



Cyprus

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Baker Tilly is the trading name of Baker Tilly Klitou & Partners Limited.

Facts and figures as presented are correct as at 24 October 2016.

Corporate Income Taxes

Resident companies, defined as those whose management and control is exercised in Cyprus, are subject to tax on their worldwide income. Non-resident companies are subject to tax on their Cyprus source income.

The standard corporate income tax rate is 12.5%.

Capital gains are not generally subject to tax in Cyprus. However, tax is generally imposed at the rate of 20% in respect of gains arising from the disposal of immovable property situated in Cyprus, including gains from the sale of shares in a company which owns immovable property situated in Cyprus and is not listed on any recognised stock exchange.

Losses that would be taxable if they were a profit may generally be carried forward for up to five years (restrictions may apply in certain circumstances, such as if there has been a change in the ownership of the company and a substantial change in the nature of the business). Losses cannot be carried back.

Group tax consolidation is not available in Cyprus; each company in the group must submit their own corporate tax return. However, the losses of one company in the group (as defined) may be offset against the profits of another.

The tax year ends on 31 December. Companies may use a different accounting year, in which case the taxable profit must be apportioned between the two tax years. Corporate tax returns are generally due for filing by 31 March of the second year following the tax year and must be submitted electronically (ie for year ending 31 December 2015 the tax return is due for filing by 31 March 2017). Advance payments of tax are due during the tax year by 31 July and 31 December. Any outstanding tax must be paid by 1 August of the following year.

Personal Taxes

Resident individuals are subject to tax on their worldwide income. Non-resident individuals are subject to tax on their Cyprus source income.

Resident and non-resident individuals are taxed at the following rates (subject to deductions and allowances):

Income (EUR)	Tax Rate (%)	Cumulative Tax (EUR)
0–19,500	0	0
19,501–28,000	20	1,700
28,001–36,300	25	3,775
36,301–60,000	30	10,885
60,001 and above	35	

Previously non-resident individuals taking up residence as employees in Cyprus are entitled to a 20% income tax exemption on their employment income (subject to a maximum of EUR8,550) for the first three full tax years following the commencement of employment (five years if employment started on or after 1 January 2012).

Previously non-resident individuals taking up residence as employees in Cyprus with an annual income exceeding EUR100,000 are entitled to a 50% income tax exemption on their employment income for five years from the commencement of employment (10 years if employment started on or after 1 January 2012).

Individuals receiving income in respect of a foreign pension may elect to be taxed at the above personal income tax rates, or at a special rate of 5%, on the portion of income exceeding EUR3,420.

Employees, self-employed individuals and pensioners whose income is derived from private sector sources are required to pay a special contribution on their gross earnings, subject to exemptions. The special contribution rates are:

Gross Monthly Income (EUR)	Special Contribution Rate (%)
0–1,500	0
1,501–2,500	2.5
2,501–3,500	3
3,501 and above	3.5

In the case of employees, 50% of the contribution is payable by the employee and 50% by the employer.

In addition, resident domiciled individuals are generally subject to a special contribution for defence in respect of dividends, interest and rents received at varying rates.

Capital gains are not generally subject to tax in Cyprus. However, tax is generally imposed at the rate of 20% in respect of gains arising from the disposal of immovable property situated in Cyprus, including gains from the sale of shares in a company which owns immovable property situated in Cyprus and is not listed on any recognised stock exchange, subject to certain deductions and exemptions.

There are no inheritance, estate or gift taxes in Cyprus; however, stamp duty may apply (see “Other Taxes”).

There is no wealth tax in Cyprus.

Employment Related Costs and Taxes

Fringe benefits tax

There is no separate fringe benefits tax in Cyprus. The value of any taxable benefits-in-kind are generally treated as part of the employee's salary and taxed accordingly.

Social insurance contributions

Employers and employees must each make monthly contributions to the Social Insurance Department at the rate of 7.8%, up to certain salary ceilings. Employers must also make contributions in respect of other funds, including the redundancy fund (1.2%) and the training development fund (0.5%), for which there are certain salary ceilings, and the cohesion fund (2%), for which there is no salary ceiling.

Withholding Taxes on Payments Abroad

There is no withholding tax on dividends, interest and royalties paid to non-residents of Cyprus. However, royalties pertaining to rights that are used in Cyprus are subject to withholding tax at rates of 5% for film rights, and 10% for all other rights, subject to reduction or exemption under a double tax agreement or under the EU Interest and Royalties Directive.

Value Added Tax (VAT)

VAT is levied on the supply of goods and services in Cyprus, the intra-EU acquisition of goods, and on the importation of goods.

Trading entities which are required to be registered for VAT must generally charge their customers VAT of 19% on the value of their supplies. Reduced VAT rates of 0%, 5% and 9% apply to certain categories of goods and services. Certain supplies are VAT exempt, including medical care, educational services and most financial services.

A business is required to register for VAT purposes at the end of any month if the value of its taxable supplies during the previous 12 months exceeds EUR15,600, or at any time if it is believed that taxable supplies will exceed EUR15,600 in the following 30-day period. Businesses may also be required to register for VAT purposes in other circumstances. Businesses may register for VAT voluntarily if compulsory registration does not apply.

Registered businesses can generally recover the VAT with which they themselves are charged. This does not generally apply to VAT exempt supplies.

Other Taxes

Immovable property tax

Immovable property tax (IPT) is imposed on immovable property located in Cyprus and held by individuals and legal entities at 1 January each year. The tax base is the value of the property as at 1 January 1980, as determined by legislation. The tax rates are as follows:

Value of Immovable Property (EUR)	IPT Rate (%)	Cumulative Tax (EUR)
Up to 12,500	0	0
12,501–40,000	0.6*	240
40,001–120,000	0.8	880
120,001–170,000	0.9	1,330
170,001–300,000	1.1	2,760
300,001–500,000	1.3	5,360
500,001–800,000	1.5	9,860
800,001–3,000,000	1.7	47,260
Over 3,000,000	1.9	

* Applies to the whole amount, not just that over EUR12,500.

Exemptions (such as for buildings owned by charities and schools) and deductions may apply in 2016. IPT is set to be abolished from 1 January 2017.

Stamp duty

Stamp duty is payable on certain documents, such as those relating to certain assets in Cyprus. Stamp duty rates vary according to factors such as the type of document and the stipulated value. The maximum stamp duty payable is capped at EUR20,000.

Immovable property transfer fee

Transfers of immovable property located in Cyprus are subject to fees at varying rates, which are generally based on the market value of the property, subject to exemptions.

Excise duties

Excise duties are imposed on certain goods, including alcohol, tobacco and petroleum products.

Tax Incentives for Businesses

Research and development (R&D)

There are no specific tax incentives for R&D activities.

Intellectual property

A corporate income tax exemption of 80% (amongst other incentives) applies to net income received in respect of intellectual property.

Notional interest deduction (NID)

Companies that inject new equity (as defined) into a Cyprus resident company for the purpose of financing business assets may benefit from an income tax deduction of up to 80% of taxable profits before NID.

Tonnage tax

A tonnage tax scheme generally applies to qualifying ship owners, charterers, or managers of a qualifying Cyprus or foreign ship in respect of qualifying shipping/chartering activities.