



BAKER TILLY

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Cyprus Tax Guide 2016



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Foreword

This publication provides general information about Cyprus' tax system, incorporating some useful notes and relevant tax figures, based on current tax legislation and practices.

The tax information contained in this booklet is accurate as at the date of its publication.

The publication is limited for general guidance only and does not constitute professional tax advice. For any specific subject or query, the reader is encouraged to refer to the appropriate tax consultant. Contact details can be found at the end of this booklet.

Baker Tilly
Cyprus

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Income Tax

Tax Residency

“Cyprus tax resident”, when applied to an individual, means a person who resides in Cyprus for a period or periods exceeding in aggregate 183 days in the year of assessment and, when applied to a company, means a company whose management and control is exercised in Cyprus.

“Permanent establishment” means a fixed place of business through which the business of an enterprise is wholly or partly carried on, and includes a place of management, branch, office, factory, workshop, mine, oil or gas well, quarry or any other place of extraction of natural resources. It also includes activities relating to the extraction, exploration and use of Cyprus' continental shelf, of the subsoil or the natural resources and also the construction and exploitation of pipelines and other constructions in the bottom of the sea of Cyprus.

Taxation of income of Cyprus Tax Residents

In the case of a person who is tax resident in Cyprus, tax is levied on all income accruing or arising from sources both within and outside Cyprus, in respect of:

- Profits or other benefits from any business
- Profits or other benefits from any office or employment
- Dividends, interest or discounts received
- Pension income
- Rents, royalties or other profits arising from property
- Any amount or consideration in respect of any trade goodwill (reduced by any amount incurred for the purchase of such trade goodwill)
- Benefit in kind equal to 9% per annum of any amount received as a loan or financial assistance by a company's individual director, or by a company's individual shareholder or by his/her spouse, or by any relative up to a second degree, accrued on monthly basis

Taxation of income of Non Cyprus Tax Residents in Cyprus

In the case of a person who is not tax resident in Cyprus, tax is levied on the income accruing or arising from sources in Cyprus only, in respect of:

- Profits or other benefits from a permanent establishment situated in Cyprus

Income Tax

- Profits or other benefits 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
- Benefit in kind equal to 9% per annum of any amount received as a loan or financial assistance by a company's individual director, or by a company's individual shareholder or by his/her spouse, or by any relative up to a second degree, accrued on monthly basis

Personal Income Tax

The following income tax rates apply to individuals for 2016:

Chargeable Income €	Tax Rates %	Accumulated Tax €
Until 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
Over 60.000	35	

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

Personal Income Tax – Deductions and Allowances

The following are deducted or allowed from income

Deductions and allowances for individuals	
Rental income	20% of rental income
Interest paid in respect of rented buildings	The whole amount
Subscriptions to unions or professional associations	The whole amount
Donations to approved charitable institutions, supported by receipts	The whole amount

Income Tax

Deductions and allowances for individuals	
Social insurance contributions, life insurance premiums and contributions to approved pension funds or medical funds for insuring the life of the taxpayer (the annual life insurance premiums are restricted to 7% of the insured amount)	Up to 1/6 of taxable income before the deduction of these allowances
The allowance granted for insuring the life of the spouse is still valid for policies effected before 1 January 2003	The whole amount
Interest with respect to the purchase of fixed assets that are used in the business	The whole amount
Loss of current year and previous years (for individuals that prepare audited financial statements prior year losses are limited to 5 years)	The whole amount
Expenditure incurred for the maintenance/renovation of a building under preservation order	€700 - 1.200 per sq. m. (Depends on the size of the building)
Special contribution (see page 8)	The whole amount
Expenditure incurred for the acquisition of shares in an innovative business (subject to conditions)	The whole amount

Personal Income Tax - Exemptions

The following are exempt from income tax:

Type of Income	Exemption limit
Interest income (but subject to Special Defence Contribution) (Interest derived from the ordinary course of the business including interest that is closely related with the ordinary course of business is not considered interest but trading profit and is not exempted.)	The whole amount
Dividends (but subject to Special Defence Contribution)	The whole amount
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 10 years subject to employment commencing after 1 January 2012 and annual remuneration exceeds €100.000	50% of the remuneration

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Type of Income	Exemption limit
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 commencing from 1st January following the year of commencement of the employment for the employments starting as from 1st January 2012 but the exemption can be claimed until the year 2020	20% of income with a maximum amount of €8.550 annually
Remuneration from 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	The whole amount
Profits of a permanent establishment abroad under certain conditions	The whole amount
Capital sums accruing to individuals from any payments to approved funds (e.g. provident funds)	The whole amount
Lump sum received by way of retiring gratuity, commutation of pension or compensation for death or injuries	The whole amount
Profits from the sale of titles*	The whole amount

* Titles are defined as shares, bonds, debentures, founders' shares, options on titles, short positions on titles, futures / forwards on titles, swaps on titles, depositary receipts on titles, rights of claim on bonds and debentures (rights on interest of these instruments are not included), index participations only if they represent titles, repurchase agreements or repos on titles, units in open-end or close-end collective investment schemes. (Promissory notes and Bills of Exchange do not represent titles.)

Capital allowances

The same capital allowances given to companies are allowed to physical persons who prepare accounts.

Income Tax

Tax losses

Tax losses are carried forward and are set-off against future profits, over the next 5 years from the year the loss has been incurred.

Losses arising from a permanent establishment abroad can be set off with profits arising in Cyprus. Subsequent profits of the permanent establishment abroad are taxable up to the amount of the losses allowed (claw back provision).

Special Contribution

The Special Contribution covers private sector employees, self-employed individuals, private sector pensioners, government and semi government employees and pensioners. The Special Contribution does not apply, amongst others, on retirement benefits, on payments from approved Provident Funds, on remuneration of the crew of qualifying ships, and on reimbursements of business expenses.

The special contribution bands are as follows:

Gross monthly emoluments (€)	Government and semi-government employees and pensioners	Private sector employees, self employed individuals and private sector pensioners (1)
0 - 1.500	Nil	Nil
1.501 - 2.500	2,5% ⁽²⁾	2,5% (minimum amount €10)
2.501 - 3.500	3,0% ⁽²⁾	3,0%
3.501 plus	3,5% ⁽²⁾	3,5%

1. The recipient of the remuneration is liable for half the Special Contribution and the employer for the other half.
2. The Special Contribution rate becomes 3%, 3,5% and 4% respectively for highly ranked civil service officials/employees within their respective remuneration scale.

