

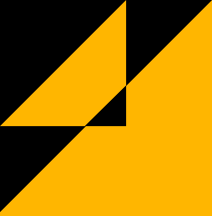


Tax Facts & Figures 2024 - Cyprus

The tax system in Cyprus
January 2024

The background features a complex geometric design. The top half is a dark navy blue, while the bottom half is a bright yellow. A diagonal line separates the two colors. Various geometric shapes are scattered across the top: an orange circle in the top left, a yellow triangle, a grey triangle, a large orange circle, a small yellow circle, a small black circle, and a large white circle on the right edge.

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Foreword

Our “**Tax, Facts & Figures 2024 - Cyprus**” publication which provides valuable information about the Cyprus tax system represents a rich source of general guidance that will enable you to consider your tax planning as well as your compliance obligations towards the Tax Department for year 2024.

However, in no case a publication can substitute proper professional advice and specialized solutions that may be specifically applicable to your own needs. All of us at PwC are here to offer you our knowledge and expertise and to support you in achieving your personal and corporate tax goals.

Please do not hesitate to contact us at any of the addresses shown at the end of this publication.

Wishing you a healthy and prosperous 2024!

PwC Cyprus
January 2024



Personal income tax

Basis of taxation

All Cyprus tax resident individuals are taxed on all chargeable income (including certain employment benefits) accrued or derived from all sources in Cyprus and abroad. Individuals who are not tax residents of Cyprus are taxed on certain income accrued or derived from sources in Cyprus.



An individual is tax resident in Cyprus if (s)he spends in Cyprus more than 183 days in any one calendar year.

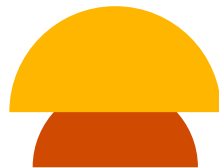
With effect as from 1 January 2017, an individual may also be considered tax resident in Cyprus if (s)he satisfies the “60 day rule”. The “60 day rule” applies to individuals who in the relevant tax year:

1. do not reside in any other single state for a period exceeding 183 days in aggregate, and
2. are not considered tax resident by any other state, and
3. reside in Cyprus for at least 60 days, and
4. have other defined Cyprus ties. To satisfy this condition the individual must carry out any business in Cyprus and/or be employed in Cyprus and/or hold an office (director) of a company tax resident in Cyprus at any time in the tax year, provided that such is not terminated during the tax year. Further the individual must maintain in the tax year a permanent residential property in Cyprus which is either owned or rented by him/her.

For the purposes of both the “183 days rule” and the “60 days rule” days in and out of Cyprus are calculated as follows:

- the day of departure from Cyprus counts as a day of residence outside Cyprus
- the day of arrival in Cyprus counts as a day of residence in Cyprus
- arrival and departure from Cyprus in the same day counts as one day of residence in Cyprus
- departure and arrival in Cyprus in the same day counts as one day of residence outside Cyprus





Personal tax rates

The following income tax rates apply to individuals:

Chargeable income for the tax year	Tax rate	Accumulated tax
€	%	€
First 19.500	Nil	Nil
From 19.501 - to 28.000	20	1.700
From 28.001 - to 36.300	25	3.775
From 36.301 - to 60.000	30	10.885
Over 60.000	35	

Foreign pension income is taxed at the flat rate of 5% on amounts over €3.420. The taxpayer can however on an annual basis elect to be taxed at the normal tax rates and bands set out above.

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

Exemptions

The following are exempt from income tax:

Type of income	Exemption
<ul style="list-style-type: none"> Interest, except for interest arising from the ordinary business activities or closely related to the ordinary business activities of an individual 	The whole amount (1)
<ul style="list-style-type: none"> Dividends 	The whole amount (1)



Type of income	Exemption
<ul style="list-style-type: none"> Remuneration for “first employment” exercised in Cyprus commencing as from 1 January 2022 with remuneration exceeding EUR55.000 by individuals who were not residents of Cyprus for a period of 15 consecutive tax years immediately prior to the year of commencement of the employment in Cyprus. An employee is considered as exercising “first employment” in Cyprus if the said employee did not exercise any salaried services (including occasional employment) in Cyprus, either for a local or a foreign employer, for a 15-year consecutive period immediately prior to the aforesaid employee taking up employment in Cyprus. For each individual the exemption will apply once in their lifetime for a period of 17 years. Subject to certain conditions, individuals whose employment commenced prior to 1 January 2022, may also be eligible to claim the exemption (2) (3). 	50% of the remuneration
<ul style="list-style-type: none"> Remuneration for first employments exercised in Cyprus commencing after 26 July 2022, by individuals who immediately prior to the commencement of their employment in Cyprus were not a resident of Cyprus for a period of at least 3 consecutive tax years and were employed outside of Cyprus by a non-resident employer. For each individual the exemption will apply for a period of 7 years, starting from the tax year following the tax year of commencement of employment. Individuals granted the above 50% exemption will not be eligible for this exemption. (3) 	20% of the remuneration with a maximum amount of €8.550 annually
<ul style="list-style-type: none"> 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

Type of income	Exemption
• Profits of a foreign permanent establishment under certain conditions (3)	The whole amount
• Lump sum received by way of retiring gratuity, commutation of pension or compensation for death or injuries	The whole amount
• Capital sums accruing to individuals from any payments to approved funds (e.g. provident funds)	The whole amount
• Profits from the sale of securities (4)	The whole amount
• Profits from the production of films, series and other related audiovisual programs	The lower of 35% of the eligible expenditure and 50% of the taxable income. Any restriction may be carried forward for 5 years.

Notes:

1. Such dividend and interest income may be subject to Special Contribution for Defence - refer to the Special Contribution for Defence section - **page 32**.
2. For employments commencing between 1 January 2022 and 29 June 2023, the employee may be eligible to claim 50% exemption subject to similar but not identical conditions. More specifically, employees may be eligible to claim 50% exemption if they were not tax resident in Cyprus immediately prior to the commencement of first employment for a period of 10 years, rather than 15 years. Furthermore, 'first employment' refers to employment exercised by the employee in Cyprus at any point in time, rather than the 15-year period immediately preceding the start of employment. Some additional differences apply as well.
3. Previously, 20% and 50% exemptions were available subject to different conditions. The exemptions were available for a period of 5 or 10 years respectively. The exemptions do not apply for employments commencing after 26 July 2022, nevertheless eligible individuals may continue to claim the exemption after this date for any remaining period.



4. With effect as from 1 July 2016, taxpayers may elect to tax the profits earned by a foreign permanent establishment, with a tax credit for foreign taxes incurred on those foreign permanent establishment profits. Transitional rules apply in certain cases on the granting of foreign tax credits where a foreign permanent establishment was previously exempt and subsequently a taxpayer elects to be subject to tax on the profits of the foreign permanent establishment.
5. The term “Securities” is defined as shares, bonds, debentures, founders’ shares and other securities of companies or other legal persons, incorporated in Cyprus or abroad and options thereon. Circulars have been issued by the Tax Authorities further clarifying what is included in the term Securities. According to the circulars the term includes, among others, options on Securities, short positions on Securities, futures/forwards on Securities, swaps on Securities, depositary receipts on Securities (ADRs, GDRs), rights of claim on bonds and debentures (rights on interest of these instruments are not included), index participations only if they result on Securities, repurchase agreements or Repos on Securities, units in open-end or close-end collective investment schemes. The circulars also clarify specific types of participation in foreign entities which are considered as Securities.

