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CHARTERED ACCOUNTANTS

COSTAS TSIELEPIS & CO LTD

TAX UPDATE

Cyprus Tax Facts 2017

Volume 7, Issue 2



CYPRUS TAX FACTS 2017

“knowledge”

*Facts, information and skills
acquired through experience or
education; the theoretical or
practical understanding of a
subject.*

OXFORD DICTIONARY

AUTHORED: JANUARY 2017

ΓΝΩΣΗ

205, 28th October Str., Louloupis Court, 1st Floor, 3035 Limassol, Cyprus | P.O. Box 51631, 3507 Limassol, Cyprus
T: + 357 25 871000 | F: + 357 25 373737 | E: info@tsielepis.com.cy | www.tsielepis.com.cy

TABLE OF CONTENTS

INTRODUCTION3

PERSONAL INCOME TAX4

EMPLOYEE SPECIAL CONTRIBUTION8

SOCIAL INSURANCE9

CORPORATION TAX AND SELF-EMPLOYED PERSONS10

SPECIAL CONTRIBUTION FOR DEFENCE15

SHIPPING PROFITS19

SPECIAL MODES OF TAXATION20

INTELECTUAL PROPERTY (IP)21

CAPITAL GAINS TAX24

TRANSFER FEES26

IMMOVABLE PROPERTY TAX27

VALUE ADDED TAX (VAT)28

MAINTENANCE OF BOOKS AND RECORDS31

TRUSTS32

STAMP DUTIES33

COMPANIES REGISTRAR FEES AND CAPITAL DUTIES34

TAX DIARY35

YOUR TAX CONTACTS IN CYPRUS37

COSTAS TSIELEPIS & CO BOARD MEMBERS37

We are pleased to welcome you to Tax Facts 2017, our definitive guide to the Cyprus Tax System.

Costas Tsielepis & Co publications represent an invaluable source of information for businesses and individuals wishing to acquire a comprehensive knowledge of Cyprus' tax system.

The information within this publication is for informative purposes only and in no case does it represent tax advice. Situations should be viewed separately based on the merits and specific facts of each transaction.

The Taxation Department of Costas Tsielepis & Co Ltd is comprised of tax professionals with decades of experience in the field of tax in Cyprus and internationally. Their in-depth understanding of tax concepts, the workings of double-tax treaties, their experience and knowledge of the Cyprus local tax legislation and its application, their detailed comprehension of indirect tax matters in Cyprus and the EU, all position them uniquely to offer authoritative and dependable advice to their clients.

The Department's consultants use real-world experience and technical expertise to assess, analyse and then formulate forward-thinking tax effective solutions that preempt potential short and long-term consequences, thus helping clients implement decisions that can deliver long-lasting value to their personal and businesses plans and strategies.

The Taxation Department of Costas Tsielepis & Co Ltd and our network of hand-picked associates in Cyprus and worldwide are at your disposal for more information and specialised advice on your tax matters.

PERSONAL INCOME TAX

Includes employees but not self-employed persons (see p. 10)

Tax-residency

A Cyprus tax resident individual is any person who is physically present in Cyprus for more than 183 days in a calendar year. A calendar year is the same as a tax year. It does not matter the purpose of being in Cyprus, nor is it a condition that a Cyprus tax resident person owns or rents accommodation in Cyprus. It is literally based on the number of days without any further conditions.

In calculating the days:

- the day of departure is considered a day outside of Cyprus;
- the day of arrival is considered a day in Cyprus;
- arriving in Cyprus and departing on the same day is considered a day in Cyprus; and
- departing from Cyprus and arriving on the same day is considered a day outside of Cyprus.

Income Tax Rates

The personal income tax rates for 2017 are:

Taxable Income €	Tax Rate %
0 – 19.500	0
19.501 – 28.000	20%
28.001 – 36.300	25%
36.301 – 60.000	30%
> 60.001	35%

Foreign pensions may be taxed at the above rates or at the flat rate of 5%, with an annual exemption of €3.420. The choice can be made by the tax payer on an annual basis.

Cyprus source widow's pension is taxed at the flat rate of 20% on amounts exceeding €19.500. The taxpayer can, however, on an annual basis elect to be taxed at the normal tax rates and bands set out above.

Exemptions

Type of income:	Exemption applies to:
Interest income (interest income arising in the ordinary course of business, including interest closely connected with the carrying on of the business, is not considered as interest income and is not exempt). Interest income may be subject to special contribution for defence (see p. 15).	The whole amount
Dividend income Dividend income may be subject to special contribution for defence (see p. 15).	The whole amount

<p>Lump sum repayment from life insurance schemes or from approved provident funds (but see below under Deductions in case of income arising from the cancellation of the policy).</p>	<p>The whole amount</p>
<p>Profits from the sale of securities including units in an open-ended or closed-ended collective investment scheme.</p> <p>The term “securities” is defined as shares, bonds, debentures, founders’ shares and other securities of companies or other legal persons, incorporated in Cyprus or abroad and options thereon.</p> <p>Circulars 2008/13 and 2009/6 issued by the Tax Department further clarify what is included in the definition of ‘securities’. According to these circulars the term “securities” include also options on titles, short positions on titles, futures/forwards/swaps on titles, depositary receipts on titles, rights of claim on bonds and debentures (rights on interest of these instruments are not included), index participations only if they represent titles, repurchase agreements or repos on titles. Promissory notes and Bills of Exchange do not represent titles.</p>	<p>The whole amount</p>
<p>Remuneration from any employment exercised in Cyprus by an individual who was not a resident of Cyprus before the commencement of the employment.</p> <p>This exemption applies until the tax year 2020 (inclusive), but cannot be granted for a total period exceeding five years.</p>	<p>20% of the employment income, up to a maximum of €8.550 annually.</p>
<p>Remuneration from any employment exercised in Cyprus by an individual who was not a resident of Cyprus before the commencement of the employment provided that the annual remuneration exceeds €100.000.</p> <p>This exemption applies for a period of 10 years.</p> <p>The exemption will not be available where the individual was a Cyprus tax resident in any three of the previous five tax years preceding the commencement of employment in Cyprus, although this only applies to employments that commence on or after 1 January 2015.</p> <p>The exemption will not be available where the individual was a Cyprus tax resident in the year preceding the year of commencement of employment in Cyprus, although this only applies to employments that commence on or after 1 January 2015.</p> <p>The exemption will be granted for any tax year in which the annual total gross emoluments from the employment exceed €100.000, regardless if in a specific tax year, these were less than €100.000. This is subject to the total emoluments exceeding €100.000 at the start of the employment and the Tax Department being satisfied that the fluctuation in the total gross emoluments is not solely to obtain the exemption.</p> <p>It is noted that where an individual is benefiting from the 50% exemption, this individual cannot benefit at the same time from the 20% exemption, as stated above.</p>	<p>50% of the employment income</p>
<p>Salaries from rendering services outside Cyprus to a non-Cyprus tax resident employer or to an overseas permanent establishment of a Cyprus tax resident employer for more than 90 days in a tax year.</p>	<p>The whole amount</p>
<p>Gains arising from a loan restructuring</p>	<p>The whole amount</p>

