



CYPRUS COMPANY OBLIGATIONS ARE YOU COMPLIANT?

“knowledge”

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

OXFORD DICTIONARY

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ΓΝΩΣΗ

INTRODUCTION

Owning a Cyprus company requires a number of tax and other statutory reporting obligations.

Currently, with the increasing regulations and reporting necessities, it is even more important to ensure that your Cyprus Company is fulfilling all statutory and other reporting obligations in order to avoid any unnecessary monetary penalties and investigations by the authorities.

This publication provides a summary of the main statutory and tax compliance obligations applicable to a Cyprus Company.

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 pre-empt 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.

STATUTORY AND FINANCIAL OBLIGATIONS

A Cyprus incorporated company has many statutory reporting and financial obligations to meet. A summary of those obligations is provided below.

Statutory obligations

Annual General Meetings

All Cyprus incorporated companies must hold in each year a general meeting as their Annual General Meeting (hereinafter “AGM”) in addition to any other meetings held during the year, which are called Extraordinary General Meeting.

The first AGM must be held within a period of 18 months from the date of incorporation and not more than 15 months should elapse between the date of one general meeting of the shareholders and that of the next. The articles of association normally contain certain provisions concerning notice and the place where the meeting may be held.

Annual Returns

Every Cyprus company is required to submit an Annual Return (Form HE32) accompanied by the Financial Statements of the previous year. The deadline for the submission of the Annual Return is within 28 days of the AGM. The Annual Return contains the company’s statutory information as at the date of the AGM and should include among other information certified copies of the financial statements, directors’ report and auditors’ report. A delay in the submission of the Annual Return may result in penalties.

Annual Levy

Every company must pay an annual levy amounting to €350, before 30 June of each calendar year. If late payment is effected, additional penalties are imposed. In addition if payment of the levy is not effected within a period of 2 years from the due date, the company may be stricken off the Registry.

Tax Compliance Obligations

Registration with the Cyprus Tax Authorities

Companies have an obligation to register with the tax authorities and obtain a tax identification code (TIC) within 60 days from their incorporation.

Companies incorporated outside Cyprus and with their place of business within Cyprus, have the obligation to register with the tax authorities within 60 days from the date of their registration with the Registrar of Companies or from the date they are considered Cyprus tax residents.

Companies which have already been registered with the tax authorities are required to inform the Commissioner of Taxation of any changes that may affect the records of the tax authorities’ register, within 60 days from the date that the relevant change occurred.

Tax returns

Corporate Tax Returns (Form T.D 4) should be filed by 31st of March of the subsequent year of the year following the relevant tax year.

Administrative penalties amounting to €100 or €200, depending on the specific case, are imposed for late submission of declarations or late submission of supporting documentation requested by the Commissioner of Taxation.

Legal actions may also be initiated against the company and its directors for continued non-submission which may lead to the disclosure of the beneficial owner(s) to the Commissioner of Taxation.

Payment of tax and refunds

Cyprus operates a system of self-assessment for corporation tax. Companies have to pay provisional tax on the current year's taxable profit in two equal instalments on 31 July and 31 December. The provisional tax assessment may be revised by the taxpayer at any time before 31 December of the tax year to which it relates. Any underpayment may be corrected by self-assessment by 1 August of the following year to avoid interest being charged at a rate of 3.50% annually from that date (4.00% until 31 December 2016).

If the taxable profit declared for the payment of the provisional tax is lower than 75% of the taxable profit as finally determined, the taxpayer must pay, in addition to the normal tax, an amount equal to 10% of the difference between the final and provisional tax.

Overpaid tax is refunded and carries interest at a rate of 3.50% (4.00% until 31 December 2016) annually.

Interest and penalties

Interest is charged at 3.50% (4.00% until 31 December 2016) annually from the date payments are due.

Moreover, if a company fails to settle its tax obligations by 1 August of the year following the relevant tax year, a 5% penalty on the amount of the unsettled tax is imposed.

Furthermore, if the company fails to settle its tax obligation by 30 April of the subsequent year of the year following the relevant tax year, a 5% additional tax on the tax payable is imposed.

Any interest and penalties charged are not allowable in calculating the taxable income.

Maintenance books and records

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.

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.

It is the responsibility of the company's directors to ensure that all records that are necessary for the preparation of the financial statements are properly maintained. All records must be kept at the registered office of the company and are subject to inspection. Accounting records must be kept for 6 years from the end of the relevant year to which they relate, for corporation tax purposes.

The books and records supporting the audited accounts based on which the tax return has been prepared must be kept and made available if requested by the Commissioner on a future examination for a period of 6 years.

DO YOU COMPLY WITH YOUR OBLIGATIONS?

If any statutory returns are not submitted or are submitted after the statutory deadlines, monetary penalties and interest will be imposed. However, the company, its directors and the beneficial shareholders may also come under the spotlight of the relevant authorities.

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:



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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.

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