Tax deductions

The following are deducted from income:

• Contributions to trade unions or professional bodies	The whole amount
• Loss of current year and previous years (for individuals required to prepare audited financial statements, current year losses and losses of the previous five years only may be deducted)	The whole amount
• Rental income	20% of gross rental income
• Donations to approved charities (with receipts)	The whole amount
• Expenditure incurred for the maintenance of a building in respect of which there is in force a Preservation Order	Up to €1.200, €1.100 or €700 per square meter (depending on the size of the building)

- | | |
|--|---|
| <ul style="list-style-type: none"> • Social Insurance, General Health System medical fund, private medical fund insurance contributions (maximum 1,5% of remuneration), pension and provident fund contributions (maximum 10% of remuneration) and life insurance premiums (maximum 7% of the insured amount) | <p>Up to 1/5 of the chargeable income</p> |
| <ul style="list-style-type: none"> • Investments as from 1 January 2017 in approved innovative small and medium sized enterprises either directly or indirectly subject to conditions (applicable up to 31 December 2026). | <p>Part of the amount invested (20%, 35% or 50% depending on the characteristics of the investment) up to maximum 50% of the taxable income in the year of investment as calculated prior to this deduction (subject to a maximum of €150.000 per tax year) (1)</p> |
| <ul style="list-style-type: none"> • Eligible infrastructure and technological equipment expenditure in the audiovisual industry | <p>20%</p> |
| <ul style="list-style-type: none"> • Expenditure of revenue nature for scientific research and for R&D, subject to conditions | <p>The whole amount (and for expenditure incurred in years 2022, 2023 and 2024, an additional 20%)</p> |
| <ul style="list-style-type: none"> • Tax amortisation on any expenditure of capital nature for scientific research and for R&D, subject to conditions | <p>The whole amount (and for expenditure incurred in years 2022, 2023 and 2024, an additional 20%) allocated over the lifetime of the asset (maximum period 20 years)</p> |



Note

1. Unused deduction can be carried forward and claimed in the following 5 years.

Example of personal Tax computation for 2023

Salary (€5.885 monthly)	€70.620
Rent receivable	€5.000
Interest receivable	€700
Dividend income	€600
Social Insurance contributions	€5.005
General health system contributions	€2.038
Life insurance premiums	€8.500
Insured sum	€100.000
Provident fund contribution	€3.000
Donations to approved charities – with receipts	€300



Tax computation

	€	€
Salary	70.620	
Rent receivable**	5.000	
Interest receivable (exempt)	-	
Dividends receivable (exempt)	-	
Total income		75.620
Less: deductions		
Donations - (with receipts)	300	
20% of rent income	1.000	1.300
Net total income		74.320
Life insurance premiums: Restricted to 7% of the insured sum (7% @ €100.000 = €7.000)		
Provident fund contributions (€ 3.000 < 10% of € 70.620)		
Social insurance contributions (€5.005)		
General health system contributions (€2.038)		
All contributions restricted to 1/5 of net total income (€7.000 + €3.000 + €5.005 + €2.038 = €17.043 restricted to 1/5 of €74.320)		(14.864)
Taxable income		59.456



	€	€
Tax payable: - first	19.500	0
- next	8.500	1.700
- next	8.300	2.075
- next	23.156	6.947
Income tax payable		10.722
Special Contribution for Defence*		
Dividends receivable €600 x 17%	102	
Interest receivable €700 x 30%	210	
Rent receivable**		
€5.000 – 25% = €3.750 x 3%	112	424
Social insurance		5.005
General health system contributions		2.038
Total tax payable		€18.189

*Please refer to Special Contribution for Defence section (page 32).

The individual in this example is both Cyprus tax resident and Cyprus domiciled for the purposes of the Special Contribution for Defence.

** In regards to the immovable property on which rental income is earned, the deductions could additionally include any interest expense accruing on borrowings that were obtained by the individual to finance the acquisition of the building as well as wear and tear allowances (if not already exhausted).



Corporation tax

Basis of taxation

A company is tax resident of Cyprus if it is managed and controlled in Cyprus.

As from 2023, a Cyprus incorporated company will by default be considered a tax resident of Cyprus provided it is not tax resident in any other jurisdiction.

All Cyprus tax resident companies are taxed on their income accrued or derived from all chargeable sources in Cyprus and abroad.

With effect as from 1 January 2019 Controlled Foreign Company (CFCs) rules apply, i.e. non-distributed profits of CFCs directly or indirectly controlled by a Cyprus tax resident company, may become subject to tax in Cyprus (certain exceptions may apply).

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 and on certain income arising from sources in Cyprus.

Foreign taxes paid can be credited against the Cyprus corporation tax liability.

Finally, Cyprus, as an EU member state, will be transposing the EU Directive on global minimum tax for multinational enterprise groups and large-scale domestic groups into its national law, with effect as from 1 January 2024.



Corporate tax rate

	Tax rate %
The corporation tax rate for all companies is	12,5

Exemptions

The following are exempt from corporate tax:

Type of income	Exemption limit
<ul style="list-style-type: none"> Profit from the sale of securities (1) 	The whole amount
<ul style="list-style-type: none"> Dividends (excluding, as from 1 January 2016, dividends which are tax deductible for the paying company) 	The whole amount (2)
<ul style="list-style-type: none"> Interest not arising from the ordinary activities or closely related to the ordinary activities of the company (3) 	The whole amount (4)
<ul style="list-style-type: none"> Profits of a foreign permanent establishment, under certain conditions (5) 	The whole amount
<ul style="list-style-type: none"> Gains relating to foreign exchange differences (forex) with the exception of forex arising from trading in foreign currencies and related derivatives. 	The whole amount
<ul style="list-style-type: none"> Profits from the production of films, series and other related audiovisual programs 	The lower of 35% of the eligible expenditure and 50% of the taxable income. Any restriction may be carried forward for 5 years.

Notes:

- For a definition of securities see (page 7).
- Such dividend income may be subject to Special Contribution for Defence (page 32).
- All the interest income of Collective Investment Schemes is considered to be arising from the ordinary activities or closely related to the ordinary activities of the Scheme.



4. Such interest income is subject to Special Contribution for Defence (page 32).
5. With effect as from 1 July 2016, taxpayers may elect to tax the profits earned by a foreign permanent establishment, with a tax credit for foreign taxes incurred on those foreign permanent establishment profits. Transitional rules apply in certain cases on the granting of foreign tax credits where a foreign permanent establishment was previously exempt and subsequently a taxpayer elects to be subject to tax on the profits of the foreign permanent establishment.

Corporate tax deductions for expenses

Generally expenses incurred wholly and exclusively in earning taxable income and supported by documentary evidence are deductible for corporate tax purposes, including:

Type of expense	Deduction limit
<ul style="list-style-type: none"> Interest expense incurred for the direct or indirect acquisition of 100% of the share capital of a subsidiary company will be treated as deductible for income tax purposes provided that the 100% subsidiary company does not own (directly or indirectly) any assets that are not used in the business. If the subsidiary owns (directly or indirectly) assets not used in the business the interest expense deduction is restricted to the amount which relates to assets used in the business. This applies for such acquisitions of subsidiaries from 1 January 2012. 	<p>The whole amount of interest expense if the subsidiary does not own (directly or indirectly) any assets not used in the business. A restricted amount of interest expense is allowed to the extent the subsidiary owns (directly or indirectly) assets used in the business. Moreover as from 1 January 2019 an interest limitation rule applies in accordance with the EU Anti-tax Avoidance Directive.</p>
<ul style="list-style-type: none"> Equity introduced to a company as from 1 January 2015 (new equity) in the form of paid-up share capital or share premium may be eligible for an annual notional interest deduction (NID). The annual NID deduction is calculated as the new equity multiplied by the NID interest rate. The relevant interest rate is the yield on 10 year government bonds (as at December 31 of the prior tax year) of the country where the funds are employed in the business of the company plus a 5% premium. A taxpayer may elect not to claim all or part of the available NID for a particular tax year. Certain anti-avoidance provisions apply. 	<p>The NID deduction cannot exceed 80% of the taxable profit derived from the assets financed by the new equity (as calculated prior to the NID deduction).</p>