Note: Restructuring means the direct or indirect sale and transfer of immovable property and transfer of rights under a sale agreement submitted with the Department of Lands and Surveys, between one or more borrowers and/or debtors and/or guarantors regarding the same credit facility or grant or debt and one or more creditors made up to 31 December 2017, which aims to reduce or repay credit facilities or loans or debts granted to borrowers with one or more lenders.	
Lump sums received as retiring gratuity, commutation of pension, death gratuity or as consolidated compensation for death or injury.	The whole amount

Deductions

Type of expense:	Deduction applies to:
Expenses incurred wholly and exclusively for the production of taxable income which are also supported by the relevant documentation (i.e. invoices, receipts, agreements etc).	The whole amount
Interest in respect of the acquisition of a building for rental purposes.	The whole amount
Expenses incurred for the acquisition of shares in an innovative small and medium size business (subject to conditions).	The whole amount (restricted to 50% of taxable income before the deduction, with a maximum deduction of €150.000)
Subscriptions to trade unions or professional bodies.	The whole amount
Expenditure incurred for the maintenance of a building in respect of which there is in force a Preservation Order.	Up to €1.200, €1.100 or €700 per square meter (depending on the size of the building)
Donations to approved charitable organizations (with receipts).	The whole amount
Rental income.	20% of rental income
Special contribution on salaries and pensions.	The whole amount
Profits from the exploitation and/or disposal of intellectual property rights.	80%
Tax losses of current year and previous years (for individuals required to prepare audited financial statements, current year tax losses and tax losses of the previous five years only may be deducted).	The whole amount

Allowances

Type of allowance:	Allowance applies to:
Social insurance contributions, contributions to approved provident and pension funds, the general health plan, contributions to medical or other approved funds as well as life insurance premiums. Payments relating to premiums paid to approved medical funds are tax	The total amount of the allowances is limited to 1/6 of the taxable income as calculated before deducting

deductible, provided that they do not exceed 1,5% of the gross salary income.	the allowances.
Annual life insurance premiums.	Restricted to 7% of the insured amount
Cancellation of a life insurance policy within 6 years from the date it was entered into, part of the life insurance premiums already given as an allowable deduction will be taxable.	Cancellation within 3 years - 30% taxable Cancellation between 4 to 6 years - 20% taxable

Non-Deductible Expenses

Type of expense:	Amount that is non-deductible:
Expenses not incurred wholly and exclusively for the production of taxable income or expenses incurred wholly and exclusively for the production of taxable income which are not supported by the relevant documentation (i.e. invoices, receipts, agreements etc.).	The whole amount
Immovable property tax.	The whole amount
Professional tax.	The whole amount
Donations to non-approved charitable organizations.	The whole amount
Private motor vehicle expenses.	The whole amount

Loans or other financial assistance provided to company directors or individual shareholders

If a director of a company, or an individual shareholder, or his spouse, or any relative up to the second degree receives a loan or any other financial assistance from the company, such person is deemed to have obtained a monthly benefit in kind equal to 9% per annum of the monthly balance of the loan/financial assistance and this amount is included in the individual's income subject to income tax.

The amount of tax on the monthly benefit should be withheld from the individual's monthly salary and paid to the Tax Department on a monthly basis under the PAYE system.

Tax credit for foreign tax paid

Double taxation relief is available for any foreign tax withheld abroad on income subject to taxation in Cyprus. Where a double tax treaty exists, its provisions will state the method of how relief should be obtained. In the absence of a double tax treaty, the foreign tax is unilaterally relieved as a credit against the Cyprus income tax payable on such income, provided that the relevant supporting documentation are in place in the Greek or English language.

EMPLOYEE SPECIAL CONTRIBUTION

The special contribution has been abolished as from 1st January 2017.

Previously, private sector employees, self-employed persons and pensioners are obliged to pay a special contribution.

The rate of the contribution ranged from 0% (on gross monthly salary or pension income up to €1.500) to 3,5% (on gross monthly salary or pension income over €3.500) with a minimum contribution of €10.

Gross monthly remuneration €	Special Contribution %
Up to 1.500	0
1.501 – 2.500	2,5*
2.501 – 3.500	3,0
3.501 and over	3,5

(*with a minimum amount of special contribution of €10)

The above special contribution was calculated on the total gross earnings with no restriction or maximum limit on the amount of the special contribution.

The payment of the special contribution was shared equally by the employer and the employee (i.e. 50% of the special contribution is paid by the employee and 50% is paid by the employer) and was remitted to the Tax Department through the PAYE system.

SOCIAL INSURANCE

The social security system in Cyprus is designed to provide benefits for unemployment, sickness, medical care, maternity, retirement, disability, death and various other events. The social insurance scheme is financed by contributions paid by the employers and the insured persons. The main governing legislation is the Social Insurance Law.

Employer contributions are payable as follows:

Fund	Rate %
Social Insurance Fund	7,8
Redundancy Fund	1,2
Human Resources Development Fund	0,5
Social Cohesion Fund	2,0
Central Holiday Fund (exemptions may apply)	8,0

The maximum amount of monthly earnings on which the contributions are payable for the year 2017 is €4.533 (weekly €1.046). The amount of the contributions to Social Cohesion Fund is calculated on the total emoluments with no upper limit.

Employees must contribute 7,8% of their salary up to a monthly ceiling of €4.533 to the Social Insurance Fund. No employee contributions are due in respect of the other funds. Contributions payable by employees are remitted to the Social Insurance Office through the PAYE system on a monthly basis (payable by the end of the month following the month to which they relate).

Self-employed individuals must contribute 14,6% on a notional income determined by the Ministry of Labour and Social Securities which varies according to the trade or profession of the self-employed individual. This notional income is set on an annual basis.

Tax Base

A Cyprus tax-resident company, and a Cyprus tax-resident self-employed individual, are subject to tax on their worldwide income. For companies, the tax residency is determined by where the management and control is exercised. For individuals see explanation on p. 4.

A Cyprus tax-resident company, or a permanent establishment in Cyprus of a non-Cyprus tax-resident company, is subject to corporation tax at the rate of 12,5% on its taxable profits. Self-employed individuals are taxed at the rates mentioned on p. 4.

Arm’s length principles

The arm’s length provision applies to transactions between connected persons and requires that, for tax purposes, such transactions are entered into on normal commercial terms and conditions. From 1 January 2015, where the Commissioner of Taxation intervenes and challenges a transaction by increasing the income of the said transaction, carried out between two Cyprus tax resident persons, because the transaction was not carried out at arm’s length, a deem deduction will also be provided to the other person being equal to the increase of the income or benefit.

