage of the vessels owned or bareboat chartered in.

D. Ship managers

The exemption covers:

- Profits of rendering of technical and crewing ship management services to qualifying ships.
- Dividend income from the profits generated above.
- Interest income relating to the working capital of the company.

In order to qualify ship managers must satisfy the following additional requirements:

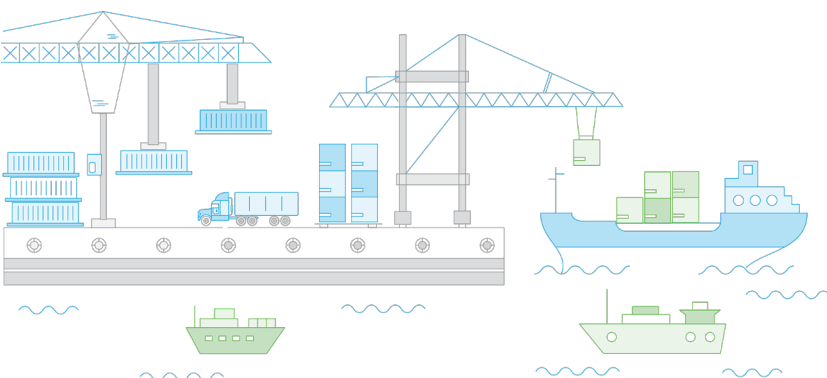
- Maintain a fully fledged office in Cyprus with sufficient, appropriate and qualified staff (of which at least 51% should be EU community residents).
- At least 51% of all onshore personnel must be community citizens.
- More than 2/3 of the total tonnage under the ship management activities should be managed within EU territory. In case less than 2/3 of the tonnage is managed in the community, it is taxed under normal corporation tax rates.

Important general notes:

- All or nothing rule – in case a shipowner/ charterer/ ship manager of a group elects to be taxed under the Tonnage Tax regime, all shipowners/ charterers/ ship managers of the group should elect the same.
- The emoluments of the captain, officers and crew members of a qualifying Cyprus ship are exempted from taxation in Cyprus.
- Ship owners and ship managers who elected to be taxed under the Tonnage Tax system, must remain under the regime for 10 years, unless they have a valid and solid reason to exit.

Note:

Ship management services, are the services provided by a ship manager to an owner or bareboat charterer of a ship, based on specific and exclusive written ship maintenance agreement relating to the crew management services and/or to the technical management services of the ship. Commercial management services offered, are not considered qualifying activities under the Tonnage Tax regime. For this reason, such services are subject normally to corporation tax.



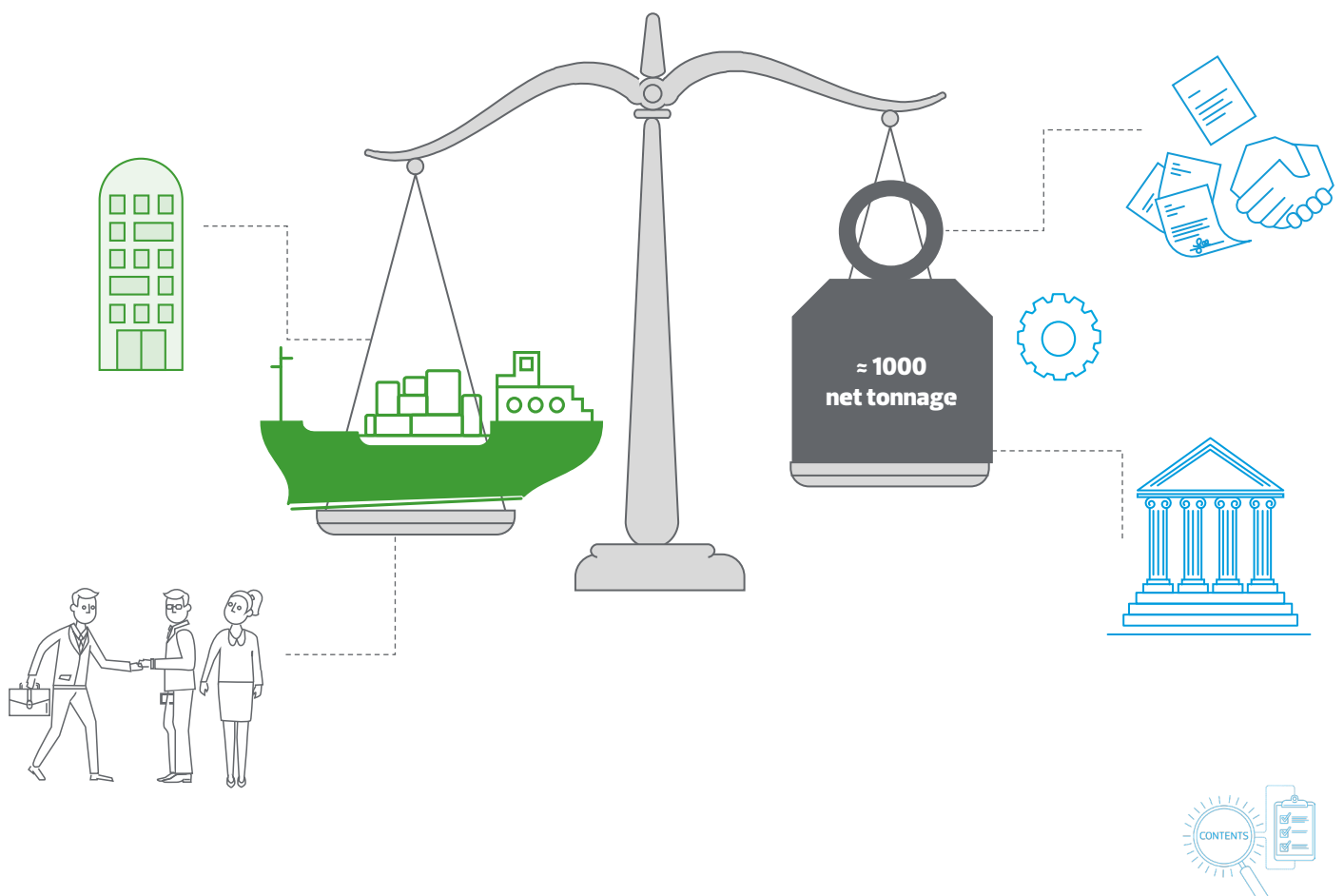
E. Tonnage System administration and tax rates

Qualifying owners/managers/charterers of foreign flag ships have the responsibility to submit tonnage tax return and pay tonnage tax by the 28th of February of the year following the tax year.

Qualifying owners of Cyprus ships shall submit the tonnage tax declaration by the end of 31st March of the year following the tax year.

The applicable rates are:

	Rate per 100 units of the net tonnage	
Units of net tonnage	Ship owners / charterers	Ship managers
0 – 1.000	€36,50	€36,50
1.001 – 10.000	€31,03	€31,03
10.001 – 25.000	€20,08	€20,08
25.001 – 40.000	€12,78	€12,78
In excess of 40.000	€7,30	€7,30



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



The establishment and operation of alternative investments funds (AIFs) in Cyprus is regulated by the Alternative Investments Funds Law of 2018 (124(I)/2018).

The AIFs are collective investment undertakings which raise capital from investors with a view to invest in accordance with a defined investment policy.

The AIF Law applies to:

- AIFs
- AIFs with a limited number of persons (AIFLNPs) which can have a max. Number of 50 unitholders
- Registered AIFs (RAIFs)

AIFs can be stated in the following legal forms:

AIFLNP:

- Variable Capital Investment Company (VCIC)
- Fixed Capital Investment Company (FCIC)
- Limited Partnership (LP)

AIF/RAIF:

- VCIC
- FCIC
- Common Fund (CF)
- Limited Partnership (LP)

UCITS:

A UCITS is an undertaking the sole object of which is the collective investment of capital raised from the public in transferable securities and/or other liquid financial instruments, as such are referred to in the UCILaw. It also operates on the principle of risk spreading and the units/shares of which are, at the request of the investor, redeemed or repurchased, directly or indirectly, out of this undertaking's assets.

Taxation of funds

All funds that are managed and controlled in Cyprus are considered tax residents in Cyprus and are subject to taxation in Cyprus.

In cases where the funds have compartments, each compartment is taxed separately.

Under circumstances and depending on the legal form of the fund, some funds may be transparent for tax purposes.

Additional key provisions which are relevant to funds are set out below:

Sale of Fund Units

No Capital Gains Tax is applicable on the sale or redemption of units in funds, unless the funds own immovable property located in Cyprus.

However, if a fund owns immovable property, no Capital Gains Tax applies, if this fund is listed in a recognised stock exchange.

Stamp Duty

No stamp duty obligation exists in cases of subscription, redemption, conversion or transfer of fund's units.



No creation of a permanent establishment

In accordance to the Cyprus tax legislation, a permanent establishment does not exist:

- I. For non-Cyprus tax resident investors, who created investments in Cyprus tax transparent investment funds.
- II. As a result of management of non-Cyprus investment funds from Cyprus.

Management services

Management fees charged to investment funds for collective management services are exempt from VAT, under certain conditions.

Performance fees (carried interest) for Fund Managers

Employees and/or executives acting as investment managers in one of the following qualifying employers, are able to elect to be taxed at a flat rate of 8% with a minimum tax obligation of €10,000 per year on their variable employment remuneration, as opposed to the normal rates of taxation. The qualifying employees can elect to be subject to tax at this special mode of taxation annually for 10 years and this is subject to certain conditions.

Qualifying employers

- Alternative Investment Fund Managers (AIFMs)
- Internally managed AIFMs
- UCITS Management companies
- A company to which a Fund Manager has delegated the portfolio management and/or risk management functions



Intellectual Property (IP) Box Regime



Cyprus Income Tax Law incorporates an Intellectual Property (IP) Box regime which is applicable from 1 July 2016 and fully replaced the old regime as from 30 June 2021.

Under the new Cyprus IP regime, 80% of the qualifying profits generated from the qualifying assets is deemed to be a tax deductible expense for qualifying taxpayers. The qualifying profits are calculated based on a formula, using the nexus approach, as follows:

According to this approach, the level of the qualifying profits is linked to the extent the taxpayer performs research and development activities to develop the qualifying assets in-house.

Qualifying assets, within the context of the regime, include an asset acquired, developed or utilized by a person in the course of a business and which constitutes intellectual property, other than marketing related intellectual property, which is the result of research and development activities and for which there is economic ownership. These may include, patents, copyrighted software and other intangible assets that are non-obvious, useful and novel.

Losses from the qualifying assets

Where losses are resulted from the exploitation of the qualifying assets, only the 20% of these losses can be carried forward or relieved for group purposes.





Special defence contribution



Special defence contribution



Special Contribution on Defence (SDC) is a local tax of Cyprus, applicable to Cyprus tax resident individuals and companies only and applies only on dividend income, passive interest income and rental income. Cyprus tax resident individuals should also be domiciled in Cyprus in order to be subject to SDC.

Any foreign tax paid, can be credited against SDC liability.

SDC tax rates



	Tax rates (%)	
	Individuals (Note 1)	Legal entities (Note 1)
Dividend income from Cyprus tax resident companies	17 (Note 5)	Nil (Note 2)
Dividend income from non -Cyprus tax resident companies	17 (Note 5)	Nil (Note 3)
Interest income arising from the ordinary activities or closely related to the ordinary activities of the business	Nil (Note 4)	Nil (Note 4)
Other interest income ("passive")	30 (Note 5)	30 (Note 5)
Gross rental income (reduced by 25%)	3 (Note 5 and 6)	3 (Note 5 and 6)

Notes:

1. The condition that should be met in order for a legal entity to be subject to Special Defence Contribution, is to be tax resident in Cyprus. Prior to July 16, 2015, the SDC applied to all Cyprus tax resident individuals and legal entities without being necessary for them to be domiciled in Cyprus. From that date on, the definition of domiciliation was introduced for Cyprus tax resident individuals, who should be both tax residents of Cyprus and domiciled in Cyprus in order for them to be subject to SDC. For Special Defence Contribution purposes, a person is considered domiciled in Cyprus via domicile of origin (acquired at birth) and domicile of choice (indication of an intention of permanent residence). In case the taxpayer resides in Cyprus at least 17 out of the 20 years immediately prior to the tax year of assessment, this person is considered domiciled in Cyprus.
2. Dividends received from a Company resident in Cyprus from other Cyprus company, are exempt. This does not apply if dividends were paid 4 years after the end of the year in which the dividends were generated.
3. The exemption does not apply if:
 - At least 50% of the activities of the paying company directly or indirectly generate investment income and
 - If the foreign tax burden is significantly lower than that of Cyprus. Significantly lower means an effective tax rate lower than 6.25% on the profit distributed.

In cases where the exemption is not applied, the dividend income is subject to SDC at 17%. Since 1 January 2016, in case where the paying company is eligible for deduction of such dividends for tax purposes, the dividend income is subject to corporation tax at the rate of 12.5% instead of Special Contribution on Defence.



4. Exempted due to the fact that this interest income is subject to personal income tax or corporation tax.
5. The Special Contribution for Defence rate on interest income of 17% is effective for interest received or credited as from 1st January 2024 onwards.

Individuals and legal entities who are tax residents in Cyprus and receive interest income from Cyprus government savings bond and Cyprus government development stock, corporate bonds listed on a recognised Stock Exchange and bonds listed on a recognised Stock Exchange that are issued by a local authority or a state organisation, from an approved provident fund and social insurance fund, are subject to SDC at 3%.

An individual whose total income for the year, including interest, does not exceed €12,000 has the right to a refund of the amount of defence contribution suffered in excess of 3%.

For rental income generated from Cyprus, where the tenant is a Cyprus company, partnership, the state or a local authority, Special Contribution on Defence on rental income is withheld at source. It is payable by the end of each semester of each tax year, i.e. by the 30th of June and 31st of December. It is noted that in cases where the Special Defence Contribution is not withheld and, thus, not paid by the end of the month following the end of each semester, interests and penalties will apply. In all other cases the Special Contribution for Defence on rental income is payable by the landlord in 6 monthly intervals on 30 June and 31 December each year.

Special Contribution for Defence on interest and dividends from Cyprus sources, is withheld at source and is payable at the end of the month following the month in which they were paid.

However, Special Contribution for Defence on interest and dividends from foreign sources, is withheld at source and is payable in 6 month intervals on 30 June and 31 December each year.