Type of expense	Deduction limit
<ul style="list-style-type: none"> Royalty income, embedded income and other qualifying income derived from qualifying intangible assets in the Cyprus intellectual property (IP) box (provision applies with effect from 1 July 2016) (1) 	80% of the net profit as calculated using the modified nexus fraction (2)
<ul style="list-style-type: none"> Tax amortisation on any expenditure of a capital nature for the acquisition or development of IP (provision applies with effect from 1 July 2016) (3) 	The whole amount allocated over the lifetime of the IP (maximum period 20 years)
<ul style="list-style-type: none"> Tax amortisation on any expenditure of capital nature for scientific research and for R&D, subject to conditions (3) 	The whole amount (and for expenditure incurred in years 2022, 2023 and 2024, an additional 20%) allocated over the lifetime of the asset (maximum period 20 years)
<ul style="list-style-type: none"> Expenditure of revenue nature for scientific research and for R&D, subject to conditions 	The whole amount and, for expenditure incurred in years 2022, 2023 and 2024, an additional 20%
<ul style="list-style-type: none"> Donations to approved charities (with receipts) 	The whole amount
<ul style="list-style-type: none"> Employer's contributions to social insurance, General Health System (see page 75) and approved funds on employees' salaries 	The whole amount
<ul style="list-style-type: none"> Employer's contributions to: <ul style="list-style-type: none"> - Medical fund for employees - Provident/Pension fund for employees 	1% on employee's remuneration 10% on employee's remuneration

Type of expense	Deduction limit
<ul style="list-style-type: none"> Any expenditure incurred for the maintenance of a building in respect of which there is in force a Preservation Order 	Up to €700, €1.100 or €1.200 per square meter (depending on the size of the building)
<ul style="list-style-type: none"> Entertainment expenses for business purposes 	Lower of €17.086 or 1% of the gross income of the business
<ul style="list-style-type: none"> Investments as from 14 February 2022 in approved innovative small and medium sized enterprises either directly or indirectly, subject to conditions (applicable up to 31 December 2026). 	The amount invested up to maximum 50% of the taxable income as calculated prior to this deduction (subject to a maximum of €150.000 per tax year) (4) or 30% of the amount invested if the investments are financed from own funds (subject to a maximum of €150.000 per tax year)
<ul style="list-style-type: none"> Eligible infrastructure and technological equipment expenditure in the audiovisual industry 	20% for small / 10% for medium enterprises

Notes:

1. Qualifying 'intangible assets' maybe legally or economically owned and comprise patents, copyrighted software, utility models, intangible assets that grant protection to plants and genetic material, orphan drug designations, extensions of patent protection. It also comprises of other intangible assets which are non-obvious, useful and novel, that are certified as such by a designated authority, and where the taxpayer satisfies size criteria (i.e. annual IP related revenue does not exceed €7,5m for the taxpayer, and group total annual revenue does not exceed €50m, using a 5 year average for both calculations). Marketing-related intangible assets, such as trademarks, do not qualify.
2. A fraction is applied to the net profit based on research and development (R&D) activity. The higher the amount of R&D undertaken by the taxpayer itself or via a taxable foreign permanent establishment or via unrelated third party outsourcing, the higher the amount of R&D fraction (modified nexus fraction).



3. A taxpayer may elect not to claim all or part of the available tax amortization for a particular tax year. Unclaimed tax amortisation capacity may be carried forward to be used in future years (spread over the remaining UEL of the asset).
4. Unused deduction can be carried forward and claimed in the following 5 years.

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 from the date of acquisition of the asset |



Losses carried forward

The tax loss incurred during a tax year and 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.

The current year loss of one company can be set off against the profit of another, subject to conditions, provided the companies are Cyprus tax resident companies of a group (1). Group is defined as:

- One Cyprus tax resident company holding directly or indirectly at least 75% of the voting shares of another Cyprus tax resident company, or,
- Both Cyprus tax resident companies are at least 75% (voting shares) held, directly or indirectly, by a third company

As from 1 January 2015 interposition of a non- Cyprus tax resident company(ies) will not affect the eligibility for group relief as long as such company(ies) is/are tax resident of either an EU country or in a country with which Cyprus has a tax treaty or an exchange of information agreement (bilateral or multilateral).

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

Losses of an exempt foreign permanent establishment can be set off with profits of the Cyprus head office. In such case, future profits of an exempt foreign permanent establishment abroad are taxable up to the amount of losses allowed.

Note:

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

Reorganisations

Transfers of assets and liabilities between companies can, subject to conditions, be effected in a tax neutral manner within the framework of a qualified reorganisation, and tax losses may be carried forward by the receiving entity.

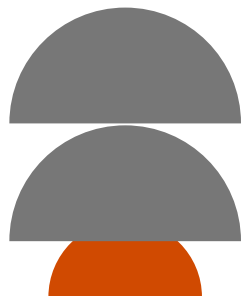
Reorganisations include:

- mergers
- demergers
- partial divisions
- transfer of assets
- exchange of shares
- transfer of registered office of a European company (SE) or a European cooperative company (SCE).

Annual wear and tear allowances on tangible fixed assets

The following allowances which are given as a percentage on the cost of acquisition are deducted from the chargeable income:

Fixed assets	
<i>Plant and machinery (1)</i>	%
Plant and machinery	10
Furniture and fittings	10
Industrial carpets	10
Boreholes	10
Machinery and tools used in an agricultural business	15
<i>Buildings (2)</i>	%
Commercial buildings	3
Industrial, agricultural and hotel buildings (3) (4)	4
Flats	3
Metallic greenhouse structures	10
Wooden greenhouse structures	33 1/3



Vehicles and Means of Transportation (1)	%
Commercial motor vehicles	20
Motor cycles	20
Excavators, tractors, bulldozers, self-propelled loaders and drums for petrol companies	25
Armoured Motor Vehicles (e.g. used by Security Services)	20
Specialised Machinery for the laying of Railroads (e.g. Locomotive engines, Ballast wagons, Container wagons and Container Sleeper Wagons)	20
New Airplanes	8
New Helicopters	8
Sailing vessels	4,5
Motor Yachts	6
Steamers, tugs and fishing boats	6
Shipmotor launches	12,5
New cargo vessels	8
New passenger vessels	6
Used cargo/passenger vessels	Over their useful lives

Other (1)	%
Televisions and videos	10
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	
Wind Power Generators	10
Photovoltaic Systems	10
Tools in general	33 1/3
Videotapes property of video clubs	50



Notes:

1. Plant and machinery, vehicles (excluding private motor vehicles) and other assets acquired during the tax years 2012 - 2018 (inclusive) are eligible to accelerated tax depreciation at the rate of 20% per annum (excluding such assets which are already eligible for a higher annual tax rate of tax depreciation).
2. The rates stated for buildings are for new buildings. Rates are amended in the case of second-hand buildings.
3. In the case of industrial and hotel buildings which are acquired during the tax years 2012 - 2018 (inclusive), an accelerated tax depreciation at the rate of 7% per annum applies.
4. Buildings for agricultural and livestock production acquired during the tax years 2017-2018 (inclusive) are eligible for accelerated tax depreciation at the rate of 7% per annum.

Special type of companies

Shipping companies

The Merchant Shipping Legislation fully approved by the EU (approval extended up to 31 December 2029) provides for exemption from all direct taxes and taxation under tonnage tax regime of qualifying shipowners, charterers and shipmanagers, from the operation of qualifying community ships (ships flying a flag of an EU member state or of a country in the European Economic Area) and foreign (non community) ships (under conditions), in qualifying activities.

The legislation allows non community vessels to enter the tonnage tax regime provided the fleet is composed by at least 60% community vessels. If this requirement is not met, then non community vessels can still qualify if certain criteria are met.

The legislation includes an “all or nothing” rule, meaning that if a shipowner/ charterer/ shipmanager of a group elects to be taxed under the Tonnage Tax regime, all shipowners/ charterers/ shipmanagers of the group should elect the same.

Exemption is also given in relation to the salaries of officers and crew aboard a community qualifying ship.