Exemptions

Type of Income:	Exemption applies to:
Interest income (interest income arising in the ordinary course of business, including interest closely connected with the carrying on of the business, is not considered as interest income and is not exempt). Interest income is subject to special contribution for defence (see p. 15).	The whole amount
Dividend income (from 1/1/2016, dividends which are tax deductible for the paying company are not considered as dividends but as trading profits subject to corporation tax). Dividend income may be subject to special contribution for defence (see p. 15).	The whole amount
Profits from the sale of securities including units in an open-ended or closed-ended collective investment scheme. For the definition of securities please see p. 5.	The whole amount
Profits of a permanent establishment abroad (under certain conditions).	The whole amount
Profits relating to foreign exchange differences. Foreign exchange differences arising from trading in foreign currencies and related derivatives are taxable (subject to conditions).	The whole amount (from 1/1/2015)
Gains arising from a loan restructuring	The whole amount
*Note: Restructuring means the direct or indirect sale and transfer of immovable property and transfer of rights under	

a sale agreement submitted with the Department of Lands and Surveys, between one or more borrowers and/or debtors and/or guarantors regarding the same credit facility or grant or debt and one or more creditors made up to 31 December 2017, which aims to reduce or repay credit facilities or loans or debts granted to borrowers with one or more lenders.

Deductions

Type of Deduction:	Deduction applies to:
Expenses incurred wholly and exclusively for the production of taxable income which are also supported by the relevant documentation (i.e. invoices, receipts, agreements etc.).	The whole amount
Interest expense incurred for the acquisition of a directly or indirectly wholly owned (i.e. 100%) subsidiary provided that the wholly owned subsidiary does not own (directly or indirectly) any assets that are not used in the business. If the wholly owned subsidiary does own (directly or indirectly) assets not used in the business the interest expense is restricted to the amount which relates to the assets not used in the business. This applies for acquisitions of wholly owned subsidiaries from 1 January 2012.	The whole amount
Interest relating to the acquisition of fixed assets used for business purposes.	The whole amount
Expenses incurred for the acquisition of shares in an innovative small and medium sized business (subject to conditions).	The whole amount (restricted to 50% of taxable income before the deduction, with a maximum deduction of €150.000)
Expenses incurred for scientific research (under certain conditions)	The whole amount
Donations to approved charitable organizations (with receipts). The donations are not tax deductible if they create a taxable loss.	The whole amount
Special contribution on salaries (abolished from 1 January 2017)	The whole amount
Losses from a permanent establishment abroad (subject to conditions). Subsequent profits of a permanent establishment abroad are taxable up to the amount of losses allowed.	The whole amount
Entertainment expenses	Lower of €17.086 or 1% of the gross turnover
New equity introduced to a company as from 1 January 2015 is eligible for an annual notional interest deduction provided that the new equity is used for business purposes. The annual notional interest deduction is calculated as an interest rate on the new equity. The relevant interest rate is the yield on 10 year government bonds (as at 31 December of the prior tax year) of the country where the funds are employed in the business of the company plus a 3% premium. The minimum amount is the yield on the 10 year Cyprus government bond as at the same date plus a 3% premium.	The notional interest deduction cannot exceed 80% of the taxable profit derived from assets financed by new equity.

Non-Deductible Expenses

Type of Expense:	Amount that is non-deductible:
Expenses not incurred wholly and exclusively for the production of taxable income or expenses incurred wholly and exclusively for the production of taxable income which are not supported by the relevant documentation (i.e. invoices, receipts, agreements etc.)	The whole amount
Expenses paid on behalf of other group companies.	The whole amount
Entertainment expenses	Amounts in excess of 1% of the gross income or €17.086 (whichever is lower)
Immovable property tax	The whole amount
Overseas tax	The whole amount
Interest payable or deemed to be payable for the acquisition of a private motor vehicle or other assets not used in the business. This restriction applies for 7 years from the date of acquisition of the relevant asset.	The whole amount
Interest payable or deemed to be payable for the acquisition of not a wholly owned subsidiary/associate. This restriction applies for 7 years from the date of acquisition of the subsidiary/associate.	The whole amount
Losses relating to foreign exchange differences. Foreign exchange losses arising from trading in foreign currencies and related derivatives are tax deductible (subject to conditions).	The whole amount (from 1/1/2015)
Donations to non-approved charitable organizations	The whole amount
Private motor vehicle expenses	The whole amount
Wages and salaries on which the relevant Social Insurance contributions and the contribution to provided funds (if applicable) have not been paid in the year in which they were due. In case the above contributions (including any penalties and interest) are paid in full within two years following the due date, such wages and salaries will be tax deductible in the tax year in which they are paid.	The whole amount
Expenses of a capital nature	The whole amount
Expenses relating to the acquisition of securities	The whole amount

Group Relief

Group relief is allowed when the surrendering and the claimant companies are members of the same group for the entire tax year (i.e. from 1 January to 31 December), and are both Cyprus tax-resident. In the case of a company incorporated by its parent within a year it will be deemed that the two companies have been members of the group for the entire year.

Two companies are considered to be a group for Cyprus group relief purposes if:

- One is a 75% subsidiary of the other, or
- Both are 75% subsidiaries of a third company.

The tax losses surrendered can only be utilized by the claimant against profits of the same tax year.

The interposition of a non-Cyprus tax resident company does not affect the eligibility for group relief as long as such company is tax resident in either an EU country or in a country with which Cyprus has either a tax treaty or an exchange of information treaty (bilateral or multilateral).

From 1/1/2015 a Cyprus tax resident company may also claim the tax losses of a group company which is tax resident in another EU country, provided such EU company firstly exhausts all possibilities available to utilise its losses in its country of residence or in the country of any intermediary EU holding company.

Tax Losses

Tax losses incurred during a tax year can be carried forward over the next five years from the end of the tax year in which they were incurred, and be offset against future taxable income.

Tax credit for foreign tax

Double taxation relief is available for any foreign tax withheld abroad on income subject to taxation in Cyprus. Where a double tax treaty exists, its provisions will state the method of how relief should be obtained. In the absence of a double tax treaty, the foreign tax is unilaterally relieved as a credit against the Cyprus income tax payable on such income, provided that the relevant supporting documentation are in place in the Greek or English language.

Annual wear and tear allowances on tangible fixed assets

Plant and machinery*	Rate %
Plant and machinery	10
Furniture and fittings	10
Industrial carpets	10
Machinery and tools used in an agricultural business	15

Vehicles and Means of Transportation*	Rate %
Commercial motor vehicles	20
Motor cycles	20
Excavators, tractors, bulldozers, self-propelled loaders and drums for petrol companies	25
Armored cars (e.g. used by Security Services)	20
Specialized machinery for the laying of railroads	20

New airplanes	8
New helicopters	8
Sailing vessels	4,5
Motor Yachts	6
Steamships, tug-boats and fishing boats	6
Ship launching machinery	12,5
New cargo vessels	8
New passenger vessels	6
Used cargo/passenger vessels	Over their useful lives

*Plant and machinery, vehicles (excluding private motor vehicles) and other assets acquired during the tax years 2012 - 2016 (inclusive) are eligible to accelerated tax depreciation at the rate of 20% (excluding such assets which are already eligible for a higher annual tax rate of tax depreciation).