6. Rental income is also subject to personal income tax / corporation tax.

Deemed dividend distribution



All Cyprus tax resident companies are deemed to have distributed to their Cyprus tax resident (physical or legal) shareholders as a dividend, 70% of their accounting profits (as adjusted for Special Contribution for Defence purposes), at the end of two years from the end of the year in which the accounting profits are generated.

The amount of deemed dividend distribution is reduced by the amount of actual dividends distributed during the year in which the profits were generated.

The remaining deemed dividend will be taxed at 17% Special Defence Contribution, provided that the ultimate direct/indirect shareholder is Cyprus tax resident and domiciled in Cyprus. Prior to 16 July 2015, the Special Defence Contribution applied to the extent that the ultimate direct/indirect shareholder was Cyprus tax resident.

When an actual dividend is paid after the deemed dividend distribution date, then if Special Contribution for Defence is due on such a dividend, the 17% is imposed only on the amount of the actual dividend paid which exceeds the dividend that was previously deemed to have been distributed and previously suffered Special Contribution for Defence.

Note:

A number of adjustments to the accounting profit are required for deemed distribution purposes, including for tax years 2012, 2013 and 2014 if the company has acquired in those years plant, machinery or buildings (excluding private motor vehicles) for business purposes; the full cost of these assets will be deductible against the accounting profits.



Transfer of assets to shareholders at an undervalue



In cases where a company disposes or gifts an asset to its individual shareholder or a relative of such a shareholder of up to 2nd degree, for a price under its market value, the difference between the actual consideration paid and the market value will be considered as deemed dividend to the shareholder. The said provision does not apply, if the particular assets was originally gifted from the individual shareholder or his/her relative up to 2nd degree.

Liquidation or dissolution of a company



On liquidation cases, the cumulative profits of the last five years prior to the company's dissolution, should be deemed to have been distributed. This applied if such profits have not already been distributed or deemed to be distributed.

This provision is not applicable if there is a dissolution following a Reorganisation.

Reduction of capital



The amount paid to individual Cyprus tax resident shareholders from a reduction of share capital, in excess of the amount they already paid to acquire the paid up share capital, is considered as a form of deemed dividend and is subject to Special Contribution on Defence at 17%.

The redemption of units or shares in a Collective Investment Scheme is not subject to the above provisions.

Note:

It is noted that as from 16 July 2015, the Cyprus tax resident individuals shall also be domiciled in Cyprus in order to be eligible for taxation under the three cases above.





Capital gains tax



Capital gains tax (CGT)



Capital Gains Tax (CGT) is applied to transactions that involve disposals of immovable properties situated in the Republic of Cyprus. These transactions include both direct disposal of an immovable property situated in Cyprus and disposal of shares in companies which directly own immovable properties in Cyprus. Further, as from 17 December 2015 shares of companies which indirectly own immovable property located in Cyprus and at least 50% of the market value of the said shares derive from such immovable property are subject to Capital Gains Tax. In the case of share disposals only that part of the gain relating to the immovable property situated in Cyprus is subject to CGT.

Disposal for the purposes of CGT specifically includes; exchange, leasing, gifting, abandoning use of right, granting of right to purchase, and any sums received upon cancellation of disposals of property.

The Capital Gains Tax is imposed at the rate of



Shares listed on any recognised stock exchange are excluded from these provisions.

Exemptions

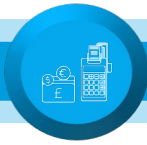


The following disposals of immovable property are not subject to CGT:

- Gain from subsequent disposal of land or land with immovable property acquired at market value during the period 16 July 2015 and 31 December 2016.
- Transfer by reason of death.
- Gifts made between parent and child or between spouses or between relatives up to 3rd degree.
- Gifts to a limited liability company of which the shareholders are and continue to be members of the family of the donor, for 5 years after the day of the transfer.
- Gifts made by a family limited liability company to its shareholders, provided that the property gifted was originally gifted to the company by them. The property must be kept by the donee for at least 3 years.
- Gifts to charitable organisations, to the Republic, to the local authority.
- Transfer by way of approved reorganisation schemes.
- Exchange or disposal of immovable property under the Agricultural Land (Consolidation) Laws.
- Expropriations.
- Exchange of immovable properties given that the gain made is used to acquire the new property. The gain that is not taxable is deducted from the cost of the new property, i.e. the payment of tax is deferred until the disposal of the new property.
- Donations to a political party.

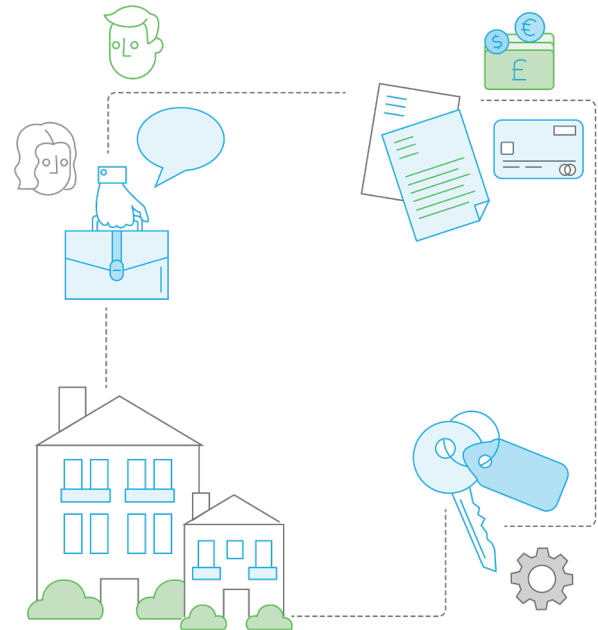


Capital gain for CGT purposes



Liability arises only on gains accruing as from 1 January 1980, i.e. deducted from gross proceeds on the disposal of immovable property are its market value at 1 January 1980, or the costs of acquisition and improvements of the property, if made after 1 January 1980, as adjusted for inflation up to the date of disposal on the basis of the consumer price index in Cyprus.

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



Lifetime exemptions



Individuals can deduct from the taxable capital gain the following:

Disposal of private principal residence (subject to certain conditions)	€85.430
Disposal of agricultural land by a farmer	€25.629
Any other disposal	€17.086





Central Agency for Equal Distribution of Burdens Contribution for disposal of immovable properties



Levy on the sale of immovable property



In accordance with the amendments of the Central Agency for the Equal Distribution of Burdens Law, a levy of 0,40% is payable to the Tax Department upon:

- a) The transfer of immovable property, which is situated in Cyprus for which a general value has been determined by the Department of Lands and Surveys, or
- b) Disposal of shares in a Company not listed on a Stock Exchange, which directly or indirectly owns immovable property situated in Cyprus, for which a recorded general valuation exists under a General Valuation and Revaluation Survey.

The calculation of the levy differs, accordingly:

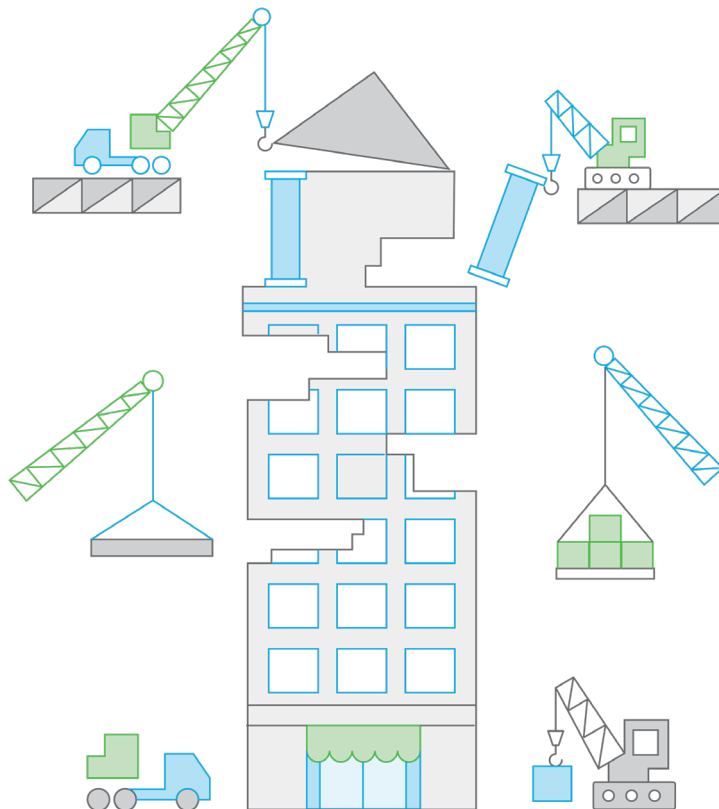
- a) In the case of immovable property transfer, the levy is calculated on the sale amount; and
- b) In the case of disposal of shares, the levy is calculated on the latest general valuation of the property attributed to the shares disposed.

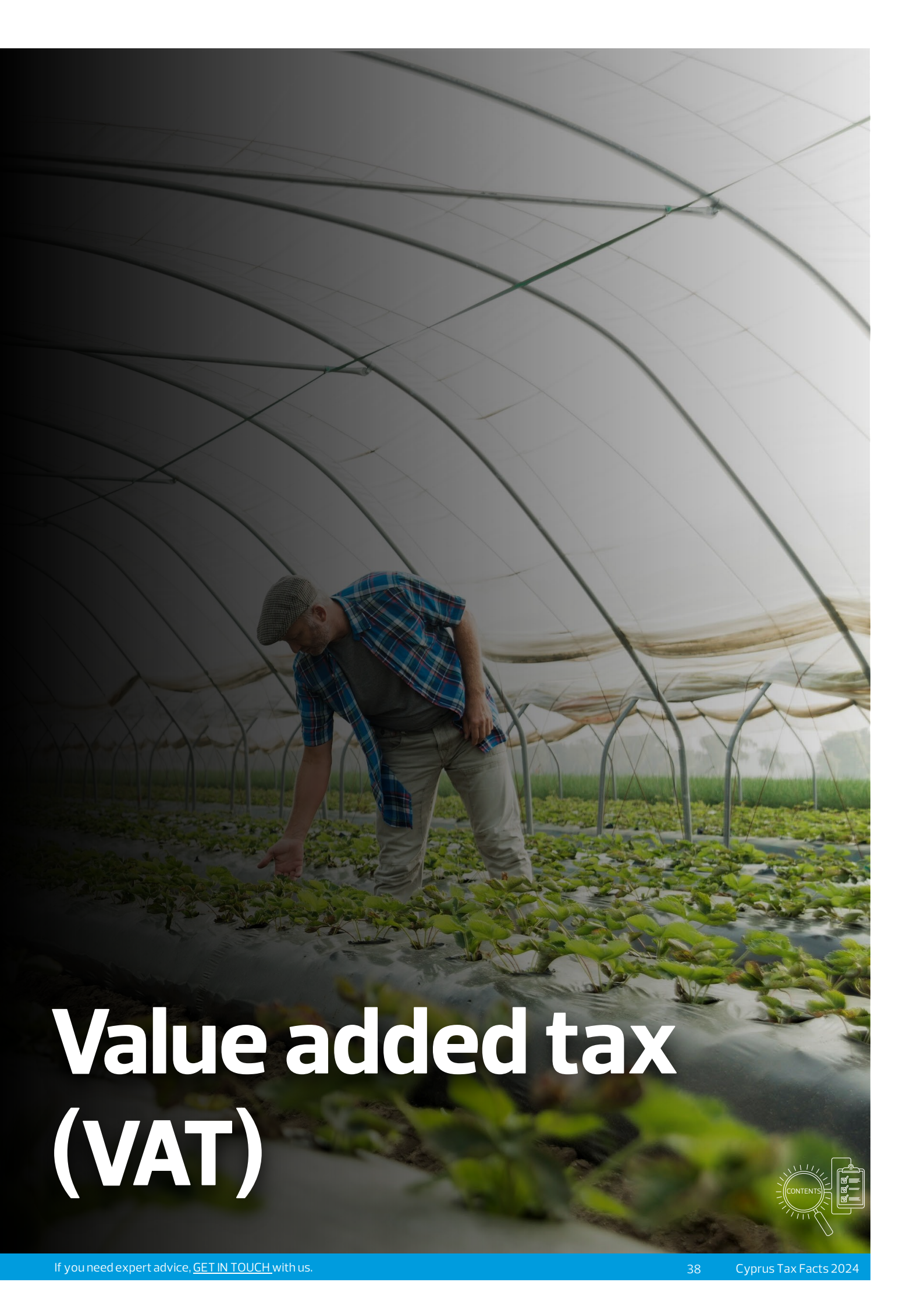
The levy is payable by the Seller, who transfers the ownership of the property.

Exemptions

The levy does not apply in cases where a transfer of immovable property or transfer of shares of a company, which directly or indirectly owns immovable property, is required,

- a) As part of loan restructuring, in relation to the value of sales proceeds or value of property, which is required for the reduction or settlement of non-performing loans.
- b) As part of a company reorganisation, in relation to the value of sales proceeds or value of property.





Value added tax (VAT)



Value added tax (VAT)



VAT applies on the supply of goods and on the provision of services within the Republic, as well as on the acquisition of goods from Member states of the EU and importation of goods from third countries.

Through the relevant legislation, taxable persons charge VAT on their taxable supplies (output tax) and are charged by other taxable persons with VAT on goods and services they receive (input tax). Where, output tax is in excess of the input tax, a VAT tax liability is created and a payment is due to the Republic. If the opposite stands then a credit is created and either it is set off against future VAT tax liabilities or immediate refund to the taxpayer takes place.

Immediate refund of excess input VAT can be obtained in the following cases:

- A period of eight months has elapsed from the date the VAT became refundable.
- Input VAT which cannot be set off against output VAT until the last VAT period of the year which follows the year in which the VAT period in which the credit was created falls.
- The input VAT relates to zero rated transactions.
- The input VAT relates to the purchase of capital assets of the company.
- The input VAT relates to transactions which are outside the scope of VAT but would have been subject to VAT had they been carried out within Cyprus.
- The input VAT relates to exempt financial and insurance services provided to non EU resident clients (services for which the right to recover the related input VAT is granted).

No VAT cash outflow arises on intra-community acquisition of goods (with the exception of goods subject to excise taxes) as VAT is accounted by using the acquisition accounting method. This involves a simple accounting entry in the books of the business whereby it self-charges VAT and at the same time claims it back, provided it relates to supplies for which the right to recover input VAT is granted, thereby creating no cost to the business.

In cases the acquisition relates to a transaction for which the right to recover the input VAT is not granted, the trader must pay the VAT that corresponds to the acquisition.