Shipowners

The exemption applies to:

- profits derived from the use/chartering out of the ships
- interest income relating to the working capital of the company
- profits from the disposal of qualifying ships
- dividends received from the above profits at all distribution levels
- profit from the disposal of shipowning companies and its distribution

The exemption also applies to the bareboat charterer of a vessel flying the Cyprus flag under parallel registration.

Bareboat charter out agreements remain eligible for tonnage tax, with restrictions introduced for bareboat charter agreements to third parties.

The legislation provides a definition, as well as a specific list, of what are ancillary services. Moreover, it clarifies that the revenue from the ancillary services may fall under the tonnage tax regime, provided that the income therefrom does not exceed 50% of the total income generated from Maritime Transport Activities ('Core Activities').

Charterers

Exemption is given to:

- profits derived from the operation of chartered in ships
- interest income relating to the working capital of the company
- dividends received from the above profits at all distribution levels

The law grants the exemption provided that the option to register for Tonnage Tax is exercised for all vessels and provided a composition requirement is met: at least 25% (reduced to 10% under conditions) of the net tonnage of the vessels owned or bare boat chartered in.



Shipmanagers

The exemption covers:

- Profits from technical and/or crew management
- Dividends paid out of these profits at all levels of distribution
- Interest income relating to the working capital of the company

In order to qualify shipmanagers must satisfy the following additional requirements:

- Maintain a fully fledged office in Cyprus with personnel sufficient in number and qualification
- At least 51% of all onshore personnel must be community citizens
- At least 2/3 of total tonnage under management must be managed within the community (any excess of 1/3 taxed under corporation tax)

The application of the tonnage tax system is compulsory for owners of Cyprus flag ships and optional for owners of non Cyprus flag ships, charterers and shipmanagers. Those who choose to enter the Tonnage Tax regime must remain in the system for at least 10 years unless they had a valid reason to exit such as disposal of their vessels and cessation their of activities.

Insurance companies

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



The Cyprus Alternative Investment Funds (AIFs) and Undertakings for Collective Investment in Transferable Securities (UCITS)

The Alternative Investment Funds Law 124(I)/2018, to the extent amended (hereinafter, the “AIF Law”) defines alternative investment funds as any collective investment undertakings, including investment compartments thereof, which, collectively:

- raise capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors, and
- do not require authorisation pursuant to section 9 of Law 78(I)/2012, as amended (hereinafter, the ‘UCI Law’), or pursuant to the legislation of another member state that harmonises the provisions of Article 5 of the Directive 2009/65/EC, as amended.

The AIF Law allows for three types of AIFs to be established in Cyprus which are as follows:

- Alternative Investment Funds with Limited Number of Persons (Up to 50) (AIFLNPs)
- Alternative Investment Funds with Unlimited Number of Persons (AIFs)
- Registered AIFs (RAIFs)

The various legal forms in which either type of AIFs can manifest are as follows:

AIFLNP:

- Variable Capital Investment Company (VCIC)
- Fixed Capital Investment Company (FCIC)
- Limited Partnership (LP)

AIF/RAIF:

- VCIC
- FCIC
- Common Fund (CF)
- LP



UCITS:

The UCI Law defines UCITS as undertakings the sole object of which is the collective investment in transferable securities and/or other liquid financial instruments as referred to in section 40 (1) of the UCI Law, of capital raised from the public, which operate on the principle of risk-spreading, and the units of which are, at the request of investors, redeemed or repurchased, directly or indirectly, out of these undertakings' assets.

UCITS can take the following legal forms:

- CF
- VCIC

Taxation of Funds

Funds which are opaque for tax purposes and which are managed and controlled in Cyprus are tax resident in Cyprus and are subject to the general provisions of the Cyprus tax framework.

In the case of funds which have compartments, each compartment is assessed separately for tax purposes subject to the provisions of the law.

Under circumstances and depending on the legal form of the fund, some funds may be transparent for tax purposes.

Additional key provisions which are relevant to funds are set out below:

Sale of Fund Units

There is no Capital Gains Tax on the gains arising from the disposal or redemption of units in funds unless the fund owns directly or indirectly immovable property in Cyprus (subject to conditions).

However, even if it owns immovable property in Cyprus, no Capital Gains Tax arises if the Fund is listed on a recognized stock exchange.

Stamp Duty

The subscription, redemption, conversion or transfer of a fund's units should be exempt from Cyprus stamp duty.



No creation of a permanent establishment

Based on the Cyprus tax legislation no Cyprus permanent establishment will be deemed to arise:

- i. for non-Cyprus resident investors as a result of investment into Cyprus tax-transparent investment funds, or,
- ii. as a consequence of the management from Cyprus of non-Cyprus investment funds.

Management services

The management fee charged for the provision of collective management services to investment funds is exempt from VAT, provided certain conditions are met.

Carried interest / performance fee for AIF and UCITS fund managers

Certain employees and executives of the following investment fund management companies or internally managed investment funds may opt for a different mode of personal taxation:

- Alternative Investment Fund Managers authorised under the Alternative Investment Fund Managers Law 56(I)/2013, as amended (hereinafter, the 'AIFM Law')
- Internally managed AIFs authorised under the AIFM Law
- UCITS Management Companies authorised under the UCI Law
- Internally managed UCITS authorised under the UCI Law
- A company to which the AIFM / UCITS Management company has delegated the portfolio management or risk management activities of the AIF/ UCITS which it manages.

Subject to conditions, their variable employment remuneration which is effectively connected to the carried interest of the fund managing entity may, through an annual election, be separately subject to Cyprus tax at the flat rate of 8%, with a minimum tax liability of €10.000 per annum. This special mode of taxation is available for a period of 10 years.

Transfer Pricing

With effect as from 1 January 2022, transfer pricing documentation requirements have been introduced. The transfer pricing documentation compliance obligations include the preparation of Master File, Summary Table, Cyprus Local File and Minimum TP Documentation for Cyprus tax resident persons and PEs of non-Cyprus tax resident persons situated in Cyprus that engage in transactions with related parties. A formal Advance Pricing Agreement (APA) procedure has also been introduced. Specific penalties for non-compliance with the new obligations are now in place.



Transfer Pricing Documentation

TP Documentation File

As from 1 January 2022, Cyprus tax resident persons and PEs of non-Cyprus tax resident persons situated in Cyprus that engage in domestic and/or cross-border controlled transactions, subject to exemptions mentioned below, are required to prepare, on an annual basis, a Transfer Pricing Documentation File, which consists of the 'Master File' and the 'Cyprus Local File'.

Contents

The required contents of the Master File and Cyprus Local File closely follow the definition and suggested contents of Master File and Local File as per the OECD Transfer Pricing Guidelines (and BEPS Action 13 Report).

Exemptions

The following exemptions apply:

Master File: Only Cyprus tax resident entities that are the ultimate parent or surrogate parent entity of a multinational enterprise (MNE) group falling under the scope of country-by-country (CbC) reporting have an obligation to prepare and maintain a Master File. All other persons are exempt from this obligation.

Local File: Persons that engage in controlled transactions with arm's-length value less than EUR 750,000 per annum, per transaction category in aggregate (e.g. sale/purchase of goods, provision/receipt of services, financing transactions, receipt/payment of IP licensing/royalties, others) are exempt from the obligation to prepare a Cyprus Local File.

Quality Review

A person who holds a Practicing Certificate from the Institute of Certified Public Accountants of Cyprus (ICPAC) or another approved by the Council of Ministers body of certified auditors in Cyprus is expected to perform a Quality Review of the Cyprus Local File.

Format and language

The Transfer Pricing Documentation File should be maintained by the taxpayer in electronic or paper format and may be prepared in a generally acceptable language, preferably in English; however, the Tax Authorities may request its translation in Greek if necessary.