Other	Rate %
Televisions and videos	10
Computer hardware and operating systems	20
Application software	33 1/3
Application software for less than €1.709 is written off in the year of acquisition	
Wind Power Generators	10
Photovoltaic Systems	10
Tools in general	33 1/3
Videotapes property of video clubs	50

Buildings*	Rate %
Commercial buildings	3
Industrial, agricultural and hotel buildings	4
Flats	3
Metallic greenhouse structures	10
Wooden greenhouse structures	33 1/3

* In the case of industrial and hotel buildings that are acquired during the tax years 2012 - 2016 (inclusive), accelerated tax depreciation at the rate of 7% per annum applies.

SPECIAL CONTRIBUTION FOR DEFENCE

Cyprus persons, who are Cyprus tax-resident, and in the case of individuals, also Cyprus domiciled, are subject to special contribution for defence on the sources of income indicated below. Non-Cyprus tax residents or Cyprus tax-resident individuals who are not Cyprus domiciled, are *not* subject to special contribution for defence.

Source of Income	Cyprus tax resident but non-domiciled individuals	Cyprus tax resident and domiciled individuals	Cyprus tax resident companies
Dividend income from Cyprus tax resident companies	0%	17%	0% Dividends received by a Cyprus tax resident company from another Cyprus tax resident company after the lapse of 4 years from the end of the year in which the profits which were distributed as dividends arose are subject to 17%.
Dividend income from non-Cyprus tax resident companies	0%	17%	0% The 0% does not apply and the dividend will be subject to 17% special contribution for defence if: (a) more than 50% of the activities of the foreign company paying the dividend lead to investment income; and (b) the foreign tax burden on the income of the foreign company paying the dividend is substantially lower than the tax burden of the Cyprus tax resident company. The Tax Department has clarified that “significantly lower” means an effective tax rate of less than 6,25% on the distributed profits.
Interest income arising from the ordinary activities or closely connected with the ordinary activities of the business	0% Subject to personal tax	0% Subject to personal tax	0% Subject to corporation tax

Other interest income	0%	30% A person whose total annual income, including interest, does not exceed €12.000 who receives interest which has been subject to special contribution for defence, has the right to a refund of 27% (effective special contribution for defence payable of 3%).	30%
75% of rental income	0%	3% Rental income is also subject to personal income tax	3% Rental income is also subject to corporation tax
		For Cyprus sourced rental income where the tenant is a Cyprus company, partnership, the state or local authority the special contribution for defence should be withheld by the tenant and be paid to the Tax Authorities by the end of the month following the month in which it was withheld.	

Foreign tax paid/withheld abroad can also be credited against the special contribution for defence liability provided the relevant supporting documentation is in place.

Non- Domiciliation

As from 16 July 2015 individuals are subject to special contribution for defence if they are both Cyprus tax resident and Cyprus domiciled.

According to the domicile concept under the tax legislation, every person has at any given time either:

- i. the domicile received by him/her at birth ('domicile of origin'), or
- ii. the domicile (not being the same as the domicile of origin) acquired or retained by him/her by his/her own act ('domicile of choice').

Under (i) above, the domicile of origin of a legitimate child is that of the father's, or in the case of an illegitimate child, that of the mother's.

Under (ii) above, a person may acquire a domicile of choice by establishing his/her home at any place in Cyprus with the intention of permanent or indefinite residence.

For tax purposes however, a non-domiciled individual will be deemed as domiciled in Cyprus if he/she has been a Cypriot tax resident for at least 17 out of the last 20 years prior to the relevant tax year (deemed domicile rule).

An individual who has a domicile of origin in Cyprus, may still qualify as non-domiciled subject to certain conditions, namely to have not been a Cyprus tax resident for a consecutive period of 20 years.

Deemed Distribution

Companies are deemed to have distributed to their Cyprus tax resident shareholders 70% of their after-tax accounting profits, within two years from the end of the year in which the profits were earned. On such a deemed distribution, special contribution for defence at the rate of 17% should be withheld and paid over to the Cyprus Tax Authorities. The deemed distribution provisions do apply even to tax resident corporate shareholders but do not apply to non-Cyprus tax resident shareholders.

On 13/09/2011 the Tax Department issued Circular No. 2011/10, having a retrospective effect from 2003 onwards, according to which the exemption with regards to profits attributable to non-resident corporate shareholders, has now been extended to profits attributable to resident corporate shareholders of a Cypriot resident company to the extent that such profits are indirectly attributable to ultimate shareholders which are non-residents of Cyprus.

From 16/7/2015 the deemed distribution provisions should not apply to the extent that the ultimate direct/indirect shareholders of the company are individuals who are Cyprus tax residents but non-Cyprus domiciled.

A Cyprus tax-resident person, who is deemed to receive dividends from a collective investment scheme, whose formation and operation is regulated by the Open-ended Collective Investments in Transferable Securities and Related Matters Law or any other law which regulates the formation and operation in the Republic of other collective investment schemes, is subject to special contribution for defence at 3%.

The amount of deemed dividend is reduced by the amount of actual dividend distributed during the year to which the profits relate, or the following two years. In cases where an actual dividend is paid after the deemed dividend distribution date, any deemed distribution reduces the actual dividend on which the defence contribution is withheld.

Capital Reduction

In case of a reduction of share capital any amounts paid to the individual shareholders in excess of the amount of the share capital that was actually paid by the individual shareholders will be treated as a deemed dividend subject to special contribution for defence provided that the ultimate shareholders or Cyprus domiciled and tax residents.

Circular 2004/6 provides that redemption of redeemable preference shares, when the redemption is done out of distributable profits is also considered as capital reduction.

The buy back or redemption of units or other ownership interests in an opened-ended or closed-ended collective investment schemes is not considered a capital reduction and is not subject to special contribution for defence.

Disposal of assets to shareholder at less than market value

When a company disposes an asset to its individual shareholder or to a relative up to second degree or his spouse for a value which is less than its market value, the difference between the sales and the market value will be deemed to have been distributed as a dividend to the shareholder. This provision,

does not apply for assets originally gifted to the company by an individual shareholder or a relative of his up to second degree or his spouse.

Company dissolution

In case of liquidation of the company, the total of the profits of the last five years before the liquidation which have not been distributed or they have not been deemed to have been distributed shall be deemed on liquidation to be distributed and the shareholders shall be deemed to receive such dividends. Any such profits to be distributed or deemed to be distributed upon liquidation should be subject to special contribution for defence provided that the ultimate direct/indirect shareholders of the company are individuals who are Cyprus tax-resident and Cyprus domiciled.