VAT rates (vat legislation for the tax rates)	Zero rate (0%)
	Reduced rate (5%)
	Reduced rate (9%)
	Standard rate (19%)

Exemptions



Transactions involving the below goods or services are exempt from VAT:

- Rental of properties used for residential purposes.
- Financial services (with exceptions).
- Hospital and medical care services.
- Educational and sports activities.
- Acquisitions of second-hand buildings.
- Services performed by the national postal authority.
- Lottery tickets and betting coupons.
- Management services provided to mutual funds.



VAT on immovable property



i. Leasing of immovable property

VAT at the standard rate must be charged on lease of immovable property when the lessee is a taxable person and is engaged in taxable activities by at least 90%. The lessor has the right to opt not to impose VAT on the specific property. The option is irrevocable.

ii. Sale of non-developed building land

As from 2 January 2018 non-developed building land sale attracts VAT at the standard rate of 19%. Non-developed land definition includes land intended for the construction of one or more structures that should be used in carrying out a business activity. VAT does not apply on purchases or sales of land which is located in livestock zones or areas which are not intended for development.

iii. Repossession of immovable property by financial institutions

As from 2 January 2018, any transactions taking place during the process of loan restructurings or for compulsory transfer to the lender (financial institution), should be taxed under VAT accounted under the reverse charge provisions.

iv. Leases of immovable property which effectively transfer the risks and rewards of ownership of immovable property

As from 1 January 2019 leases of immovable property which effectively transfer the risks and rewards of ownership of immovable property are considered to be supplies of goods. They also become subject to VAT at the standard rate.

New provisions on the Imposition of the reduced rate of 5% on the acquisition and/or construction of residence for use as the primary and permanent place of residence



As of 16 June 2023, the Cyprus VAT Law provisions on the reduced VAT rate on the acquisition and/or construction of residences to be used as the primary and permanent residence of a person were amended. The residents shall prove that they have the intention to stay there for the next 10 years at least.

Conditions:

In accordance with the current provisions, the reduced VAT rate of 5% applies only on the first 130 sq.m. of the residence and up to a value of €350,000.

In cases where:

- a) The value does not exceed €350,000, but if the residence is more than 130 sq.m. but less than 190 sq.m. then the reduced rate applies pro rata on the first 130 sq.m.
- b) The value is more than €350,000 but less than €475,000 and of more than 130 sq.m. but less than 190 sq.m. then the reduced rate applies pro rata on the first 130 sq.m. and on the value up to the first €350,000.

In cases where the residence is of a total value exceeding €475,000 and of more than 190 sq.m. the reduced rate does not apply. In such cases, the applicable VAT rate is 19% on the whole value.

The reduced rate is imposed only after obtaining a certified confirmation.

The eligible person must submit an application on a special form, which will state that the house will be used as the primary and permanent place of residence.

The applicant must attach a number of documents supporting the ownership rights on the property and evidencing the fact that the property will be used as the primary and permanent place of residence.



In cases where persons who cease using the residence as their primary residence before the lapse of the 10 years, must notify the Tax Commissioner within a period of 30 days. In such cases, the person must pay the difference between the reduced rate and the standard rate of VAT attributable to the remaining period of 10 years of which the property will not be used as primary residence.

Persons who have already acquired a residence on which the reduced VAT rate was imposed, can re-apply and acquire a new residence on which the reduced VAT rate will be imposed, irrespective of whether the 10 year prohibition period for using the initial residence has lapsed or not.

A condition for this to apply is that in case the 10 year period of using the residence as the main and permanent place of residence has not lapsed, the persons must return to the Tax Department the difference in the VAT between the standard and reduced VAT rates applicable at the time of the acquisition or construction of the residence.

Persons who make a false declaration to benefit from the reduced rate are required by law to pay the difference of the additional VAT due. Furthermore, the legislation provides that such persons are guilty of a criminal offence and, upon conviction, are liable to a fine, not exceeding twice the amount of the VAT due, or imprisonment up to 3 years or may be subject to both sentences.

Imposition of the reduced rate of 5% on the renovation and repair of private residences



The reduced rate of 5% applies to all the residences in which renovations and repairs are necessary. There is a condition though, that a period of 3 years has lapsed from the first day the residence was used. In cases where the value of the materials intended to be used in the renovation and repair works exceed by more than 50% the value of the services, then the value of these materials is subject to the standard VAT rate.

The reduced rate also applies on any additions made to a private residence, subject to the condition that at least three years have passed since it was first occupied.

Additionally, the reduced rate of 5% is applicable to the renovation and repairs of old private residences, for which a period of 3 years has lapsed from the first day the residence was used, and which are used by vulnerable groups of people or which are residences located in remote areas.

Zero vs Exempt supplies



The difference between zero rate and exempt supplies is that businesses that make exempt supplies are not entitled to recover the VAT charged on their purchases, expenses or imports.

Irrecoverable input vat

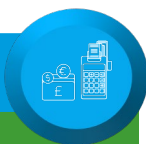


There are some cases where VAT input cannot be recovered:

- Acquisitions used for exempt supplies.
- Purchases, importations and hiring of private saloon cars.
- Expenses related to entertainment and hospitality.



Obligation for registration



Individuals and companies have the obligation to register if their turnover for the prior 12 months exceeded the threshold of €15.600 or if they expect that their turnover will exceed the threshold in the next 30 days. However, there are businesses that can register voluntarily. Such businesses are those whose turnover does not exceed the threshold or those whose supplies are outside the scope of VAT.

Obligation for registration also exists when the businesses acquire goods from other EU member states which are more than €10.251,61 during any period. Obligation for registration arises for businesses who are engaged in activities involving supply of services in the EU, for which the recipient shall apply VAT under the reverse charge provisions. Similarly, businesses in Cyprus which carry activities through the receipt of services from abroad, for which the Cyprus business is obliged to apply VAT through reverse charge provisions, an obligation exists if these services exceed the threshold of €15.600.

No registration threshold exists for the provision of intra-community supplies of services.

Exempted products and services, and disposals of items of capital nature are not taken into account for determining annual turnover for registration purposes. Registration is effected by completing the appropriate application form.

During August 2020, legal of physical persons who are not established in Cyprus and who are engaged in taxable activities in the Republic are obliged to register to the VAT authorities for VAT purposes. There is no VAT registration threshold for those persons.

VAT declaration. Payment or refund of VAT



The businesses shall submit electronically the VAT returns on a quarterly basis. In case where VAT is payable i.e. VAT output is more than VAT input, the payment must take place the 10th day of the second month following the end of the VAT period.

VAT registered persons have the right to request for a different filing period. The approval of the Commissioner of Taxation is required. The Commissioner of Taxation also has the right to request from a taxable person to file his VAT returns for a different period.

In cases where VAT input is more than VAT output, there is a refundable amount which will be either received in hands or it will be set off with the next VAT period, in case this will result to a payable amount.

As from 19 February 2013 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. In addition to that, the following are applicable as from 20 August 2020:

- A suspension of VAT refunds with interest will take place, in case the income tax returns of the taxpayer were not submitted by date of the submission of the VAT refund claim. The VAT refund can be repaid as soon as the taxpayer complies with all their obligations; and
- The applications for VAT refund should be limited to six (6) years from the end of the relevant VAT period.



Transfer fees by the department of land and surveys

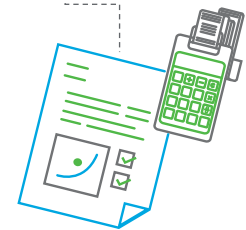


Transfer fees



The department of land and surveys charges the acquirer of the immovable property transfer fees on the transfer of the ownership of immovable property.

Market Value (€)	Rate (%)	Fee (€)	Accumulated fee (€)
First 85.000	3%	€2.550	€2.550
From 85.001 to 170.000	5%	€4.250	€6.800
Over 170.000	8%		



In the case of free transfers of property, the transfer fees are calculated on the value of the property as follows:

- From parents to children Nil
- Between spouses 0,1%
- Between third degree relatives 0,1%
- To trustees €50

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

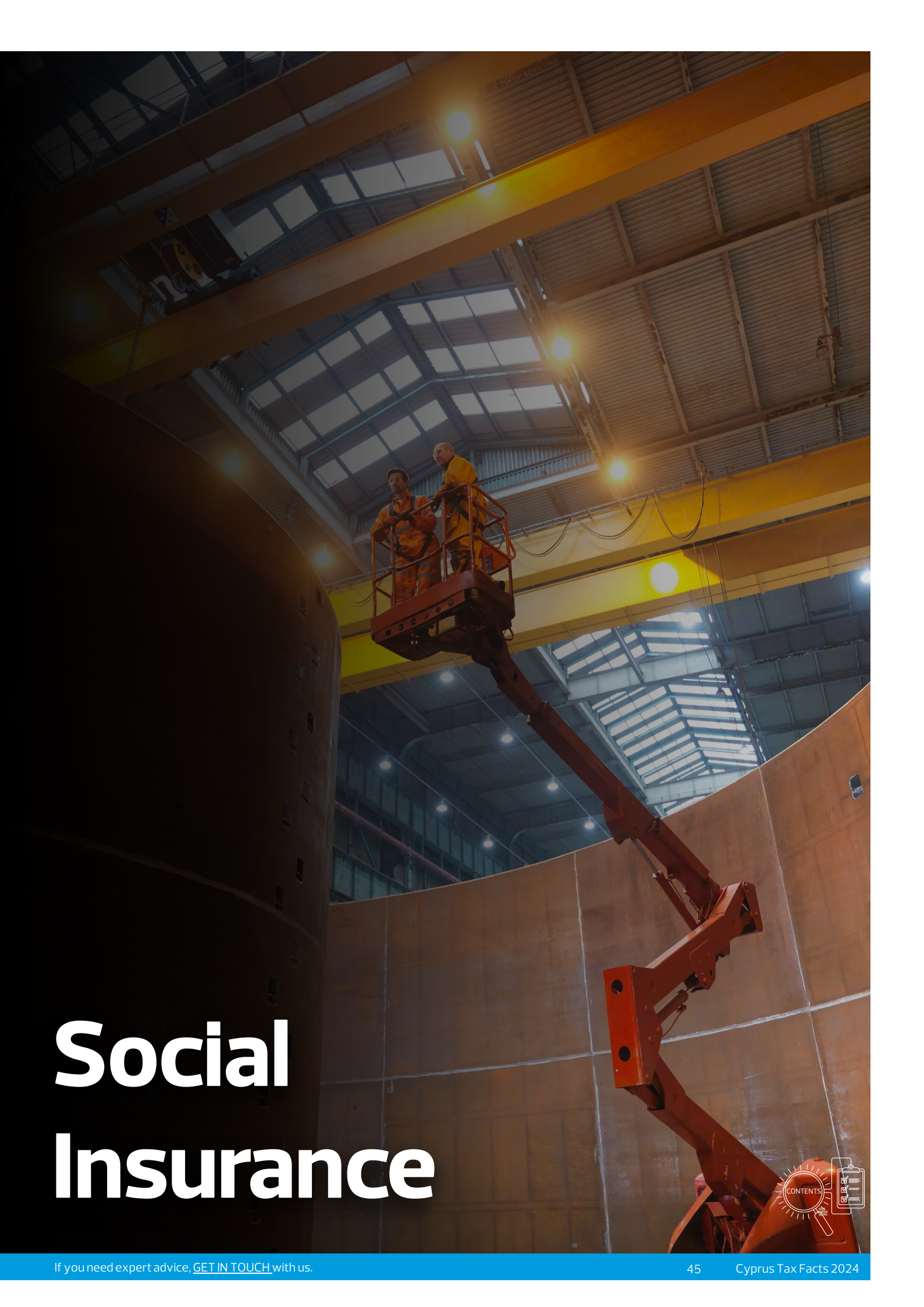
Mortgage registration fees are 1% of the current market value.

In the case of companies' reorganisations, transfers of immovable property are not subject to transfer fees or mortgage registration fees.

On transactions of immovable property on which VAT has been imposed, no transfer fees apply.

On acquisitions of properties that are not subject to VAT, a 50% discount on transfer fees is allowed.





Social Insurance



Social insurance



Contributions to the social insurance apply to the gross emoluments of the employees. However, upper limits apply on such emoluments e.g. for 2024 the maximum annual emoluments shall not exceed €62.868 (weekly €1.209/monthly €5.239).

As from 1 January 2024, the contributions and deductions for social insurance are of 8,8% and will be applicable for the next 5 years. The previous rate of 8,3% was used until 31 December 2023.

Contributions	2024	2023
Employer	8.8%	8.3%
Employee	8.8%	8.3%

Other employer's contributions



The following contributions to the social insurance and other funds are made by the employer based on the gross emoluments of the employee:

Market value (€)	2024
Redundancy fund	1.2% (1)
Industrial fund	0.5% (1)
Social cohesion fund	2.0% (2)
Holiday fund	8.0% (1)

Notes:

1. Restricted to the maximum level of emoluments as with the social insurance contributions.
2. Social cohesion fund is calculated on total emoluments and has no maximum level.

Self-employed contributions



The contributions to the social insurance of the self-employed individuals will be 16,6% of their income. The contributions are based on minimum and a maximum level of emoluments in accordance with the profession of the self-employed person.

For 2024 the maximum annual emoluments shall not exceed €62.868 (weekly €1.209/ monthly €5.239).





General healthcare system



General Healthcare system



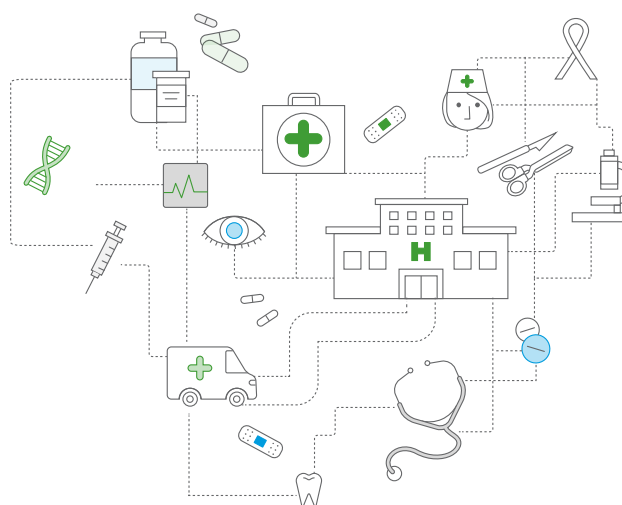
As per General Health System Law of 2001 (89(I)/2001) as amended 2017, a national health system is introduced in Cyprus aimed to provide to the population equal access to a holistic health care system. Patients will have the option to select a health care provider from the private as well as the public health care sector.

