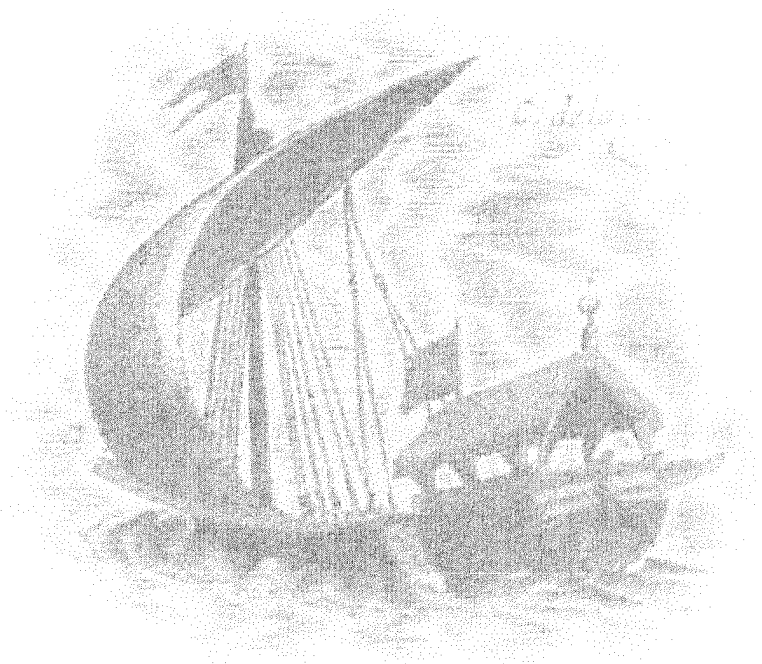


CYPRUS TAX FACTS 2009

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1. Corporation Tax

Cyprus tax resident companies

All companies tax resident of Cyprus are taxed on all income accrued or derived from all sources in Cyprus and abroad.

Non-Cyprus tax resident companies

A non-Cyprus tax resident company is taxed on income accrued or derived from a business activity which is carried out through a permanent establishment in Cyprus. A permanent establishment is a fixed place of business through which the business of an enterprise is wholly or partly carried on. The term permanent establishment includes a place of management, a branch, an office, a factory and a workshop.

As per the Income Tax Legislation (Article 5(4)), legal or natural persons non-Cyprus tax resident but with a permanent establishment in Cyprus, may elect to be treated as Cyprus tax resident persons.

A Company is a tax resident of Cyprus if it is managed and controlled in Cyprus. There is no exact definition of management and control. However, the basic requirements for management and control are as follows:

- The residency of the majority of the directors.
- The location where the board meetings of the Company are held.
- The location of the formation of the general policy of the Company.

Corporation tax rates

The following tax rates apply to companies:

	Tax Rates (%)
Semi - government organizations	25
Other Companies	10

1. Corporation Tax

Exemptions

Type of Income	Exemption Limit (%)
Profit from the sale of securities (1)	100
Dividends	100
Interest not arising from the ordinary activities or closely related to the ordinary activities of the Company (passive) (if related then fully taxable - active) (2)	50
Profits of a permanent establishment abroad, under certain conditions (more than 50% of the income of the permanent establishment abroad derives from trading activities and the tax rate applicable overseas is not significantly lower than the tax rate applicable in Cyprus)	100

Tax deductions

All expenses incurred, which are wholly and exclusively for the purpose of the trade are allowable including the following:

Type of Expense	Exemption Limit (%)
Donations to approved charities	100
Bad debts of any business	100
Entertaining expenses for business purposes	Up to 1% of the total gross income or €17,086.01, whichever is the lowest
Expenditure for scientific research	100
Employer's contribution to social insurance and approved funds on employees' salaries	100
Expenditure on patents or patent rights or royalties	100
Interest in relation to the acquisition of business assets used in the business provided it concerns a taxable activity	100

Deductions not allowed

Type of Expense	Non-tax deductible Limit (%)
Any expenses for private use	100
Fines and penalties	100
Mortgage fees	100
Unrealised foreign exchange loss	100
Payment for immovable property tax	100
General provision of doubtful debts	100
Contributions to Social Cohesion Fund	100
Any expenses not made wholly and exclusively for the purpose of the trade	100

1. Corporation Tax

Tax losses

The tax loss incurred during the year, which cannot be set off against other income, is carried forward to be utilized from the first available future taxable profits. This provision is applicable for all losses incurred from 1997 onwards.

Set-off of group losses are allowable only with profits of the corresponding fiscal year. Both Companies should be Cypriot companies and should be members of the same group for the whole year of assessment.

Two companies are deemed to be members of the group if:

- One is by 75% subsidiary of the other; and
- both companies are by 75% subsidiaries of a third company (direct and indirect control).

A partnership or a sole trader converted to a limited liability company can transfer tax losses into the company for future utilization.

Losses from permanent establishment abroad can be set off with profits of the company in Cyprus. Subsequent profits of the permanent establishment abroad are taxable up to the amount of losses allowed.