Income Tax

Income Tax for companies and other legal entities

Basis of taxation

All companies which are Cyprus tax residents are taxed on all their income accrued or derived from all sources in Cyprus and abroad. A non-Cyprus tax resident company is taxed on income accrued or derived from a business activity which is carried out through a permanent establishment in Cyprus.

Corporation tax rates	Tax rates %
All Companies (incl. semi govt organisations)	12,5

Exemptions

Type of income	Exemption limit
Profit from the sale of titles (see page 7 for definition)	The whole amount
Dividends subject to conditions (Note)	The whole amount
Interest not arising from the ordinary activities or closely related to the ordinary activities of the company	The whole amount
Profits of a permanent establishment abroad, under certain conditions	The whole amount

Note: Dividend income by a Cypriot company may be taxed when received from a company located outside Cyprus, and these amounts in the country where the company paying the dividend are not treated as dividends paid but treated as interest deductible expense.

Tax deductions

Any expenditure which is not supported by invoice or relevant receipts or other supporting documentation as required by the relevant regulations will not be treated as deductible expense for income tax purposes.

Deductible are all expenses incurred wholly and

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exclusively in earning the income of the company including:

Type of expenses	Exemption limit
Donations to approved charities (with receipts)	The whole amount
Employer's contributions to social insurance and approved funds on employees' salaries	The whole amount
Salaries for which social security fund and other funds are paid	The whole amount
Any expenditure incurred for the maintenance of a building for which there is a Preservation Order	Up to €700, €1.100 or €1.200 per square meter (depending on the size of the building)
Entertainment expenses for business purposes	1% of the gross income with maximum amount of €17.086
Interest incurred for the acquisition of a fixed asset used in the business	The whole amount
Interest incurred for the acquisition after 1 January 2012 of shares in a wholly owned subsidiary which does not own any assets which are not used in business	The whole amount
Special Contribution on salaries	The whole amount
Net profit from the exploitation of the intellectual property rights by a Cyprus resident company	80%

But not including:

Expenses of a private motor vehicle	The whole amount
Interest applicable to the cost of acquiring a private motor vehicle, irrespective of its use and to the cost of acquiring any other asset not used in the business	The whole amount for 7 years
Immovable property tax	The whole amount
Salaries for which social security funds or other funds are not paid	The whole amount
Any expenditure that is not supported by invoices and receipts or other supporting evidence according to relevant regulations	The whole amount

Income Tax

Notional Interest Deduction (NID)

NID may be granted to Cyprus tax resident companies, calculated by multiplying the 'New Capital' by the 'Reference Interest Rate'. Such capital should be used for trading activities. Notional interest is deducted from the taxable income for each tax year (pro-rata if the new capital was only in-place or used for trading only for part of the year) and cannot exceed 80% of the taxable profit (before the NID).

The NID is considered as Actual Interest Expense for tax purposes and is subject to the restrictions of the Article of the tax legislation. A company may elect during a tax year to not take benefit of the NID provisions or to take part of the NID benefit. The election can be made every year.

Registration of the companies with the tax authorities

Companies which are incorporated or registered or become tax resident in Cyprus should register with the tax authorities and obtain a tax identification code within 60 days from their incorporation or registration or from the date that they become tax resident in Cyprus.

Obligation to submit the tax return electronically (registration with TAXISNET)

Taxable persons have an obligation to submit their tax returns via electronic means via TAXISNET (submitted electronically).

Obligation to update accounting records

The accounting records of a business should be updated within four months from the date a transaction was incurred.

Losses carried forward

The tax loss incurred during a year and which cannot be set off against other income is carried forward and set off against future taxable profits for a period of 5 years. Losses because of the special provisions of the Intellectual Property regime (where a notional deduction is granted, which is equal to 80% of the gross profit from the exploitation or the disposal of such intangible asset) and as a result of this claim there is a loss, only 20% of such loss can

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be offset against income from other sources or be carried forward to be offset against income of following tax years.

The current year loss of one company can be set off against the taxable profit of another company provided that both companies are Cyprus tax resident companies of the same Tax Loss Group. A subsidiary company which is a tax resident in EU member state can surrender its taxable losses to another group member company tax resident in Cyprus, provided that the subsidiary has exhausted all the means of surrendering or carrying forward the losses in the Member State of residence of the subsidiary or to any intermediary holding company.

Tax Loss Group is defined as:

- One company holding at least 75% of the voting shares of the other company (directly or indirectly)
- At least 75% of the voting shares of the companies are held by another company

A partnership or a sole trader transferring business into a company can carry forward tax losses into the company for future utilisation.

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

Reorganisations

Transfers of assets and liabilities between companies can be effected without tax consequences within the framework of reorganisation. Anti-avoidance provisions will give the right to the Tax Commissioner to refuse to accept tax free reorganizations, if the Commissioner is not satisfied that there were real commercial or financial reason for such reorganization rather than avoidance of payment of taxes.

Reorganisations include:

- mergers
- divisions
- transfer of assets
- exchange of shares
- partial divisions
- transfer of registered office

Income Tax

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:

Fixed assets	%
Plant and machinery ⁽¹⁾	10
Furniture and fittings	10
Industrial carpets	10
Boreholes	10
Machinery and tools used in an agricultural business	15
Computer hardware and operating systems	20
Application software	33 1/3
Expenditure on application software less than €1.709, is written off in the year of acquisition	100
Commercial motor vehicles	20
Motor cycles	20
Excavators, tractors, bulldozers, self-propelled loaders and drums for petrol companies	25
Commercial buildings	3
Industrial, agricultural and hotel buildings ⁽²⁾	4
Metallic greenhouse structures	10
Wooden greenhouse structures	33 1/3
Sailing vessels	4,5
Steamers, tugs and fishing boats	6
Ship motor launches	12,5
New cargo vessels	8
New passenger vessels	6
Used cargo/passenger vessels	Over their useful lives
Tools in general	33 1/3
Videotapes property of video clubs (stock)	50

Notes:

1. the rate of capital allowances for any plant and machinery purchased in the tax years 2012 to 2016 has been set at 20% unless the rate of capital allowances on such assets is higher;

2. for industrial and hotel buildings purchased in the tax years 2012 to 2016 the capital allowances rate will be increased from 4% to 7%.

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Capital allowances on intangibles

Capital allowances on intangibles have been set at 20% of the cost of acquisition.