Relevant deadlines

The TP Documentation File (consisting of the Master File and Local File as applicable) must be prepared and be subject to Quality Review (if necessary) on an annual basis, by the deadline of filing the Income Tax Return for the relevant tax year. The Transfer Pricing Documentation File needs to be retained in compliance with the general document retention obligations for tax purposes; however, it should be submitted to the Tax Authorities upon request (e.g. for the purpose of tax audit) and specifically within 60 days from the date of such request. Penalties shall be imposed for late or non filing.

TP Documentation File updates

The TP Documentation File must be updated on an annual basis and include details regarding the impact of market fluctuations or other events on the information and analyses included therein.

Minimum TP documentation

The Cyprus Tax Department issued a Circular providing guidance to persons that are exempt from the obligation to prepare a Cyprus Local File, for maintaining Minimum TP documentation to support the arm's length nature of their related party transactions.

In this respect, persons that engage in related party transactions should maintain the following Minimum TP Documentation, to support the arm's length nature of any of their Controlled Transactions that are not required to be documented in a Cyprus Local File:

1. Brief functional analysis (functions, assets, risks)
2. Description of the functional profile of the entity, based on the results of the functional analysis
3. Reasoning for selection of the most appropriate TP method
4. Determination of the arm's length price(s) supported by relevant benchmarking results using internal or external comparables (as applicable) or any other relevant economic analysis compliant with the OECD Transfer Pricing Guidelines (e.g., the use of valuation models for financial guarantees).



The Minimum TP Documentation should be submitted to the CTD upon request (within 60 days).

Simplification Measures (safe harbor rates) for certain types of Controlled Transactions

In addition, the Circular introduces optional Simplification Measures for certain types of Controlled Transactions which fall outside the scope of Local File documentation.

Specifically, persons that engage in the following transactions:

- Financing granted to related parties financed by borrowings
- Financing granted to related parties financed by equity
- Financing obtained from related parties to the extent it is used in the business
- Low Value Adding Services (“LVAS”) (received or provided).

may elect to apply the Simplification Measures (safe harbor rates) for the pricing of the said Controlled Transactions.

It is important to note, that the above Simplification Measures (safe harbor rates) cannot be applied, if the (arm's length) value of all the financial transactions (for application of measures (a)-(c)) or all services transactions (for application of measure (d)) of the taxable person exceed €750,000 p.a. in aggregate per category.

Furthermore, the Simplification Measures (safe harbor rates) cannot be applied if reliable internal comparables (i.e., comparable transactions with unrelated parties) can be used to determine the arm's length price of the Controlled Transactions.

The safe harbor rates are summarised in the table below:

Transactions eligible for safe harbor election	Safe harbor rates
Loans or cash advances receivable from related parties which are funded out of financial means	Minimum return of 2.5% (after the deduction of allowable expenses)
Loans or cash advances receivable from related parties which are funded out of own capital/equity	Minimum return should be equal to the yield rate (as at 31 December of the prior tax year) of the 10-year government bond of the country in which the borrower operates, increased by 3.5%
Loans payable to related parties to the extent that the funds obtained are used in the business	Cost of debt must not exceed the yield rate (as at 31 December of the prior tax year) of the 10-year government bond of Cyprus, increased by 1.5%
Low value-adding services	5% markup on the relevant costs



Persons that elect to apply the Simplification Measures (safe harbor rates) need to maintain documentation to support their eligibility and way of application of the measures.



Summary Information Table

A Summary Table must be prepared by all taxpayers that engage in controlled transactions on an annual basis, disclosing details regarding such transactions, including the names and tax identification codes of the related counterparties, and the respective values per transaction category (sale/purchase of goods, provision/receipt of services, financing transactions, receipt/payment of IP licences/royalties, others). The Summary Table must be submitted electronically together with the Income Tax Return for the relevant tax year.

APA

A formal APA procedure was introduced in the legislation as from 1 Jan 2022. Specifically, Cyprus tax resident persons and non-Cyprus tax resident persons that have a PE situated in Cyprus may submit to the Tax Authorities an APA request with respect to current or future domestic or cross-border controlled transactions. The APA may cover the various conditions and assumptions relevant for determining the arm's length pricing of the controlled transactions for a specific period. The Tax Authorities examine the APA request and either approve or reject it.



Special Contribution for Defence

Special Contribution for Defence is imposed on dividend income, 'passive' interest income and rental income earned by companies tax resident in Cyprus and by individuals who are both Cyprus tax resident and Cyprus domiciled. It is charged at the rates shown in the table **below**:

	Tax rates	
	Individuals (1) %	Legal entities (1) %
Dividend income from Cyprus tax resident companies	17(5)	Nil (2)
Dividend income from non-Cyprus tax resident companies	17(5)	Nil (3)
Interest income arising from the ordinary activities or closely related to the ordinary activities of the business	Nil (4)	Nil (4)
Other interest income ('passive')	17 (5)	17 (5)
Gross rental income (reduced by 25%)	3 (6) (7)	3 (6) (7)

Notes:

1. Legal entities are subject to Special Contribution for Defence if they are tax resident in Cyprus (**see page 12**). Prior to 16 July 2015 individuals were subject to Special Contribution for Defence if they were tax resident in Cyprus (**see page 2**). As from 16 July 2015 individuals are subject to Special contribution for defence if they are both Cyprus tax resident and Cyprus domiciled. An individual is domiciled in Cyprus for the purposes of Special Contribution for Defence if (s)he has a domicile of origin in Cyprus per the Wills and Succession Law (with certain exceptions) or if (s)he has been a tax resident in Cyprus for at least 17 out of the 20 tax years immediately prior to the tax year of assessment. Anti-avoidance provisions apply.
2. Dividends received by a Cyprus tax resident company from other Cyprus tax resident companies are exempt, subject to certain anti- avoidance provisions.
3. The exemption of this section 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 burden in Cyprus. The tax authorities have clarified through a circular that "significantly lower" means an effective tax rate of less than 6,25% on the profit distributed.

When the exemption does not apply, the dividend income is subject to Special Contribution for Defence at the rate of 17%.

As from 1 January 2016 this section also does not apply to dividends which are deductible for tax purposes by the paying company. In such cases, dividends are subject to corporation tax and not Special Contribution for Defence.



4. Such interest income is subject to personal income tax / corporation tax.

The Special Contribution for Defence rate on interest income of 17% is effective as from 1 January 2024 (previously 30%).

Interest income earned by individuals from corporate bonds (as from 26 June 2019), Cyprus government savings and development bonds as well as all interest earned by a provident fund and the Cyprus Social Insurance Fund is subject to Special Contribution for Defence at the rate 3% (instead of 17%).

As from 8 June 2022, the reduced rate of 3% applies to both legal persons and individuals tax resident in Cyprus earning interest income from: (i) Cyprus government bonds, (ii) Cyprus and foreign corporate bonds listed on a recognised stock exchange and (iii) bonds issued by Cyprus state organisations, or by Cyprus or foreign local authorities, listed on a recognised stock exchange. Furthermore, the reduced rate of 3% also applies to pension funds.

In the case where the total income of an individual (including interest) does not exceed €12,000 in a tax year, then the rate on interest income is reduced to 3% (instead of 17%).

6. Rental income is also subject to personal income tax / corporation tax.
7. On 13 September 2023 the CTA issued a Circular pursuant of which rental income from self-catering accommodation that is rented out via online platforms will be treated, subject to certain conditions, as business income (therefore, subject to Income Tax and exempt from Special Defence Contribution).
8. For Cyprus sourced rental income where the tenant is a Cyprus company, partnership, the state or local authority, Special Contribution for Defence on rental income is withheld at source and should be paid in two tranches, by 30 June (on rental income withheld during January – June) and 31 December (on rental income withheld during July – December).

For Cyprus sourced interest and dividends Special Contribution for Defence due is withheld at source and is payable at the end of the month following the month in which they were paid.

However for foreign sourced dividends, interest and rental income Special Contribution for Defence is payable in 6 month intervals on 30 June and 31 December each year.