1. Corporation Tax

Annual Wear and Tear Allowances on Fixed Assets

The following allowances which are given as a percentage on the cost of acquisition deducted from the chargeable income:

Fixed Assets	(%)
A. Plant and Machinery	
Plant and Machinery	10
Furniture and fittings	10
Televisions and videos	10
Industrial carpets	10
Boreholes	10
Machinery and tools used in an agricultural business	15
B. Motor vehicles (except saloons) and motorcycles	20
C. Computer Hardware and software	20
Hardware and operating systems	20
Application software	
Up to €1,708.60	100
Over €1,708.60	33 1/3
D. Tractors, excavators, trenches, cranes, bulldozers	25
E. Buildings	
Commercial Buildings	3
Industrial, agricultural and hotel buildings	4
Flats	3
Metallic greenhouse structures	10
Wooden greenhouse structures	33 1/3
F. Boats	
Sailing vessels	4.5
Steamers, tugs and fishing boats	6
Shipmotor launches	12.5
New cargo vessels	8
New passenger vessels	6
Used cargo/passenger vessels	Over their useful lives
G. Tools	
Tools in general	33 1/3

1. Corporation Tax

Special type of companies

a. Shipping and Ship Management Companies.

- No income tax is payable on the profits earned or dividends paid by a Cyprus shipping company which owns ships under the Cyprus flag and operates in international waters, or on the salaries of officers and crew of such ships.
- Cypriot companies not having ships under the Cyprus flag are subject to the ordinary corporation tax rate of 10%.
- Local or international ship management and crew management businesses (incorporated or unincorporated) have the option to be taxed either at the rate of 4.25% or at rates equal to 25% of the rates used to calculate tonnage tax of vessels under management which are registered outside Cyprus.

b. Insurance companies

Profits of insurance companies are liable to corporation tax similar to all other Companies, except in the case where the corporation tax payable on taxable profit of life insurance business is less than 1,5 % on gross premium. In this case the difference is paid as additional corporation tax.

The method of computing these profits is depicted by the Income Tax Legislation in a special manner in order to consider also the reserves as required by the insurance legislation.

Notes

1. As per Inland Revenue Department tax circular no 2008/13 of the 17 December 2008, the following list of investment/financial instruments fall within the term “ securities” for the purpose of this exemption :
 - ordinary shares
 - founder’s shares
 - preference shares
 - options on titles
 - debentures
 - bonds
 - short positions on titles
 - futures / forwards on titles
 - swaps on titles
 - depository receipts on titles (such as American Depositary Receipts –ADRs and Global Depositary Receipts –GDRs)
 - rights of claim on bonds and debentures (excluding rights on the interest income attached on such rights)
 - index participations (only if they result in titles)
 - repurchase agreements or REPOS on titles
 - participations in companies like Russian entities designated as OOO , ZAO, in American companies designated as LLC (provided that these entities are subject to the corporate income tax rate in the USA), in Romanian companies designated as SA and SRL and in Bulgarian companies designated as AD and OOD.
 - units in open-end or closed-end collective investment schemes** (which have been established, registered and operating as per the provisions of a particular and relevant legislation of the country in which they have been created). Examples:
 - Investment trusts, investment funds, mutual funds, unit trusts and real estate investment trusts (REIT).
 - International collective investment schemes (ICIS).
 - Undertakings for collective investments in transferable securities (UCITS).
 - Similar investing organizations

Notes (continued)

2. | A written request should be submitted to the Inland Revenue Department, addressed to the Director himself (at the headquarters) for the issuing of a tax ruling in advance clarifying as to whether a certain transaction / financing arrangement is to be treated as falling within the ordinary activities / or closely connected thereon, of the business and in the light of tax circular no 2003/8, dated 19.5.2003.

2. Special Contribution for Defence

Special contribution for defence is imposed on income earned by Cyprus tax residents. Non tax residents are exempt from special contribution for defence. It is charged at the rates shown in the table below.

Tax Rates

	Individuals	Legal Entities
	%	%
Dividend income from Cyprus resident Companies	15	Nil
Dividend income from non-Cyprus resident Companies	15	*Nil (Exemption)
Interest income arising from the ordinary activities or closely related to the ordinary activities of the business (Active income)	Nil	Nil
Other interest (Passive income)	10	10
Interest from saving certificates, development bonds and deposits with the Housing Finance Corporation	3	10
Interest accruing to provident fund	Nil	3
Rental income minus 25%	3	3
Profits of semi-government organizations	N/A	3

Exemption

Dividend income from abroad is exempted from defence contribution provided that the Company receiving the dividend owns at least 1% of the ordinary share capital of the Company paying the dividend and:

- more than 50% of the income of the company paying the dividends derives directly or indirectly from trading activities or
- the foreign tax is not significantly lower than the tax rate payable in Cyprus.

When the exemption does not apply, the dividend income is subject to

2. Special Contribution for Defence

Refund | defence contribution at the rate of 15%.

For individuals, whose annual income (including interest), does not exceed the amount of €11,960.21 the rate is reduced to 3%.

Payments | Special contribution for defence on rental income and trading profits is payable in 6 monthly intervals on 30 June and 31 December each year.

In the case of interest and royalties received gross any defence due is payable at the end of the month following the month in which they were received.