Special Tax Rates

The gross amount of any royalty, premium, compensation or other income, derived from sources within Cyprus by any person not being resident, is subject to withholding tax	10%
Income earned by persons who are not Cyprus tax residents and do not have a permanent establishment in Cyprus from services which are carried out in Cyprus in relation to the extraction, exploitation or use of the continental shelf, as well as the establishment and use of the pipelines and other installations on the ground, on seabed and on the surface of the sea	5%
The gross amount of any rental in respect of the showing of cinematograph films in Cyprus, derived by any person who is not resident, is subject to withholding tax	5%
The gross income derived by an individual not resident in Cyprus, from the exercise in Cyprus of any profession or vocation or of public entertainers including football clubs and other athletic missions, is subject to withholding tax	10%
Profits earned or dividends paid by a Cyprus Shipping Company which owns ships under the Cyprus flag and operates in international waters (including chartering), or on the salaries of officers and crew of such ships. This includes bare boat chartering of a vessel flying the Cyprus flag under parallel registration	Nil

Special Contribution to the Defence Fund (SDC)

Basis of taxation

SDC is imposed on income earned by Cyprus tax residents. Non Cyprus tax residents are exempted from SDC. Cyprus tax residents who are non-domiciled in Cyprus are also exempted from SDC.

“Domiciled” in Cyprus is defined in the legislation as any individual who has a domicile of origin or domicile of choice in Cyprus based on the provisions of the Wills and Succession Law. The following exemptions apply:

- a. An individual who has acquired and maintains a domicile of choice outside Cyprus (Wills and Succession Law), provided that the individual has not been tax resident of Cyprus for a period of 20 years preceding the tax year; or
- b. An individual who has not been a tax resident of Cyprus as defined in the Income Tax Legislation for a period of 20 consecutive years prior to the introduction of the Non-Dom legislation in July 2015.

Irrespective of the above conditions, an individual who has been tax resident of Cyprus as defined in the income tax legislation for at least 17 out of 20 consecutive years prior to the tax year, will be considered Domiciled in Cyprus and as such be subject to the provisions of the SDC.

SDC is charged at the rates shown in the table below:

	Tax rates		
	Resident Individuals non domiciled %	Resident Individuals %	Legal entities %
Dividend income from Cyprus resident companies	Nil (Note 5)	17	Nil (Note 1)
Dividend income from non-Cyprus resident companies	Nil (Note 5)	17	Nil (under conditions) (Note 2)
Interest income arising from the ordinary activities or closely related to the ordinary activities of the business	Nil	Nil	Nil
Other interest	Nil (Note 5)	30 (Note 3)	30 (Note 4)
Rental income (reduced by 25%)	Nil (Note 5)	3	3

Special Contribution to the Defence Fund

Notes:

1. Any dividends between Cyprus companies are subject to SDC when they are paid after 4 years from the end of the year the profits were earned, out of which these dividends are derived. Any dividends derived directly or indirectly from dividends on which SDC has already been paid are exempt from these provisions.
2. This exemption does not apply if:
 - more than 50% of the paying company's activities result directly or indirectly in investment income, and
 - the foreign tax is significantly lower than the tax rate payable in Cyprus.

When the exemption does not apply the dividend income is subject to special contribution for defence at the rate of 17%.

3. The rate of SDC on other interest received is 30%. Interest income from savings bonds and development bonds and all interest earned by a provident fund is subject to special contribution for defence at 3% (instead of 30%).
4. Interest income received by Collective Investment Schemes (CIS) either closed-ended or open-ended is exempt from SDC but subject to income tax.
5. Individuals who are not Cyprus domiciled will be exempt from the scope of SDC legislation.

Refund

An individual, whose annual income, including interest, does not exceed the amount of €12.000, has the right to a refund of the SDC withheld on interest in excess of the amount corresponding to 3%.

Allowance for foreign tax

In case that foreign tax was paid on income subject to SDC, this can be given as an allowance against the SDC payable on the income, irrespective of the existence of a double treaty with the foreign country.

Payments

Companies, partnerships, the government or any local authorities that pay rents must withhold SDC at 3% on 75% of the rent. The SDC withheld on rent is payable before the end of the next month.

Special Contribution to the Defence Fund

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

Foreign taxes paid can also be credited against the SDC liability.

Deemed dividend distribution

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

- 70% of accounting profits (after some adjustments) are deemed to have been distributed
- 17% SDC is imposed on deemed dividend distribution applicable to shareholders who are residents of Cyprus
- Deemed distribution is reduced with payments of actual dividends which have already been paid during the two years from the profits of the relevant year

When an actual dividend is paid after the deemed dividend distribution, then, SDC is imposed only on the additional dividend paid which has not already suffered SDC.

The deemed distribution rules do not apply where the ultimate shareholders of the tax resident company are not tax residents of Cyprus.

Company dissolution

- The cumulative profits of the last five years prior to the company's dissolution, which have not been distributed or deemed to have been distributed, will be considered as distributed on dissolution and will be subject to SDC at the rate of 17%
- This provision does not apply in the case of dissolution under reorganisation
- The rate of SDC on deemed distribution arising on liquidation of Collective Investment Schemes (CIS) is 3%
- When assets are being distributed upon the dissolution or liquidation of a company, which have a market value exceeding the cost of their acquisition by the company, the deemed dividend distributions provisions will apply

Special Contribution to the Defence Fund

Reduction of capital

In the case of reduction of the capital of a company, any amounts paid to the shareholders in excess of the share capital which had actually been paid by a shareholder will be treated as deemed dividends and taxed accordingly under SDC.

Social Insurance

Contributions

		%
Employer		7,8%
Employee		7,8%
Self-employed		14,6%

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

	Weekly	Monthly	Yearly
	€	€	€
Weekly employees	1.046		54.392
Monthly employees		4.533	54.396

Upper limits are adjusted in accordance to inflation rates yearly.

Other employer's contributions

The employer makes the following contributions based on employees' emoluments, up to the above maximum amounts, unless otherwise indicated:

	%
Social cohesion fund*	2,0
Redundancy fund	1,2
Human resource development fund	0,5
Holiday fund (if not exemption is obtained)	8,0

Social Insurance

* Social cohesion fund contribution is calculated on total emoluments and has no maximum level of emoluments restriction. The rest of the contributions are restricted on maximum level of emoluments as with the social insurance contributions.