Foreign taxes paid can also be credited against the Special Contribution for Defence liability.



Deemed dividend distribution

A Cyprus tax resident company is deemed to distribute as a dividend 70% of its accounting profits (as adjusted for Special Contribution for Defence purposes⁽¹⁾ and net of Corporation Tax, Special Contribution for Defence on company incomes, Capital Gains Tax and unrelieved foreign taxes) two years from the end of the tax year in which the profits were generated.

Such a deemed dividend distribution is reduced with payments of actual dividends paid during the relevant year the profits were generated and the two following years.

On the remaining net amount (if any) of deemed dividend 17% Special Contribution for Defence is imposed to the extent that the ultimate direct/ indirect shareholders of the company are individuals who are both Cyprus tax resident and Cyprus domiciled (see [page 33](#)). Prior to 16 July 2015 the imposition applied to the extent the ultimate direct/indirect shareholders of the company were Cyprus tax resident individuals.

When an actual dividend is paid after the deemed dividend distribution date, then if Special Contribution for Defence is due on such a dividend, the 17% is imposed only on the amount of the actual dividend paid which exceeds the dividend that was previously deemed to have been distributed and previously suffered Special Contribution for Defence.

Notes:

A number of adjustments to the accounting profit are required for deemed distribution purposes, including for tax years 2012, 2013 and 2014 if the company has acquired in those years plant, machinery or buildings (excluding private motor vehicles) for business purposes; the full cost of these assets will be deductible against the accounting profits.



Disposal of assets to shareholder at less than market value

When a company disposes of an asset to an individual shareholder or a relative of his/her up to second degree or his/her spouse for a consideration less than its market value, the difference between the consideration and the market value will be deemed to have been distributed as a dividend to the shareholder. This provision, does not apply for assets originally gifted to the company by an individual shareholder or a relative of his up to second degree or his/her spouse.

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 Special Contribution for Defence at the rate of 17%.

This provision does not apply in the case of dissolution under a Reorganisation ([see page 19](#)).

Reduction of capital

In the case of a reduction of capital of a company, any amounts paid or due to physical persons shareholders over and above the previously paid-in equity will be considered as dividends distributed subject to special Defence Contribution at the rate of 17% after deducting any amounts which have been deemed as distributable profits.

The redemption of units or shares in a Collective Investment Scheme is not subject to the above provisions.

Prior to 16 July 2015 the above three provisions applied only to the extent that the ultimate shareholders (direct or indirect) are Cyprus tax resident individuals. As from 16 July 2015 the above provisions apply only to the extent that that the ultimate shareholders (direct or indirect) are Cyprus tax resident and domiciled individuals.



Capital gains tax

Capital Gains Tax (CGT) is imposed (where the disposal is not subject to income tax) at the rate of 20% on gains from the disposal of immovable property situated in Cyprus including gains from the disposal of shares in companies which directly own such immovable property. Further, as from 17 December 2015 shares of companies which indirectly own immovable property located in Cyprus and at least 50% of the market value of the said shares derive from such immovable property are subject to Capital Gains Tax. In the case of share disposals only that part of the gain relating to the immovable property situated in Cyprus is subject to CGT.

Disposal for the purposes of CGT specifically includes; exchange, leasing, gifting, abandoning use of right, granting of right to purchase, and any sums received upon cancellation of disposals of property.

Shares listed on any recognised stock exchange are excluded from these provisions.



Exemptions

The following disposals of immovable property are not subject to CGT:

- Subject to conditions, land as well as land with buildings, acquired at market value (excluding exchanges, donations, and foreclosures) from unrelated parties in the period 16 July 2015 up to 31 December 2016 will be exempt from CGT upon their future disposal.
- Transfers arising on death
- Gifts made from parent to child or between husband and wife or between up to third degree relatives
- Gifts to a company where the company's shareholders are members of the donor's family and the shareholders continue to be members of the family for five years after the day of the transfer
- Gifts by a family company to its shareholders, provided such property was originally acquired by the company by way of gift. The property must be kept by the donee for at least three years
- Gifts to charities and the Government
- Transfers as a result of reorganisations
- Exchange or disposal of immovable property under the Agricultural Land (Consolidation) Laws
- Expropriations
- Exchange of properties, to the extent that the gain made on the exchange has been used to acquire the new property. The gain that is not taxable is deducted from the cost of the new property, i.e. the payment of tax is deferred until the disposal of the new property
- Donations to a political party



Determination of capital gain for CGT purposes

Liability arises only on gains accruing as from 1 January 1980, i.e. deducted from gross proceeds on the disposal of immovable property are its market value at 1 January 1980, or the costs of acquisition and improvements of the property, if made after 1 January 1980, as adjusted for inflation up to the date of disposal on the basis of the consumer price index in Cyprus.

Expenses that are related to the acquisition and disposal of immovable property are also deducted, subject to certain conditions e.g. interest costs on related loans, transfer fees, legal expenses etc.

Example	€	€
Sale price in June 2023	500.000	
Cost of acquisition as at 1 January 1991	(90.000)	
Indexation allowance January 1991 to May 2023 (month prior to sale) (€90.000 @ 252,98/119,43) - €90.000	(100.641)	
Capital gain		€309.359
Legal expenses		(1.000)
Taxable Capital Gain		€308.359
Capital Gains Tax @20% thereon		€61.672

Lifetime Exemptions

Individuals can deduct from the taxable capital gain the following:

	€
Disposal of private principal residence (subject to certain conditions)	85.430
Disposal of agricultural land by a farmer	25.629
Any other disposal	17.086

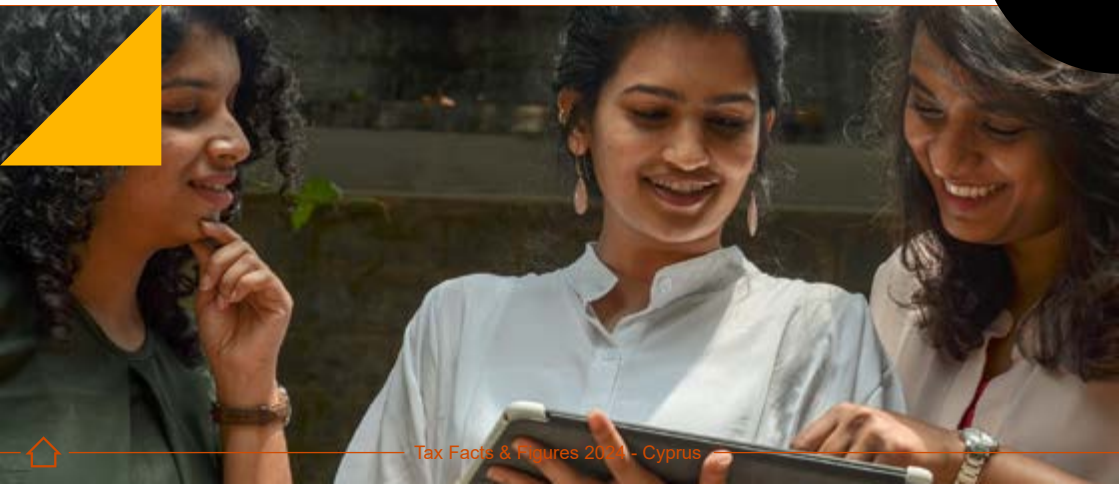
The above exemptions are lifetime exemptions subject to an overall lifetime maximum of €85.430



Inheritance Tax

Estate duty has been abolished since 1 January 2000.

The executor/ administrator of the estate of the deceased, is however required by the Deceased Persons Estate Law, to submit to the tax authorities a statement of assets and liabilities of the deceased within six months from the date of death.



Value Added Tax

VAT is imposed on the supply of goods and provision of services in Cyprus, as well as on the acquisition of goods from the EU and the importation of goods into Cyprus.

Taxable persons charge VAT on their taxable supplies (output tax) and are charged with VAT on goods or services which they receive (input tax).