Deemed dividend distribution

If a Cyprus resident Company does not distribute a dividend within two years from the end of the tax year then:

- 70% of accounting profits (after some adjustments) are deemed to have been distributed.
- 15% special contribution for defence is imposed on deemed dividend distribution applicable to shareholders (individuals and companies) who are residents of Cyprus.
- Deemed distribution is reduced with payments of actual dividends which have already been paid during the two years from the profits of the relevant year.

When an actual dividend is paid after the deemed dividend distribution, then defence tax is imposed only on the additional dividend paid.

Deemed distribution does not apply to the shareholders who are not Cyprus residents.

In the case of actual dividend distribution to non – Cyprus tax resident shareholders out of profits which at some point have been subjected to the provisions of deemed dividend distribution, then the corresponding amount of special defence contribution is refunded to

2. Special Contribution for Defence

these non – Cyprus tax resident shareholders.

Dissolution of companies

The total profits of the last five years prior the dissolution not yet distributed as dividends are deemed to be distributed in the dissolution and will be subject to Special Defence Contribution at the rate of 15% applicable to shareholders.

These provisions do not apply in the case of dissolution under reorganization, in accordance with certain pre-requisites set out in regulations and where the shareholders are non-residents in the Republic.

Reduction of capital

In the case of a reduction of capital of a company, any amounts due or paid to the shareholders up to the amount of the undistributed taxable income of any tax year calculated before the deduction of losses from prior years, will be considered as distributed dividends subject to special defence contribution at 15% (after deducting any amounts which have been deemed as distributable profits).

These provisions do not apply where the shareholders are non-residents in the Republic.

Tax credit for foreign tax paid

Any tax suffered abroad on income which is subject to special defence contribution will be credited against any defence contribution payable on such income irrespective of the existence of a double taxation treaty.

3. Capital Gains Tax

Capital gains tax is imposed on gains from the disposal of immovable property situated in Cyprus including gains from the disposal of shares in companies, which own immovable property situated in the Republic and such shares are not listed in any stock market.

Tax rate and determination of profit

The tax is imposed on the net profit from disposal at the rate of 20%.

The net profit is calculated as the disposal proceeds, less the greater of the cost or market value on 1 January 1980 adjusted for inflation. Inflation is calculated using the official Retail Price Index.

Exemptions

The following disposals of immovable property are not subject to Capital Gains Tax:

- Transfer arising on death.
- Gift made from parent to child or between husband and wife or between up to third degree relatives.
- Gift to a company where the company's shareholders are members of the donor's family and the shareholders continue to be members of the family for five years after the date of the transfer.
- Gift by a family company to its shareholders, provided such property was originally acquired by the company by way of donation. The property must be kept by the donor for at least 3 years.
- Gift to charities and Government.
- Transfer as a result of reorganization.
- Exchange or disposal of immovable property under the Agricultural Land (Consolidation) Laws.
- Gain on disposal of shares, which are listed on any Stock Exchange.
- Transfer of property between ex-husband and ex-wife whose marriage has been dissolved following court order and the transfer of property between such people in the process of regulating matrimonial matters as per the relevant legislation.

3. Capital Gains Tax

Lifetime exemptions for individuals

Individuals can deduct from the capital gain the following:

	€
Disposal of principal private residence	85,430.07
Disposal of agricultural land by a farmer	25,625.02
Any other disposal	17,086.01

The above exemptions are given only once and not for every disposal. An individual claiming a combination of the above is only allowed a maximum exemption of €85,430.07.

4. Personal Income Tax

Taxation

Cyprus tax residents are taxed on all income accrued or derived from all sources in Cyprus and abroad. Non-tax resident individuals are taxed on income accrued or derived from sources in Cyprus only provided that they are physically in Cyprus when earning this income.

Cyprus tax residents

An individual is considered to be tax resident in Cyprus if he stays in Cyprus more than 183 days in the year of assessment.

Tax residents are taxable on the following income:

- Income from business in Cyprus and outside Cyprus.
- Income from any office or employment.
- Dividends and interest.
- Rents and royalties in Cyprus and abroad.
- Pensions and annuities in Cyprus.

Non-tax residents

The non-tax residents are taxable on the following income:

- Income from a permanent establishment situated in Cyprus.
- Income from any office or employment exercised in Cyprus.
- Pensions derived from past employment exercised in Cyprus.
- Rent from property situated in Cyprus.
- Any amount or consideration in respect of any trade goodwill reduced by any amount incurred for the purchase of such trade goodwill.
- The gross income derived by an individual from the exercise in Cyprus of any profession or vocation the remuneration of public entertainers and the gross receipts of any theatrical, musical or other group of public entertainers.
- Directors' fees and similar remunerations in their capacity as directors of companies considered to be tax resident companies of Cyprus.

4. Personal Income Tax

Personal tax rates

Tax rates applicable to individuals:

Chargeable Income €	Chargeable Income %	Amount of Tax €	Accumulated Tax €
0 – 19,500	Nil	Nil	Nil
19,501 – 28,000	20	1,700	1,700
28,001 – 36,300	25	2,075	3,775
Over 36,300	30		

Foreign pension is taxed at the rate of 5%. An annual exemption of €3,417.20 is granted.