The contributions of self-employed are 14,6% of their income, according to the lower and upper limits as shown in the following table:

Weekly salaries	Lower Limit €	Upper Limit €
Doctors, pharmacists, specialists in health matters (qualified), accountants, economists, lawyers and other professionals		
▪ Up to 10 years	387	1.046
▪ Above 10 years	776	1.046
Wholesalers, estate agents, directors (businessmen)	776	1.046
Professors and teachers		
▪ Up to 10 years	375	1.046
▪ Above 10 years	750	1.046
Builders and other related construction industry businesses	471	1.046
Drivers, excavator drivers and other related professions, technicians, associates in media, machinery users (apart from the construction industry) assemblers of products, writers, typists, cashiers, secretaries and technicians which do not fall in any other category	375	1.046
Shopkeepers, cleaners, messengers, guards and owners of dry cleaners	357	1.046
Farmers, stock breeders, aviarists, fishermen and related professions, hawkers, postmen, refuse collectors, workers in mines and quarries, marine workers specialising in underwater constructions, installators of forklift equipment, street sweepers and people responsible for provision of services and salesmen	262	1.046
Butchers, bakers, confectioners and similar professions	288	1.046
Designers, users of computers, ship engineers, agents and musicians, magicians, persons that do not fall in any other professional category	387	1.046

Capital Gains Tax

Charge of tax

Capital Gains Tax is imposed on profits from disposal of immovable property situated in Cyprus, or shares in companies, which own immovable property situated in Cyprus, and such shares are not listed in any stock market. Profits generated from the sale of shares which indirectly own immovable property situated in the Republic by participating directly or indirectly in a company owns property situated in Cyprus will be subject to capital gains tax, provided the value of the immovable property located in Cyprus exceeds 50% of the total value of the company.

Tax rate and determination of profit

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

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

Exemptions

- Transfer by reason of death
- Gifts to relatives within the third degree of kindred
- Gift to a company of which the shareholders are and continue to be members of the disposer's family for five years after such gift
- Gift by a company, of which all the shareholders are members of the same family, to any of its shareholders when the property gifted was also acquired by the company as a gift
- Gift to the Republic or to a local authority for educational or other charitable purposes or to approved charitable institutions
- Exchange or sale in accordance with the Agricultural Land (Consolidation) Laws
- Exchange of properties, provided that the whole of the gain made on the exchange has been used to acquire the other property (rollover relief). The gain that is not taxable is deducted from the cost of the new property
- Gain on disposal of shares which are listed on any Stock Exchange

Capital Gains Tax

- Gains from transfer of property or shares in case of reorganisation
- Expropriations
- Transfers as a result of approved reorganisation scheme
- Gains from the disposal of immovable property consisting of land or land with buildings provided that:
 - a. The immovable property was acquired from the date the amended Law came into effect (16 July 2015) until 31 December 2016
 - b. It is acquired through purchase or purchase agreement and not through an exchange or donation

Lifetime exemptions for individuals

	€
For sale of own private residence (subject to certain conditions)	85.430
For sale of agricultural land by a farmer	25.629
For other sales	17.086

The above exemptions are given to an individual only once and not for every disposal.

The maximum deduction that can be taken by an individual when a claim is made under any combination of the above is €85.430.

Immovable Property Tax

Immovable Property Tax is imposed on the market value as at 1 January 1980 and applies to the immovable property owned by the taxpayer on 1 January of each year. This tax is payable on 30 September each year. A discount of 10% of the tax due is available if the tax is paid by 31st August each year. Physical and legal persons are liable to Immovable Property Tax. The due dates for payment may be amended annually and the same applies to the discount for early payment.

Property value 1.1.1980 (€)	Rate ‰
Up to 12.500	Nil
1 – 40.000 (Note 1)	6‰
40.001 – 120.000	8‰
120.001 – 170.000	9‰
170.001 – 300.000	11‰
300.001 – 500.000	13‰
500.001 – 800.000	15‰
800.001 – 3.000.000	17‰
Over 3.000.000	19‰

Note 1: Immovable property owners, with total immovable property value not exceeding €12.500 (1.1.1980 prices), are exempt from immovable property tax. Immovable property owners with total immovable property **value of €12.501 and over** are subject to immovable property tax **on the total value of their property**, according to the above table.

Immovable property tax applies per owner and not per property.

Exemptions

The following are not subject to Immovable Property Tax:

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

Land Registry Transfer Fees

Transfer fees are calculated on the market value of the property at the time of disposal as estimated by the Land Registry Department.

Value per plot €	Rate %	Fees €	Accumulated fees €
Up to 85.000	3	2.550	2.550
85.001 -170.000	5	4.250	6.800
Over 170.000	8		
Mortgage fees on loans			1%

For the period commencing from 2 December 2011 to 31 December 2016 a transfer of property subjected to VAT is exempt from the above transfer fees and a transfer not subject to VAT is eligible for a 50% exemption from the above transfer fees.

Transfer fees paid on the transfer of property to a family company are refundable after 5 years, provided the company still owns the property and there have not been any changes to its shareholders.

On the transfer of immovable property from a family company to its shareholders whose shareholders are spouses and children or relatives up to third degree of kindred, transfer fees are calculated on the value of property appearing on the title deed at the following rates:

Transfer to spouse	8%
Transfer to children	4%
Transfer to relative	8%

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

Transfer to spouse	0,4%
Transfer to children	0,2%
Transfer to relative up to third degree	0,4%

In the case of companies' reorganisations, transfers of immovable property are exempted from transfer fees.

Stamp Duty

Type of document	
Receipts - for sums of €3,42 - €34,17	€0,03
Receipts - for sums of over €34,17	€0,07
Cheques	€0,05
Letters of credit	€2
Letters of guarantee	€4
Bills of exchange (payable within three days on demand or at sight)	€1
Contracts:	
▪ up to €5.000	0‰
▪ €5.000 - €170.000	1,5‰
▪ over €170.000	2‰
▪ without fixed sum	€35
Maximum stamp duty	€20.000
Customs declaration documents	€18 - €35
Bills of lading	€4
Charterparty	€18
Powers of attorney	€2-€6
Certified copies of documents	€2

Exemption

Transactions involved in reorganisation of companies are exempted from stamp duty.

Capital Duty

Upon incorporation of the company	
Authorised share capital	€105 plus 0,6% on the authorised share capital.
Issued share capital	There is no stamp 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	
Authorised 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.

Company's Annual Levy

An annual levy fee of €350 will be imposed for all companies registered in Cyprus payable to the Registrar of Companies. For the year 2016 the company's is payable before or on 30 June 2016.

Value Added Tax

VAT is imposed on the supply of goods and the provision of services in Cyprus, on the acquisition of goods from the European Union and the importation of goods from third countries.

Taxable persons charge VAT on their taxable supplies (output tax) and are charged with VAT on the acquisition of goods or services received (input tax).

If output tax in a VAT period exceeds total input tax, a payment has to be made to the government. In the event where input tax exceeds output tax, the excess input tax is carried forward as a credit and is set off against any future output VAT.