This provision does not apply in the case of dissolution under a reorganisation scheme.

It is emphasized that where assets are distributed to a company's shareholders upon the company's liquidation, which have a market value that exceeds the cost of their acquisition by the company, the deemed distribution provisions will apply. The amount of the dividend that is deemed to be distributed to the shareholders will be equal to the difference between the market value of the assets and the costs of their acquisition by the company.

The deemed dividend distribution of profits that becomes realized upon the company's dissolution or liquidation should not exceed the amount or the value of the net assets distributed to the shareholders.

In case the shareholders of a Cyprus tax resident company that is liquidated are not tax residents of Cyprus or are tax residents of Cyprus but non-domiciled, the liquidation distributions are not taxable in Cyprus.

The following are exempt from any taxation in accordance with the provisions of the Merchant Shipping (Fees and Taxing Provisions) Law and may be subject to tonnage tax:

- The income of a qualifying ship-owner from the operation of a qualifying Cyprus, community and/or foreign (under conditions) vessel engaged in qualifying shipping activities.
- The income of a qualifying charterer from the operation of a qualifying Cyprus, Community and/or foreign (under conditions) vessel, engaged in qualifying shipping activities.
- The income of a qualifying ship manager from the provision of crew and/or technical administration services.

The below are also exempt from any taxation in Cyprus:

- Dividends paid directly or indirectly from the profits emanating from qualifying shipping activities.
- Any interest income relating to the working capital of the company.
- Salaries or other benefits paid to the masters, officers and the crew of a qualifying Cyprus vessel engaged in a qualifying shipping activity.
- Income from the sale or transfer of a Cyprus-registered vessel or the shares of a ship owning company;

In addition:

- No stamp duty is payable on ship mortgage deeds or other security documents;
- No estate duty or inheritance tax is levied following the death of a shareholder;

The legislation includes an “all or nothing” rule, meaning that if a ship-owner, charterer, ship manager of a group elects to be taxed under the tonnage tax system, then all ship-owners, charterers, ship managers of the group should elect also to be taxed under the tonnage tax system.

Qualifying ship-owners, qualifying charterers and qualifying ship managers, who also earn income from a non-qualifying shipping activity, shall maintain books and records so that it will be possible to determine the income subject to tonnage tax and the other income that is taxable under corporation tax and special contribution for defence.

Insurance companies

Insurance companies are generally taxable in the same way as all other tax resident companies.

However in case where there is no corporation tax payable or where the corporation tax payable on the taxable income of the life business is less than 1,5% of the gross insurance premiums, then the insurance company pays the difference as additional tax.

Profits of professionals, entertainers etc

The following income is subject to 10% withholding tax in Cyprus:

- The gross income derived by an individual not resident in Cyprus from the exercise in Cyprus of any profession or vocation;
- the remuneration of public entertainers not resident in Cyprus, derived from performances in Cyprus;
- the gross receipts of any theatrical or musical or other group of public entertainers, including football clubs and other athletic missions from abroad, derived from performances in Cyprus.

Intellectual property rights etc

The gross income arising from intellectual property rights, other exploitation rights, compensations or other similar income arising from sources within Cyprus, of a person who is not resident in Cyprus, is subject to withholding tax at a rate of 10%;

Rights granted for use outside Cyprus are not subject to any withholding tax, even if the royalty is paid by a Cyprus tax resident person.

Film royalties etc

The gross income derived by a non-resident person in respect of royalties arising from film projection in Cyprus is subject to withholding tax at the rate of 5%.

Income from Oil & Gas related activities

The gross amount or other income derived from sources within Cyprus by any person who is not resident of Cyprus, which does not arise from a permanent establishment in Cyprus, as consideration for services carried out in Cyprus with respect to the extraction, exploration or exploitation of the continental shelf, subsoil or natural resources, as well as the installation and exploitation of pipelines and other installations on the ground, the seabed or above the surface of the sea, is subject to tax at the rate of 5%.

Technical assistance

The gross income arising from sources within Cyprus, as consideration for technical assistance provided by any person who is not resident of Cyprus, is subject to a 10% withholding tax.

Payment of tax withheld

Tax withheld on payments to non-Cypriot residents should be paid to the Tax Department by the end of the following month of the payment.

The old IP Box regime provided for an exemption from taxation of 80% of the gross royalty income following the deduction of all direct costs, such as amortization (over 5 years) and interest expense. In the case of a tax loss, only 20% of the tax loss could be surrendered to other group companies (under the group relief provisions) or be carried forward to subsequent years (subject to the 5 years rule restriction).

The 80% exemption applied also for any profit arising from the disposal of the IP.

The above provisions related to intangible assets which were defined in the Patents Law, the Trade Marks Law and the Intellectual Property Rights Law.

Transitional provisions have been included for taxpayers who have previously entered the old IP Box regime. More specifically those taxpayers shall be able to continue to benefit from the application of the old IP regime until 30 June 2021, with respect to IPs which:

- (a) were acquired before 2 January 2016; or
- (b) were acquired directly or indirectly from a related person during the period from 2 January 2016 until 30 June 2016 and which assets at the time of their acquisition were benefiting under the IP Box regime or under a similar scheme for intangible assets in another state, or
- (c) were acquired from an unrelated person or developed during the period from 2 January 2016 until 30 June 2016.

For intangible assets which were acquired directly or indirectly from a related person during the period from 2 January 2016 until 30 June 2016 and which do not fall under the above provisions, a transitional period until 31 December 2016 will apply.

The income qualified for the application of the current IP Box regime now includes embedded income and income from intangible assets for which only economic ownership exists.

IMPORTANT: Only intangible assets which as at 30 June 2016 have either generated income or their development has been completed, will qualify for the transitional rules.

New Cyprus IP Box regime

The new Cyprus IP box applies as from 1 July 2016. An 80% deduction is provided for qualifying profits relating to a qualifying IP. Accordingly, in effect, only 20% of the qualifying profits will be taxed at the rate of 12,5%. A taxpayer may elect not to claim all or part of the available 80% deduction for a particular tax year. Qualifying tax losses in the new Cyprus IP box are restricted to 20% of their amount.

(a) Qualifying IP assets

Qualifying intangible asset means an asset which was acquired, developed or exploited by a person in furtherance of his business, which is the result of research and development activities and includes intangible assets for which only economic ownership exists.

The new provisions restrict qualifying IP assets to patents, computer software, as well as IP assets which are non-obvious, useful and novel and from which the income of a taxpayer does not exceed, in a 5 year

period, €7.500.000 per annum (€50.000.000 for taxpayers forming part of a Group). The later should be certified by a competent Cypriot or foreign authority.

Further, qualifying IP assets under the nexus approach do not cover trademarks including brands, image rights and other intellectual property rights used for the marketing of products or services.