Contributions relating to the implementation of the General Healthcare System (GHS) started from 1st of March 2019, and increased from 1st of March 2020 as per the table below:

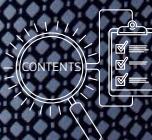
Income Category	Applied on	Rate
Employees	Own emoluments	2,65%
Employers	Employee's emoluments	2,9%
Self-employed	Own income	4,0%
Pensioners	Pension	2,65%
Persons holding office *	Officer's remuneration	2,65%
Republic of Cyprus or Natural/Legal person responsible for the remuneration of persons holding an office	Officer's remuneration	2,9%
Persons earning rental, interest, dividend and other income	Relevant income	2,65%
Republic's Consolidated Fund	Emoluments/ pensions	4,7%

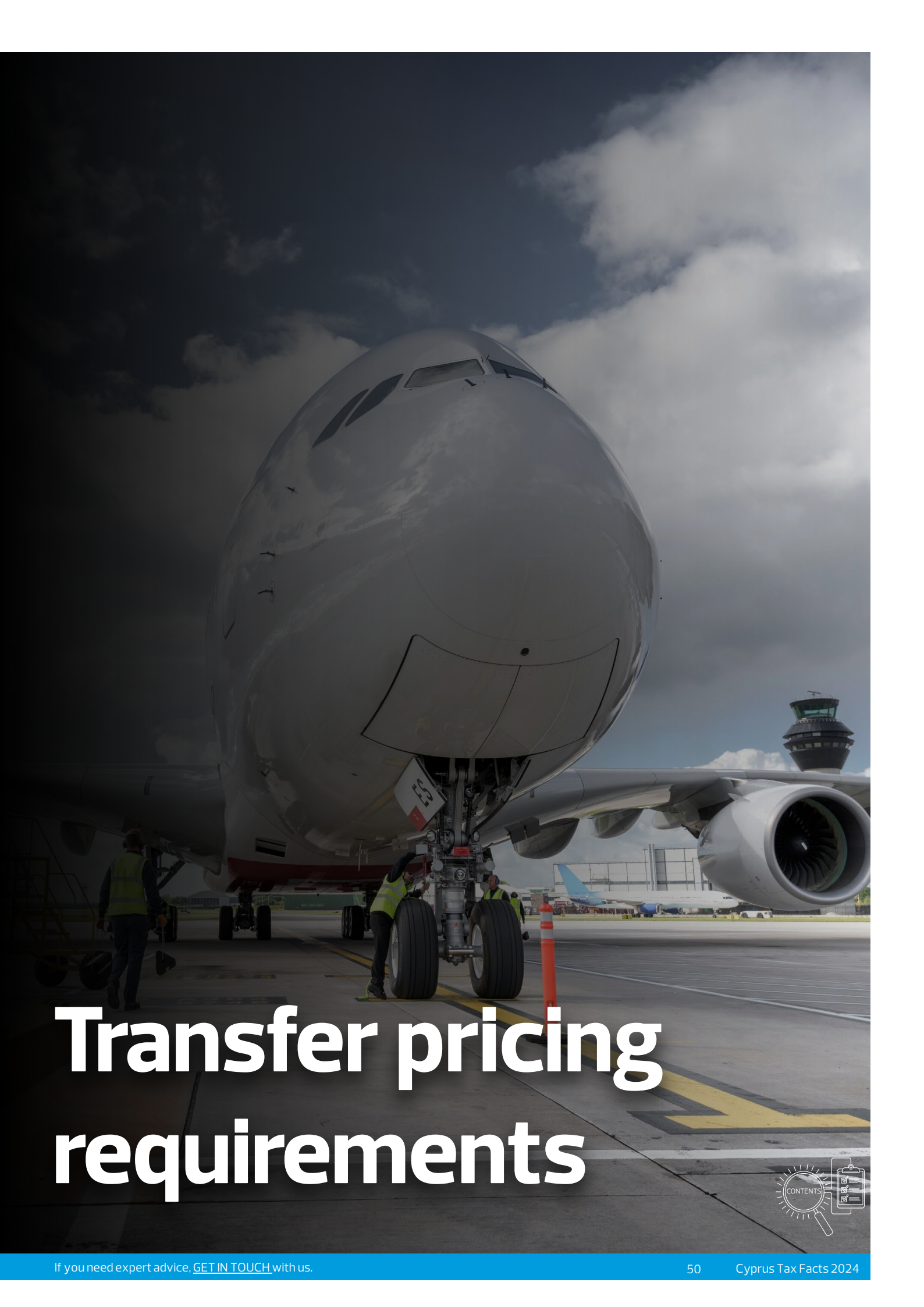
* Relates to holders of public or local authority office or other office, the income out of which does not come within the scope of (i) or (iii) or (iv) of (vii).

GHS contributions are capped at €180.000 annual income.



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Transfer pricing requirements



Transfer Pricing Requirements



Effective as from 1 January 2022, new Transfer Pricing documentation rules were introduced to the Cyprus Income Tax and Assessment and Collection of Taxes Laws in Cyprus, so to be aligned with the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations.

The new rules provide for the preparation of Master File, Local File and Summary Information Table for Cyprus tax resident persons and Permanent Establishments of non-Cyprus tax resident companies, as well as for Advance Pricing Agreements (APAs). The concept is applicable to those companies engaging in transactions with related parties, as these are defined in the article 33 in the Cyprus Income Tax Law.

The new rules also specifically provide for minimum thresholds for defining control over legal entities and the contents of the Master File and Local File are aligned with the relevant OECD TP Guidelines.

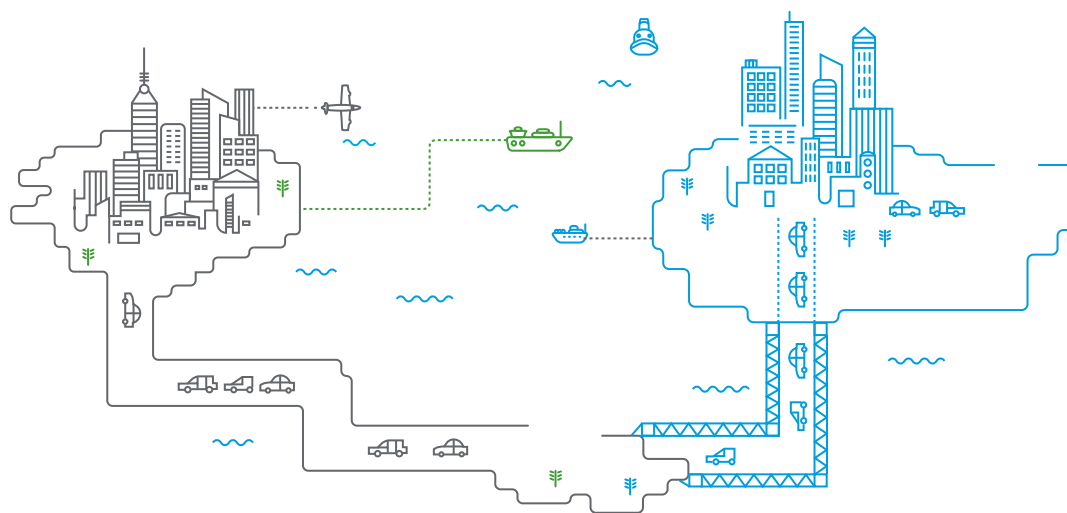
The below exemptions apply to Master File and Local File:

Master File	Local File
<p>The Master File shall be prepared only if the two conditions below apply: The Cyprus tax resident entity is posed as the Ultimate Parent Entity or Surrogate Parent Entity of a Multinational Group, for Country-by-Country reporting purposes.</p> <p>The consolidated revenue of the multinational group exceed €750 million</p>	<p>The obligation to prepare a Cyprus Local File lies only to Cyprus tax resident companies which engage in controlled transactions with related parties, exceeding €750,000 in aggregate per transaction category per tax year.</p>

Summary Information Table (SIT)

SIT is an additional table that must be prepared by the relevant taxpayers engaged in controlled transactions, containing brief information of such transactions, including the intercompany counterparties details, value of the transaction and category of the intercompany transactions.

The categories of the intercompany transactions may be among others, sale or purchase of goods, provision or receipt of services, receipt or payment of royalties, financing transactions and others.



Reporting deadlines and Quality Assurance Review

The Master File, if applicable, and Local File should be prepared annually, by the deadline of the submission of the corporate income tax return. However, the TP documentation file should be available, upon request, to the Tax Department by the relevant taxpayers, within 60 days from the end of the preparation deadline.

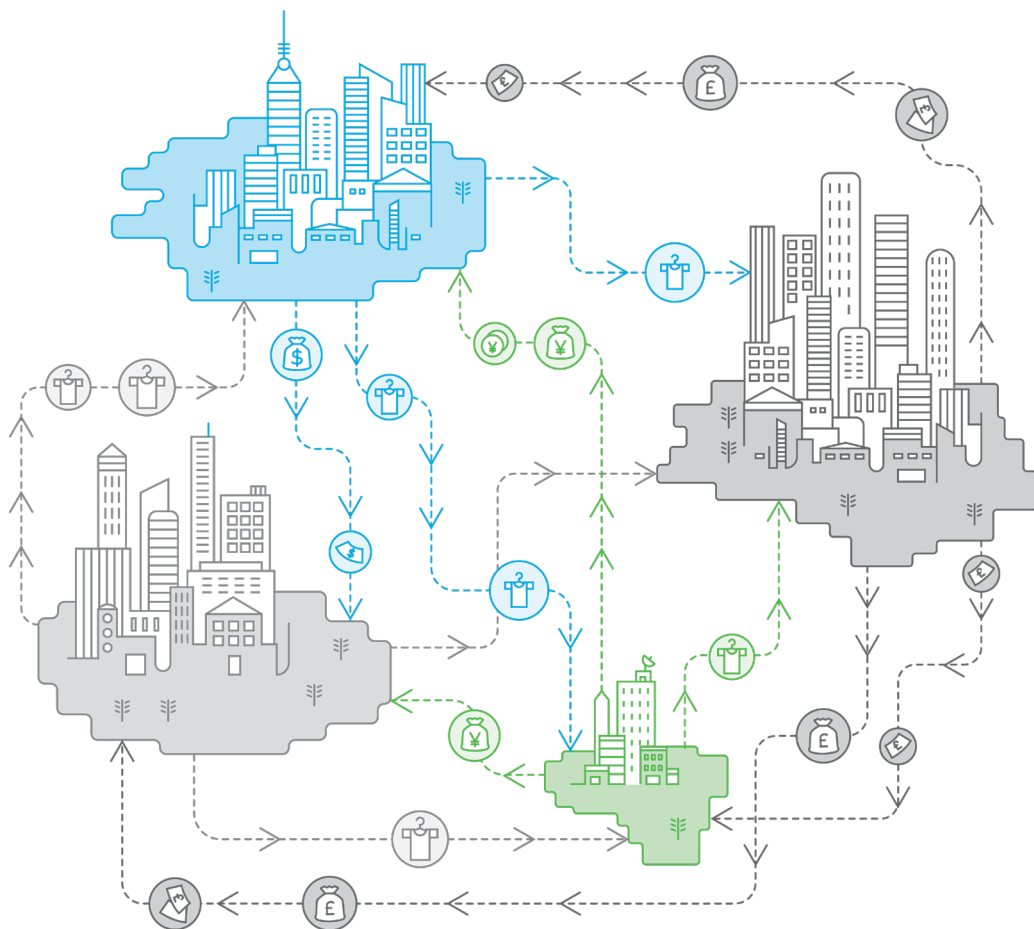
The TP documentation file is to be subject to Quality Assurance Review (sign-off) by a person holding the Practising Certificate from ICPAC or any other recognized body approved by the Council of Ministers.

The sign-off must take place on an annual basis before the end of the submission deadline.

Procedure for Advance Pricing Agreements (APAs)

The new rules introduced a formal APA procedure through which Cyprus taxpayers may submit APAs to the Cyprus tax authorities to agree in advance, an appropriate set of criteria for the determination of the transfer pricing of certain controlled transactions.

The APAs may apply on unilateral, bilateral or multilateral terms, and upon issuance, they remain valid for up to 4 years and the decision is binding, unless certain conditions are met which may revise the initial decision.





Circular issued by the Tax Department in relation to Simplification measures for persons engaged in low-value transactions (2023/06)

The particular Circular applies to all persons engaged in intercompany transactions (Controlled Transactions) not exceeding €750,000 in aggregate per transaction type, which is the legislative threshold indicating the need for the preparation of a Cyprus Local File.

The Circular provides simplified documentation requirements for those controlled transactions not exceeding €750,000.

In addition, the Circular provides for the use of unilateral safe harbours rates for certain types of financing transactions, as well as for low value-adding services.

The categories of transactions that are subject to the safe harbour provisions are as follows:

Category	Safe Harbour rates
Intercompany financing transactions financed by financial means such as bonds, intercompany loans, cash advances and bank loans	Minimum 2.5% return (on profit before taxes)
Intercompany financing transactions financed out of own capital (share capital, share premium, non-reciprocal capital contribution, or from reserves accumulated from business profits)	Minimum return should equal to the 10-year Government Bond yield of the previous year (of the Borrower's jurisdiction), increased by 3.5%
Intercompany loans payables to the extent that these funds are used in the business	Maximum interest to be applied should not exceed the yield of the Cyprus 10-year Government bond, increased by 1.5%
Low value-adding services	5% mark-up on the relevant overheads

It is noted, though, that each safe harbour analysed above, is subject to several conditions on its applicability and the minimum documentation requirements.

The safe harbours are subject to amendments from time to time, based on the facts and market conditions.

The Circular, however, highlights that the use of unilateral safe harbours from persons involved in cross-border intercompany transactions triggers disclosure requirements in the context of Mandatory Disclosure Requirements (DAC6), as explained in the next section of this Tax Guide.