Refund of excess input VAT can be obtained in the following cases:

- a period of three years has elapsed from the date the VAT became refundable
- input VAT which cannot be set off against output VAT until the last VAT period of the year that follows the year which the VAT period in which the credit was created falls
- the input VAT relates to zero rated transactions
- the input VAT relates to the purchase of capital assets of the company
- the input VAT relates to transactions which are outside the scope of VAT but would have been subject to VAT if they had been carried out within Cyprus
- the input VAT refers to financial and insurance services provided to non EU residents (services which provide the right to claim VAT)

With regard to intra-community acquisitions, the trader accounts for VAT using acquisition accounting. This involves a simple accounting entry in the books of the business whereby it self-charges VAT and at the same time claims it back, if it relates to taxable supplies for which the right to claim input VAT is granted, thereby creating no cost to the business.

Value Added Tax

In cases where the acquisition relates to transactions where the trader does not have the right to claim input VAT, a cost will be created for the business and the business will therefore have to pay the VAT on that acquisition.

VAT rates

The legislation provides for the following tax rates:

- Zero rate (0%)
- Reduced rate 5%
- Reduced rate 9%
- Standard rate 19%

Zero rate 0%

Zero rated goods and services include the following:

- Exports of goods
- Commissions received from abroad for exportation of goods
- International air and sea transport and related services

Reduced rate of 5%

The reduced rate of 5% applies mainly to:

- Funeral services and supply of coffins
- Road sweeping, garbage collection and recycling
- Services of authors, composers, artists and critics of works of art as well as their rights
- Supply of food
- Supply of fertilizers
- Supply of animal feeding stuffs
- Supply of live animals of a kind generally used for human consumption
- Supply of medicines and graft
- Newspapers, magazines and books
- Non-bottled water
- Gas (LPG) in cylinders
- Transfer of persons and their luggage on a rural or city bus
- Various goods for the use of handicapped persons
- Ice-cream, yogurt ice-cream and similar products
- Hair saloon services
- Confectionery products, including biscuits and chocolates that are partly or wholly covered with chocolate

Value Added Tax

- Bottled water, manufactured beverages and juice drinks (except of the soft drinks, alcoholic beverages, beers and wines that are taxable at the standard rate)
- Medical equipment that is intended for the exclusive personal use of disabled persons
- Admission to sporting events, shows, theatres, circuses, fairs, amusement, parks, concepts, museums, zoos, cinemas, exhibitions and similar cultural events and facilities
- The licenses for the use of sporting facilities
- Repair of medical equipment and equipment that is intended for exclusive personal use of disabled persons
- Supply of medical and dental care services and thermal treatment that are not exempted from VAT
- Purchase and/or construction of residences to be used as the primary and permanent place of residence by eligible persons for the next 10 years. For the reduced rate to be applicable, certain conditions and requirements have to be met

Reduced rate of 9%

The following services are subject to the reduced rate of 9%:

- Rural and private taxi transport services, tourist, excursion and long distance bus services
- From 1 January 2006 the transport of passengers and their accompanying luggage by sea, within Cyprus, were transferred from the lower reduced rate (5%) to the higher reduced rate 9%
- Hotel and similar tourist accommodation services
- Restaurant and catering services including the supply of alcoholic drinks, beer, wine and beverages

Exemptions

Certain goods and services are exempt from VAT. They include:

- Rents from immovable property (the letting of immovable property with the right of purchase is not exempt)
- Most banking and financial services and insurance services

Value Added Tax

- Most hospital, medical and dental care services
- Certain cultural educational and sports activities
- Postal services provided by the national postal authority
- Lottery tickets and betting coupons for football and horse racing
- Supplies of immovable property (except supplies of new buildings before their first use) including supplies of land and of used buildings
- Educational services at all levels of education under certain conditions

Difference between zero rate and exempt supplies

The difference between zero rate and exempt supplies is that businesses that make exempt supplies are not entitled to recover the VAT with which they have been charged on their purchases, expenses or imports.

Irrecoverable input VAT

As an exception to the general rule, input VAT cannot be recovered in a number of cases which include the following:

- Acquisition used for making exempt supplies
- Purchase, import or hire of saloon cars
- Entertainment and hospitality expenses (except those relating to employees and directors)
- Housing expenses of directors

Obligation for VAT registration

Businesses or individuals have an obligation for VAT registration if:

- their turnover is in excess of €15.600 during the 12 preceding months, or
- their expected turnover will be in excess of €15.600 within the next 30 days, or
- they are providing services to other VAT registered persons within the EU (no registration threshold applies), or
- they are making acquisition of goods from other EU Member States in excess of €10.252 during a calendar year, or
- a taxable person from abroad makes distance sales (€35,000 is the registration threshold)
- they receive services from abroad of value in excess of €15.600 per any consecutive 12 month period for which they have an obligation to account for Cypriot VAT under the reverse charge provisions

Value Added Tax

Right for VAT registration

Businesses or individuals with turnover less than €15.600 or with supplies that are outside the scope of VAT but for which the right to claim the amount of the related input VAT is granted, have the option to register if they wish to do so.

Note:

Exempted products, services and disposals of items of capital nature are not taken into account in determining the annual turnover for VAT registration purposes. Registration is affected by completing the appropriate application forms.

VAT declaration - Payment/return of VAT

VAT returns must be submitted quarterly and the payment of the VAT must be made by the 10th day of the second month that follows the month in which the tax period ends.

VAT registered persons and companies have the right to request for a different filing period. Approval from the VAT authorities is required.

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

Penalties and Interests:

- Penalty for late registration: €85 for every month of delay
- Penalty for late submission of VAT returns: €51 for each return
- Penalty for late payment of VAT liability: 10% of the amount due plus 4% per annum interest
- Penalty for late submission of VIES returns: €50 for each return
- Penalty for late submission of corrective VIES returns: €15 for each return
- Penalty for late deregistration: €85 (one-off)

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 other “the beneficiaries” or for specific purposes.

Trusts have traditionally been very important mechanisms for tax planning. Even today a large percentage of tax reduction plans include trusts.

A Cyprus International Trust may invest in movable and immovable property in Cyprus and abroad, including shares in Cyprus companies.

International trusts

A Cyprus International Trust is a trust set up in accordance with the provisions of the International Trust Law of Cyprus.

Cyprus International Trusts are exempt from taxation in Cyprus as regards income sourced from outside Cyprus. However, each beneficiary may be subject to tax in his/her jurisdiction upon receipt of the trust appointment, as local laws will determine. This tax liability is not a liability of the trust but of each beneficiary personally.

In accordance with the International Trust Law of Cyprus, in order to qualify as an international trust the following conditions must be met:

- The settlor must not be a permanent resident of Cyprus during the calendar year preceding the year of creation of the trust
- At least one of the trustees of any given time must be a permanent resident of Cyprus
- None of the beneficiaries, other than a charitable institution, must be a permanent resident of Cyprus during the calendar year preceding the year of creation of the trust

Collective Investment Schemes (CIS)

Collective Investment Schemes are liable to tax or not depending on their legal status.