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 input tax is carried forward as a credit and set off against future output VAT.

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

- a period of four months 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 which follows the year in which the VAT period in which the credit was created
- 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 had they been carried out within 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)

No VAT cash outflow arises on intra-community acquisition of goods (with the exception of goods subject to excise taxes) as VAT is accounted by using the acquisition accounting method. 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, provided it relates to supplies for which the right to recover input VAT is granted, thereby creating no cost to the business.

In cases the acquisition relates to a transaction for which the right to recover the input VAT is not granted, the trader must pay the VAT that corresponds to the acquisition.



VAT rates

The legislation provides for the following five tax rates:

- Zero rate (0%)
- Reduced rate of three per cent (3%)
- Reduced rate of five per cent (5%)
- Reduced rate of nine per cent (9%)
- Standard rate 19%

Exemptions

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

- leasing of buildings used for residence
- most banking, financial services and insurance services;
- most hospital, medical and dental care services;
- certain cultural educational and sports activities;
- supplies of buildings, subject to conditions;
- postal services provided by the national postal authority;
- lottery tickets and betting coupons for football and horse racing;
- management services provided to mutual funds

VAT on immovable property

(i) Leasing of immovable property

VAT at the standard rate must be charged on the lease of immovable property (with the exception of leasing of residential dwellings) when the lessee is a taxable person and is engaged in taxable activities by at least 90%. The lessor has the right to opt not to impose VAT on the specific property. The option is irrevocable.

(ii) Sale of non-developed building land

VAT at the rate of 19% must be charged on the sale of non-developed building land, as from 2 January 2018. Non-developed building land is defined as any land intended for the construction of one or more structures in the course of carrying out a business activity. No VAT will be imposed on the purchase or sale of land located in a livestock zone or areas which are not intended for development such as zones/areas of environmental protection, archaeological and agricultural.



(iii) **Leases of immovable property which effectively transfer the risks and rewards of ownership of immovable property**

As from 1 January 2019 leases of immovable property which effectively transfer the risks and rewards of ownership of immovable property are considered to be supplies of goods. They also become subject to VAT at the applicable rate.

(iv) **Amendment to the VAT Law on the supply of buildings**

On 11 November 2022, Schedule 8 of the VAT Law (95(I)/2000) was amended pursuant to R.A.A. 423/2022. As per the amendment, the supply of a building is subject to VAT when supplied before its first delivery and under any subsequent deliveries within a period of five (5) years from its completion, provided that no actual use has occurred by an unrelated person for a period of at least twenty-four (24) months.

For the purposes of the above provision, the following definitions shall take precedence:

1. Completion means the completion of the building so as to be able to be put in use for the purpose which is intended.
2. Actual use means the use of the building on a systematic basis.
3. Related person has the meaning given in paragraph 1(4) of the Fourth Schedule to the VAT Law.

The new provision substitutes the previous rule which provided that the supply of a building was subject to VAT when supplied before its first use.

The amendments are effective as of 11 November 2022.



Imposition of the reduced rate of 5% on the acquisition and/or construction of residences for use as the primary and permanent place of residence.

On 8 June 2023, the House of Representatives passed the amending bill for the application of the reduced VAT rate of 5% on primary residence. The provisions of the amendment became effective on 16 June 2023.

The amendment set new conditions for the 5% VAT on primary and permanent residence, transitional provisions, and new conditions for the right to re-apply for the 5% VAT on primary residence within 10 years.

According to the new provisions of the VAT Law (95(I)/2000) as amended, the reduced VAT rate of 5% will apply to the first 130 sqm of a primary residence, up to a value of €350,000, provided that the total transaction value does not exceed €475,000 and the total buildable area does not exceed 190 sqm.

As an exception to the above, individuals with disabilities can apply for the reduced VAT rate of 5% on the first 190 sq.m. of buildable area irrespective of the total buildable area of the property. Individuals that are eligible for the 5% VAT under this provision must fall within the definition of “individuals with disabilities” as newly defined in the VAT Law. The transaction value per square meter may be revised by the Tax Commissioner, after the decision of the Council of Ministers.

A transitional period is also provided during which the proposed amendments to the VAT Law, with the exception of the amendments concerning the re-application for the 5% VAT within the 10 year period, will not apply in cases where urban planning permission has been obtained or an application for such permission has been submitted until 31 October 2023 and for which a duly completed application has been submitted to the Competent Authority, within three years from the date the new provision came into effect.



Where the transaction falls within the transitional provisions and thus the previous provision of the VAT Law will be applicable, the reduced rate of 5% VAT will be applicable to the first 200 sqm based on the building coefficient as determined based on the building permit irrespective of the total buildable area of the property or the total value of the transaction.

According to the previous provision of the VAT Law, a person who has exercised the right to acquire a residence with the reduced VAT rate of 5% may exercise said right for the purpose of acquiring another residence before the expiration of ten (10) years, provided that the person:

1. ceased using the residence as a primary place of residence before the expiration of ten (10) years,
2. notified the Commissioner and
3. paid the difference in VAT between the standard and reduced VAT rates applicable at the time of the acquisition or construction of the residence, irrespective of the period for which the property was used as the primary and permanent residence. Therefore, a person who wished to reapply for the reduced rate 5% for another property before the expiration of a ten year period from the original application, was obliged to pay in full the difference between reduced rate and the standard rate of VAT due at the time of acquisition of the original property.

The new VAT Law amends the conditions for the right to re-apply for the 5% of VAT for another property during the period of 10 years.

According to the new provision, an individual can apply for the 5% VAT on the new property provided that the person:

1. Notifies the Commissioner within thirty (30) days from the date he ceased using it as a place of residence and
2. Pays the amount of the difference between the amounts of the VAT which result from the application of the reduced rate and the standard VAT rate attributable to the remaining period of 10 years for which the property will not be used as the main and primary place of residence, except in case of death of the beneficiary person or in case of transfer by the beneficiary to any of his adult children, provided that the said child is a beneficiary at the time of transfer.



The above provision also applies to properties falling under the transitional provision as stated above. In light of the new amendment, a person who applied for the 5% VAT and is intending to purchase a new property before the lapse of the 10-year period from original acquisition, will be liable to pay only the proportional VAT corresponding to the remaining number of years for which the property will not be used as the permanent and primary residence over the 10-year period.

The reduced rate is imposed only after obtaining a certified approval from the Tax Authority.

The eligible person must submit an application on a designated form, which will state that the house will be used as the primary and permanent place of residence. The applicant must attach a number of documents supporting the ownership rights on the property and evidencing the fact that the property will be used as the primary and permanent place of residence. The application must be filed prior to the actual delivery of the residence to the eligible person.

Eligible persons include residents of Cyprus, EU and non-EU Member States, provided that the residence will be used as their primary and permanent place of residence in the Republic.

The documents supporting the ownership of the property must be submitted together with the application. The documents supporting the fact that the residence will be used as the primary and permanent place of residence (copy of telephone, water supply or electricity bill or of municipal taxes) must be submitted within six months from the date on which the eligible person acquires possession of the residence.

Persons who make a false declaration to benefit from the reduced rate are required by law to pay the difference of the additional VAT due.

Furthermore, the legislation provides that such persons are guilty of a criminal offence and, upon conviction, are liable to a fine, not exceeding twice the amount of the VAT due, or imprisonment up to 3 years or may be subject to both sentences.



Imposition of the reduced rate of 5% on the renovation repair and extension of private residences

The renovation and repair of used private residences (for which a period of at least three years has elapsed from the date of their first use) is subject to VAT at the reduced rate of VAT of 5%, excluding the value of materials which constitute more than 50% of the value of the services.

As from 20 August 2020, the reduced rate of 5% applies also to any additions made to a private home for which three years have passed since its first occupation.

In addition the renovation and repair of old private residences (for which a period of at least three years has elapsed from the date of their first use) and which are used as the place of residence of vulnerable groups or residences that are used as the place of residence and which are located in remote areas are subject to VAT at the reduced rate of VAT of 5%.