Exemptions from income tax

Type of Income	Exemption Limit (%)
Income from interest, unless falls within the ordinary activities is not exempted.	100
Income from dividends.	100
Deposits with Cyprus Finance Corporations. The amount deposited cannot exceed the 25% of a person's total income.	40
Profits from the sale of securities*.	100
Lump sum payment on retirement, computation of pension or compensation for death or injuries.	100
Capital sums from life insurance or approved provident funds.	100
Profits of a permanent establishment abroad under certain conditions.	100
Remuneration for salaried services rendered outside Cyprus for more than 90 days in a tax year to a non-Cyprus resident employer or to a foreign permanent establishment of a Cyprus resident employer.	100
Remuneration from any office or employment exercised in Cyprus by an individual who was not resident of Cyprus before commencement of his employment, for a period of 3 years commencing from 1st January following the year of commencement of the employment.	20 or €8,543.01 (lower of)
Widow's pension	100
Income from scholarship or other educational endowment	100

* Securities are those listed as per Note 1 of Chapter 1:Corporation Tax.

4. Personal Income Tax

Tax Deductions from Income

	Deduction limit (%)
Contributions to trade unions or professional bodies	100
Rental income	20% of the rents
Interest paid in respect of rented buildings	100
Loss of current year and previous years	100
Donations to approved charities	100
Expenditure incurred for the maintenance of a building in respect of which there is in force a preservation order	Up to €512.58, €854.30 or €939.73 per square meter (depending on the size of the building)
Social insurance, provident fund, medical fund, pension fund contributions and life insurance premiums (the allowable annual life insurance premium is restricted to 7% of the insured amount)	Up to 1/6 (of the chargeable income)
In the case of cancellation of a life insurance policy within 6 years from the day of its issue, a percentage of the premiums, which were previously allowed, is taxable.	
• Cancellation within 3 years	30
• Cancellation from 4 to 6 years	20

4. Personal Income Tax

Example of Personal Tax Computation

	€		
Salary	42,000		
Rental Income	5,000		
Interest receivable	300		
Dividends receivable	250		
Social Insurance contribution	2,520		
Life Insurance premiums	3,200		
Insured amount	40,000		
Donations to approved charities	200		
Professional subscriptions	400		
Provident fund contributions	3,000		
Tax Computation		€	€
Salary		42,000	
Rental Income		5,000	
Dividends receivable (exempt)		-	
Interest receivable (exempt)		-	
Total income		<u>47,000</u>	
Deductions			47,000
Professional subscriptions	400		
Donations	200		
20% of rental income	1,000		
		<u>1,600</u>	
Net total income			45,400
Life Insurance premium: Restricted to 7% of the insured amount (€40,000 * 7% = €2,800)			
Provident fund, social insurance contributions and life insurance premiums restricted to 1/6 of the net total income (3,000 + 2,520 + 2,800 = 8,320 restricted to 1/6 of 45,400) *			<u>7,567</u>
Chargeable Income			<u>37,833</u>
Tax Payable			
- First €36.300			3,775
- Rest €1,533			<u>459.90</u>
Income tax payable			<u>4,234.90</u>
Special Contribution for Defence			
Dividends receivable €250 * 15%			38
Interest receivable €300 * 10%			30
Rent receivable €5,000 - 25% = €3,750 * 3%			<u>113</u>
Special defence contribution payable			<u>181</u>
* Net total income is equal to total income including dividends and interest less deductions.			

5. Social Insurance

Contribution rates

Self employed individuals	11.6%
Employee	6.3%
Employer	6.3%
Employer's contribution to the Redundancy Fund	1.2%
Employer's contribution to the Industrial Training Fund	0.5%
It is imposed on the whole salary.	
Employer's contribution to the Social Cohesion Fund	2.0%
Employer's contribution to the Holiday Fund (if it is not exempt)	8.0%

Maximum limit of emoluments

The maximum level of annual income in which social insurance contributions are paid on is as follows.

	Per week	Per month	Per year
	€	€	€
Weekly employees	885	-	46,020
Monthly employees	-	3,836	46,032

Minimum limit of emoluments for self-employed

The lower limits of income on which self-employed persons pay social insurance contributions are:

	€
Persons exercising a profession:	
- for a period under 10 years	16,900
- for a period over 10 years	33,956
Wholesalers, estate agents, insurance agents, manufacturers and other businessmen	33,956
Builders and other related businesses	20,592
Technicians and other persons working in urban areas	16,432
Drivers of transportation media, operators of excavators and similar occupations	16,432
Farmers, stock breeders, fishermen and other related activities, traveling salesmen and priests	11,388
Persons not under any other occupation	16,432

6. Value Added Tax

VAT is imposed on the provision of goods and services in Cyprus, as well as on the importation of goods into Cyprus and on the acquisition of goods from the European Union.

Taxable persons charge VAT on their taxable supplies (output tax) and are charged with VAT on goods or services, which they receive (input tax).

If output tax in a VAT period exceeds total input tax, a payment has to be made to the state. If input tax exceeds output tax a repayment is due from the state.

With regard to intra-community acquisitions the trader does not pay VAT on receipt of the goods in Cyprus but instead he accounts for VAT using acquisition accounting. This involves a simple accounting entry in the books of the business whereby he self-charges VAT and at the same time claims it back if it related to taxable supplies thereby creating no cost to the business.