The units of CIS closed-ended and open-ended are falling under the definition of “titles” and consequently the profits arising in the hands of any person (individuals and companies) from the disposal of titles is exempt from corporation tax and SDC.

The following provisions are applicable only to Cyprus tax resident unit holders:

- The rate for dividend deemed distributions for SDC purposes has been reduced to 3% instead of the normal rate
- The rate for dividend deemed distributions for SDC purposes arising on liquidation has been reduced to 3% instead of the normal rate
- Redemption of units or other interest in closed-ended or open-ended CIS is not subject to SDC
- Interest income received by Collective Investment Schemes either closed-ended or open-ended is taxed under corporate (Income) tax after deducting all expenses and it is exempted from SDC

Tonnage Tax for Shipping Companies

Tonnage tax system refers to the system under which an eligible ship-owner, eligible charterer or eligible ship-manager of a Cyprus or alien ship, as appropriate, is subject to annual tax known as tonnage tax.

The tonnage tax system covers eligible persons who carry out eligible activities in relation to eligible ships.

The law provides full exemption to ship-owners, charterers and ship-managers from all profit taxes and imposes tonnage tax on the net tonnage of the vessels. The conditions applicable to each of the three categories, as well as the taxation regime are analysed separately below.

The regime covers qualifying persons performing qualifying activities in relation to qualifying vessels.

Qualifying persons are ship-owners, charterers (bareboat, demise, time and voyage) and ship-managers providing technical and/or crewing services.

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

Qualifying vessel is a sea-going vessel that:

- has been certified in line with international principles and legislation of the flag country, and
- is registered in the register of a member country of the International Maritime Organisation and International Labour Organisation

The definition includes vessels that transport humanitarian aid but excludes the following vessels:

- boats that are primarily used for the athletic and entertaining purposes
- boats that have been constructed exclusively for domestic navigation
- ferry and trailer boats that are used in ports, mouth of rivers and/or rivers
- fixed offshore constructions that are not used for maritime transport
- non self-propelled floating cranes
- non sea-going trailers
- floating hotels and restaurants
- floating or movable casinos

Double Taxation Agreements

Received in Cyprus

Paid from	Dividends ⁽³⁾ %	Interest ⁽⁴⁾ %	Royalties ⁽⁴⁾ %
Armenia	0/5 ⁽¹⁾	5	5
Austria	10	0	0
Belarus	5/10/15 ⁽²⁾	5	5
Belgium	10/15 ⁽³⁾	0/10 ^{(4), (5)}	0
Bosnia ⁽⁶⁾	10	10	10
Bulgaria	5/10 ⁽⁷⁾	0/7 ^{(4), (8)}	10 ⁽⁸⁾
Canada	15	0/15 ⁽⁹⁾	0/10 ⁽¹⁰⁾
China, P.R.	10	10	10
Czech Republic	0/5 ⁽¹¹⁾	0	0/10 ⁽¹²⁾
Denmark	0/15 ^{(4), (13)}	0	0
Egypt	15	15	10
Estonia	0	0	0
Finland	5/15 ⁽¹⁴⁾	0	0
France	10/15 ⁽¹⁵⁾	0/10 ⁽¹⁶⁾	0/5 ⁽¹⁷⁾
Germany	5/15 ⁽¹⁸⁾	0	0
Georgia ⁽⁴⁷⁾	0	0	0
Greece	25	10	0/5 ⁽¹⁹⁾
Guernsey ⁽⁴⁸⁾	0	0	0
Hungary	5/15 ⁽³⁾	0/10 ⁽⁴⁾	0
Iceland ⁽⁴²⁾	5/10 ⁽⁴³⁾	0	5
India	10/15 ⁽²⁰⁾	0/10 ⁽¹⁶⁾	15 ⁽²¹⁾
Iran ⁽⁴⁴⁾	5 ⁽⁴⁵⁾	5	6
Ireland, Rep. of	0	0	0/5 ⁽¹⁹⁾
Italy	15	10	0
Kuwait	0	0	5
Lebanon	5	5	0
Lithuania ⁽³⁰⁾	0/5 ⁽²²⁾	0	5
Malta	0	10	10
Mauritius	0	0	0
Moldova	5/10 ⁽²⁴⁾	5	5
Montenegro ⁽⁶⁾	10	10	10
Norway ⁽³¹⁾	0/5 ⁽³⁹⁾	0	0
Poland	0/5 ⁽²³⁾	0/5 ⁽⁴⁾	5
Portugal	10	10	10
Qatar	0	0	5
Romania	10	0/10 ⁽⁴⁾	0/5 ⁽²⁵⁾
Russia	5/10 ⁽²⁶⁾	0	0
San Marino	0	0	0
Serbia ⁽⁶⁾	10	10	10
Seychelles	0	0	5
Singapore	0	0/7/10 ^{(4), (27)}	10
Slovak Republic ⁽⁴⁰⁾	10	0/10 ⁽⁴⁾	0/5 ⁽²⁵⁾
Slovenia	5	5	5
South Africa	0	0	0
Spain ⁽²⁹⁾	0/5 ⁽²⁸⁾	0	0
Sweden	5/15 ⁽³⁾	0/10 ⁽⁴⁾	0
Switzerland ⁽⁴⁸⁾	0 ⁽⁴⁶⁾	0	0
Syria	0/15 ⁽³²⁾	0/10 ⁽⁹⁾	10/15 ⁽⁴¹⁾
Thailand	10	10/15 ⁽³³⁾	5/10/15 ⁽³⁴⁾
Ukraine	5/15 ⁽³⁵⁾	2	5/10 ⁽³⁶⁾
United Arab Emirates	0	0	0
United Kingdom	0/15 ⁽³⁷⁾	10	0/5 ⁽¹⁷⁾
United States	5/15 ⁽³⁸⁾	0/10 ⁽¹⁶⁾	0

Double Taxation Agreements

1. The rate of 5% if a dividend is paid by a company in which the beneficial owner has invested less than EUR 150.000.
2. A rate of 5% if the investment is not less than EUR200.000 in the share capital of the company paying the dividend. If such 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.
3. A rate of 15% applies 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.
4. No WHT if paid to the government/Central Bank/ Public Authority of the other state.
5. No WHT for interest on deposits with banking institutions.
6. Serbia, Montenegro and Bosnia apply the Yugoslavia/Cyprus treaty.
7. The 5% 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%.
8. The treaty rates do not apply if the payment is made to a Cyprus entity by a resident of Bulgaria owning directly or indirectly at least 25% of the share capital of the Cyprus entity and the Cyprus entity pays tax in Cyprus at a tax rate lower than the usual tax rate.
9. Nil if paid to a government/Central Bank/ Public Authority or for export guarantee.
10. Nil on literary, dramatic, musical, or artistic work (but not including royalties in respect of motion picture films and works on film or videotape for use in connection with television).
11. Nil 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.
12. 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.

