



Cyprus **Tax Facts** **2019**

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Corporation Tax

Cyprus tax resident companies

Companies which are tax residents in Cyprus are taxed on all income accrued or derived from all sources in Cyprus and abroad. A company must register with the Tax Department within 60 days of incorporation.

Non-Cyprus tax resident companies

A non-Cyprus tax resident company is taxed on income arising from immovable property in Cyprus and on income accrued or derived from a business activity, which is carried on through a permanent establishment in Cyprus. 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 (Section 5(4)), legal or natural persons who are not tax resident in Cyprus but with a permanent establishment in Cyprus, may elect to be treated as Cyprus tax residents.

A Company is a tax resident in Cyprus if it is managed and controlled in Cyprus. Under the Cyprus Law there is no exact definition of management and control.

Corporation tax rates

All companies are taxed at a rate of 12.5%

Exemptions

Type of income	Exemption limit (%)
Profit from the sale of securities (Note 1)	100
Dividends (excluding dividends which are tax deductible for the paying company – (applicable as from 1 January 2016)	100
Interest not arising from the ordinary activities or closely related to the ordinary activities of the Company (Note 2)	100
Profits of a permanent establishment abroad (if more than 50% of the income of the permanent establishment derives from trading activities or the foreign tax burden rate is not lower than 6.25%) (Note 3)	100

Gains in relation to foreign exchange differences with the exception of gains arising from trading in foreign currencies or related rights and derivatives.	100
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Notes

(1) The following list of investments / financial instruments fall within the term “securities” for the purpose of this exemption:

- ordinary shares;
- founders’ shares;
- preference shares;
- options on titles;
- debentures;
- bonds;
- short positions on titles;
- futures/ forwards on titles;
- swaps on titles;
- depositary 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 represent 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 not transparent entities for the purpose of taxation of their income) in Romanian companies designated as SA and SRL and in Bulgarian companies designated as AD and OOD;
- units in open-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.

It should be noted that promissory notes and bills of exchange do not fall under the definition of “securities”.

(2) An application may be submitted to the Tax Department requesting a tax ruling in advance of a certain transaction/ financing arrangement as to whether it is to be treated as falling within the ordinary activities/ or closely connected therewith, of

the business.

- (3) As from 1 July 2016, taxpayers have the right to elect to tax the profits of a foreign PE in Cyprus. At the same time the taxpayers can benefit from the tax credit for any foreign taxes incurred on the foreign PE profits, irrespective of the existence of a Double Tax Treaty.

Tax deductions

Expenses incurred wholly and exclusively for the purpose of generating business income and supported by receipts, invoices or other relevant documents are tax allowable, including the following:

Type of expense	Exemption limit (%)
Interest expense incurred for the acquisition of 100% of the share capital of a subsidiary company (applicable from 1 January 2012) if the subsidiary has no assets which are not used in its business	100 (if the subsidiary owns assets not used in the business the amount of interest is restricted on a prorata basis)
Notional interest expense is allowed annually on new capital introduced in a company after 1 January 2015 (Note 1)	80 (Of the taxable income before the deduction of the deemed expense)
Employer's contribution to social insurance and approved funds on employees' salaries	100
80% of the net royalty income, including the net income arising from the disposal of the intangible assets owned by a Cyprus tax resident company. (Note 2)	80
Donations to charities approved by the Council of Ministers	100
Entertaining expenses for business purposes	Lower of 1% of the total gross income or €17,086 or the actual expense

Expenditure for the maintenance of buildings under preservation order (subject to certain conditions)	Up to €700, €1,100 or €1,200 per sq. m. (depending on the size of the building)
Expenditure for the acquisition of shares in an innovative business (abolished as from 1 January 2017)	100

Non-deductible expense

The following expenses are not deductible in calculating taxable income:

Type of expense	Non-deductible
Private motor vehicle expenses	The whole amount
<p>Interest payable or deemed to be payable in relation to the acquisition of a private motor vehicle, irrespective of whether it is used in the business or not, or other asset not used in the business. This restriction is lifted after 7 years from the date of acquisition of the relevant asset</p> <p>Interest expense incurred for the acquisition of shares in a wholly owned (direct or indirect) subsidiary will be deductible for income tax purposes provided that this subsidiary does not own (direct or indirectly) any assets which are not used in the business. If this subsidiary does own (direct or indirectly) assets that are not used in business, the interest expense that corresponds to the percentage of assets not used in the business will not be deductible. This applies to shares acquired from 1 January 2012.</p>	The whole amount
Excess Borrowing Cost (EBC) which exceeds 30% of taxable income before interest, tax, depreciation and amortisation in respect of fixed and intangible assets used in the business (EBITA) (subject to conditions).	In excess of €3m per group per fiscal year

<p>These provisions have not been voted as at the date of issuing this publication and thus are not yet effective. They are expected to be voted on in February 2019 and to have a retrospective effect as from 1 January 2019.</p> <p>Wages and salaries relating to services offered within the tax year on which social insurance and other contributions have not been paid in the year in which they were due will not be tax deductible for the calculation of taxable income.</p> <p>In case the above contributions (including any penalties and interest) are paid within two years following the due date, such wages and salaries will be tax deductible in the tax year in which they are paid.</p>	<p>The whole amount</p>
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Notes

1. Notional interest expense is allowed on the taxable income of a company resident in Cyprus and is calculated, by multiplying a "reference interest rate" on the "new capital" that is issued by the Company. The term "new capital" means the capital that has been contributed to the company after 1 January 2015 and includes the issue of share capital and share premium.

The term "reference interest rate" is the ten year government bond rate of return of the country the new capital is invested in, increased by 3% and cannot be lower than the ten year Cyprus Government bond increased by 3%. Certain anti-avoidance provisions apply.

2. The transitional provisions on the old Cyprus IP Box regime apply to a wide range of IP rights falling within the meaning of the Patent Law, the Intellectual Property Rights Law and the Trademarks Law and apply to 30/6/2021. Under the new IP Box regime only qualifying assets such as patents and software are entitled to this relief assuming they were developed and not acquired by the Cyprus Company.

Tax Incentives offered by the Old IP Box Regime

- i. 80% of any income generated from IP owned by Cypriot resident companies (net of any direct expenses) is exempt from income tax.
- ii. 80% of profit generated from the disposal of IP by Cypriot resident companies (net of any direct expenses) is exempt

from income tax.

- iii. Any expenditure of a capital nature for the acquisition and/or development of IP can be claimed as a deduction in the tax year in which it is incurred and the immediate four years that follow on a straight-line basis.

Any capital gains from the disposal of an IP asset which qualify under the existing regime but no benefits were claimed such as the 80% exemption will be exempt from income tax. In case a loss arises when calculating the qualifying profits, the amount that can be surrendered and carried forward is restricted to 20%.

Transitional provisions

Businesses with IP assets that already benefit from the provisions of the existing IP Box Regime, will fall under the transitional provisions and will continue to take advantage of Cyprus' existing IP Box Scheme until 30 June 2021, if these:

- Were acquired before the 2nd of January 2016, or
- Were acquired directly or indirectly from related persons between 2nd January 2016 and 30th June 2016, and the acquisition satisfied the provisions of the old IP Box Regime or under the provisions of a similar intangible assets regime of another country assuming the main purpose of the acquisition was not to evade taxation
- Were acquired from a non-related person or developed between 2nd January 2016 and 30th June 2016.

For the purposes of the transitional provisions, intangible assets are considered to be the assets which produced income or their development was completed up until 30th of June 2016.

The new IP box regime

As from 1st July 2016, 80% of the Qualifying Profits derived from a Qualifying Intangible Asset will be considered as a deductible expense. Qualifying intangible assets include Patents as defined in the Patents Law, Computer software and other intangible assets protected by law falling under any of the following categories:

- (a) Utility models, intellectual property assets which provide protection to plants and generic material, orphan drug designations and patent extensions;
- (b) That are nonobvious, useful and novel, where the person who utilises them in the course of his business does not earn gross income in excess of €7.500.000 per year out of all the intangible assets. In the case of a group of such persons, the group should

not have a turnover of more than €50,000,000. For the above calculation an average of five years should be used.

Qualifying profits means the amount resulting from the application of the following formula:

$$\text{Overall Income} \times \left[\frac{\text{Qualifying Expenditure} + \text{Uplift Expenditure}}{\text{Overall Expenditure}} \right]$$

In case a loss arises when calculating the qualifying profits, the amount that can be surrendered and carried forward is restricted to 20%. In case of an intangible asset falling under both the provisions of the existing and the new IP Box Regime, the existing regime will apply until this is fully phased out.

The taxpayer has the right for every tax year not to claim all or part of the deduction offered by the new IP Regime.

Tax losses

The tax loss incurred during a year which cannot be set off against other income is carried forward subject to conditions and set off against the profits of the next five years.