VAT rates

The following rates apply to the taxable supplies:

- Zero rate (0%)
- Reduced rate (5%)
- Reduced rate (8%)
- Standard rate (15%)

Zero rated goods and services include the following:

- Exports
- Food for human consumption (excluding catering)
- International air and sea transportation of persons, goods and related services
- Pharmaceutical products
- Supply of goods to other EU Member States
- Ship management services

6. Value Added Tax

Reduced rated goods and services of 5% include the following :

- Animal feeding stuffs
- Fertilizers
- Services of road cleaning
- Funeral services and supply of coffins
- Services of authors, composers, artists and critics of works of art
- Supply of seeds
- Supply of live animals of a kind generally used for human consumption
- Newspapers, magazines and books
- Bottled and non-bottled water, ready made drinks and juices (excluding soft drinks and alcohol drinks)
- Ice-creams, ice-cream products and similar products
- Dry nuts, potato crisps, cheese puffs, cereal and similar products
- Gas irrespective of packaging
- Rural and urban bus services
- Hairdressing services
- Entry fees to theatres, circuses, festivals, luna parks, concerts, museums, zoos, cinemas, exhibitions and similar circular events and related places
- Entry fees at sports events and fees for using athletic centers
- The letting of camping sites and caravan parks
- Sundry goods used by disabled persons
- Supplies of medicines and vaccines excluding those which are subject to the zero rate of VAT
- Repair and maintenance of private residences after three years of first residence (subject to certain conditions)
- Importation of items of archaeological value (Code CN 9706 00 00)

Reduced rated goods and services of 8% include the following:

- Taxi services
- Tourist, excursion and long distance bus services
- Hotel accommodation services
- Catering services and supplies of goods in the course of catering with the exception of alcoholic drinks which are subject to VAT at the standard rate
- Air and sea transportation services within Cyprus

6. Value Added Tax

Standard rated (15%) goods and services

All supplies of goods or rendering of services, except those taxed at 0%, 5%, 8% or exempt.

Exemptions

Certain goods or services are exempted from VAT including:

- Rents
- Medical services
- Insurance and financial services, management of mutual funds
- Educational services (including music academy)
- Building land
- Supply of immovable property for which a valid application for planning permission was submitted before 1st of May 2004

Difference between zero rate and exemption

The difference between zero rate and exemption is that businesses that only make exempt supplies are not entitled to register to VAT therefore, the input VAT on their purchases, expenses or imports cannot be recovered.

Irrecoverable input VAT

Input VAT cannot be recovered in a number of cases, which include the following:

- When businesses make only exempt supplies
- Purchase, import or hire of saloon cars
- Expenditure for entertainment of persons other than staff
- Housing expenses of directors

Registration

Obligation for VAT is compulsory when:

- At the end of any month, if the value of the taxable supplies (supplies taxed at the rates of 0% and/or 5% and/or 8% and/or 15%) exceeded €15,600 during the 12 preceding months.

6. Value Added Tax

- At any time, if there are reasonable grounds for believing that the value of the taxable supplies in the following 30 days then beginning will exceed €15,600.

Businesses with a turnover of less than €15,600 can be registered voluntarily if they are trading in taxable supplies.

VAT declaration, payment/return of VAT

VAT returns must be submitted quarterly and the payment of the VAT must be made within 40 days from the end of each quarter.

Where in a quarter input tax is higher than output tax, and therefore a repayment is due, the difference is refundable or is transferred to the next VAT quarter to be credited against any payable account.

International Business Companies (IBCs)

IBCs are subject to the same registration rules. However the activities of most IBCs fall outside the scope of VAT and thus there is no obligation for registration. If there is no obligation to register there is the option of voluntary registration. This means that IBCs will not charge VAT on their sales and the VAT charged by Cypriot suppliers is refunded.

Cyprus accession to the European Union

Due to Cyprus accession to the European Union on 1 May 2004, the relevant changes are applicable:

(a) Intra-community trade

This refers to supply of goods between Member States and their VAT treatment. The sales are zero rated in the first Member State if the following criteria are satisfied:

- The seller has adequate proof that the goods have left the first Member State and have entered another Member State and the buyer has an EU VAT number.

6. Value Added Tax

b) Triangulation trade

This is the case where three Member States are involved, there is only one actual movement of goods but two invoices are issued, one from the first country to intermediary and another from intermediary to the recipient of goods.

The intermediary supplier must apply the simplification procedures and the invoice issued to the recipient must include the phrase "VAT, EU Article 28, Simplified Invoice".

(c) Administration of Intra-community trade

Participants of intra-community trade must perform the following actions:

Suppliers

1. Complete the VIES return form on a quarterly basis. The VIES form is submitted within 40 days after the end of the relevant quarter.
2. Complete the Intrastat return form for supply of goods on a monthly basis.
3. Record intra-community supplies on the VAT return form.
4. Include the EU VAT number of the buyer in the invoice.

Buyers

1. Complete the Intrastat return form for acquisition of goods on a monthly basis. The Intrastat forms are submitted within 10 days after the end of the relevant month.
2. Record Intra-community acquisitions on the VAT return form.
3. Inform the supplier of their EU VAT numbers prior the issuance of the invoice.