Double Taxation Agreements

13. 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.
14. 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.
15. A rate of 15% if received by a company (partnership is excluded) holding less than 10% of the capital of the paying company and in all cases if received by an individual.
16. Nil if paid to a government, bank, or financial institution.
17. A rate of 5% on royalties for cinematographic films including films and video tapes for television.
18. A rate of 15% 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.
19. A rate of 5% on cinematographic film royalties (other than films shown on television).
20. A rate of 15% if received by a company holding less than 10% of the shares of the paying company and in all cases if received by an individual.
21. A rate of 10% for payments of a technical, managerial, or consulting nature.
22. 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.
23. Nil rate applies if the recipient company (partnership is excluded) holds directly 10% of the share capital of the paying company for an uninterrupted period of at least 2 years. 5% in all other cases.
24. A rate of 5% applies if the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the capital of the company paying the dividends. A rate of 10% in all other cases.

Double Taxation Agreements

25. 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.
26. A rate of 10% on dividend if paid by a company in which the beneficial owner has invested less than EUR100.000 in the share capital of the company paying the dividend.
27. A rate of 7% if paid to a bank or financial institution.
28. 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.
29. The treaty with Spain is effective January 1, 2015.
30. The treaty with Lithuania is effective from January 1, 2015.
31. The treaty with Norway is effective from January 1, 2015.
32. 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 or a company not limited at least partly by shares.
33. 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.
34. A rate of 5% applies for any copyright of literary, dramatic, musical, artistic, or scientific work. A 10% rate applies for industrial, commercial, or scientific equipment. A 15% rate applies for patents, trade marks, designs or models, plans, secret formulas, or processes.
35. 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 paying company and the beneficial owner has invested less than EUR 100.000.

Double Taxation Agreements

36. 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.
37. A rate of 15% applies to individual shareholders regardless of their percentage of shareholding. Companies controlling less than 10% of the voting shares are also entitled to a rate of 15%. Companies controlling at least 10% of the voting shares are entitled to nil WHT.
38. 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%.
39. Nil rate applies if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends or if the beneficial owner of the shares is the Government of Cyprus or Norway. A rate of 15% in all other cases.
40. The Cyprus - Czechoslovakia treaty applies with the Slovak Republic.
41. 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.
42. The treaty with Iceland is effective from 1 January 2015.
43. A rate of 5% if received by company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividend.

Double Taxation Agreements

44. The treaty will enter into force once both countries exchange ratification that their formal ratification procedures have been completed.
45. A rate of 5% if received by the beneficial owner (other than a partnership) which holds directly at least 25% of the company paying the dividend. 10% withholding tax of the gross amount of dividends in all other cases.
46. A rate of 0% if received by the beneficial owner (other than a partnership) the capital of which is wholly or partly divided into shares and which holds directly at least 10% of the capital of the company paying the dividends for an uninterrupted period of at least one year. 15% withholding tax applies in all other cases.
47. The treaty will enter into force once both countries have exchanged notifications that their formal ratification procedures have been completed.
48. The treaty is effective from 1 January 2016.

Paid from Cyprus

Received by	Dividends %	Interest %	Royalties %
Treaty and Non Treaty Countries	0 ⁽¹⁾	0 ⁽¹⁾	0 ^{(2), (3)}

1. Under Cyprus legislation, there is no Withholding Tax (WHT) on dividends and interest paid to non - tax residents of Cyprus.
2. There is no WHT on royalties earned from rights used outside Cyprus.
3. Royalties earned on rights used within Cyprus are subject to WHT of 10% (except royalties relating to cinematographic films, where the WHT rate is 5%). This rate may be further reduced by the applicable double tax agreement with each country, and hence the reader should refer to the specific applicable double taxation agreement.

Tax Calendar 2016

Date	Obligation	Form	Penalties (see notes)
31 March	Submission of Company's income tax return for 2014	I.R.4	1,4,6
30 April	Submission of Personal Tax Return for employees	I.R.1	1,4,6
30 June	Payment of Contribution to the Defence Fund on rental income for the first six months for the owners of property	I.R.601	2
31 July	Submission of Temporary Tax Assessment for the current year	I.R.6	3
	Payment of first instalment of tax based on the Temporary Tax Assessment		3
	Electronic Submission of employer's Return	I.R.7	6
	Electronic submission of employees tax return	I.R.1	
1 August	Payment of prior year's balance of income tax through self-assessment	I.R.158	4
30 September	Payment of Immovable Property Tax		8
	Submission of personal Tax return by self-employed individuals who do not prepare audited accounts.	I.R.1	1,4,6
	Payment of prior year's balance for income tax through self-assessment by individuals who do not prepare audited accounts		4
31 December	Submission of revised Temporary Tax Assessment	I.R.6	3
	Payment of second instalment of tax based on the Temporary Tax Assessment		3

Tax Calendar 2016

Date	Obligation	Form	Penalties (see notes)
By the end of the next month	Tax deducted from employees emoluments	I.R.61	5
	Contribution to the Defence Fund withheld from dividends, interests and from rental income	I.R.601	2
	Social insurance deducted from employees emoluments		9
By the 10 th of the second month after the end of the VAT period	Submission of VAT Return and payment of VAT due	VAT 4	7
By the 15 th of the next month	Submission of VIES	VIES 1	10
By the 10 th of the next month	Submission of Intrastat	Intrastat 1.1 Intrastat 1.2	11

Penalties

1. In the case of a conviction for failure to submit a return, a penalty up to €17 per day for as long as failure continues is imposed or imprisonment up to twelve months or both penalties.

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.

2. Interest at the rate of 4,0% (4,5% for 2014, 4,75% for 2013, 5% for 2012) per annum is imposed from the first day after the end of the six-month period. (Interest is calculated daily).
3. If any instalment of the temporary tax assessment is not paid by the due date, interest at the rate of 4,0% (4,5% for 2014, 4,75% for 2013, 5% for 2012) per annum is imposed. In addition to the interest, penalty may also be charged depending on the circumstance.

In addition, a penalty is imposed equal to 10% of the difference between the tax due per the final assessment and the tax per the temporary assessment, if the temporary taxable income is less than 75% of the taxable income per the final assessment. Interest is calculated for complete months.