Set-off of group losses are allowable only with profits of the same fiscal year between the Cyprus tax resident Companies of a group. A company incorporated by its holding company during the year is considered as member of the group for the whole year of assessment.

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

- One is a 75% subsidiary (directly or indirectly) of the other; and
- Both companies are 75% subsidiaries of a third company (directly or indirectly).

As from 1 January 2015 two companies can be considered as members of the same group if they are residents of another EU member state or of a state with which Cyprus has concluded a bilateral or multilateral convention for the avoidance of double taxation or the exchange of information.

A partnership or a sole trader converted into 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.

Annual wear and tear allowances on fixed assets

The following allowances which are given as a percentage on the cost of acquisition are deducted from the chargeable income; however for assets acquired in the period 2012-2018 the rates of capital allowances on plant and machinery are increased to 20% and for hotel, industrial and agricultural buildings to 7%, if lower

Fixed assets	%
A. Plant and machinery	
Plant and Machinery	10
Furniture and fittings	10
Industrial carpets	10
Boreholes	10
Machinery and Tools used in Agriculture	15
Plant and Machinery (acquired during tax years 2012-2018) except assets which are already eligible for a higher annual tax rate of capital allowances	20
B. Buildings	
Commercial Buildings / Flats	3
Industrial, agricultural and hotel buildings	4
Industrial and hotel buildings (acquired during tax years 2012-2018)	7
Metallic greenhouse structures	10
Wooden greenhouse structures	33 1/3
C. Computer Hardware and software	
Computer hardware and operating systems	20
Application software	
Up to €1,708.60	100
Over €1,708.60	33 1/3
D. Vehicles and Means of Transportation	
Motor vehicles (except for private saloon cars) and motorcycles	20
Tractors, excavators, cranes, bulldozers, forklifts and oil barrels	25
New airplanes	8
New Helicopters	8
E. Boats	
Sailing vessels	4.5
Steamers, tugs and fishing boats	6
Shipmotor launches	12.5

New cargo vessels	8
New passenger vessels	6
F. Other	
Photovoltaic Systems	10
Wind Power Generators	10
Tools in general	33 1/3
Videotapes used by video clubs	50
Televisions and Videos	10

Special type of companies

A. Shipping and Ship Management Companies

Tonnage Tax

The Merchant Shipping Law provides full exemption to ship owners, charterers and ship managers from all profit taxes by imposing a TT on the net tonnage of the vessels, given that they are 'qualifying persons' who own, charter or manage a 'qualifying ship' in a 'qualifying shipping activity', as defined below:

Definitions:

Qualifying persons are tax-resident owners or charterers (bareboat, demise, time and voyage) of Cyprus ships, EU ships or fleets of ships comprising of EU and non-EU ships, and ship managers providing technical or crewing services, or both.

Qualifying activity for ship owners and charterers means maritime transport of goods or people between Cyprus ports and foreign ports/ offshore installations, or between foreign ports or offshore installations and specifically includes towage, dredging and cable laying.

Qualifying activity for ship managers, means services provided to a ship owner or bareboat charterer on the basis of a written agreement in relation to crew and/or technical management and/ or both.

Qualifying vessel means a sea going vessel that has been certified in accordance with international principles and legislation of the flag country and that is registered in the register of a member country of the International Maritime Organization / the International Labour Organization. The definition includes vessels that transport humanitarian aid but excludes the following vessels:

- fishing and fish factory vessels;
- Vessels used primarily for sport or recreation;
- Vessels constructed exclusively for inland waterway navigation;
- Harbour, estuary and river ferries and tug boats;
- Fixed offshore installations which are not used for maritime transport;
- Non self-propelled floating cranes;
- Non-ocean going tug boats;
- Stationary vessels employed for hotel and/or catering operations (floating hotels or restaurants)
- Vessels employed mainly as gambling facilities and/or casinos (floating or cruising casinos).

We note below how the Law is applied to the ship owners, charterers and ship managers, respectively, the tonnage tax rates applicable and the relevant tax exemptions:

Application of the Law to 1) ship owners, 2) charterers and 3) ship managers:

1) Ship Owners:

Applies to any Owner of a qualifying vessel who is engaged in a qualifying activity;

- Ship owners of Cyprus flag ships fall within the scope automatically;
- Ship owners of foreign flag vessels may opt to be taxed under the TT system subject to the following requirements: **a.** 60% of the fleet comprises Community flag ships. If this is not satisfied then a share of the fleet must consist of community flag ships, which share must not be reduced in the three-year period following the exercise of the option (subject to further exceptions); and the commercial - strategic management must be carried out from the EU/European Economic Area; **b.** once opting to use the TT system, you must stay within the system for a period of ten years; if you withdraw prematurely, then you will be required to pay the difference between the amount paid during the period the ship owner was under the TT system and the equivalent amount that would have been paid had it been subject to corporation tax during that period.

Tonnage tax rates applicable:

Units Of Net Tonnage	€ TT Per 100 Units
0-1,000	36.50
1,001-10,000	31.03
10,001-25,000	20.08
25,001-40,000	12.78
>40,000	7.30

Corporation Tax Exemption

The Exemption covers:

- Profits from shipping operations
- Dividends paid directly or indirectly out of profits as mentioned above, including profit from disposal of ships
- Interest earned on funds used as working capital or for the

financing / operation / maintenance of a qualifying ship, excluding interest on capital used for investments.

2) Charterers:

Any Charterer, who is Cyprus tax resident, who charters a qualifying ship under bareboat, demise, time or voyage charter, engaged in a qualifying activity may opt to be taxed under the TT system, provided that:

- The tonnage of the ships under time and/or voyage charters does not exceed 75% of the total tonnage of ships chartered and owned for more than three consecutive years, subject to further exceptions;
- If a mixed fleet (consisting of both Community and non-Community ships), at least 60% of the fleet should be Community ships; If less, a share of the fleet should be Community ships and that share should remain unchanged or increased within a period of three years from the election date, subject to further exceptions.
- Once opting to use the TT system, you must stay within the system for a period of ten years; if you withdraw prematurely, then you will be required to pay the difference between the amount paid during the period the ship charterer was under the TT system and the equivalent amount that would have been paid had it been subject to corporation tax during that period.

Tonnage tax rates applicable:

Units Of Net Tonnage	€ TT Per 100 Units
0-1,000	36.50
1,001-10,000	31.03
10,001-25,000	20.08
25,001-40,000	12.78
>40,000	7.30

Corporation Tax Exemption

The Exemption covers:

- Profits from shipping operations
- Dividends paid directly or indirectly out of shipping profits
- Interest earned on funds used as working capital or for the payment of expenses arising out of the charter party, excluding interest on capital used for investments.

3) Ship Managers:

Any ship manager, who is Cyprus tax resident, and provides crew and/or technical ship management services to a qualifying ship, engaged in a qualifying activity, may opt to be taxed under the TT system, provided the following criteria are satisfied:

- Maintenance of a fully-fledged office in Cyprus; employment of at least 51% of EU/EEA citizens; 2/3 of the management being carried out from EU/EEA territory; compliance with certain international standards (maritime security, safety, training, certification of seafarers, environmental issues, on-board working conditions, full implementation of the Maritime Labour Convention) etc; at least 60% of the fleet managed in terms of tonnage should comprise Community ships, if less, the community flag share should not be reduced for a period of three years (subject to further exceptions);
- Once opting to use the TT system, you must stay within the system for a period of ten years, if you withdraw prematurely, then you will be required to pay the difference between the amount paid during the period the ship manager was under the TT system and the equivalent amount that would have been paid had it been subject to corporation tax during that period.

Tonnage tax rates applicable:

Units Of Net Tonnage	€ TT Per 400 Units
0-1,000	36.50
1,001-10,000	31.03
10,001-25,000	20.08
25,001-40,000	12.78
>40,000	7.30

Corporation Tax Exemption

The Exemption covers:

- Profits from the provision of crew and/or technical ship management services to any qualifying ship
- Dividend paid directly or indirectly from the above profit
- Interest earned on funds used as working capital or for the payment of expenses arising related to the management of the ships, excluding interest on capital used for investments

B. Insurance companies

Profits of insurance companies are liable to corporation tax as all other Companies, except in the case where the corporation tax payable on the taxable profit of life insurance business is less than 1,5% on gross premiums. In this case the minimum tax is 1.5% on gross premiums.

Financing Companies: Back-to-Back Loans

Loans provided to or obtained by a Cyprus Company require the interest rate to be determined on an arm's length basis and from 1/7/2017 to either be supported by a Transfer Pricing Study or have a post tax margin of 2%. For periods before that the minimum profit margins acceptable for a Cyprus tax resident company which is raising from granting loans to related companies (subject to conditions) were:

- a. For the period of 2003-2007 the minimum profit margin acceptable is 0.30% irrespective of the loan amounts.
- b. from 2008 to 30/6/2017, the accepted minimum profit margin rates were as follows:

Loan amount	Profit margin
Less than Eur 50mln	0.35%
Eur 50mln - Eur 200Mln	0.25%
Over Eur 200mln	0.125%

C. Controlled Foreign Companies (CFCs)

The undistributed income of a Controlled Foreign Company (CFC) or of a foreign permanent establishment is added to the taxable income of the controlling company resident in the Republic, subject to certain exceptions.