(d) Provision of services

I. General Rule

The general rule states that services are taxable in the country from where they are provided. Therefore, provision of such

6. Value Added Tax

services from Cyprus to another Member State is taxable in Cyprus at the rate of 15%.

(d) Provision of services (continued)

II. Services of Third Schedule

Services falling within the 3rd Schedule (consultancy, accounting, legal, intellectual property, advertising etc) are taxable in the country of the recipient and therefore qualify for zero rate VAT in the Member State from where they are provided if the buyer has an EU VAT number. The buyer will apply the reverse charge procedures.

Penalties and interest

Late registration	€85.00 for every month of late registration
Late deregistration	€85.00 one-off
Late submission of VAT form	€51.00 one-off
Late payment of outstanding tax	10% of the outstanding amount plus 8% interest
Late submission of Intrastat form	€8.00 per working day up to the maximum of 30 working days
Late submission of VIES form	€51.00 for every month up to the maximum of three months

7. Immovable Property Tax

Immovable Property Tax is imposed on the market value as at 1 January 1980 and applies to the immovable property owned by the taxpayer on 1 January of each year.

This tax is payable on 30 September each year. Physical and legal persons are both liable to Immovable Property Tax.

Tax rates

Property Value €	Rate %	Tax €	Accumulated tax €
Up to 170,860.14	Nil	Nil	Nil
170,860.15 – 427,150.36	0.25	640.73	640.73
427,150.36 – 854,300.72	0.35	1,495.03	2,135.76
Over 854,300.73	0.40		

Exemptions

The following are not subject to Immovable Property Tax:

- Public cemeteries
- Churches and other religious buildings
- Public hospitals
- Schools
- Immovable property owned by the Republic
- Foreign embassies and consulates
- Common use and public places
- Property under Turkish occupation
- Buildings under a Preservation Order
- Buildings of charitable organizations
- Agricultural land used in farming or stock breeding, by farmer or stock breeder residing in the area

8. Transfer Fees by the Land Registry Department

The fees charged by the Land Registry department for transfers of immovable property are as follows:

Transfer Fees			
Value per plot €	Rate %	Fees €	Accumulated fees €
Up to 85,430.07	3	2,562.90	2,562.90
85,430.08 – 170,860.14	5	4,271.50	6,834.40
Over 170,860.15	8		
Mortgage Fees			
Loans			1%

In the case of property transferred to a family company, transfer fees are refundable after five years if the property remains with the company and the shareholders remain the same.

In the case of property transferred from a company whose shareholders are spouses/and or children, to one of the two spouses or their children or to a relative up to third degree of relation the transfer fees are calculated on the value of the property as follows:

Transfer to a spouse	8%
Transfer to a child	4%
Transfer to a relative	8%

Also the following rates are applicable in the case of free transfers:

From parents to children	4%
Between spouses	8%
Between third degree relatives	8%
To trustees	€8,54

Value in these cases is the one written on the title deed.

In the case of companies' reorganizations, transfers of immovable property are not subject to transfer fees by the Land Registry department.

9. Trusts

A trust is established by an individual «the settlor» and is a means whereby property «the trust property» is held by one or more persons «the trustees» for the benefit of another or others «the beneficiaries» or for specified purposes.

Trusts have traditionally been very important tax planning devices. Even today a very high proportion of tax saving schemes involve trusts.

International trusts

International trusts are governed by the International Trusts Law of Cyprus. International Trusts are not taxed in Cyprus. In fact, Cyprus International Trusts enjoy important tax advantages, providing significant tax planning possibilities. The following advantages are indicative of the possible options for tax minimization.

- All income, whether trading or otherwise, of an International Trust (i.e. a Trust whose property is located and income is derived from outside Cyprus) is not taxable in Cyprus.
- Dividends, interest or other income received by a Trust from a Cyprus international business company are neither taxable nor subject to withholding tax.
- Gains on the disposal of the assets of an International Trust are not subject to capital gains tax in Cyprus.
- An alien who creates an International Trust in Cyprus and retires in Cyprus is still exempt from tax if all the property settled and the income earned is abroad, even if he is a beneficiary.
- The assets of an International Trust are not subject to estate duty in Cyprus.
- Trusts are usually used by wealthy individuals for the purpose of protecting their inheritance or capital gains taxes in their home country. They can also be used by expatriates settling into a trust before repatriating, assets acquired while working abroad, to protect such assets from the tax net of their home country.

10. Stamp Duties

The table provided gives the amount or rate of duty payable on certain documents. Transactions which fall within the scope of reorganizations are exempt from stamp duty. Also, any contracts relating to assets situated outside Cyprus or business affairs that take place outside Cyprus are exempt from stamp duty.