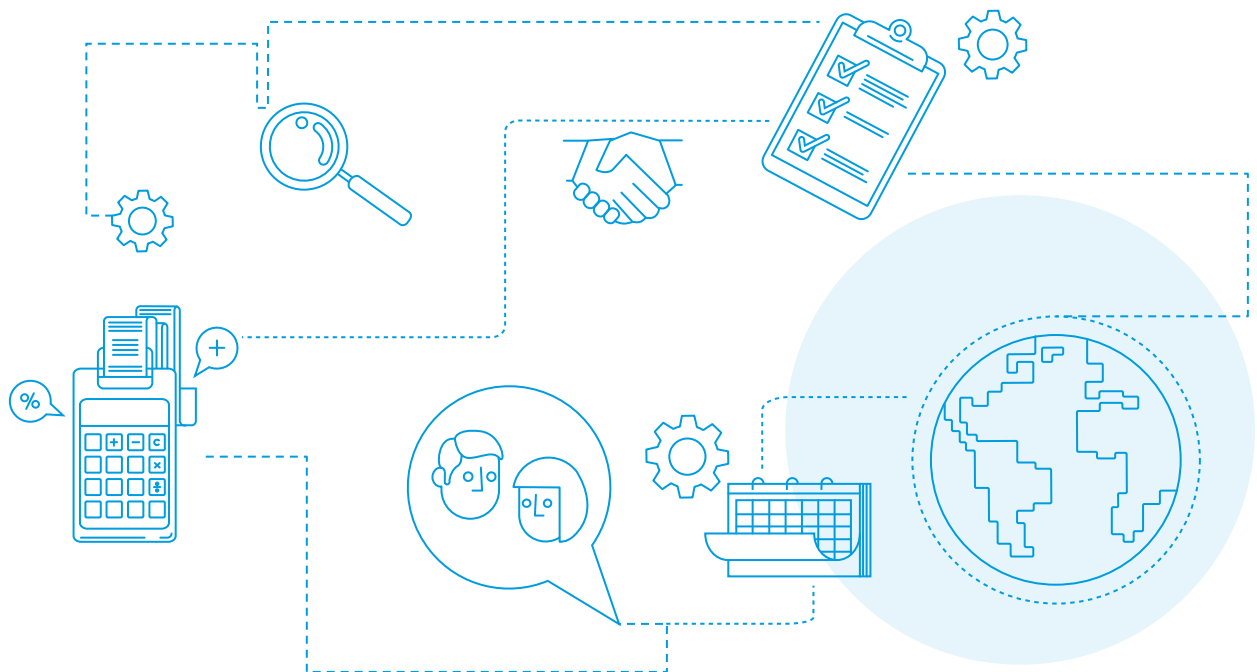
Circular issued by the Tax Department in relation to "Back-to-Back" Intragroup Financing Transactions (2023/07)

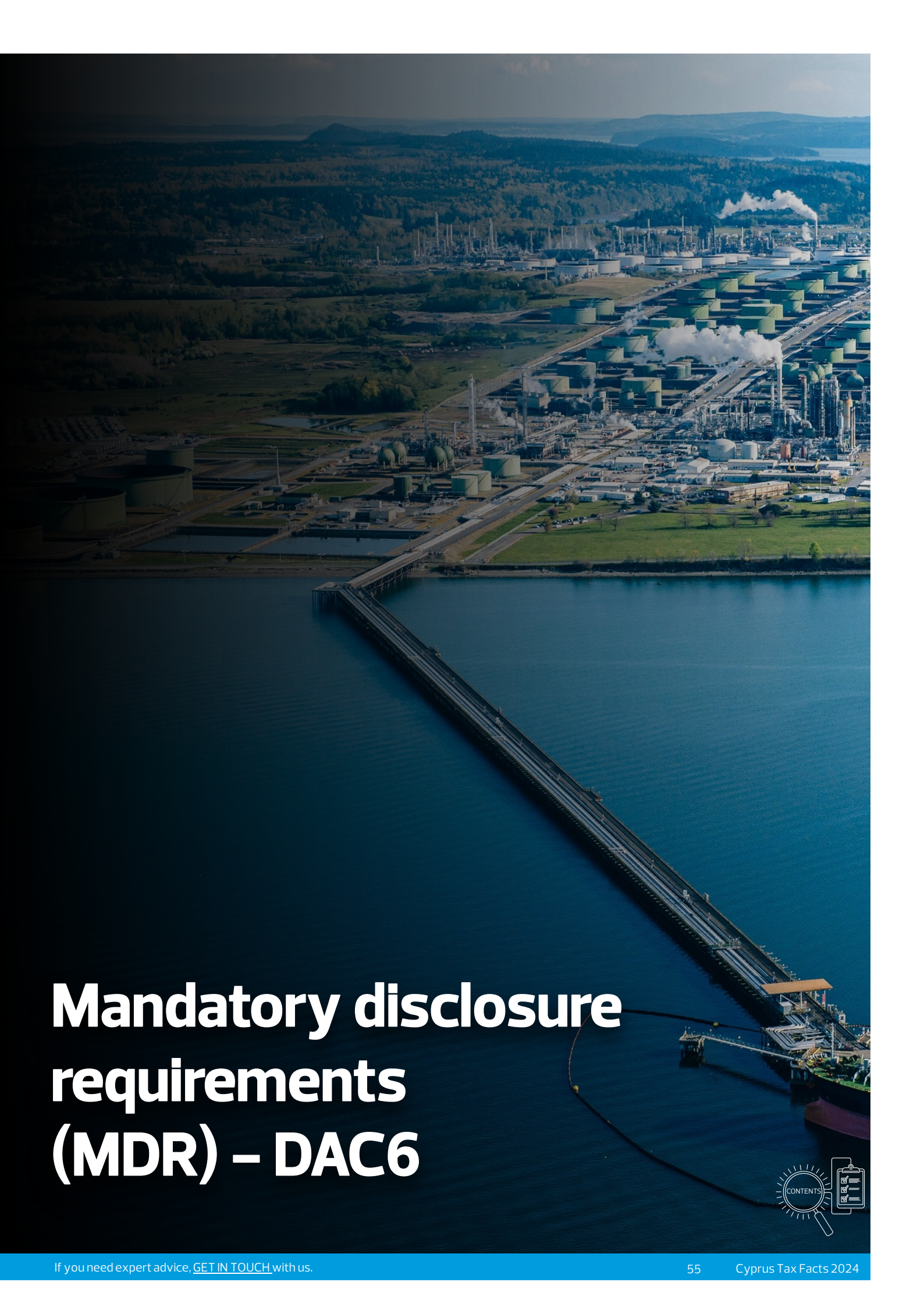
In accordance with this Circular, the Cyprus Tax Department follows Chapter X, section C1.2.1 of the OECD Transfer Pricing Guidelines (OECD TP Guidelines), where the taxpayers involved in back-to-back intragroup financing arrangements can apply the Comparable Uncontrolled Price (CUP) method to determine the arm's length remuneration of their arrangements. The CUP method is considered as the most appropriate TP method in this type of transaction.

The Circular also provides that the CUP method is applicable in those cases where:

- a) The taxpayer is involved in back-to-back financing transactions, and these transactions are accurately delineated as such, i.e. loans.
- b) The taxpayer, following the outcomes of the relevant functional analysis performed, is characterised as a financing company, having the financial and operational ability to assume or control the associated risks.

In accordance with the Circular, the Tax Department notes that only in exceptional circumstances other TP methods could be applied instead of the CUP method, and this decision needs to be sufficiently justified, and a relevant tax ruling needs to be obtained in advance for this purpose.





Mandatory disclosure requirements (MDR) – DAC6





Legal Background

On 25 May 2018, the European Council has adopted the Directive 2018/822, amending the Directive 2011/16/EU. The new Directive is also known as the DAC6 and it was designed for the purpose of the automatic exchange of reportable cross border tax arrangements.

On 31 March 2021, Cyprus Parliament voted for the DAC6 to be transposed to the existing Law of Administrative Cooperation in the field of Taxation and will be referred to as the Law of Administrative Cooperation in the field of Taxation of 2012 to 2021.

Furthermore, on 29 October 2021, relevant Administrative Guidelines (in the form of Decree) were issued by the Cyprus Tax Department, so to provide further clarifications on the definitions of the main terms, the provisions of the Law and its practical application.

Purpose and Reportable Arrangements

The purpose of the DAC6 Law is to increase tax transparency by providing to the relevant tax authorities information about potentially tax abusive or aggressive tax arrangements.

A reportable arrangement is a single cross-border arrangement or a series of cross-border arrangements that contain the criteria designating for a potential risk for tax abuse i.e. the 'Hallmarks'.

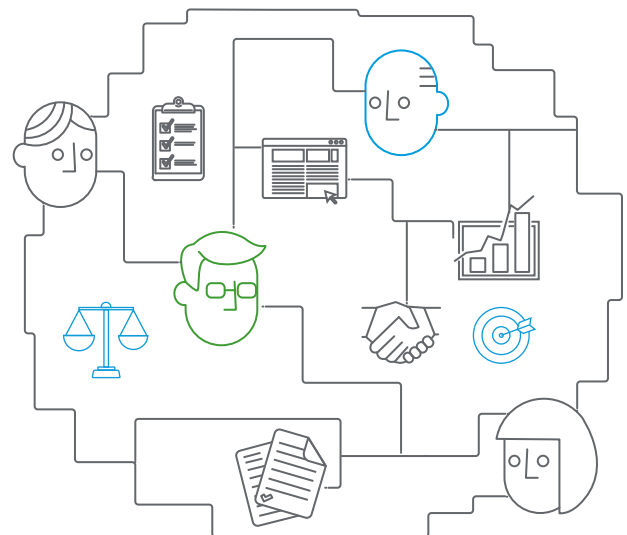
Cross-border dimension

For a cross-border arrangement to exist, at least one the participating parties must be within a EU Member State or a EU Member State and a third country.

Hallmarks

The hallmarks are generally indicating a reporting obligation given that they either fulfil the 'Main Benefit Test' or they give rise to a reporting obligation alone.

The main benefit test will be satisfied if it can be established that the main benefit or one of the main benefits which a person might reasonably expect is to obtain a tax advantage.



Who has to report

The principal reporting obligation rests with the "Intermediary", a legal or physical person who designs, markets, organizes or makes available for implementation or manages the implementation of a reportable cross border arrangement.

It can also be a legal or physical person who, directly or indirectly, provides aid, assistance or advice in designing, marketing, organising, making available for implementation or managing the implementation of a reportable cross border arrangement.

Such a person can be relieved from its reporting obligations if it can satisfactorily prove that they were not obliged to know or reasonably expected to know about an arrangement.

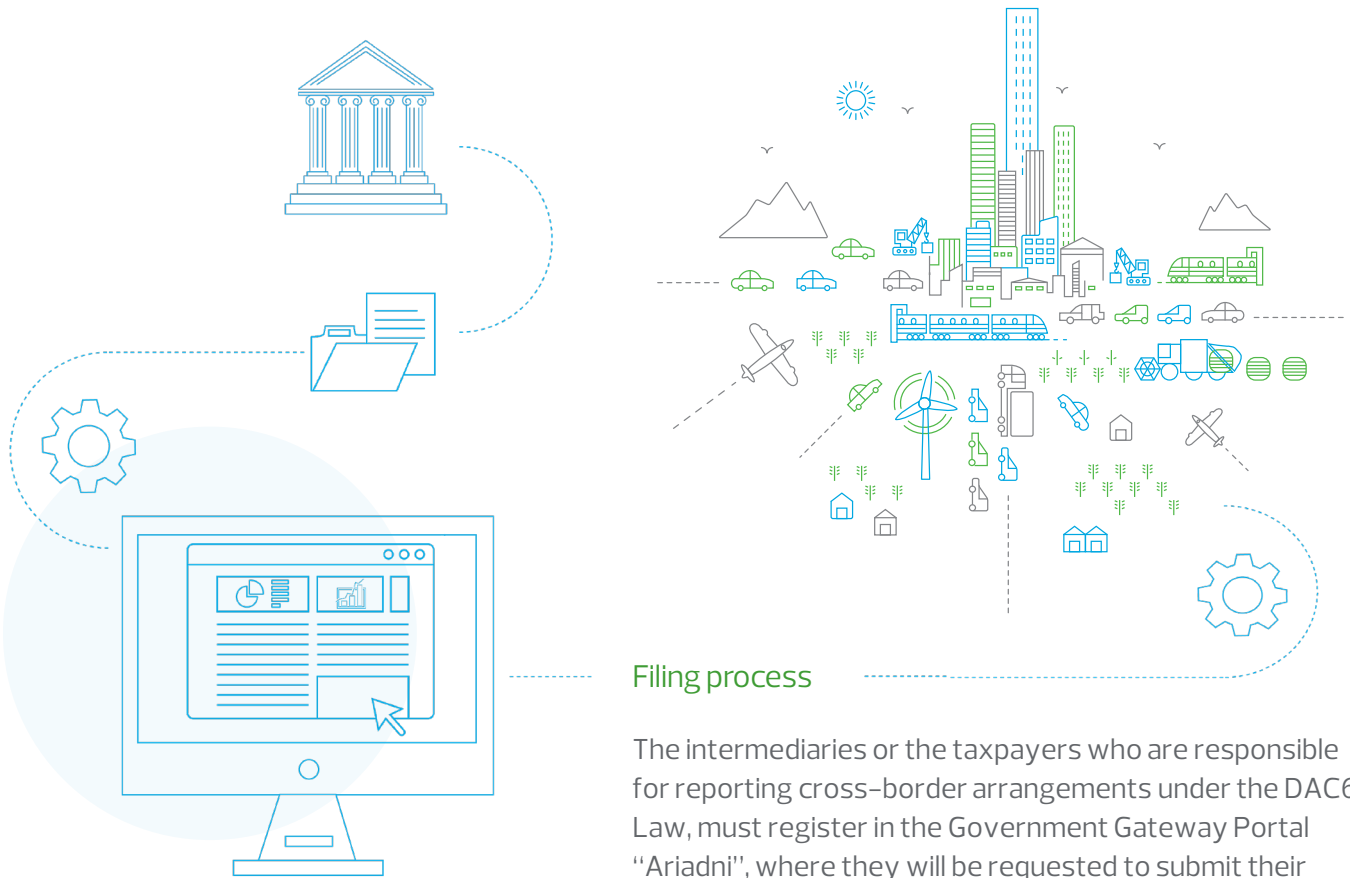
If none of the reporting criteria above are met, then the obligation is on the relevant taxpayer to report.

Reporting deadlines

Administrative fines for overdue submission of DAC6 information that will be submitted until the 31st of January 2022 in the below cases, will not be imposed.