These provisions have not been voted as at the date of issuing this publication and thus are not yet effective. They are expected to be voted and to have a retrospective effect from 1 January 2019.

Any foreign tax paid on the income of the CFC is credited against income tax payable in the Republic.

Special Contribution For Defence Fund

Special contribution for defence (SDC) is imposed on dividend income, 'passive' interest income and rental income earned by Companies tax residents in Cyprus and by individuals who are both Cyprus tax residents and Cyprus domiciled.

Such tax is charged at the rates shown in the table below and levied on the gross income received or credited.

Tax Rates

	Individuals % (1)	Legal Entities %
Dividend income from Cyprus tax resident Companies.	17 (6)	Nil (2)
Dividend income from non-Cyprus resident Companies.	17 (6)	Nil (3)
Interest income arising from the ordinary activities or closely related to the ordinary activities of the business (active income) and interest earned by an open or close collective investment scheme.	Nil	Nil
Other interest income	30 (4) (6)	30 (4) (6)
Rental income minus 25%.	3 (5) (6)	3 (5) (6)

Notes

1. An individual who is a Cyprus Tax Resident is subject to both Income Tax and Special Defence Contribution. As from 16 July 2015, an individual who is a tax resident of Cyprus under the provisions of the Income Tax Law but is 'non-domiciled' in the Republic of Cyprus, will be exempt from SDC. An individual is domiciled in the Republic if he has a domicile of origin in the Republic of Cyprus according to the provisions of the Wills and Succession Law (subject to conditions) or if he has been a Cyprus tax resident for a period of at least 17 out of the last 20 years before the relevant tax year.
2. Dividends received by a Cyprus tax resident company from other Cyprus tax resident companies are excluded from defence tax, subject to anti-abuse provisions and unless dividends are indirectly declared after the lapse of four years from the end of the year in which the profits were generated. In such case 17% defence tax will be imposed if the ultimate beneficial owner is a Cypriot tax resident and domiciled. Any dividends deriving directly or indirectly from such dividends on which Special Defence Contribution has already been paid are exempt from Special Defence Contribution.
3. Dividend income from abroad is taxable under defence contribution at 17% provided that:
 - More than 50% of the income of the company paying the dividends derives directly or indirectly from investment activities, and
 - The tax paid by the foreign subsidiary is significantly lower than that of Cyprus (Effective tax lower than 6.25%).
4. Interest income earned by an individual deriving from Cyprus Government Savings Bonds, Cyprus Government Development bonds or interest earned by an approved provident fund is subject to a defence tax rate of 3%. In addition individuals, whose annual income (including interest), does not exceed the amount of €12,000 the rate on all interest income is reduced to 3%.
5. For rental income where the tenants are Cypriot companies, partnerships, the Government and Local Authorities, the tenants have an obligation to withhold Special contribution for defence from the rental payments and to pay the tax by the end of the month following the month in which it was withheld. In all other cases the Special contribution for defence on rental income is payable by the landlord in 6 month intervals on 30 June and 31 December each year.

6. The Special contribution for defence on interest and dividends paid to Cyprus tax residents and domicile in Cyprus is withheld at source and is payable at the end of the month following the month in which the income was paid. For interest, dividend and rental income received from abroad the Special contribution for defence is payable in 6 month intervals ending on 30 June and 31 December each year.

Deemed Dividend Distribution

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

- 70% of its accounting profits (as adjusted for Special contribution for defence purposes) are deemed to have been distributed as a dividend.
- 17% special contribution for defence is imposed on deemed dividend distribution applicable to shareholders who are tax residents of Cyprus and domicile in Cyprus. The criterion of domiciliation was introduced in the law on 16 July 2015.
- Profits subject to deemed distribution are reduced with payments of actual dividends paid during the two years from the profits of the relevant year.

When an actual dividend is paid after the 2 year period, defence tax is imposed only on the additional dividend paid over and above the deemed dividend.

The profits of a Cyprus Tax resident Company which are attributable either directly or indirectly to shareholders who are not Cyprus tax residents or Cyprus tax residents but not domiciled are not subject to deemed dividend distribution.

Furthermore, in case where such non-Cyprus tax resident shareholders or resident but non domiciled shareholders constitute 100% of the ultimate shareholders of the company, the company is not required to submit a deemed dividend distribution return.

Instead, the company's directors and auditors are required to submit declarations confirming that 100% of the shareholders of the company are directly and/or indirectly non-Cyprus tax residents.

Dissolution Of Companies

The total profits of the last five years prior to the dissolution not yet distributed as dividends are deemed to be distributed at the dissolution stage and will be subject to Special Defence Contribution at the rate 17%. The declaration of deemed distribution and the payment of the relevant Special Contribution to Defence Fund must be made within 30 days from the date of the resolution for liquidation.

These provisions do not apply in the case of dissolution under reorganization, as defined in the Income Tax law.

Reduction Of Capital

In the case of a reduction of capital of a company, any amounts due or paid to the shareholders in excess of the paid up share capital will be considered as dividends distributed subject to special defence contribution at the rate of 17% after deducting any amounts which have already been deemed as distributable profits.

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 Tax Treaty.

Capital Gains Tax

Capital gains tax is imposed on gains from the disposal of real estate situated in Cyprus including gains from the disposal of shares in companies, which own directly or indirectly real estate situated in the Republic and such shares are not listed in stock markets.

The indirect criterion applies only in case the value of the real estate represents more than 50% of the value of the assets of the company whose shares are being sold.

Tax Rate And Determination Of Profit

The tax is imposed on the net profit from disposal at the rate of 20%. The tax is payable within one month from the date of the disposal.

The net profit is calculated as the disposal proceeds, less the market value on 1 January 1980 and any costs incurred thereafter adjusted for inflation. Inflation is calculated using the official Retail Price Index.

Exemptions

The following disposals of real estate are not subject to Capital Gains Tax:

- Any gains from the subsequent disposal of real estate acquired between 16 July 2015 and 31 December 2016 if purchased at market value from a non-related party and not through a donation/ gift or an exchange.
- Transfer arising on death;
- Gift made from parent to child or between husband and wife or between relatives up to third degree;
- Gift to a limited 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 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 recipient for at least 3 years;

- Gift to charities and Government;
- Transfer of shares or real estate as a result of reorganization as defined in the Income Tax law;
- Exchange or disposal of real estate 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 wife whose marriage has been dissolved following a court order or the transfer of property between ex husband and wife in the process of settling their matrimonial affairs but subject to a court order.
- Donation to a political party
- Transfer through a lease or reverse lease agreement registered at the Lands and Surveys Department

Lifetime Exemptions For Individuals

Individuals can deduct from the capital gain the following:

Disposal of principal private residence	€ 85,430
Disposal of agricultural land by a farmer	€ 25,629
Disposal of any other property	€ 17,086

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.

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 only on income accrued or derived from sources in Cyprus.

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 or if he stays in Cyprus for 60 only days but at the same time :

- (a) He holds an office or is an employee or has a business in Cyprus and
- (b) He has a home in Cyprus which is either owned or rented and
- (c) He is not tax resident in any other country and he has not spent more than 183 days in any other country.

Tax Residents

Tax residents in Cyprus are taxed on their worldwide income. Income can come from:

- Income from trade
- Income from any office or employment;
- Dividends and interest;
- Rents and royalties from real estate or intellectual property;
- Pensions and annuities;
- Any amount or consideration in respect of any trade goodwill reduced by any amount incurred for the purchase of such trade goodwill
- Loans or financial assistance from a company to a director, shareholder or relative up to second degree are taxable as a monthly benefit in kind equal to 9% per annum on the loan amount, payable on a monthly basis by the company under the PAYE system.

Non-tax residents

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.
- Loans or financial assistance from a company to a director, shareholder or relative up to second degree are taxable as a monthly benefit in kind equal to 9% per annum on the outstanding amount of the loans, payable on a monthly basis by the company under the PAYE system. This is applicable as from 1/1/2018.