4. If the tax is not paid by the due date, interest is imposed at the rate of 4,0% (4,5% for 2014, 4,75% for 2013, 5% for 2012) per annum. Interest is calculated for complete months.

Any outstanding tax due is liable to an additional penalty of 5% in the case where the tax return is not submitted within 30 days after the deadline and payment of the tax due is not made.

No penalty is imposed where the tax return is submitted timely, the tax due based on the Tax Return is timely paid and the Tax Department makes an assessment after the lapse of three years from the date of submission as prescribed by the law.

Penalties

5. Late payment results in the imposition of interest at 4,0% (4,5% for 2014, 4,75% for 2013, 5% for 2012) per annum from the due date and an additional penalty of 1% per month for as long as the delay continues. Interest is calculated for complete months.
6. Administrative penalty of €100 will be imposed to a person (company or individual) which refuses, to perform any compliance obligations, within the deadline given in the relevant tax law or administrative penalty of €200 to a person (company or individual) which refuses to submit a return requested by the Commissioner.
7. Late payment of outstanding VAT results in the imposition of a penalty of 10% of the outstanding amount and interest at 4,0% (4,5% for 2014, 4,75% for 2013, 5% for 2012) per annum on the amount of the VAT due. The interest is calculated for complete months.
8. Interest is imposed at the rate of 4,0% (4,5% for 2014, 4,75% for 2013, 5% for 2012) per annum from the due date.
9. Late payment 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.
10. Late submission of VIES results in the imposition of a penalty of €51.
11. Late submission of INTRASTAT results in the imposition of a penalty of €15.

Baker Tilly (in Cyprus)

Baker Tilly is a leading firm of auditors, accountants and business advisors in Cyprus and the Balkans. 20 directors and more than 300 people offer services of the highest standards to more than 6.000 businesses operating both nationally and internationally. Baker Tilly operate through offices in Cyprus (Nicosia, Limassol and Larnaca), Bulgaria (Sofia), Romania (Bucharest), Moldova (Chisinau) and Greece (Athens).

Synergy, determination and professionalism are among the key ingredients that make our teams able to handle all tasks assigned successfully. Whatever the size of the assignment, we can provide an experienced individual or team to meet each client's specific needs.

Baker Tilly firms in Cyprus, Romania, Bulgaria, Moldova and Greece, are independent member firms of Baker Tilly International. Baker Tilly International is the 8th largest accounting network in the world by fee income and is represented by 165 firms with 745 offices in 141 countries, with a global fee income of \$3,8 billion and 28.000 people worldwide.

Through our membership with the Baker Tilly International network, we are able to draw resources and expertise to help meet the needs of our clients, solve complex business problems and face the demanding challenges of tomorrow.

Our Services

Through a wide range of audit, accountancy and business advisory services we aim to offer our local and international clients services of the highest standards and to add value to their business endeavours. We achieve this by keeping abreast on current issues and identifying future challenges. We talk frequently with our clients and advise them on all issues pertaining to their activities.

Understanding their operations and gaining an in-depth knowledge of their activities is key to our service approach.

Audit and Assurance

- Statutory audit
- Audit of financial statements prepared in accordance with International Financial Reporting Standards (IFRS)
- Review of financial statements
- Review of interim financial information
- Internal Audit
- IFRS Services
- Forensic

Business Accounting Services

- Bookkeeping services
- Payroll
- Preparation of statutory financial statements

Consulting and Business Advisory Services

- Business & Enhancing Performance Advisory Services
- Financial Advisory Services
- Corporate Governance, Risk & Compliance
- Insolvency Practices
- EU Funds and Subsidies

Our Services

Management Services

- Intermediary services for acquiring immovable property in Cyprus or Greece
- Intermediary services for acquiring citizenship and/or residency permit in Cyprus and Greece
- Advising on the application process
- Answering possible queries that may arise
- Drafting of the required application documents
- Submitting on your behalf the application to the Cypriot or Greek authorities
- Monitoring the status of the application's review by the Cypriot or Greek authorities
- Acting as your liaison with the Cypriot or Greek authorities during the examination/review of the application

Tax Consulting Services

- Local tax planning for companies and individuals
- International tax planning for companies and individuals
- Corporate and personal tax compliance
- Due diligence reports
- Tax rulings and negotiations with authorities
- Transfer Pricing Services
- VAT Registration / Deregistration
- VAT compliance
- VAT planning
- VAT advisory services
- Assistance in VAT investigations
- Due diligence reports
- Fiscal representation (where required)

Contact Details

Cyprus

Nicosia:

Corner C. Hatzopoulou and
30 Griva Digheni Avenue
1066 Nicosia
P.O. Box 27783
2433 Nicosia, Cyprus
Tel: +357 22 458500 **Fax:** +357 22 751648
Email: info@bakertillyklitou.com
Website: www.bakertillyklitou.com

Limassol:

Clerimos Building, 1st & 2nd Floors
163 Leontiou Street
3022 Limassol
P.O. Box 57328
3314 Limassol, Cyprus
Tel: +357 25 591515 **Fax:** +357 25 591545
Email: limassol@bakertillyklitou.com
Website: www.bakertillyklitou.com

Larnaca:

Yiannis-Maria Building
2nd Floor, Office 203
24 Spyrou Kyprianou Avenue
6058 Larnaca
P.O. Box 40923
6308 Larnaca, Cyprus
Tel: +357 24 663299 **Fax:** +357 24 662910
Email: larnaca@bakertillyklitou.com
Website: www.bakertillyklitou.com

Contact Details

Romania

Bucharest:

52 Splai Independentei

050085 Bucharest, Romania

Tel: +40 21 3156100 **Fax:** +40 21 3156102

Email: info@bakertillyklitou.ro

Website: www.bakertillyklitou.ro

Bulgaria

Sofia:

104 Akad. Ivan E. Geshov Blvd.

Entrance A, 7th Floor

Sofia 1612, Bulgaria

Tel: +359 2 9580980 **Fax:** +359 2 8592139

Email: info@bakertillyklitou.bg

Website: www.bakertillyklitou.bg

Moldova

Chisinau:

65 Stefan cel Mare și Sfânt Blvd.

5th Floor, office 507

Chisinau, 2001, Moldova

Tel: +373 22 233003 **Fax:** +373 22 234044

Email: info@bakertillyklitou.md

Website: www.bakertillyklitou.md

Greece

Athens:

57 Alexandras Avenue and Calligas Corner

114 73 Athens

Greece

Tel: +30 215 500 6060 **Fax:** +30 215 500 6061

Email: info@bakertillygreece.com

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