- a) Reportable cross-border arrangements that have been made between 25 June 2018 and 30 June 2020 and had to be submitted by 28 February 2021.
- b) Reportable cross-border arrangements that had been made between 1 July 2020 and 31 December 2020 and had to be submitted by 31 January 2021.
- c) Reportable cross-border arrangements made between 1 January 2021 and 1 January 2022, that had to be submitted within 30 days from the date they were made available for implementation or were ready for implementation or the first step in the implementation has been made, whichever occurred first.
- d) Reportable cross-border arrangements for which secondary intermediaries provided aid, assistance or advice, between 1 January 2021 and 1 January 2022 and had to submit information within 30 days beginning on the day after they provided aid, assistance or advice.
- e) The first periodic report on marketable arrangements.





Filing process

The intermediaries or the taxpayers who are responsible for reporting cross-border arrangements under the DAC6 Law, must register in the Government Gateway Portal "Ariadni", where they will be requested to submit their report by uploading an XML file.

Penalties

The penalties for not complying with the DAC6 Law, depend on the type of the case. A maximum penalty per case of €20.000 with an annual cap at €120.000 per intermediary or taxpayer and it will vary based on the type of the offense. Please refer to the table below:

Offense	Penalty
Failure to report	From €10.000 to €20.000
Delay to report	Up to 90 days: €1.000 to €5.000
	More than 90 days: €5.000 to €20.000
Incomplete or incorrect reporting	From €1.000 to €10.000
Failure to notify for exemption due to LPP	From €10.000 to €20.000
	Up to 90 days: €1.000 to €5.000
Delay to notify for exemption due to LPP	More than 90 days: €5.000 to €20.000





New reporting obligations for digital platforms (DAC7)



New Reporting Obligations for Digital Platforms (DAC7)



On 3 November 2023, the Cyprus legislation was amended to incorporate the EU Council Directive 2021/514 of 21 March 2021, on administrative cooperation in the field of taxation (DAC7). This Law introduces reporting obligations for Digital Platform Operators.

Purpose

The EU Council has recognised the complexity imposed by the rapid growth of the digitalisation of the economy over the recent years. Given that the cross-border dimension of services offered through the use of platform operators has created a complex environment, it appeared that tax authorities in the EU have limited information to correctly assess income taxes and VAT due in their jurisdictions from activities performed with the intermediation of digital platforms. DAC7 was therefore imposed as a set of standard reporting requirements to increase the level of transparency.

Reporting obligations

Platform operators who are:

- Tax residents in a Member State of the EU;
- Incorporated in a Member State of the EU;
- Have their place of management in the EU or have a permanent establishment in a Member State of the EU;

Are all considered as 'Reporting Platform Operators'.

Reporting Platform Operators, have the following obligations:

- Must register in the Cyprus Tax Department or notify it if they are already registered in another EU Member State;
- Must conduct due diligence procedures and report to the Cyprus Tax Department on certain information in relation to sellers. Relevant guidance is provided in the Law.

Failure to comply with their obligations, Reporting Platform Operators may be subject to legal measures against them.

Activities which trigger reporting obligations under DAC7 ('Relevant activities')

The following commercial activities are considered Relevant Activities in terms of DAC 7 reporting obligations:

- the rental of immovable property, including residential and commercial property, as well as any other immovable property and parking spaces;
- personal services (involving time- or task-based work whether performed by one or more individuals, carried out independently or not, at the request of a user, either online or physically offline and which were facilitated by a platform);
- sale of goods;
- the rental of any mode of transport.



Sellers on the platform (“Reportable Sellers”) to whom DAC 7 applies

The Reportable Sellers are individuals, entities, or legal arrangements that carry out Relevant Activity, are resident in a Member State of the EU, or have rented out immovable property in the EU.

Several sellers are excluded:

- Governmental entities;
- Certain listed entities;
- An entity for which the platform facilitated more than 2,000 Relevant Activities by means of the rental of immovable property during the Reporting Period, and
- Sellers who have less than 30 Relevant Activities for the sale of goods and for which the consideration received did not exceed € 2,000 during the Reporting Period.

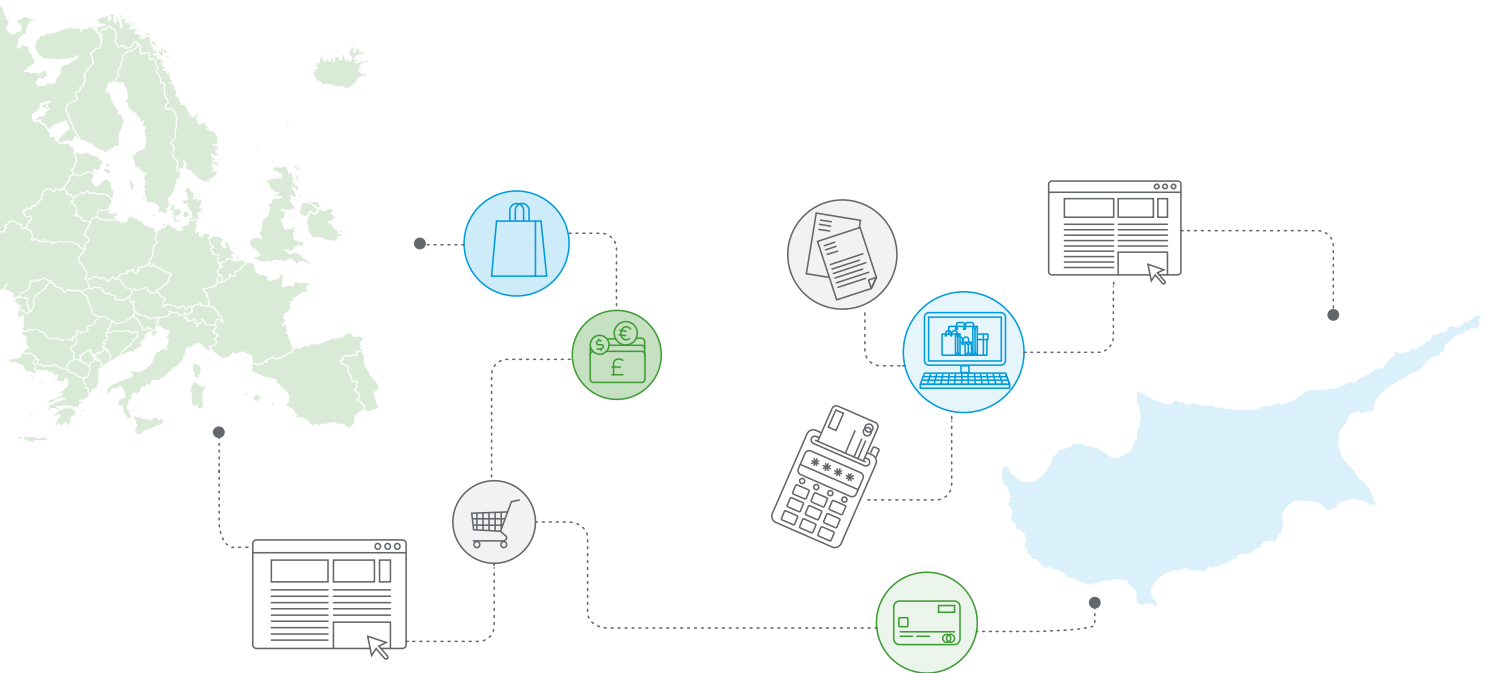
What information should be reported

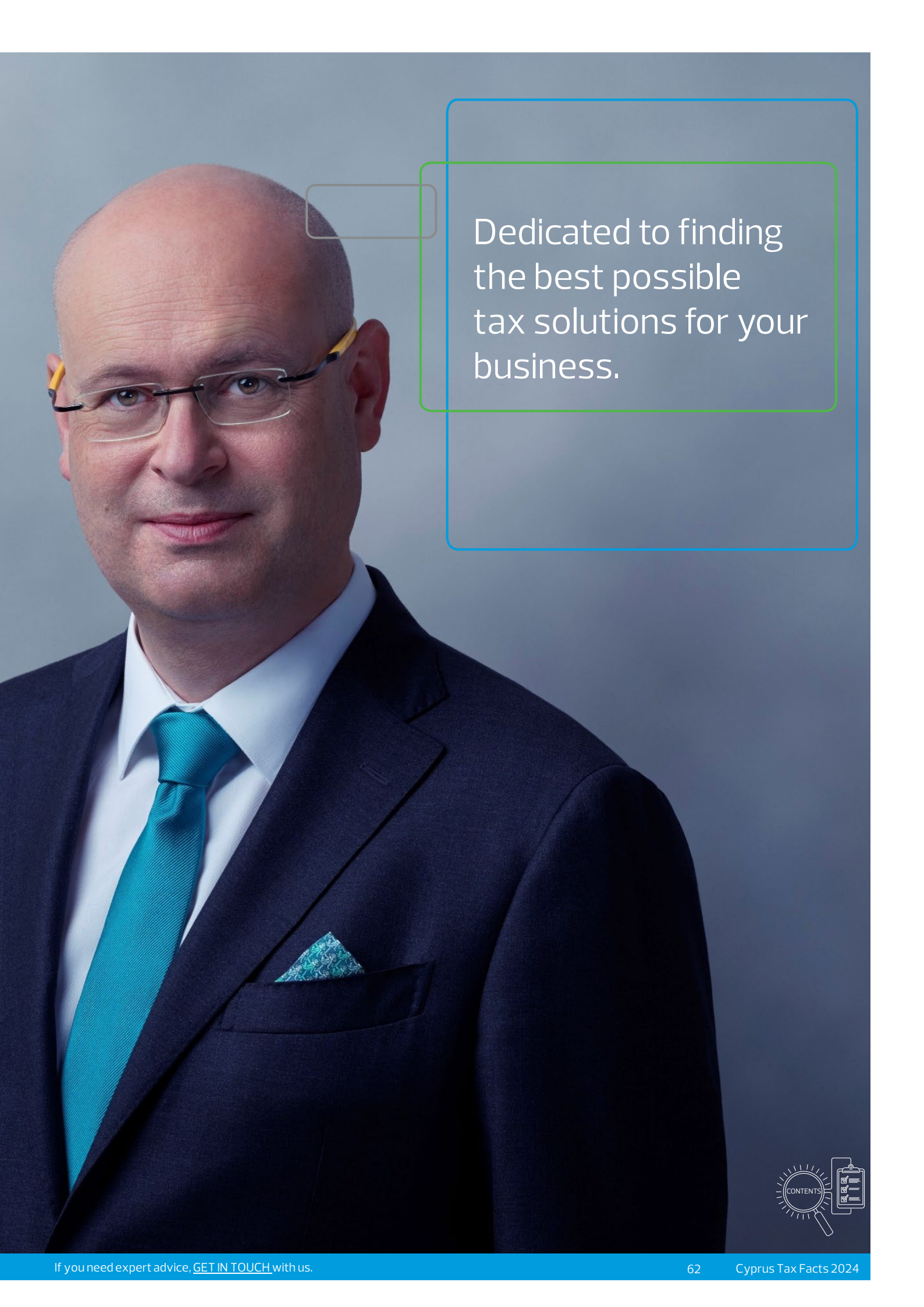
For example, the sellers' name and address, VAT identification number of the seller, financial account details to which the consideration is paid or credited, the total consideration paid or credited and fees, commissions and taxes withheld or charged by the platform.

For immovable property, the address of the property should also be reported.

Reporting deadlines

The information should be reported by the end of January following the calendar year in which reporting is being completed.

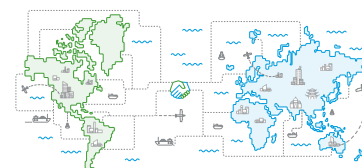




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Double tax treaties



	Paid from Cyprus				Paid to Cyprus		
	Dividends	Interest	Royalties rights not used in Cyprus	Royalties rights used within Cyprus	Dividends	Interest	Royalties
	%(1)	%(1)	%(1)	%	%	%	%
Non-treaty countries	Nil	Nil	Nil	5/10 (2)	-	-	-
Andorra(59)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Armenia	Nil	Nil	Nil	5	0/5 (13)	0/5 (16)	5
Austria	Nil	Nil	Nil	Nil	10	Nil	Nil
Bahrain	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Barbados	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Belarus	Nil	Nil	Nil	5	5/10/15 (14)	5	5
Belgium	Nil	Nil	Nil	Nil	10/15 (15)	0/10 (16, 17)	Nil
Bosnia (7)	Nil	Nil	Nil	5/10 (5)	10	10	10
Bulgaria	Nil	Nil	Nil	10	5/10 (18)	0/7 (16, 19)	10 (19)
Canada	Nil	Nil	Nil	0/5/10 (4, 5)	15	0/15 (20)	0/10 (4)
China	Nil	Nil	Nil	10	10	10	10
Czech Republic	Nil	Nil	Nil	10 (11)	0/5 (21)	Nil	10 (11)
Denmark	Nil	Nil	Nil	Nil	0/15 (16,22)	Nil	Nil
Egypt(56)	Nil	Nil	Nil	10	5/10 (55)	10	10
Ethiopia	Nil	Nil	Nil	5	5	5	5
Estonia	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Finland	Nil	Nil	Nil	Nil	5/15 (23)	Nil	Nil
France	Nil	Nil	Nil	0/5 (3)	10/15 (24)	0/10 (25)	0/5 (26)
Georgia	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Germany	Nil	Nil	Nil	Nil	5/15 (27)	Nil	Nil
Greece	Nil	Nil	Nil	0/5 (5)	25	10	0/5 (5)
Guernsey	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Hungary	Nil	Nil	Nil	Nil	5/15 (15)	0/10 (16)	Nil
Iceland	Nil	Nil	Nil	5	5/10 (44)	Nil	5
India	Nil	Nil	Nil	10	10 (28)	0/10 (49)	10 (29)
Iran	Nil	Nil	Nil	6	5/10 (50)	5	6
Ireland	Nil	Nil	Nil	0/5 (5)	Nil	Nil	0/5 (5)
Italy	Nil	Nil	Nil	Nil	15	10	Nil
Jersey	Nil	Nil	Nil	Nil	Nil	Nil	Nil