(b) Qualifying income

Qualifying profits are determined under the OECD BEPS Action 5 nexus approach.

Qualifying income includes, but is not limited to the following:

- royalties or other amounts in connection with the use or license of qualifying intangible assets;
- any amount received from insurance or as compensation in relation to the qualifying intangible asset;
- gains relating to the disposal of qualifying intangible asset;
- embedded income of qualifying intangible asset.

(c) The Modified Nexus Approach and qualifying expenditure

The “Modified Nexus Approach” provides that there should be sufficient substance and an essential nexus between the expenses, the IP assets and the related IP income in order to benefit from a new Cyprus patent box regime.

The following formula has been introduced to determine the qualifying profits that can benefit from an IP regime relating to a qualifying asset:

$$[(\text{Qualifying expenditure} + \text{Up-lift expenditure}) / \text{Total expenditure}] \times \text{Overall IP Income}$$

Qualifying expenditure include among other expenses wages and salaries, general expenses relating to installations used for research and development and expenses for supplies related to research and development activities.

Qualifying expenditure, excludes though the R&D costs of outsourcing to related parties, contrary to the cost of outsourcing to unrelated parties which are considered as part of ‘qualifying expenditure’, the cost of the acquisition of intangible assets and costs which cannot be directly connected to a specific qualified IP asset.

In addition an up-lift expenditure equal to the lower of

- (i) 30% of the eligible costs, or
- (ii) the total amount of the cost of acquisition and outsourcing to related parties for research and development in relation to the eligible intangible asset

will be added to the qualifying expenses.

(d) Accounting records

Proper books of account and records of income and expenses must be kept for each intangible asset for which a benefit is claimed under the new regime.

(e) Non-qualifying assets for the IP Box regime

Expenditure of acquiring a non-qualifying intangible asset in accordance with the new rules or which does not qualify for the transitional provisions and the asset is used in furtherance of the business of the taxpayer can be amortized over the period of its useful life (maximum of 20 years) in accordance with the accepted accounting principles.

Upon sale of this intangible asset, a balancing statement must be prepared. This is the same treatment as when a fixed asset is sold.

Goodwill does not qualify for amortization.

Capital gains tax at 20% is payable on gains derived from the disposal of immovable property (land and buildings) situated in Cyprus including shares of companies not listed on a recognized Stock Exchange which directly own such immovable property.

Also, gains derived from the disposal of shares of companies which, indirectly, own immovable property located in Cyprus and at least 50% of the market value of the said shares emanate from such immovable property are also subject to capital gains tax.

The following disposals of immovable property are exempt from capital gains tax:

- Immovable property acquired during the period 16 July 2015 to 31 December 2016 is exempt from capital gains tax on any future disposal;
- Transfers arising on death;
- Transfers as a result of approved reorganization schemes;
- Exchange and/or sale of immovable property under the Agricultural Land (Consolidation) Laws;
- Donations made from parent to child or between husband and wife or up to third degree relatives;
- Gifts to charities and the Government;
- Gifts to a family 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 day of the transfer;
- Gifts by a family company to its shareholders, provided such property was originally acquired by the company by way of donation (see above). The property must be kept by the donee for at least three years;
- Expropriations;
- Exchange of properties, provided that the whole of the gain made on the exchange has been used to acquire the other 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;
- Transfer of ownership between spouses that their marriage has been dissolved by a court order or in case of transfer of ownership between the same persons for the purpose of settling their property according to the Settlement of Property Relationships between Spouses Law;
- Transfer under a qualifying loan restructuring
- Disposal of principal residence subject the conditions namely being
 - the principal house is exclusively used by the owner for his own residence and
 - the sales consideration does not exceed the amount of €350.000 and
 - the disposal is made in the context of a compromise or arrangement plan approved by the Court or the official Receiver or an Administrator who is acting in accordance with a Court Order issued according to the Bankruptcy Law or a personal repayment plan which is issued in accordance with the Insolvency of Physical Persons Law or a Court Order for the liquidation of a company or through the application of the Transfer and Mortgage of Immovable Property Law.

It is noted that the principle residence exemption applies until 31 December 2017.

Deductions

Individuals are entitled to use the following life-time exemptions:

Description	€
Disposal of principal private residence (subject to conditions)	85.430
Disposal of agricultural land by a farmer	25.629
Other disposals	17.086

Individuals can only benefit once from the above during their lifetime, up to the maximum amount of €85.430.

TRANSFER FEES

Land transfer fees are paid on the transfer of immovable property and are calculated on the market value of the property as estimated by Land Registry Department as follows:

€	%
0 - 85.000	3
85.000 - 170.000	5
170.000 and over	8

No transfer fees are payable if the transaction is subject to VAT. Also the below are exempt from transfer fees:

- Transfer under an approved reorganization;
- Transfer under a qualifying loan restructuring;
- Transfer executed in the context of bankruptcy, liquidation or disposal of mortgaged immovable property by the lender;

The above transfer fees are reduced by 50% in case the purchase of immovable property is not subject to VAT.

On the transfer of immovable property by donation between spouses, spouses and children or relatives up to third degree of kindred, transfer fees are calculated on the value of the property as at 1 January 2013 at the following rates:

Transfers	Rate %
Transfer to children	0
Transfer to spouse	0,1
Transfer to relative (up to third degree)	0,1

In the case of a company re-organization and qualifying loan restructuring the transfer of immovable property is exempt from transfer fees.

IMMOVABLE PROPERTY TAX

Immovable property tax is abolished as from 1 January 2017.

Immovable property tax was imposed on all immovable property located in Cyprus, regardless of the tax-residency of the property owner. The tax was imposed on an annual basis, on the value of immovable property as at 1 January 1980 owned by each person as at 1 January of each year.

The relevant bands and rates that applied until 31 December 2016 were as follows:

1.1.1980 Value of Property From:	To:	Rate %	Tax	Cumulative Tax
€1	€40.000	0,6%	€240	€240
€40.001	€120.000	0,8%	€640	€880
€120.001	€170.000	0,9%	€450	€1.330
€170.001	€300.000	1,1%	€1.430	€2.760
€300.001	€500.000	1,3%	€2.600	€5.360
€500.001	€800.000	1,5%	€4.500	€9.860
€800.001	€3.000.000	1,7%	€37.400	€47.260
€3.000.001		1,9%		

In case the total 1.1.1980 value of the immovable property situated in the Republic did not exceed the amount of €12.500, no immovable property tax was imposed.

The immovable property tax was payable on 30 September each year.

For 2016, taxpayers were entitled to the following discounts and extensions:

- 75% of the immovable property tax if paid until 31 October 2016;
- 72,5% of the immovable property tax if paid between 1 November 2016 and 31 December 2016.

VAT is a transaction tax due on all taxable supplies which have a place of supply in Cyprus.

A taxable person is any person, who, independently, carries out in any place any economic activity, whatever the purpose or results of that activity.