Nature of documents

Receipts		
- for amounts of €3.42 – €34.17		€0.03
- for amounts over €34.17		€0.07
Contracts		
- for amounts up to €170,860.14	€2.56 for every €1,708.60	
- for amounts over €170,860.14	€3.42 for every €1,708.60	
- unspecified amount		€34.17
- for amounts over €8.5 m		up to €17,086
Cheques		€0.05
Letters of credit		€1.71
Letters of guarantee		€3.42
Bills of exchange		€0.85
Bills of lading		€3.42
Powers of attorney		
- general		€5.13
- limited		€1.71
Certified copies of contracts and documents		€1.71
Registration of a limited liability company		
Upon incorporation of the company		
Authorised share capital	€102.52 plus 0.6% on the authorised share capital	
Issued share capital		€17.09
Upon subsequent increases		
Authorised share capital	0.6% on the additional share capital	
Issued share capital	€17.09 flat duty on every issue whether the shares are issued at nominal value or at a premium	
Submission of annual return		€17.09

11. Double Taxation Agreements

Received in Cyprus			
	Dividends	Interest	Royalties
	%	%	%
Austria	10	0	0
Belarus	5 (18)	5	5
Belgium	10 (8)	10 (6,19)	0
Bulgaria	5 (23)	7 (6,24)	10 (24)
Canada	15	15 (4)	10 (5)
China	10	10	10
Czech Republic	10	10 (6)	5 (7)
Denmark	10 (8)	10 (6)	0
Egypt	15	15	10
France	10 (9)	10 (10)	0 (3)
Germany	10 (8)	10 (6)	0 (3)
Greece	25 (11)	10	0 (12)
Hungary	5 (8)	10 (6)	0
India	10 (9)	10 (10)	15 (15)
Ireland	0	0	0 (12)
Italy	15	10	0
Kuwait	10	10 (6)	5 (7)
Lebanon	5	5 (6,19)	0
Malta	0	10 (6)	10
Mauritius	0	0	0
Moldova	5 (27)	5	5
Norway	0 (13)	0	0
Poland	10	10 (6)	5
Romania	10	10 (6)	5 (7)
Russia	5 (17)	0	0
San Marino	0	0	0
Seychelles	0	0	5
Singapore	0	10 (6, 25)	10
Slovakia	10	10 (6)	5 (7)
South Africa	0	0	0
Sweden	5 (8)	10 (6)	0
Syria	0 (8)	10 (4)	10
Thailand	10	15 (21)	5 (22)
United Kingdom	15 (14)	10	0 (3)
United States of America	5 (9)	10 (10)	0
USSR (20)	0	0	0
Yugoslavia (26)	10	10	10

11. Double Taxation Agreements

Paid from Cyprus			
	Dividends	Interest	Royalties
	%	%	%
Non-treaty countries	0	0	0
Austria	10	0	
Belarus	5(18)	5	5
Belgium	10(8)	10(6,19)	0
Bulgaria	5(23)	7(6,24)	10
Canada	15	15(4)	10(5)
China	10	10	10
Czech Republic	10	10(6)	5(7)
Denmark	10(8)	10(6)	0
Egypt	15	15	10
France	10(9)	10(10)	0(3)
Germany	10(8)	10(6)	0(3)
Greece	25	10	0(12)
Hungary	0	10(6)	0
India	10(9)	10(10)	10(16)
Ireland	0	0	0(12)
Italy	0	10	0
Kuwait	10	10(6)	5(7)
Lebanon	5	5	0
Malta	15	10	10
Mauritius	0	0	0
Moldova	5 (27)	5	5
Norway	0	0	0
Poland	10	10(6)	5
Romania	10	10(6)	5(7)
Russia	5(17)	0	0
San Marino	0	0	0
Seychelles	0	0	5
Singapore	0	10(6,25)	10
Slovakia	10	10(6)	5(7)
South Africa	0	0	0
Sweden	5(8)	10(6)	0
Syria	0(8)	10	10
Thailand	10	15(21)	5(22)
United Kingdom	15	10	0(3)
United States of America	0	10(10)	0
USSR(20)	0	0	0
Yugoslavia(26)	10	10	10

11. Double Taxation Agreements

Notes

1. No withholding tax is imposed in Cyprus upon payment of dividends, interests and royalties to non-residents of Cyprus.
2. 10% when the royalties are used within the Republic.
3. 5% on film and TV royalties.
4. Nil if paid to a Government or for export guarantee.
5. Nil on literary, dramatic, musical or artistic work.
6. Nil if paid to the Government of the other state.
7. This rate applies for patents, trademarks, designs or models, plans, secret formulate or process, or any industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.
8. 15% if received by a company controlling less than 25% of the voting power.
9. 15% if received by a company controlling less than 10% of the voting power.
10. Nil if paid to a Government, bank or financial institution.
11. The treaty provides for withholding taxes on dividends but Greece does not impose any withholding tax in accordance with its own legislation.
12. 5% on film royalties.
13. 5% if received by a company controlling less than 50% of the voting power.
14. This rate applies to individual shareholders regardless of their percentage of shareholding. Companies controlling less than 10% of the voting shares are also entitled to this rate.
15. 10% for payments of a technical, managerial or consulting nature.