	Paid from Cyprus				Paid to Cyprus		
	Dividends	Interest	Royalties rights not used in Cyprus	Royalties rights used within Cyprus	Dividends	Interest	Royalties
	% ⁽¹⁾	% ⁽¹⁾	% ⁽¹⁾	%	%	%	%
Jordan (63)	Nil	Nil	Nil	5/7 (66)	5/10 (44)	0/5 (64)	7
Kazakhstan (56)	Nil	Nil	Nil	10	5/15 (57)	0/10 (58)	10
Kuwait	Nil	Nil	Nil	5	Nil	Nil	5
Latvia	Nil	Nil	Nil	0/5 (12)	0/10 (47)	0/10 (47)	0/5 (48)
Lebanon	Nil	Nil	Nil	Nil	5	0/5 (16)	Nil
Lithuania	Nil	Nil	Nil	5	0/5 (30)	Nil	5
Luxembourg	Nil	Nil	Nil	Nil	0/5 (51)	Nil	Nil
Malta	Nil	Nil	Nil	10	Nil	10 (16)	10
Mauritius	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Moldova	Nil	Nil	Nil	5	5/10 (32)	5	5
Montenegro (7)	Nil	Nil	Nil	5/10 (5)	10	10	10
Netherlands	Nil	Nil	Nil	Nil	0/15 (65)	Nil	Nil
Norway	Nil	Nil	Nil	Nil	0/15 (42)	Nil	Nil
Poland	Nil	Nil	Nil	5	0/5 (31)	0/5 (16)	5
Portugal	Nil	Nil	Nil	10	10	10	10
Qatar	Nil	Nil	Nil	5	Nil	Nil	5
Romania	Nil	Nil	Nil	0/5 (10)	10	0/10 (16)	0/5 (10)
Russia(61)	Nil	Nil	Nil	Nil	5/15 (33)	0/15 (62)	Nil
San Marino	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Saudi Arabia	Nil	Nil	Nil	5/8 (54)	0/5 (53)	0	5/8 (54)
Serbia (7)	Nil	Nil	Nil	5/10 (5)	10	10	10
Seychelles	Nil	Nil	Nil	5	Nil	Nil	5
Singapore	Nil	Nil	Nil	10	Nil	0/7/10 (16) (34)	10
Slovakia (9)	Nil	Nil	Nil	0/5 (10)	10	0/10 (16)	0/5 (10)
Slovenia	Nil	Nil	Nil	5	5	0/5 (16)	5
South Africa	Nil	Nil	Nil	Nil	5/10 (46)	Nil	Nil
Spain	Nil	Nil	Nil	Nil	0/5 (35)	Nil	Nil
Sweden	Nil	Nil	Nil	Nil	5/15 (15)	0/10 (16)	Nil
Switzerland	Nil	Nil	Nil	Nil	0/15 (45)	Nil	Nil
Syria	Nil	Nil	Nil	10/15 (44)	0/15 (36)	0/10 (20)	10/15 (43)
Thailand	Nil	Nil	Nil	5/10/15 (6)	10	10/15 (37)	5/10/15 (38)
Ukraine (60)	Nil	Nil	Nil	5/10 (8)	5/10 (39)	5	5/10 (40)
UAE	Nil	Nil	Nil	Nil	Nil	Nil	Nil
UK	Nil	Nil	Nil	Nil	0/15 (52)	Nil	Nil
USA	Nil	Nil	Nil	Nil	5/15 (41)	0/10 (25)	Nil

Notes:

1. Under Cyprus legislation, there is no WHT on dividends and interest paid to non residents of Cyprus. Further, there is also no WHT on royalties paid to non-residents of Cyprus for rights not used within Cyprus. However, as from 31 December 2022, Cyprus will adopt WHT on dividend, interest and royalty outbound payments made to non-tax resident persons that are based in jurisdictions listed in the [Annex I of the EU list of non-cooperative jurisdictions for tax purposes](#).
2. Royalties earned on rights used within Cyprus are subject to WHT of 10% (except royalties relating to cinematographic films, where the WHT rate is 5%).
3. A WHT rate of 5% is applicable on royalties for cinematographic films including films and video tape for television.
4. 0% on literary, dramatic, musical, or artistic work (excluding motion picture films and works on film or videotape for use in connection with television).
5. The WHT rate of 5% is applicable on cinematographic film royalties.
6. 5% WHT applies for any copyright of literary, dramatic, musical, artistic, or scientific work. 10% on right to use industrial, commercial or scientific equipment or for information concerning industrial, commercial or scientific experience and 15% for patents, trademarks, designs, models, plans, secret formulas or processes.
7. Serbia, Montenegro and Bosnia apply the Yugoslavia/ Cyprus treaty.
8. A 5% WHT will be levied on payment of royalties in respect of any copyright of scientific work, any patent, trademark, secret formula, process, or information concerning industrial, commercial, or scientific experience and cinematographic films. 10% in all other cases.
9. The Cyprus-Czechoslovakia treaty applies with the Slovak Republic.
10. 5% WHT rate applies for patents, trademarks, designs or models, plans, secret formulas, or processes, or any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience. Nil on literary, artistic or scientific work including films.
11. 10% WHT rate applies for patent, trademark, design or model, plan, secret formula or process, computer software or industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience.
12. NIL applies if the payer is a company that is a resident in Cyprus and the beneficial owner of the income is a company (other than partnership) that is a resident in Latvia. WHT rate applies for all other cases.
13. The WHT rate of 5% applies where a dividend is paid by a company in which the beneficial owner has invested less than €150,000.
14. A WHT rate of 5% applies where the investment is not less than €200,000 in the share capital of the company paying the dividend. If such investment is less than €200,000, dividends are subject to 15% WHT which is reduced to 10% if the recipient company controls 25% or more of the paying company.
15. A WHT rate of 15% applies if received by a company holding less than 25% of the share capital of the paying company and in all cases if received by an individual.
16. No WHT if paid to the government/Central Bank/Public Authority of the other state.
17. No WHT for interest on deposits with banking institutions.



18. The WHT 5% rate applies to companies holding directly at least 25% of the share capital of the company paying the dividend. In all other cases the WHT is 10%.
19. The treaty rates do not apply if the payment is made to a Cyprus entity by a resident of Bulgaria owning directly or indirectly at least 25% of the share capital of the Cyprus entity and the Cyprus entity pays tax in Cyprus at a tax rate lower than the usual tax rate.
20. Nil if paid to a government / Central Bank / Public Authority or for export guarantee.
21. Nil applies if received by a company (excluding partnership) which holds directly at least 10% of the share capital of the paying company for an uninterrupted period of no less than one year. A WHT rate of 5% applies in all other cases.
22. A WHT rate of 15% if received by a company controlling less than 10% of the share capital of the paying company or the duration of any holding is less than one uninterrupted year. A WHT rate of 15% also applies if received by an individual.
23. A WHT rate of 15% applies if received by a company controlling less than 10% of the voting power in the paying company and in all cases if received by an individual.
24. A WHT rate of 15% if received by a company (partnership is excluded) holding less than 10% of the capital of the paying company and in all cases if received by an individual. 10% in all other cases.
25. Nil if paid to a government, bank, or financial institution.
26. A WHT rate of 5% on royalties for cinematographic films including films and video tapes for television.
27. A WHT rate of 15% if received by a company holding less than 10% of the capital of the paying company and in all cases if received by an individual.
28. Prior to 1 April 2017, the applicable WHT rate is 15% if received by a company holding less than 10% of the shares of the paying company and in all cases if received by an individual.
29. A WHT rate of 10% is also applicable for payments of a technical, managerial, or consulting nature. Prior to 1 April 2017, a rate of 15% applies on royalties.
30. A WHT rate of 5% if received by a company (other than partnership) holding less than 10% of the capital of the company paying the dividend and in all cases if received by an individual.
31. Nil rate applies if the recipient company (partnership is excluded) holds directly 10% of the share capital of the paying company for an uninterrupted period of at least 2 years. 5% in all other cases.
32. A WHT rate of 5% applies if the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the capital of the company paying the dividends. 10% WHT rate in all other cases.
33. 5% if the beneficial owner is an insurance undertaking or pension fund, the Government or a political subdivision or a local authority, the Central Bank, or a company whose shares are listed on a registered stock exchange provided that no less than 15% of the voting shares are in free float and which holds directly at least 15% of the dividend paying company throughout a period of 365 days, that includes the day of the dividend payment. 15% in all other cases.



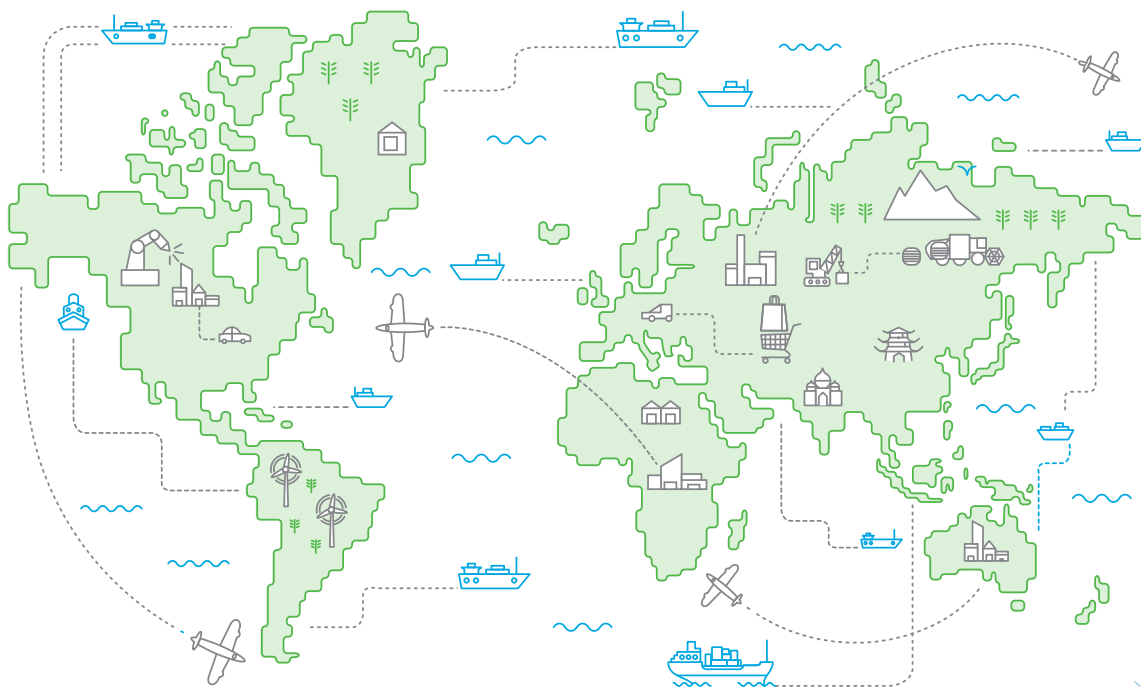
34. A WHT rate of 7% if paid to a bank or financial institution.
35. A WHT rate of 5% if received by a company holding less than 10% of the capital of the paying company and in all cases if received by an individual or a company not limited at least partly by shares.
36. A WHT rate of 15% if received by a company holding less than 25% of the share capital of the paying company and in all cases if received by an individual or a company not limited at least partly by shares.
37. A WHT rate of 10% on interest received by a financial institution or when it relates to sale on credit of any industrial, commercial, or scientific equipment or of merchandise.
38. A WHT rate of 5% applies for any copyright of literary, dramatic, musical, artistic, or scientific work. A WHT 10% rate applies for industrial, commercial, or scientific equipment. A 15% rate applies for patents, trade marks, designs or models, plans, secret formulas, or processes.
39. A WHT rate of 10% if a dividend is paid by a company in which the beneficial owner holds less than 20% of the share capital of the paying company and the beneficial owner has invested less than €100.000. 5% in all other cases.
40. A WHT 5% will be levied on payment of royalties in respect of any copyright of scientific work, any patent, trade mark, secret formula, process or information concerning industrial, commercial or scientific experience. 10% WHT will be levied in all other cases.
41. A WHT rate of 15% if received by a company controlling less than 10% of the voting power of the paying company and in all cases if received by an individual. If a company controls at least 10% of the voting power of the paying company in order to benefit from the WHT rate of 5% other conditions relating to the income of the paying company need to be satisfied, otherwise a WHT rate of 15%.
42. Nil rate applies if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends or if the beneficial owner of the shares is the Government of Cyprus or Norway. A WHT rate of 15% in all other cases.
43. 10% WHT rate applies on payment of royalties of any copyright of literary, artistic or scientific work including cinematograph films, and films or tapes for television or radio broadcasting. A rate of 15% applies on payments of royalties of any patent, trade mark, design or model, plan, secret formula or process, or any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience.
44. A WHT rate of 5% if received by company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividend. 10% in all other cases.
45. Nil rate applies if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends during an uninterrupted period of at least one year (the holding period condition may be satisfied post the date of the dividend payment). Nil rate also applies if the beneficial owner is a pension fund or other similar institution or relates to the Government of Cyprus or Switzerland. 15% in all other cases.