Personal tax rates

The following income tax rates apply to individuals:

Chargeable income €	Tax rate %	Tax amount €	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
36,301-60,000	30	7,110	10,885
Over 60,000	35	-	-

Exemptions from income tax

The following are exempt from income tax:

Type of income	Exemption limit (%)
Profits from the sale of securities* (Note1)	100
Income from dividends	100

Interest, except interest arising from the ordinary business activities or closely related to the ordinary business activities of an individual	100
Profits from a permanent establishment maintained outside the Republic (subject to certain conditions) (Note2)	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
<p>Remuneration from employment that exceeds €100,000 per annum by an individual who was not tax resident of Cyprus before the commencement of his employment in Cyprus. This exemption applies to persons who are tax or non-tax residents of Cyprus for the first 10 years for employments commencing as from 1st January 2012.</p> <p>For employments which commence after 1st January 2015, the individual will be entitled to this benefit only if he was not tax resident of Cyprus for any 3 out of the last 5 tax years prior to the commencement of his employment in Cyprus and at the same time he was not tax resident of Cyprus the previous year.</p>	50% of the remuneration
<p>Remuneration from any office or employment exercised in Cyprus by an individual who was not resident of Cyprus before the commencement of his employment for a period of 5 years from 1st January following the year of commencement of the employment.</p> <p>The exemption can only be claimed until the year 2020.</p>	20% of the remuneration with a maximum of €8,550 annually
Lump sum payment on retirement, commutation of pension or compensation for death or injuries	100

Capital sums from life insurance schemes or from approved provident funds	100
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Notes

- (1) Securities are those listed as per Note 1 of Chapter 1: Corporation Tax.
- (2) As from 1 July 2016, taxpayers have the right to elect to tax the profits of a foreign PE. At the same time the taxpayers can benefit from the tax credit for any foreign taxes incurred on the foreign PE profits, irrespective of the existence of a Double Tax Treaty.

Tax deductions from income

The following are deducted from income:

Type of expenses	Deduction limit (%)
Subscriptions to trade unions or professional bodies	100
Rental income	20% of the rental income
Donations to approved charities (with receipts)	100
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)
Social insurance, provident fund, medical fund (maximum 1.5 % of remuneration), pension fund contributions and life insurance premiums (maximum 7% of the insured amount) (Note1)	Up to 1/6 (of the chargeable income)
As from 1 January 2017, the cost of investment in an approved innovative small and medium sized business (Note 2)	Up to 50% of the taxable income (Note 2)

Notes

1. 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 was previously allowed, is taxable.
 - Cancellation within 3 years 30%
 - Cancellation between 4 to 6 years 20%
2. Subject to a cap of 50% of the taxable income of the individual in the year the investment is made (with a maximum deduction of €150.000 per year). Any unutilized deduction can be carried forward and claimed within the next 5 years.

Special Mode of Taxation

A. Pension income from services rendered abroad

The pension income of any individual resident in the Republic, which arises from services rendered abroad, may be taxed at a rate of 5% for amounts exceeding €3.420 per annum.

The taxpayer has the right to choose to be taxed either under this special mode of taxation or under the normal personal income tax rates (Chapter 4). If the latter is chosen the pension is added to the individual's aggregate taxable income.

B. Widow's pension

The total amount of a widow's pension received from the Social Insurance Fund and/or other approved pension funds may be taxed at the flat rate of 20% on amounts exceeding €19.500. The taxpayer can however elect to be taxed in accordance with the normal personal income tax rates (Chapter 4) by adding the pension to his or her other income.

C. Variable remuneration of individuals employed in the Funds industry

The variable remuneration of employees of:

- a management company
- a management company which has assigned its portfolio or risk management to a company for Collective Investments in Transferable Securities (UCITS)
- an internally managed UCITS which is connected to the carried interest, is taxed at the flat rate of 8% with a minimum tax liability of €10.000 per annum (subject to conditions). Qualifying employees can elect to be taxed under this special mode of taxation on an annual basis for a 10 year period or otherwise be taxed in accordance with the normal personal income tax rates (Chapter 4).

D. Income arising from intellectual property rights

The gross income arising from intellectual property rights, other exploitation rights, compensations or other similar income arising from sources within the Republic, of a person who is not resident in the Republic which does not arise from a permanent establishment in the Republic, is subject to withholding tax at a rate of 10% (unless a tax treaty provides for a lower tax rate).

Royalties received by a connected company registered in a European Union Member State are exempt from withholding tax (subject to conditions).

Rights granted for use outside the Republic are not subject to any withholding tax.

E. Film royalties etc.

The gross income derived by a non-resident person in respect of royalties arising from film projection in the Republic is subject to withholding tax at a rate of 5% (unless a tax treaty provides for a lower tax rate).

Royalties received by a connected company registered in a European Union Member State are exempt from withholding tax (subject to conditions).

F. Profits of professionals, entertainers

The gross income derived by an individual not resident and not arising from a permanent establishment in the Republic from the exercise in the Republic of any profession or vocation, the remuneration of public entertainers not resident in the Republic, and the gross receipts of any theatrical or musical or other group of public entertainers, including football clubs and other athletic missions from abroad, deriving from performances in the Republic is subject to a 10% withholding tax (unless a tax treaty provides for a lower tax rate).

G. Income from Oil & Gas related activities

The gross amount or other income deriving from sources within the Republic by any person who is not resident in the Republic, which does not arise from a permanent establishment in the Republic, but as consideration for services carried out in the Republic for 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 sea level, is subject to tax at the rate of 5% (unless a tax treaty provides for a lower tax rate).

H. Income from technical assistance

The gross income arising from sources within the Republic, as consideration for technical assistance provided by any person who is not resident in the Republic, is subject to a 10% withholding tax. Such income is exempt from withholding tax if the services are provided by a permanent establishment in Cyprus.

I. Payment of tax withheld

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

In case where the tax withheld is not paid within the deadline, an additional penalty of 5% is imposed on the tax withheld in addition to any interest that may be imposed.

Example Of Personal Tax Computation

	€	€	€
Salary	42.000		
Rental Income	5.000		
Interest receivable	300		
Dividends receivable	250		
Social insurance contribution	3.276		
Life insurance premiums	3.200		
Insured amount	40.000		
Donations to approved charities	172		

Professional subscriptions	400		
Provident fund contributions	3.000		
Special Contribution for private employees	330		
Tax Computation			
Salary	42.000		
Rental Income	5.000		
Dividends receivable (exempt)	-		
Interest receivable (exempt)	-		
Total income			47.000
Deductions			
Professional subscriptions		400	
Special Contribution for private employees		330	
Donations		172	
20% of rental income		1.000	1.902
Net total income			45428
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+3,276+2,800=9,076 Restricted to 1/6 of 45,428)			7,571
Taxable Income			37.857
Tax Payable			
First €19.500	0	0	
Next €8.500	20%	1.700	1.700
Next €8.300	25%	2.075	3.775
Rest €1.282	30%	467.10	4242.10
Income tax payable			4242.10
Special contribution for Defence			
Dividends receivable €250*17%			43
Interest receivable €300*30%			90
Rent receivable €5,000-25%=€3,750*3%			113
Special defence contribution payable			246

Social Insurance

	2018	2019
Self-employed individual	14.6%	15.6%
Employee	7.8%	8.3%
Employer	7.8%	8.3%
Employer's contribution to the Redundancy Fund Employer's contribution to the	1.2%	1.2%
Industrial Training Fund	0.5%	0.5%
Employer's contribution to the Social Cohesion Fund*	2.0%	2.0%
Employer's contribution to the Holiday Fund (if it is not exempt)	8.0%	8.0%
The State	4.6%	4.9%
*The amount of contribution to Social Cohesion Fund is calculated on the total emoluments with no upper limit.		

Maximum limit of emoluments

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

	Per week €	Per month €	Per year €
Weekly employees	1.051	-	54.652
Monthly employees	-	4.554	54.648

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 such as:	€
Medical Doctors, Pharmacists, Health professionals, Accountants, Economists, Lawyers and other Liberal persons:	
- for a period under 10 years	20.032
- for a period over 10 years	40.520
Wholesales, estate agents and other businessmen	40.520
Builders and other related businesses	24.586
Guards, messengers, cleaners and shop owners	18.667
Drivers of transportation media, operators of Excavators and similar occupations	19.577
Farmers, stockbreeders, fishermen, traveling salesmen and similar occupations	13.659
Agents, musicians, designers and persons not included under any other occupational category	5.008

National Health System Law

Introduction of contributions effective from 1 March 2019

Contributions	01/03/2019 – 29/02/2020	01/03/2020 - onwards
Employees/retirees/ income earners	1,70%	2,65%
Employers	1,85%	2,90%
Self-employed	2,55%	4,00%
The state	1,65%	4,70%

For the purposes of calculating the contribution, there is a threshold on the tax base of €180.000 (including dividends, interest and rental income) per annum.

Value Added Tax

Value Added Tax is imposed on the supply of all goods and services in Cyprus, on the importation of goods from third countries and on the acquisition of goods from other EU member states.

Taxable persons charge VAT on their taxable supplies (output tax) and have the right to claim VAT suffered on goods and services, which they receive (input tax) for the purpose of their business.

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, the excess amount is carried forward and can be claimed against any future output VAT.