Taxable transactions are the ones listed below, executed for a consideration within the territory of Cyprus by a taxable person acting as such:

- Supply of goods,
- Intra-Community acquisition of goods,
- Supply of services, and
- Importation of goods.

VAT rates

As at 01/01/2016 Cyprus imposes the following VAT rates:

- Standard rate of 19%.
Applicable for all taxable supplies not exempted or subject to one of the reduced or zero rates.
- Reduced rate of 9% (Twelfth Schedule of the Cyprus VAT Laws).
Applicable for supplies such as accommodation by hotels and similar establishments and restaurant and catering services.
- Reduced rate of 5% (Fifth Schedule of the Cyprus VAT Laws).
Applicable for supply of a permanent residence (after obtaining permission from the VAT Commissioner), renovation of private dwellings, supply of water, gas, medicine, newspapers, foods, books and admission to performances among other things.
- Zero rate (0%) (Sixth Schedule of the Cyprus VAT Laws).
Applicable for export of goods, supply of and related services provided to qualifying vessels.
- Exempt transactions (Seventh and Eighth Schedules of the Cyprus VAT Laws).
Applicable for the sale of land and buildings after their first use, letting and leasing of immovable property (but not license to use space), hospital and medical services, financial and insurance services.

The above lists are not exhaustive and only present the most common activities from each category.

Output tax is charged on taxable supplies made and input tax is paid on expenses incurred. Deduction of the input tax is based on the business activities of the taxable person. Where the activities grant the right to deduct input VAT, this is effected via the quarterly VAT returns.

Registration

Taxable persons need to register when:

- Taxable turnover (i) exceeds €15.600 over the consecutive past twelve months or, (ii) is expected to exceed €15.600 over the next 30 days. Taxable turnover includes services received from providers resident outside Cyprus subject to the reverse charge mechanism.
- Intra-community acquisitions of goods exceed €10.251,61 during any calendar year.
- Supplying services subject to the reverse charge mechanism to a taxable person VAT registered and established in another Member State, with no threshold applicable.
- Distance sales of goods by a supplier VAT registered and resident in another Member State made to individuals resident in Cyprus exceed €35.000 per calendar year.

VAT returns

A VAT return period covers three calendar months i.e. four quarterly periods in a year. Which quarters will apply will depend on the type of business carried out by the taxable person, i.e. all businesses involved in the construction industry will have the same VAT quarters, as will all businesses providing audit services. The applicable VAT periods are decided by the VAT Authorities and are communicated to the taxable person via the VAT registration certificate.

Payment of any VAT payable amounts and submission of the returns is due by the 10th day of the second month following the end of the relevant VAT period (i.e. for the VAT period ending 31/01/2017 submission and payment are due by 10/03/2017).

Refund of VAT

Where the input VAT incurred on expenses exceeds the output VAT on sales, the taxable person is in a VAT refundable position for the VAT period. This is either refunded or transferred against the VAT due amount for the next VAT period. In the cases where a refund is requested (via submission of the 4B form together with the VAT return), the VAT Authorities need to repay the amount within 4 months (extended to 8 months in case of investigation). If they fail to repay within the above time limits, interest will be due on the principal amount for every complete month the Authorities do not repay the VAT refundable amount.

VAT Information Exchange System (VIES)

VIES (recapitulative return) is a system of exchange of information between the VAT Authorities of the EU Member States used to monitor intra-community supplies of goods and services and the VAT due.

The VIES return is a monthly electronic return that needs to be submitted within 15 days from the end of the relevant month (i.e. VIES for December 2016 needs to be submitted by 15/01/2017).

Taxable persons are obliged to report on the VIES return the supply of goods which leave their Member State territory and supply of services made to taxable persons VAT registered and resident in another Member State which are subject to the reverse charge mechanism.

Penalties

Non-compliance	Penalty
Late registration	€85 per month
Late deregistration	€85 one off
Late submission of VAT return	€51 per return
Late submission of VIES return	€50 per return
Late submission of Intrastat return	€15 per return
Late correction of mistake on VIES return	€15 per return
Failure to issue a lawful receipt	20% of the value of the supply
Late payment of VAT	10% of the due amount one off and interest for any complete month for which the amount remains due

Cyprus VAT Overview

For Cyprus VAT issues, you may also consult our latest related publication titled Cyprus VAT Overview by associated VAT company, Chelco VAT Ltd, by visiting www.chelcoVAT.com.

Every taxable person having

- any business income,
- dividends, interest or discounts,
- any income relating to intellectual property,
- any rental income,
- any income relating to trade goodwill

is obliged for every tax year to:

- (a) Issue receipts and invoices as specified by the regulations.

Invoices should be issued within 30 days from the date of the transaction unless a written approval has been obtained by the Tax Department for the purpose of issuing the invoices at a later date.

In case where invoices are not issued within the prescribed deadline, a penalty of €100 per month may be imposed.

- (b) Maintain books and records and prepare financial statements based on the acceptable accounting standards. Those financial statements should be audited in accordance with acceptable auditing standards, by a person that is eligible to act as an auditor.

A person is obliged to update books and records within four months from the date of the transaction.

In the case where books and records are not updated within the prescribed deadline, a penalty of €100 per quarter may be imposed.

An individual is exempt from the obligation to maintain accounting books and records where the annual turnover does not exceed the threshold annual amount of €70.000.

Books and records should be kept for at least six years and be ready to be presented to the Tax Department if requested.

In case a business maintains stocks, a stock take should be carried out during the year end and the results of the stock take should be made available to the Tax Department, if requested.

Trust refers to the legal relationship created by a settlor (the instigator of the trust) when assets have been placed under the control of a trustee for the benefit of a beneficiary or for a special purpose.

A trust is essentially created when these assets are transferred from the settlor to the trustee. The trustee then becomes the legal owner and is responsible for managing those assets in accordance with the terms of a trust deed. The trustee is the legal owner, whilst the beneficiaries are the equitable owners.

There are a number of different types of trusts but usually they fall into one of the following categories:

- Bare Trusts, also known as simple trusts
- Discretionary Trusts, which are the most widely used in Cyprus
- Interest in Possession Trusts
- Accumulation and Maintenance Trusts
- Resulting and Constructive Trusts

There are also fixed, trading, protective and charitable trusts.

In Cyprus there are two main kinds of trusts, local trusts and the Cyprus International Trusts (hereinafter "CIT")

CITs are the most popular and useful tool in the island's trust services legislation.

The world-wide income and profits of the CITs are subject to taxation in Cyprus only to the extent that beneficiaries are Cyprus tax residents, subject to the various exemptions and deduction provided for in the Cyprus tax legislation (see above).

If the beneficiaries are not Cyprus tax residents, only the Cyprus-source income and profits of the CIT, is subject to taxation in Cyprus.