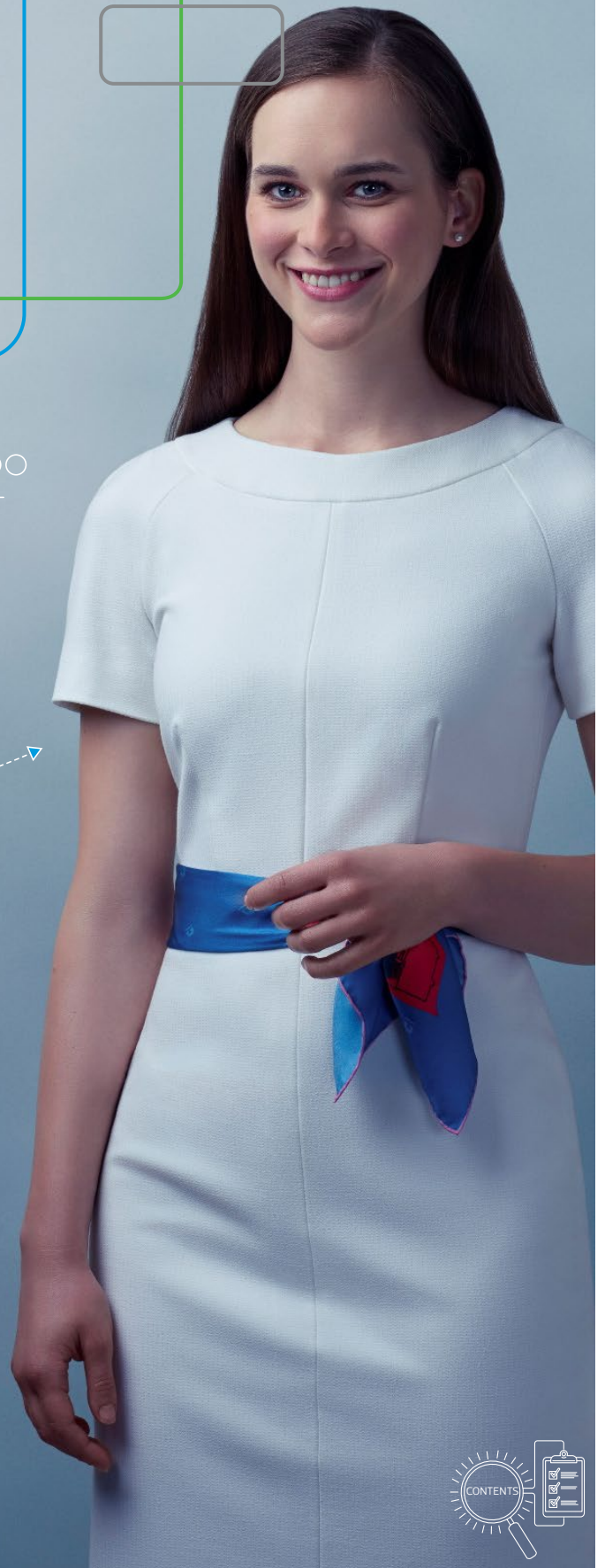
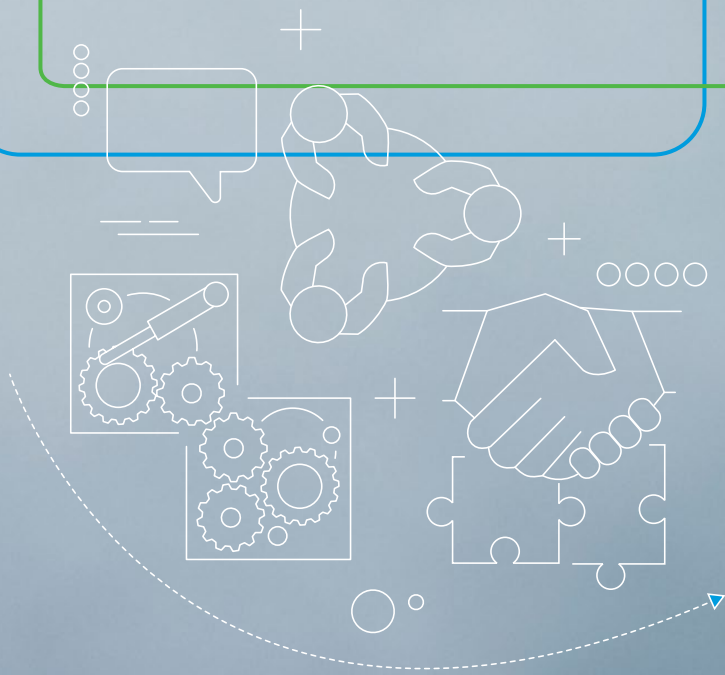
46. 5% WHT rate applies if the beneficial owner is a company which holds at least 10% of the capital of the company paying the dividend. 10% in all other cases.
47. Nil applies if the payer is a company that is a resident in Latvia and the beneficial owner of the income is a company (other than partnership) that is a resident in Cyprus. 10% rate applies for all other cases (except for certain governmental interest).
48. Nil applies if the payer is a company that is a resident in Latvia and the beneficial owner of the income is a company (other than partnership) that is a resident in Cyprus. 5% rate applies for all other cases.
49. Nil if paid to a government or any other institution agreed upon between the two States. Prior to 1 April 2017, nil rate also applies if paid to a bank or financial institution. 10% WHT rate applies in all other cases.
50. The WHT rate of 5% applies if the beneficial owner of the dividends holds directly at least 25% of the capital of the company paying the dividends.
51. Nil applies if the beneficial owner (other than a partnership) holds directly at least 10% of the capital of the company paying the dividends. 5% WHT rate applies for all other cases.
52. A WHT rate of 15% applies to dividends paid out of income (including gains) derived directly or indirectly from immovable property by an investment vehicle which distributes most of its income annually and whose income from such immovable property is exempt from tax, except for cases where the beneficial owner of the dividend is a pension scheme established in Cyprus. Nil rate applies in all other cases.
53. A 0% WHT rate applies to payments of dividends if the recipient is a company (other than partnership) that directly or indirectly holds at least 25% of the capital of the payer company. 5% WHT applies in all other cases.
54. 5% WHT rate applies on payments for the use of , or the right to use, industrial, commercial or scientific equipment. A rate of 8% applies in all other cases.
55. 5% if the beneficial owner is a company (other than a partnership) which holds directly at least 20% of the capital of the company paying the dividends throughout a period of 365 days, that includes the day of payment of the dividend. 10% in all other cases.
56. The treaty is effective as from 01 January 2021.
57. 5% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends. 15% in all other cases.
58. Nil if the beneficial owner is the Government of the other contracting state, a political sub-division, a central or local authority, the Central Bank or any other financial institution wholly owned by the Government of the other contracting state. 10% in all other cases.
59. The Treaty between Cyprus and Andorra is effective as from 1 January 2020.



60. A new protocol for the DTT with Ukraine is effective as from 1 January 2020.
61. A new protocol signed on 8 September 2020 between Cyprus and Russia, amending the existing treaty is effective as from 1 January 2021.
62. NIL if the beneficial owner is an insurance undertaking or pension fund, the Government or a political subdivision or a local authority, the Central Bank, or a bank or if it is paid in respect of government or corporate bonds or Eurobonds, all listed on a registered stock exchange. 15% if the beneficial owner is a company whose shares are listed on a registered stock exchange provided that no less than 15% of the voting shares are in free float and which holds directly at least 15% of the dividend paying company throughout a period of 365 days, that includes the day of the dividend payment.
63. The treaty is effective as from 1 January 2023.
64. If the beneficial owner of the interest is a resident of the other contracting state, the tax shall not exceed 5%. NIL if the beneficial owner of the interest is the government, political subdivision or local authority or the National Bank of the other contracting state.
65. NIL if:
- The beneficial owner of the dividends is a company resident in the other contracting state holding directly at least 5% of the capital of the payee company, throughout a period of 365 days, that includes the day of the payment of the dividend.
 - The beneficial owner is a recognized pension fund of the other contracting state which is generally exempt from the Income Tax Law of the other state.
- All other cases attract 15% WHT.
66. A WHT rate of 7% is applicable on royalties and fees for technical services. A WHT rate of 5% is applicable on royalties for cinematographic films including films and video tape for television.



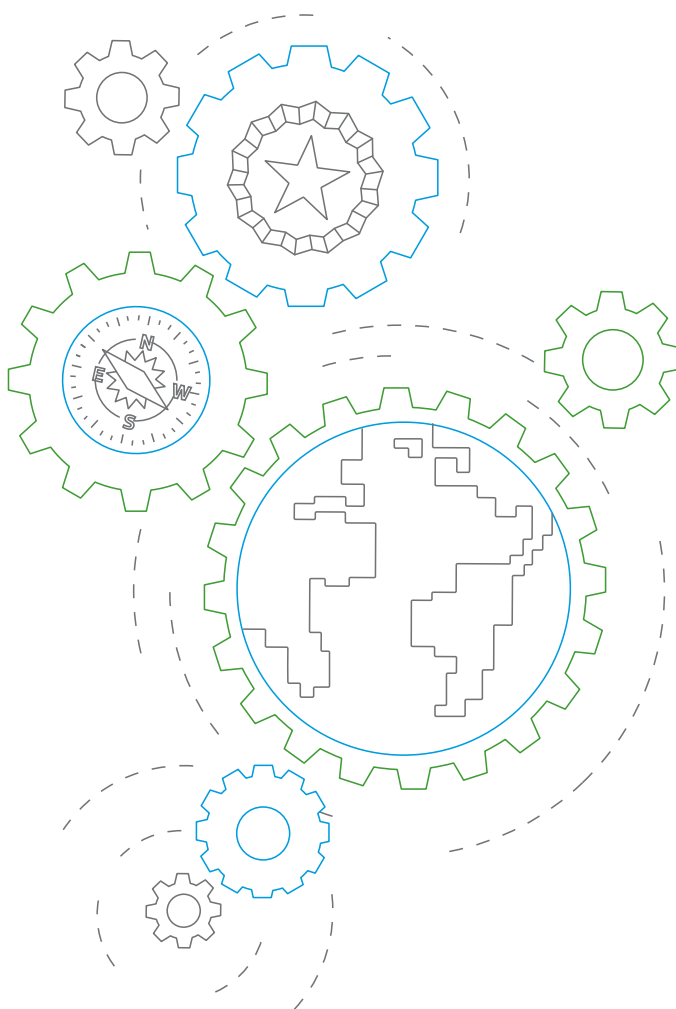
Power comes
from being
understood.



Tax Calendar 2024



31 January	Payment of Special Defence Contribution on deemed dividend distribution from the profits generated of the tax year 2020.	
31 March	Submission of income tax return for Companies and Self Employed Individuals who prepare audited accounts for the year 2022.	Only electronic submission
30 April	Payment of premium tax for life insurance companies for the year 2024 (1st instalment).	
31 May	Electronic submission of the Employer's return (TD7) for the year 2023.	Only electronic submission
30 June	Payment of special defence fund contribution for the 1st instalment of the year (rents and dividends or interest from abroad)	
31 July	Submission of personal income tax return 2023 and payment of the 2023 tax under self-assessment. Submission and payment of 1st instalment of provisional tax for the year 2024 through Tax Portal.	Only electronic submission
1 August	Payment through self-assessment of the final tax for companies and self-employed individuals who prepare audited accounts for the year 2023.	
31 August	Payment of premium tax for life insurance companies for the year 2024 (2 nd instalment).	
31 December	Payment of special defence fund contribution for the 2nd half of the year (rents and dividends or interest from abroad). Submission and payment of 2nd instalment of provisional tax for the year 2024. Last day for the submission of revised provisional tax assessment for the year 2024. Payment of premium tax for life insurance companies for the year 2024 (3 rd instalment).	
End of following month	Payment of P.A.Y.E. deducted from employees' salaries for the previous month. Payment of employer's contribution and employee's deductions to the Social Insurance. Payment of Defence Contribution deducted from Dividends and Interest. It is noted that the respective tax declarations (TD603, TD602) must be prepared and submitted through Taxisnet.	Only electronic submission



EXPERIENCE THE POWER OF BEING UNDERSTOOD

EXPERIENCE THE POWER OF BEING UNDERSTOOD is the principle we support and follow.

Whether serving public sector organizations, owner-managed businesses, private individuals or companies with overseas operations, our purpose is to assist and advise them to move forward with confidence and realize their business objectives.

We aim to fully understand your needs and business requirements to deliver the best possible advice,

guidance, and solutions based on your industry requirements, market trends, business objectives and strategies.

Building strong long-term relationships with our clients and being part of their business to support them on what matters the most is the norm we follow.

Respect and uncompromising integrity, acting responsibly, succeeding together, excellence in all we do, impactful innovation, and delivering excellent quality services are the core values we serve and apply.



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With years of experience in offering assurance, audit, tax, and consulting services, we can support and empower you every step of the way by offering insightful advice and guidance to move forward with confidence.

Our thorough knowledge of the local and international market, combined with decades of practical experience working with private and public sector organisations, owner-managed businesses, private individuals and companies with overseas operations, allows us to provide high-end services tailored to your business.

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Responding to today's business needs, we are constantly investing in improving control methods while, at the same time, following each sector's developments closely. Our extensive market knowledge combined with our audit experience enables us to provide a transparent and unbiased view of your company's operations according to International Financial Reporting Standards and International Accounting Standards.

TAX SERVICES

In a rapidly changing environment, we provide customised tax advisory solutions. Our tax planning advisors have the knowledge to identify and define your business and personal tax obligations according to tax regulations. Thus, they are able to assist you in designing tax-efficient corporate structures by considering your specific requirements, industry and business type.

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As one of the leading assurance, audit, tax and consulting firms, we are able to identify and prioritise the issues you need to solve while tackling industry challenges and mitigating future risks. Therefore, our financial consultants offer a broad range of consulting and business planning services, including, amongst others, Mergers and Acquisitions, business development and planning, business evaluation, etc.

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Our licensed insolvency practitioners, with the necessary experience and expertise in managing distressing situations, offer personalised advice on your particular issue by analysing and evaluating available options to achieve the best possible outcome of the financial crisis situation. In situations where turnaround and recovery plans are not an option, our practitioners are by your side to apply an insolvency process while aiming to sustain assets and maximise recoveries and return to the stakeholders.

Our Restructuring Advisory team provide expertise in the fields of:

- Formal insolvency
- Restructuring
- Distressed real estate
- Special investigations

FINANCIAL SERVICES

Financial service is among the industries that are rigorously regulated and closely monitored by national and international authorities; therefore, sector providers must always be alert and follow regulatory updates, changes and conditions. Usually, financial services tasks are not feasible to handle internally since personnel with various types of expertise is needed. Through collaboration, our professionals can provide their expertise and knowledge to help you address possible challenges by sharing their industry knowledge and handling all the complicated business matters you may face. Thus, no matter what financial services your company provides (i.e. asset management, capital markets, wealth management, family offices, financial investment, corporate, etc.), we can support you and provide the answers you are looking for.

RESTRUCTURING SERVICES

Working in close partnership with you and your business stakeholders, our professionals provide consulting services for corporate restructuring, reconstruction and consolidation, along with business performance optimisation services and business recovery plans.



RSM Cyprus Partners and Board Members



George Themistocleous
Managing Partner, CEO



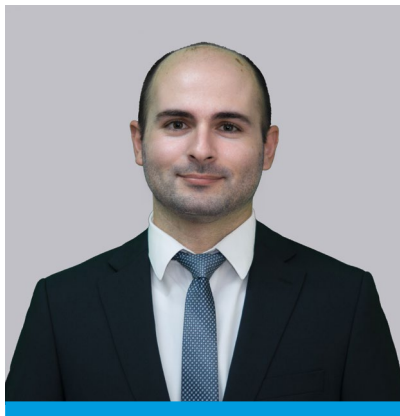
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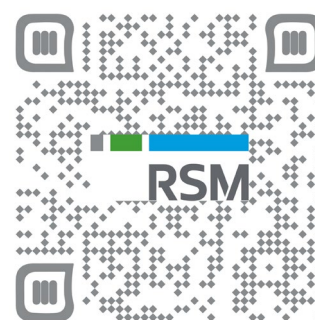
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