Refund of any excess VAT can be claimed from the state in the following cases:

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

For intra-community acquisition of goods (with the exception of goods subject to excise duty) the trader does not pay VAT on receipt of the goods in Cyprus, but instead accounts for VAT using the Reverse Charge Principle; that is to account for both input and output VAT, provided it relates to supplies for which the right to recover input VAT is granted.

In cases where the right to recover the input VAT is not granted, the trader must pay the output VAT accordingly.

The following VAT rates apply to the taxable supplies:

- Zero rated (0%);
- Reduced rate (5%)
- Reduced rate (9% as from 13 January 2014)
- Standard rate (19% as from 13 January 2014)

Exemptions

Certain goods or services are exempt from VAT including:

- Letting of immovable property to 12/11/2017 and thereafter by specific application to the Commissioner of Taxation;
- Leasing of buildings used for private residential purposes
- Most medical, hospital and dental services;
- Most banking, insurance and financial services;
- Educational services under certain conditions;
- Supply of land and second hand buildings; land is taxable as from 2/1/2018 except for agricultural land, animal farmland, or land located in areas which are not intended for development such as zones in environmental protection or archeological zone.
- Supply of real estate for which a valid application for planning permission was submitted before 1st of May 2004
- Management services provided to mutual funds;

Difference between zero rated and exempt supplies

Zero rate is a taxable rate and an obligation for registration is compulsory once the criteria are met; they are entitled to recover VAT charged on purchases, expenses and imports, whilst businesses engaged in exempt activities are not eligible to recover VAT paid and/or suffered on those expenses.

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; (subject to exceptions)
- Expenditure for entertainment of persons other than staff (employees and directors)

Registration

A person/company is obliged to register for VAT when:

- At the end of any month, if the value of the taxable supplies (supplies taxed at zero and/or reduced and/or standard rates) exceed €15,600 during the preceding 12 months.
- At any point in time, if there are reasonable grounds for believing that the value of the taxable supplies in the following 30 days will exceed €15,600
- It provides services to a business established in an EU member state. No registration threshold exists in this case.
- It purchases goods from businesses established in EU member States (Intra-Community acquisitions) the value of which exceeds €10,251.61
- It acquires a company on a going concern basis.
- A taxable person from abroad makes distance sales with registration threshold of €35,000.
- A business with turnover of less than €15,600 or with supplies that are outside the scope of VAT but for which the right to claim input VAT is granted, has the option to voluntarily register.

VAT declaration, payment/refund

VAT returns are electronically submitted quarterly within 40 days from the end of each quarter. The payment due to the authorities must be made prior to submitting the return.

Where in a quarter input tax is higher than output, the difference is either refundable or is transferred to the next VAT quarter to be credited against any payable amount.

As from 19 February 2013 claims for VAT refunds will be entitled to repayment of the VAT amount with interest, where the repayment is delayed for a period in excess of 4 months from the date of submitting the claim. The period of repayment is extended for another 4 months in the cases where the Commissioner is carrying out an investigation regarding the claim.

International Business Companies (IBCs)

IBCs are subject to the same registration rules as companies involved in taxable activities locally. However the activities of most IBCs fall outside the scope of VAT thus there is no obligation for registration. IBC's have the option of voluntary registration; this enables them to be refunded VAT paid on Cypriot expenses.

(a) Intra-community trade

This refers to the supply of goods between EU Member States and their VAT treatment. The sale is taxed at zero rate if the following criteria are satisfied:

- The seller has adequate proof that the goods have left the State.
- The goods have been transferred to another Member State and the seller maintains adequate evidence to that effect.
- The buyer is an EU VAT registered person and the VAT number of the buyer is recorded on the invoice.
- The goods sold are not goods for which the seller is taxed under the provisions of the margin scheme.

With regard to intra-community acquisitions the trader does not pay VAT on the receipt of the goods in Cyprus but instead 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 is related to taxable supplies thereby creating no cost to the business (reverse charge rule), provided that the acquisition relates to supplies for which the right to recover input VAT is granted.

(b) Triangular trade

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

1. General Rule / Place of supply of services

The main rule states that services are taxable in the country where the recipient of the service is established.

Supplier	Client	Treatment
Cyprus VAT registered Company	Cyprus VAT registered Company	Cyprus VAT charge
Cyprus VAT registered Company	Non EU active company	No VAT charge

Cyprus VAT registered Company	EU VAT registered Company	VAT in the country of the recipient (EU) (reverse charge rule applies)
Cyprus VAT registered Company	EU Non VAT registered Company	Cypriot VAT charge
EU VAT registered Company and Non EU Company	Cyprus VAT registered Company	Self account for VAT using the reverse charge mechanism. If the Cyprus company is partially a business person, input VAT claimed is restricted only to taxable activities.

Examples of services:

1. Transfers and assignments of copyrights, patents, licenses, trademarks and similar rights.
2. Advertising services.
3. Services of consultants, engineers, consultancy bureau, lawyers, accountants and other similar services; data processing and provision of information (but excluding from this category any services relating to land).
4. Acceptance of any obligation to refrain from pursuing or exercising, in whole or part, any business activity or any such rights as are referred to in paragraph 1 above.
5. Banking, financial and insurance services (including reinsurance, but not including the provision of safe deposit facilities).
6. The provision of access to, and of transport or transmission through, natural gas and electricity distribution systems and the provision of other directly linked services.
7. The supply of staff.
8. The letting on hire of goods other than means of transport.
9. The services rendered by one person to another in procuring for the other any of the services mentioned in 1-8 above.

Special Rules / Place of Supply Services

1. Services relating to a specific real estate
2. Admission to cultural, artistic scientific, educational, entertainment and similar services, the organization of trade and other exhibitions
3. Ancillary services relating to the above
4. Passenger transport
5. Restaurant and catering
6. Restaurant and catering on board a ship/aircraft/train

7. Short-term hiring of means of transport (continued use for up to 30 days for motor vehicles and 90 days for vessels).

As from 1 January 2011 services other than admission to cultural, artistic scientific, educational, entertainment and similar services, are where the recipient is established.

As from January 2013 the long term hiring of means of transport to consumers (individuals and business not registered for VAT) is taxable where the customer usually resides.

In regards to the long-term hiring of pleasure boats the place of supply is where the pleasure boat is actually put on the disposal of the customer as long as the service is provided from the place where the supplier has established his business.

Until 31 December 2012 the above mentioned services were taxed at the place of where the provider had, established his business.

II. Additional Reporting requirements

VIES (VAT Information Exchange System)

VAT registered businesses involved in intra-community trade, triangular trade and the provision of services within European Union territory, summary details of those supplies must be returned to the VAT authorities on a monthly basis, electronically through the Taxisnet website, 15 days following the month of reporting. This return, known as the VIES return, was created to enable the authorities in each EU Member State to ensure that Intra-Community transactions are properly recorded and accounted for.

INTRASTAT (Intracommunity Statistics)

Businesses engaged in intra-Community trade are also obliged to make a periodic INTRASTAT return, for statistical purposes, where the value of acquisitions from other Member States for 2017 exceeds €100,000 per annum or the value of dispatches to other EU Member States exceeds €55,000 per annum. The statistical thresholds are subject to annual changes.

Intrastat return is submitted monthly, 10 days following the month of reporting.

8th Directive Refunds

As of the 1st of January 2010, EU companies are able to reclaim foreign VAT, by applying electronically in their own state.

The resident member state will forward the VAT refund claims electronically to the member states concerned by 30 September

of the calendar year following the period to which the VAT relates. Minimum amount for an application per member state is €400 (or equivalent).

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 each return
- Late payment of outstanding tax is charged with a 10% flat charge on the outstanding amount plus interest
- Late submission of Intrastat form €15.00
- Late submission of VIES form €50.00 for each return
- Late submission of corrective VIES return €15.00 for each return
- Omission to submit the VIES return constitutes a criminal offence with a maximum penalty of €850.00.

VAT on the acquisition and/or construction of primary residence - Imposition of the reduced rate of 5%

The reduced rate of 5% applies to contracts that were concluded from 1 October 2011 onwards provided they relate to the acquisition and/ or construction of residences to be used as the primary and permanent place of residence for the next 10 years.

Qualifying property is a property for which an application was submitted for the issue of a planning permission after 1st May 2004. On 18 November 2016, a legislative amendment came into force that removed the previous restriction of the total covered area not to exceeding 275 sqm. According to the amendment, the reduced rate of 5% is applied only on the first 200 sqm. (extended for families with more than three dependants, by 15 sqm. for each additional child beyond the three children) and the remaining area is taxed under the standard rate of 19%.

The reduced rate is imposed after obtaining the Commissioner's approval by submitting the relevant application form, accompanied by a number of documents which demonstrate the ownership rights and the fact that the property will be used as the primary and permanent place of residence (i.e. copies of telephone bill, electricity, water, municipality taxes or any other suitable evidence).