STAMP DUTIES

The Stamp Duty Law provides that, subject to certain exemptions, every instrument specified in the First Schedule of the Law is chargeable with stamp duty as specified therein, and specifically applies to any property situated in the Republic or to any matter or thing to be performed or done in the Republic, irrespective of the place where the document is drafted.

The rates of stamp duties on agreements the subject matter of which relate to property situated in Cyprus or to matters or things to be executed in Cyprus are as follows:

- no stamp duty is payable on the first €5.000 of consideration stated in the contract;
- on value of consideration of between €5.001 to €170.000 the rate is 0,15%;
- on value of consideration of more than €170.000 the rate is 0,2%;
- on contracts without a fixed amount the stamp duty is €35.

The maximum amount of stamp duty payable is €20.000 per contact which applies to contracts with a consideration value of €10.046.250 or more.

Type of document	Amount
Letters of guarantee	€4
Letter of credit	€2
Cheques	€0,05
Receipts for amounts over €4	€0,07
Customs documents	€18 - €35
Bills of lading	€4
Bills of exchange (payable within three days, on demand or at sight)	€1
Chartering document	€18
General power of attorney	€6
Special power of attorney	€2
Certified copies of contracts and documents	€2
Will	€18
Estate administration document	€9
Tax residency certificate	€80
Certified copies of contracts and documents	€2

Documents relating to transactions that take place in relation to a company approved reorganization or loan restructuring are exempt from stamp duties.

Companies incorporated in Cyprus are obliged to pay an annual fee in the amount of €350.

For groups of companies, the total levy is capped at €20.000.

The annual levy is payable from the year of incorporation.

The annual levy is payable to the Registrar of Companies by 30 June of each year.

Non-payment of the levy within the time limits set by the law may result in deregistration (strike-off) of a company from the registry and/or payment of the penalties mentioned below.

- in case of up to a 2 month delay, a 10% penalty;
- in case of a delay between 2 and 5 months, a 30% penalty.

If a company is re-instated within a two years period from its strike-off, a fixed penalty of €500, in addition to the outstanding amount of the levy, is imposed. This fee is increased to €750 in case the company is re-instated after the two years period.

Capital duties and allotment fees are payable on the share capital of a Cyprus company as follows:

- Capital duties of €105 plus 0,6% on the nominal value of the authorized share capital
- Allotment fees fixed at €20 for the issue of the shares.

Please note that the capital duties can be minimized by issuing the shares at a premium in which case a lower authorized share capital will be required.

End of each month	<p>PAYE for employees deducted from salaries relating to the previous month.</p> <p>Social insurance contributions relating to salaries of the previous month.</p> <p>Special Contribution for Defence to be withheld from Cyprus sourced dividends and interest for tax resident and domiciled individuals relating to previous month.</p> <p>Special Contribution for Defence to be withheld from Cyprus sourced rent paid to tax resident and domiciled individuals (when tenant is a company, partnership, the state or local authority) relating to previous month.</p>
31 January	Submission of the deemed distribution declaration (Form TD 623) for the year ended 31 December 2014.
28 February	Submission of objections relating to tax assessments issued during December 2016.
31 March	<p>Electronic submission of the 2015 corporation income tax return (Form TD4).</p> <p>Electronic submission of the 2015 income tax return (Form TD1) for individuals preparing audited financial statements.</p>
30 April	Manual submission of the personal income tax return (Form TD1) for 2016 for salaried individuals whose gross income exceeds €19,500.
30 June	<p>Manual submission of personal income tax return (Form TD1) for 2016 by self-employed individuals who do not prepare audited financial statements if their gross income exceeds €19,500.</p> <p>Payment of the 2016 personal income tax under a self-assessment method by individuals not preparing audited financial statements (employees and self-employed).</p> <p>Payment of the 2017 special contribution for defence on rents, dividends or interest from sources outside Cyprus for the first 6 months of 2017.</p>
31 July	<p>Electronic submission of the employers return for 2016 (Form TD7).</p> <p>Electronic submission of the personal income tax return (Form TD1) for 2016 for salaried individuals whose gross income exceeds €19,500.</p> <p>Submission of the 2017 temporary tax assessment and payment of the first installment for both individuals and companies.</p>
1 August	Settlement of the 2016 final corporation tax and personal tax for individuals preparing audited accounts.
30 September	Electronic submission of personal income tax return (Form TD1) for 2016 by self-employed individuals who do not prepare audited financial statements if their gross income exceeds €19,500.
31 December	<p>Payment of temporary tax - second and last installment for 2017.</p> <p>Payment of the 2017 special contribution for defence on rents, dividends or interest from sources outside Cyprus for the second 6 months of 2017.</p> <p>Physical stock taking to be undertaken.</p>

Interest and Penalties	<p>The official interest rate, as set by the Finance Minister, for all amounts due after 1 January 2017 is 3,5%.</p> <p>(4% for 2016 and 2015, 4,5% for 2014, 4,75% for 2013, 5% for years 2012 and 2011, 5,35% for the year 2010, 8% for the years 2007-2009 and 9% up to 31 December 2006)</p> <p>In addition to the interest, penalties of 5% and additional tax of 5% may also be imposed depending on the circumstances. Also a fixed penalty of €100 or €200 (depending on the circumstances) may be imposed on the late submission of Income Tax Returns.</p>
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Due dates for payment of social insurance contributions of self-employed:

Months to which the contributions relate	Date
January-March	10th of following May
April-June	10th of following August
July-September	10th of following November
October-December	10th of following February

YOUR TAX CONTACTS IN CYPRUS

As always, the Taxation Department of Costas Tsielepis & Co Ltd is at your disposal should you require any further information or clarifications.

Your tax contacts in Cyprus



Alexis Tsielepis
Director, Head of Taxation
a.tsielepis@tsielepis.com.cy



Nicolas Papapanayiotou
Director, Taxation Dept.
n.papapanayiotou@tsielepis.com.cy

The information in this document is intended as a guide only and every reasonable effort was made to ensure the accuracy and timeliness of the information. In no circumstances shall we be legally bound by any information contained in this document, and shall accept no liability in respect of loss caused by reliance on such information.

COSTAS TSIELEPIS & CO BOARD MEMBERS

George Tsielepis
Managing Director
g.tsielepis@tsielepis.com.cy

Alexis Tsielepis
Director, Head of Taxation
a.tsielepis@tsielepis.com.cy

Antonis Christodoulides
Director, Audit & Assurance
a.christodoulides@tsielepis.com.cy

Costas Constantinou
Director, Audit & Assurance
c.constantinou@tsielepis.com.cy

Nicolas Papapanayiotou
Director, Taxation Department
n.papapanayiotou@tsielepis.com.cy

Costas Tsielepis & Co Ltd
205, 28th October Str., Louloupis Court
1st Floor, 3035 Limassol, Cyprus
P.O. Box 51631, 3507 Limassol, Cyprus
T: +357 25871000 | F: +357 25373737
E: info@tsielepis.com.cy
W: www.tsielepis.com.cy