11. Double Taxation Agreements

Notes (continued)

16. Treaty rate 15% therefore restricted to Cyprus legislation rate.
17. 10% if dividends paid by a company in which the beneficial owner has invested less than US\$100,000.
18. If investment is less than €200,000 dividends are subject to 15% withholding tax which is reduced to 10% if the recipient company controls 25% or more of the paying company.
19. No withholding tax for interest on deposits with banking institutions.
20. Armenia, Kyrghystan, Tajikistan, Uzbekistan and Ukraine apply the USSR/Cyprus treaty.
21. 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.
22. This rate applies for any copyright of literary, dramatic, musical, artistic or scientific work. A 10% rate applies for industrial, commercial or scientific equipment. A 15% rate applies for patents, trade marks, designs or models, plans, secret formulate or processes.
23. This rate applies to companies holding directly at least 25% of the share capital of the company paying the dividends. In all other cases the withholding tax is 10%.
24. This rate does not apply if the payment is made to a Cyprus international business entity by a resident of Bulgaria owning directly or indirectly at least 25% of the share capital of the Cyprus entity.
25. 7% if paid to bank or financial institution.
26. Slovenia and Serbia/Montenegro apply the Yugoslavia/Cyprus treaty.
27. 10% if received by a company holding directly less than 25% of the capital.
28. Towards the end of year 2008 one (1) further Treaty has been concluded and signed with the government of Qatar.

12. Tax Calendar

Date	Obligation	Form	Penalties
30 April	Submission of Tax return by employees	I.R.1	1,4,10
	Submission of employer's return	I.R.7	
30 June	Payment of special contribution for defence for the first six months of the year	I.R.601	2
	Submission of tax return by self-employed not preparing audited financial statements	I.R.1	1,4,10
01 August	Submission of Temporary Tax Assessment for the current year	I.R.6	3
	Payment of first installment of provisional Tax for the year		3
	Payment of the balance of tax for the previous year under the self-assessment method	I.R.158	4
30 September	Payment of the second installment of tax based on the Temporary Tax Assessment		3
	Payment of Immoveable Property Tax		8
31 December	Submission of previous year's accounts and tax returns (companies and self-employed preparing audited financial statements)		
	- Companies	I.R.4	1,4,10
	-Self-employed	I.R.1	1,4,10
	Payment of third and last installment for the Temporary Tax Assessment		3
	Payment of second installment of special contribution for defence for the last six months of the year	I.R.601	2
	Submission of revised Temporary Tax Assessment for the current year, if necessary	I.R.6	3

12. Tax Calendar

Date	Obligation	Form	Penalties
By the end of the next month	Payment of Social Insurance for the previous month		9
	Contribution to the Defence Fund withheld from dividends and interests	I.R.601	2
	Payment of tax deducted from employees salary (P.A.Y.E.)	I.R.61	5
By the 10th of the 2nd month after the end of the VAT period	Submission of VAT return and payment of VAT due	VAT 4	6,7
	Submission of VIES	VIES 1	11
By the 10th of the next month after the end of the period	Submission of Intrastat	INTRASTAT 1.1 INTRASTAT	12

13. Penalties

1. A penalty of €17.00 per day for as long as failure continues is imposed or imprisonment up to twelve months or both.
Any person who without any excuse omits any object of the tax from the return shall be liable, on conviction to a fine up to €3,417 plus the tax due in amount equal to two times the difference between the amount of tax properly imposed and the amount of tax that would have been imposed had the assessment been based on the return.
2. Interest at the rate of 8% per annum is imposed from the first day after the end of the six-month period (interest is calculated daily).
3. Failure to pay any installment of the temporary tax assessment by the due date:
 - Interest at the rate of 8% per annum is imposed (Interest is calculated for complete months).
 - If no temporary tax assessment was submitted and an assessment is issued by the Inland Revenue, interest at 8% per annum is payable on the overdue installment plus an additional penalty of 5% on the whole amount of the temporary tax.
 - In addition, a penalty is imposed equal to 10% of the difference between the tax due per the final assessment and the tax per the temporary assessment if the temporary taxable income is less than 75% of the taxable income per the final assessment (interest is calculated for complete months).
4. Failure to pay tax by the due date:
 - Interest is imposed at the rate of 8% per annum (Interest is calculated for complete months).
 - Any tax due is liable to an additional penalty of 5% in the case where the tax return is not submitted within 30 days after the deadline and payment of the tax due is not made.
5. Failure to pay P.A.Y.E. and Defence tax by the due date:
 - Interest is imposed at the rate of 8% per annum from the due date and an additional penalty of 1% per month as long as the delay continues.
 - The total amount of the additional penalty cannot exceed 11% of the tax due (interest is calculated for complete months).

13. Penalties

6. Late submission of the VAT return:
 - Imposition of a penalty of €51.00 per VAT return form.
7. Late payment of outstanding VAT:
 - Penalty at the rate of 10% of the outstanding amount.
 - Interest is imposed at the rate of 8% per annum on the amount of the penalty (interest is calculated for complete months).
8. Late payment of immovable tax results in the imposition of interest at the rate of 8% per annum from the due date.
9. Late payment of Social Insurance results in the imposition of a penalty of 3% for each month of delay as long as the delay continues. The total amount of the penalty cannot exceed 15% of the amount due.
10. Late submission results in the imposition of penalty equal to €51.00.
11. Late submission of VIES results in the imposition of a penalty of €51.00 for each late month up to 3 months. If the form is not submitted within 3 months, a fine up to €2,562 may be imposed.
12. Late submission of INTRASTAT results in the imposition of a penalty of €8.00 for each late working day up to 30 working days. If the form is not submitted within 30 working days, a fine up to €2,562 may be imposed.

* From 1 January 2007 onwards the interest imposed on late payments has been reduced from 9% to 8%.

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Advocates- Legal Consultants

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