Qualifying applicants are persons who are citizens in the Republic of Cyprus or any other EU member state or residents in non-EU member states, who have reached the age of 18 at the date of the application and do not possess any other property which is used as the primary residence in the Republic.

Further to the above, from 8 June 2012, residents of non-EU member states are considered eligible persons provided that the property will

be used as their primary and permanent residence in the Republic.

Within six months from the date the property is inhabited, eligible persons must submit documents (copy of a utility bill, municipal taxes etc.) supporting the fact that the property is used as the primary and permanent residence.

If within a period of 10 years a person ceases to use the property as his primary and permanent residence he must notify the Commissioner within 30 days of doing so and pay the difference in VAT between the standard and the reduced rate, attributable to the remaining period that the property will not be used as the primary and permanent residence. Following a legislative amendment, a person has the right to re-apply for a reduced rate of 5% for a new qualifying property, at any point in time, provided that he has paid the whole difference in VAT between the standard and the reduced rate.

5% is imposed on the renovation and repair of private residences

As from the 4th of December 2015 a reduced rate of 5% is imposed on the renovation and repair of private residences excluding the value of materials where they comprise more than 50% of the value of the service provided. The reduced rate applies only if 3 years have already passed from the date the residence was firstly used.

19% VAT is imposed on the leasing of real estate

As from 13/11/2017 19% VAT is imposed on leasing of real estate (other than residential buildings) when used by a lessee who is a relevant taxable person, performing taxable supplies. The lessor has the right to opt in or out for each individual property by applying to the Commissioner of Taxation in writing.

19% is imposed on the supply of undeveloped building land

As from 2/1/2018 19% VAT is imposed on the supply of undeveloped building land, which is defined as land intended for the construction of one or more buildings in the course of carrying out an economic activity. Effectively all land is included in this definition except for land located in agricultural zones, animal farmalands or land located in areas which are not intended for development such as zones of environmental protection or archeological zone.

Reverse charge on loan restructuring arrangements

As from 2/1/2018, reverse charge is also required for the transfer of real estate under loan restructuring. The imposition of VAT with the reverse charge method from now on will also apply when the borrower transfers real estate property for loan restructuring purposes.

Transfer Fees by the Lands & Surveys Department & Immovable Property Tax

Real-estate transfers are subject to a transfer fee based on the selling price or on the current market value of the property.

The fees charged by the Department of Land and Surveys to the acquirer for transfers of real estate are as follows:

Market Value €	Rate %	Fee €	Accumulated Fee €
First 85,000	3	2,550	2,550
From 85,000 to 170,000	5	4,250	6,800
Over 170,000	8	-	-

However, if VAT is paid on the property, no transfer fees are due. For transfers of real estate where no VAT is paid, the land transfer fees are reduced by 50%.

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

From parents to children	Nil
Between spouses	0.1%
Between third degree relatives	0.1%
To trustees	€50

Value in these cases is the one written on the title deed which refers to values as at 1 January 2013.

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

In the case of companies' reorganizations, transfers of real estate are not subject to transfer fees by the Lands and Surveys Department.

Immovable Property Tax

As of 1 January 2017 immovable property tax is abolished for the tax year 2017 and for each subsequent year. Immovable property tax continues to be imposed by local authorities.

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. A trust is not a separate legal entity.

Trusts have traditionally been very important tax planning devices. Even today a very high proportion of tax saving schemes involves trusts and their duration lasts in perpetuity.

International trusts

Cyprus International Trusts are governed by the International Trusts Law of Cyprus as amended by the House of Representatives on 8th of March 2012. According to the amendments of the Law, a Cyprus International Trust is defined as a trust in respect of which:

- The Settlor is not a tax resident in Cyprus during the calendar year which precedes the year of creation of the trust
- At least one of the Trustees is a tax resident in Cyprus during the trust period
- None of the Beneficiaries are tax resident in Cyprus during the calendar year which precedes the year of creation of trust

Tax new Cyprus International Trusts enjoy important tax advantages, providing significant tax planning opportunities. The following advantages are indicative of the possible options for tax minimization.

- The income and gains of a Cyprus International Trust which are acquired or deemed to be acquired from sources outside Cyprus are not subject to any taxation in Cyprus, provided that the beneficiary is not tax resident Cyprus.
- In the case the beneficiaries of a Cyprus International Trust are non Cyprus tax resident, then, only the income and the gains which are acquired or are deemed to be acquired from sources within Cyprus are subject to taxation in Cyprus.
- Gains on the disposal of assets of an International Trust are not subject to capital gains tax in Cyprus for assets not situated in Cyprus.
- The assets of an International Trust are not subject to estate duty in Cyprus. Estate duty was abolished on 1 January 2000.

Stamp & Capital 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 of Cyprus or business affairs that take place outside of Cyprus are exempt from stamp duty.

Nature of documents subject to stamp duty or other duties

Contracts with fixed amount	
As from 1 March 2013	
• for amounts up to €5.000	0
• for amounts up to €5.001 - €170.000	1.5‰
• More than €170.000	2‰*
Contracts without fixed sum	€35
Customs declaration documents	€18 - €35
Tax Residency certificate issued by Tax Department	€80
Receipts(if not exempt) – for sums of over €4	7 cents
Cheques	5 cents
Letters of credit	€2
Charterparty	€18
Letters of guarantee	€4
Bills of exchange	€1
Bills of lading	€4
Powers of attorney	
• general	€6
• limited	€2
Certified copies of contracts and documents	€2
Ancillary documents	€2

*Capped at a maximum of €20,000.

Nature of documents subject to capital duty

Upon incorporation of a Cyprus company	
Authorized share capital	€105 plus 0.6% on the authorized share capital
Issued share capital	There is no capital duty payable if the shares are issued at their nominal value. There is a €20 flat duty if the shares are issued at a premium
Upon subsequent increases	
Authorized share capital	0.6% on the additional share capital
Issued share capital	€20 flat duty on every issue whether the shares are issued at nominal value or at a premium

Double Taxation Agreement

The following tables give a summary of the withholding taxes provided by the double tax treaties entered into by cyprus.

Paid from Cyprus

	Dividends %	Interest %	Royalties % Used within Cyprus
Non-treaty Countries	0 ⁽¹⁾	0 ⁽¹⁾	5/10 ⁽²⁾
Armenia	0	0	5
Austria	0	0	0
Bahrain ⁽⁵³⁾	0	0	0
Barbados	0	0	0
Belarus	0	0	5
Belgium	0	0	0
Bosnia ⁽²⁶⁾	0	0	5/10 ⁽⁴⁵⁾
Bulgaria	0	0	5/10 ⁽⁴⁵⁾
Canada	0	0	0/5/10 ^{(44) (45)}
China	0	0	5/10 ⁽⁴⁵⁾
Czech Republic	0	0	0/10 ⁽⁴⁹⁾
Denmark	0	0	0
Egypt	0	0	5/10 ⁽⁴⁵⁾
Estonia	0	0	0
Ethiopia	0	0	5
Finland	0	0	0
France	0	0	0/5 ⁽³⁾
Georgia ⁽⁵³⁾	0	0	0
Germany	0	0	0
Greece	0	0	0/5 ⁽⁴⁵⁾
Guernsey ⁽⁵¹⁾	0	0	0
Hungary	0	0	0
Iceland ⁽⁵⁰⁾	0	0	5
India	0	0	5/10 ⁽⁴⁵⁾
Iran	0	0	5/6 ⁽⁵⁶⁾
Ireland	0	0	0/5 ⁽⁴⁵⁾
Italy	0	0	0
Jersey	0	0	0
Kuwait	0	0	5
Latvia ⁽⁵³⁾	0	0	0/5 ⁽⁵⁴⁾
Lebanon	0	0	0
Lithuania ⁽³⁷⁾	0	0	5
Luxembourg	0	0	0
Malta	0	0	5/10 ⁽⁴⁵⁾
Mauritius	0	0	0
Moldova	0	0	5
Montenegro ⁽²⁶⁾	0	0	5/10 ⁽⁴⁵⁾
Norway	0	0	0
Poland	0	0	5
Portugal	0	0	5/10 ⁽⁴⁵⁾
Qatar	0	0	5
Romania	0	0	0/5 ⁽⁴⁸⁾
Russia	0	0	0
San Marino	0	0	0
Serbia ⁽²⁶⁾	0	0	5/10 ⁽⁴⁵⁾
Seychelles	0	0	5
Singapore	0	0	5/10 ⁽⁴⁵⁾
Slovak Republic ⁽²⁰⁾	0	0	0/5 ⁽⁴⁸⁾
Slovenia	0	0	5
South Africa	0	0	0
Spain ⁽⁴¹⁾	0	0	0
Sweden	0	0	0
Switzerland ⁽⁵²⁾	0	0	0
Syria	0	0	5/10 ⁽⁴⁵⁾
Thailand	0	0	5/10 ⁽⁴⁶⁾
Ukraine	0	0	5/10 ⁽⁴⁷⁾
United Arab Emirates	0	0	0
United Kingdom	0	0	0/5 ⁽³⁾

United States	0	0	0
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Received in Cyprus

	Dividends %	Interest %	Royalties %
Armenia	0/5 ⁽³¹⁾	5	5
Austria	10	0	0
Bahrain ⁽⁵³⁾	0	0	0
Barbados	0	0	0
Belarus	5/10/15 ⁽¹⁸⁾	5	5
Belgium	10/15 ⁽⁸⁾	0/10 ^(6,19)	0
Bosnia ⁽²⁶⁾	10	10	10
Bulgaria	5/10 ⁽²³⁾	0/7 ^(6,24)	10 ⁽²⁴⁾
Canada	15	0/15 ⁽⁴⁾	0/10 ⁽⁵⁾
China	10	10	10
Czech Republic	0/5 ⁽²⁹⁾	0	0/10 ⁽³⁰⁾
Denmark	0/15 ^{(6), (33)}	0	0
Egypt	15	15	10
Estonia	0	0	0
Ethiopia	5	5	5
Finland	5/15 ⁽³⁶⁾	0	0
France	10/15 ⁽³⁵⁾	0/10 ⁽¹⁰⁾	0/5 ⁽³⁾
Georgia ⁽⁵³⁾	0	0	0
Germany	5/15 ⁽³⁶⁾	0	0
Greece	25	10	0/5 ⁽¹¹⁾
Guernsey ⁽⁵¹⁾	0	0	0
Hungary	5/15 ⁽⁸⁾	0/10 ⁽⁶⁾	0
Iceland ⁽⁵⁰⁾	5/10 ⁽¹⁵⁾	0	5
India	10 ⁽³⁶⁾	0/10 ⁽¹⁰⁾	15 ⁽¹⁴⁾
Iran	5/10 ⁽⁵⁷⁾	5	6
Ireland	0	0	0/5 ⁽¹¹⁾
Italy	15	10	0
Jersey	0	0	0
Kuwait	0	0	5
Latvia ⁽⁵³⁾	0/10 ⁽⁵⁵⁾	0/10 ⁽⁵⁵⁾	0/5 ⁽⁵⁴⁾
Lebanon	5	5	0
Lithuania ⁽³⁷⁾	0/5 ⁽³⁹⁾	0	5
Luxembourg	0/5	0	0
Malta	0	10	10
Mauritius	0	0	0
Moldova	5/10 ⁽²⁷⁾	5	5
Montenegro ⁽²⁶⁾	10	10	10
Norway ⁽⁴⁰⁾	0/15 ⁽¹²⁾	0	0
Poland	0/5 ⁽³⁵⁾	0/5 ⁽⁶⁾	5
Portugal	10	10	10
Qatar	0	0	5
Romania	10	0/10 ⁽⁶⁾	0/5 ⁽⁷⁾
Russia	5/10 ⁽¹⁶⁾	0	0
San Marino	0	0	0
Serbia ⁽²⁶⁾	10	10	10
Seychelles	0	0	5
Singapore	0	0/7/10 ^{(6), (25)}	10
Slovak Republic ⁽²⁰⁾	10	0/10 ⁽⁶⁾	0/5 ⁽⁷⁾
Slovenia	5	5	5
South Africa	5/10 ⁽²⁸⁾	0	0
Spain ⁽⁴¹⁾	0/5 ⁽³²⁾	0	0
Sweden	5/15 ⁽⁸⁾	0/10 ⁽⁶⁾	0
Switzerland ⁽⁵²⁾	0/15 ⁽³⁸⁾	0	0
Syria	0/15 ⁽⁴²⁾	0/10 ⁽⁴⁾	10/15 ⁽⁴³⁾

Thailand	10	10/15 ⁽²¹⁾	5/10/15 ⁽²²⁾
Ukraine	5/15 ⁽¹⁷⁾	2	5/10 ⁽³⁴⁾
United Arab Emirates	0	0	0
United Kingdom	0/15 ⁽¹³⁾	10	0/5 ⁽³⁾
United States	5/15 ⁽⁹⁾	0/10 ⁽¹⁰⁾	0

- (1) Cyprus tax legislation does not provide any WHT on dividends and interest paid to non-residents of Cyprus.
- (2) Royalties earned on rights used within Cyprus are subject to WHT of 10% with an exception on royalties relating to cinematographic films, where the WHT rate is 5%. Royalties earned on rights used outside Cyprus are not subject to WHT in Cyprus.
- (3) A rate of 5% on cinematographic films and TV royalties.
- (4) Nil if paid to a government/Central Bank/ Public Authority or for export guarantee.
- (5) Nil on literary, dramatic, musical, or artistic work.
- (6) Nil if paid to the government/Central Bank/ Public Authority of the other state.
- (7) 5% rate applies for patents, trademarks, designs or models, plans, secret formulas, or processes, or any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience.
- (8) A rate of 15% if received by a company holding less than 25% of the share capital of the paying company and in all cases if received by an individual.
- (9) A rate of 15% if received by a company controlling less than 10% of the voting power of the paying company and in all cases if received by an individual. If a company controls at least 10% of the voting power of the paying company in order to benefit from the WHT rate of 5% other conditions relating to the income of the paying company need to be satisfied, otherwise a WHT rate of 15%.
- (10) Nil if paid to a government, bank, or financial institution.
- (11) A rate of 5% on film royalties.
- (12) Nil rate applies if the beneficial owner is a company (other than partnership) which holds directly at least 10% of the capital of the company paying the dividend or if the beneficial owner of the shares is the Government of Cyprus or Norway. A rate of 15% in all other cases.
- (13) 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.

Companies controlling at least 10% of the voting shares are entitled to nil WHT.

- (14) A rate of 10% for payments of a technical, managerial, or consulting nature.
- (15) A rate of 5% if received by company (other than partnership) which holds directly at least 10% of the capital of the company paying the dividend. 10% in all other cases.
- (16) A rate of 10% on dividend if paid by a company in which the beneficial owner has invested less than EUR 100,000 in the share capital of the company paying the dividend.
- (17) A rate of 15% if a dividend is paid by a company in which the beneficial owner holds less than 20% of the share capital of the company paying the dividends and the beneficial owner invested less than EUR100.000 in the share capital of the company paying the dividend.
- (18) If investment is less than EUR 200,000, dividends are subject to 15% WHT which is reduced to 10% if the recipient company controls 25% or more of the paying company.
- (19) No WHT for interest on deposits with banking institutions.
- (20) The Cyprus-Czechoslovakia treaty applies with Slovak Republic.
- (21) A rate of 10% on interest received by a financial institution or when it relates to sale on credit of any industrial, commercial, or scientific equipment or of merchandise.
- (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, trademarks, designs or models, plans, secret formulas, or processes.
- (23) This rate applies to companies holding directly at least 25% of the share capital of the company paying the dividend. In all other cases the WHT is 10%.
- (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) A rate of 7% if paid to a bank or financial institution.
- (26) Serbia, Montenegro and Bosnia apply the Yugoslavia/Cyprus treaty.
- (27) This rate applies if received by a company (excluding partnerships) that holds directly 25% of the shares. A rate of

10% applies in all other cases.

- (28) A protocol to the treaty entered into force on 18 September 2015 and may apply retrospectively. 5% if the beneficial owner is a company holding at least 10% of the capital of the dividend paying company. 10% in all other cases.
- (29) This rate applies if received by a company (excluding partnership) which holds directly at least 10% of the share capital of the paying company for an uninterrupted period of no less than one year. 5% applies in all other cases.
- (30) 10% for patent, trademark, design or model, plan, secret formula or process, computer software or industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience.
- (31) A rate of 5% if a dividend is paid by a company in which the beneficial owner has invested less than EUR 150.000.
- (32) A rate of 5% if received by a company holding less than 10% of the capital of the paying company and in all cases if received by an individual or a company not limited at least partly by shares.
- (33) A rate of 15% if received by a company controlling less than 10% of the share capital of the paying company or the duration of any holding is less than one uninterrupted year. A rate of 15% also applies if received by an individual.
- (34) A 5% WHT will be levied on payment of royalties in respect of any copyright of scientific work, any patent, trade mark, secret formula, process or information concerning industrial, commercial or scientific experience. 10% WHT will be levied in all other cases.
- (35) A rate of 10% applies if the recipient company (partnership is excluded) holds directly at least 10% of the share capital of the paying company. 15% in all other cases.
- (36) Prior 1 April 2017, a rate of 15% applies if received by a company controlling less than 10% of the voting power in the paying company and in all cases if received by an individual.
- (37) The treaty with Lithuania is effective from January 1, 2015. This is the first double tax treaty between the two countries.
- (38) 0% if the beneficial owner is a company (other than a partnership) holding directly at least 10% of the capital of the dividend paying company for an uninterrupted period of at least one year (the holding period condition may be satisfied after the date of paying the dividend). 0% if the beneficial owner is a pension fund or other similar institution or relates to the Government of Cyprus or Switzerland. 15% in all other cases.

- (39) A rate of 5% if received by a company (other than partnership) holding less than 10% of the capital of the company paying the dividend and in all cases if received by an individual.
- (40) The treaty with Norway is effective from January 1, 2015. This replaces the previous treaty effective between the two countries.
- (41) The treaty with Spain is effective from January 1, 2015 but the withholding taxes were effective since May 28, 2014. This is the first double tax treaty between the two countries.
- (42) A rate of 15% if received by a company holdings less than 25% of the share capital of the paying company and in all cases if received by an individual or a company not limited by shares.
- (43) 10% rate applies on payment of royalties of any copyright of literary, artistic or scientific work including cinematograph films, and films or tapes for television or radio broadcasting. A rate of 15% applies on payments of royalties of any patent, trade mark, design or model, plan, secret formula or process, or any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience.
- (44) 0% on literary, dramatic, musical, or artistic work excluding motion pictures films and works on film or videotape for use in connection with television.
- (45) The WHT rate of 5% is applicable on cinematographic film royalties.
- (46) 5% WHT applies for any copyrights of literary, dramatic, musical, artistic or scientific work.
- (47) A 5% WHT will be levied on payment of royalties in respect of any copyright of scientific work, any patent, trademark, secret formula, process, information concerning industrial, commercial or scientific experience and cinematographic films.
- (48) 5% rate applies for patents, trademarks, designs or models, plans, secret formulas, processes, or any industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.
- (49) 10% for patent, trademark, design or model, plan, secret formula or process, computer software or industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience.
- (50) The treaty with Iceland is effective from 1 January 2015. This is the first double tax treaty between the two countries.
- (51) The treaty with Guernsey is effective from 1 January 2016.

- (52) The treaty with Switzerland is effective from 1 January 2016.
- (53) The treaty is effective from 1 January 2017.
- (54) Nil rate applies if the payer is a Cyprus resident company and the beneficial owner is a company (other than partnership) that is a resident in Latvia. A rate of 5% in all other cases.
- (55) Nil rate applies if the payer is a Latvian resident company and the beneficial owner is a company (other than partnership) that is a resident in Cyprus. A rate of 10% in all other cases.
- (56) The WHT rate of 5% is applicable on cinematographic film royalties.
- (57) The WHT rate of 5% applies when the beneficial owner of the dividends is a company holding at least 25% of the company paying the dividends. 10% applies in all other cases.
- (58) 0% withholding tax where the beneficial owner is a company that holds at least 10% in the paying company's capital; 5% otherwise

Tax Calendar

Date	Obligation	Form	Penalty Notes
Within 30 days	Issuance of invoices within 30 days from the date the transaction was made, unless the taxable person requests in writing and receives such extension from the Commissioner		1
Within a month from disposal date	Payment of Capital Gains Tax	TD.401 or 402	18
Within 60 days	Obtaining a Tax Identification Code: Following the registration or incorporation of a company with the Registrar of Companies, the company is obliged to submit an application for registration with the Tax Department. Similar rules apply in the case of companies incorporated outside Cyprus that become tax resident of Cyprus	T.D.2001	2
Within 60 days period of such change	Notification of changes of companies details (i.e. regis-tered office, activities, auditors etc)	T.D.2003	3
Four months from the end month of the transaction	Updating of books and records by businesses which are obliged to keep accounting books		4
At the end of the financial period	Stock taking must be conducted annually by businesses which have inventory		5
Within the time frame specified by the tax authorities which cannot be less than 60 days	Submission of information requested in writing by the tax authorities		6
40 days after the end of the VAT period	Submission of VAT return and payment VAT due	T.D. 1004	14, 15
By the 10th of the next month after the end of the period	Submission of Intrastat	INTRASTAT 1.1	17
By the 15th of the next month after the end of the period	Submission of VIES	VIES 1	16

By the end of the next month	Electronic Payment of tax deducted from employees emoluments (PAYE)		12
	Electronic Payment of Contribution to the Defence Fund withheld from dividends, interests and rents paid in the previous month.		9
	Payment of Social insurance and contributions to National Health Scheme deducted from employees' salaries		13
31 January 2019	Payment of Deemed Dividend Distribution for the year ended 31 December 2016		9
31 March	Electronic submission of Income Tax Return for individuals and companies preparing audited accounts	T.D. 4	7, 8
		T.D. 1	7, 8
30 June	Payment of tax balance for the previous year by individuals who are employees or self-employed but who do not submit audited accounts		9
	Payment of Contribution to the Defence Fund on rents, dividends or interest received from sources outside Cyprus during the first half of the current year		
31 July	Electronic submission of Employer's Return	T.D. 7	7.8
	Electronic submission of individuals' personal tax return (employees only)		7.8
	Payment of first instalment of tax based on the Temporary Tax Assessment		9
31 July	Electronic Payment of the balance of tax for the previous year by companies and by self-employed with audited accounts		9.11
30 September	Electronic Submission of Income Tax Return by self-employed individuals who do not submit audited accounts but are obliged to issue invoices, receipts etc	T.D. 1	7.8
31 December	Electronic Payment of Contribution to the Defence Fund on rents, dividends or interest received from sources outside Cyprus during the second half of the current year		9
31 December	Electronic Payment of second instalment of tax based on the Temporary Tax Assessment		9
31 December	Submission of revised temporary tax assessment for the current year if necessary	T.D. 6	
By the end of the financial year	Deadline to file electronically the CbC Notification with the Tax Department if the annual consolidated group revenue exceeds €750 million		10
Within 12 months from the end of the financial year	Deadline to file electronically the CbC report with the Tax Department if the annual consolidated group revenue exceeds €750 million		10

Penalty Notes

- (1) Late issue of invoices result in the imposition of a penalty equal to €100. The penalty is imposed on a monthly basis irrespective of the number of invoices failed to be issued within a specific month.
- (2) Late registration with the Inland Revenue Department results in the imposition of a penalty equal to €100.
- (3) Late communication of changes to the Inland Revenue Department results in the imposition of a penalty equal to €100. The penalty is applicable on each change not communicated.
- (4) Late update of the books and records results in the imposition of a penalty equal to €100 (on a quarterly basis).
- (5) No stock taking results in the imposition of a penalty equal to €100.
- (6) Late submission of information requested by the Inland Revenue Department, results in the imposition of a penalty equal to €100 or €200.
- (7) Upon conviction of failure to submit a return, a person shall be liable to a fine not exceeding €17 per day for as long as failure continues, or to imprisonment for a term not exceeding 12 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 plus an 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.
- (8) Late submission results in the imposition of a penalty equal to €100. If the tax return for a specific year is requested in writing by the tax office and this is not submitted within the requested period, then a penalty of €200 is imposed for every notice issued.
- (9) If the tax is not paid by the due date, interest is imposed at the public interest rate currently at 2%* per annum (interest is calculated on the basis of completed months for income tax and corporation tax only). An additional penalty of 5% is imposed in the case where the due tax is not paid by the due date or the date specified on an assessment. If the delay in not paying the tax is extended to beyond 2 months then the penalty is 10%.
- (10) An administrative fine of a maximum of €20.000 is imposed if a person either acts or omits to act in contravention to the provisions of the Assessment and Collection of Taxes law and

any regulations thereon. Such regulations are the Country by Country Reporting and the Common Reporting Standard.

- (11) Additional tax 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.
- (12) Late payment of PAYE results in the imposition of interest at the public interest rate currently at 2%* per annum from the due date and an additional penalty of 1% per month for as long as the delay continues (interest is calculated on the basis of completed months).
- (13) 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 27% of the amount due.
- (14) Late submissions of the VAT return results to the imposition of a penalty of €51 per VAT return form.
- (15) Late payment of outstanding VAT results to:
 - Penalty at the rate of 10% of the outstanding amount
 - Interest is imposed at the public interest rate currently at 2%* per annum on the outstanding amount and the penalty (interest is calculated for complete months)
- (16) Late submission of VIES results in the imposition of a penalty of €50 for each VIES form.
- (17) Late submission of INTRASTAT results in the imposition of a penalty of €15 for each INTRASTAT form.
- (18) If the tax is not paid within a month from the disposal date, interest is levied on a daily basis at the public interest rate currently at 2% per annum. An additional penalty of 5% is imposed in the case where the due tax is not paid by the due date or the date specified on an assessment. If the delay in not paying the tax is extended to beyond 2 months then the penalty is 10%.

***The official rate set by the Minister of Finance applicable as of 1.1.19 is 2% (3.5% for 2018-2017, 4% for 2015-2016, 4.5% for 2014, 4.75% for 2013, 5% for 2011-2012; 5.35% for 2010; 8% for 2007-2009; previously 9%)**



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