Introduction of 3% VAT rate and addition of certain goods to the list of zero-rated items

On June 15, 2023, the Council of Ministers of Cyprus approved a Decree to amend the VAT Law, in accordance with the new provisions of the EU VAT Directive.

As per the new provisions, the super reduced VAT rate of 3% and a zero rate will be applied on certain goods and services.

As per the amended VAT legislation, the following provisions have been introduced:

1. Adoption of the reduced VAT rate of 3% for the following categories of goods and services:
 - Right of entry from the first performance of theatrical performances of musical and dance works of classical works.
 - Waste collection and treatment cleaning services, except those provided by State Authorities, Local Government Authorities and public law organizations.



- Disposal and treatment of sewage and discharge of tanks and industrial tanks.
2. Reduction of the VAT rate from 5% to 3% VAT on the following categories of goods intended for the promotion of cultural goods and goods intended to serve citizens with special needs:
 - The delivery of books, newspapers and magazines provided either physically or electronically or both, excluding publications intended wholly or primarily for advertising purposes and of publications consisting wholly or mainly of video content or audio music, production of publications for non-profit organizations and services relating to production of this kind.
 - Special lifting devices, stairs, elevators, machines, lifts and the similar products used for serving disabled people.
 - Wheelchairs and other vehicles for the disabled.
 - Orthopedic products and devices, including medical surgical belts and bandages, splints, supports and other products and devices for fractures.
 3. Extension of the zero rate VAT to include the following items for the personal use of blind and disabled persons:
 - Typewriters with characters and special electronic typewriters for disabled persons.
 - Chair-type carriages and other vehicles for the disabled, whether or not powered by another propulsion mechanism, provided that they are intended solely for the personal use of disabled persons.

The new rates were part of targeted measures to help certain groups of the population and supplies of certain goods and services which provide a public benefit.

On 5 May 2023, the VAT Law was amended pursuant to the decision of the Council of Ministers to apply the 0% VAT rate on basic goods such as bread, milk, eggs, children's food, diapers and feminine hygiene products from 5 May 2023 until 31 October 2023.

Following the recent decision of the Council of Ministers, on 22 September 2023, the application of the 0% VAT rate on basic goods was extended until 30 April 2024 and it also includes coffee and sugar.

In addition, on Friday, 17 November 2023, a new amendment in the VAT Law was published in the Official Gazette of the Republic, regarding the imposition of the 0% VAT on meat and vegetables falling under the specific codes provided in the amendment, as part of the Government's targeted measures to support households.



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 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:

- acquisitions used for making exempt supplies;
- purchase, import or hire of saloon cars;
- entertainment and hospitality expenses (except those relating to employees and directors).

VAT treatment of vouchers

A voucher is an instrument (whether in physical or in electronic form) which contains an obligation to accept it as consideration, or partial consideration, for a supply of goods or services. It does not include discount vouchers, an instrument functioning as ticket or postage stamps.

As per the legislative provisions, two types of vouchers exist, namely “single-purpose” and “multi-purpose” vouchers and the timing at which the VAT must be accounted for is different.



"Single-purpose" vouchers

A "single-purpose" voucher is a voucher with respect to which the place of supply of the goods or services to which the voucher relates, and the VAT due on those goods or services, are known at the time of issue of the voucher.

The VAT due on the underlying goods and services is due at the time of issue of the voucher, as well as at the point in time of any future transfer of the voucher if that transfer is effected for consideration.

"Multi-purpose" vouchers

A "multi-purpose" voucher is a "voucher other than a single-purpose voucher".

The VAT due on the underlying goods and services is accounted for at the time of redemption of the voucher while at the time of issue or during any subsequent transfer of the voucher prior to its redemption, there is no supply from a VAT perspective.

Registration

Established persons in the Republic of Cyprus

Persons that have a business establishment or other permanent establishment in the Republic of Cyprus in relation to its business activities will constitute an established person in Cyprus for registration purposes. For persons established in Cyprus registration is compulsory for businesses with (a) turnover subject to VAT in excess of €15.600 during the 12 preceding months or (b) expected turnover subject to VAT in excess of €15.600 within the next 30 days. Businesses with turnover of 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 on a voluntary basis.

An obligation for registration also arises for businesses which make acquisition of goods from other EU Member States in excess of €10.251,61 during any calendar year. In addition, as from 1 January 2010 an obligation for VAT registration arises for businesses engaged in the supply of intra-community services for which the recipient must account for VAT under the reverse charge provisions.

Furthermore an obligation for VAT registration arises for businesses carrying out economic activities from the receipt of services from abroad for which an obligation to account for Cyprus VAT under the reverse charge provision exists subject to the registration threshold of €15.600 per any consecutive 12 month period. No registration threshold exists for the provision of intra-community supplies of services.



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

Persons with no establishment in the Republic of Cyprus

As from 20 August 2020, registration is compulsory for persons with no establishment in Cyprus which are engaged or expect to be engaged in taxable activities in Cyprus in the course of their business. No VAT registration threshold exists for the non-established persons engaging in such activities.

The non-established person may request to obtain an exemption for VAT registration in Cyprus from the Tax Commissioner, on the basis that it is engaged only/merely in activities which are subject to 0% VAT.

VAT declaration - payment/refund of VAT

VAT returns must be electronically submitted on a quarterly basis 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. In cases where the deadline falls on a public holiday of the Republic of Cyprus or weekend, it is automatically transferred to the next business day.

VAT registered persons have the right to request for a different filing period. The approval of the Commissioner of Taxation is required. The Commissioner of Taxation also has the right to request from a taxable person to file his VAT returns for a different period.

As from 20 August 2020, the Tax Commissioner reserves the right to suspend the payment of a VAT credit balance and applicable interest in cases where taxpayers have failed to comply with the obligation to submit income tax returns. The refund is suspended until the taxpayer complies with the relevant obligations.



The right to request refund of a VAT credit balance will be limited to six years from the end of the VAT period in which it arose. Any requests submitted after the six-year period has elapsed will be examined at the discretion of the Tax Commissioner.

Under Cyprus VAT Law, the domestic reverse charge mechanism is applicable to the following transactions between business persons:

DOMESTIC REVERSE CHARGE	Article of the Law	Registration threshold
Construction services	11B	€15.600
Trade of specific goods (i.e. scrap metals)	11C	€15.600
Supply of certain electronic devices	11E	€15.600
Supply of raw and semi-finished precious metals	11F	€15.600



IOSS & OSS

As from 1 July 2021, the implementation of the EU VAT e-commerce package came into effect in which the Mini One Stop Shop (MOSS) has been extended and turned into a One Stop Shop (OSS). The scheme covers the following:

1. New harmonised threshold of €10,000 for the place of supply of distance sales of goods within the EU and supply of Telecommunication, Broadcasting and Electronically supplied services, below which the VAT rate of the member state of establishment of the supplier shall apply and above which the VAT rate of the member state of establishment of the customer shall apply.
2. Extension of MOSS to all B2C services and intra-EU B2C sales of goods subject to threshold of €10,000 (covers goods and telecommunication, broadcasting and electronic services)
3. Online marketplaces and electronic interfaces become liable to collect and pay VAT for B2C supplies of goods (when they invoice or are responsible for the transfer of the goods)
4. In addition, as of 1 July 2021, the Import One-Stop Shop (IOSS) is the new electronic portal that businesses can be used to comply with their VAT e-commerce obligations on distance sales of imported goods, subject to the value of each consignment not exceeding EUR150.
5. A supplier is responsible to collect VAT, even if there is indirect involvement in the transfer of the goods.
6. The low value import exemption from VAT for goods up to EUR 22 has been abolished.
7. A simplification mechanism for the collection of import VAT by postal operators has been introduced for consignments not exceeding EUR150 and for which the IOSS is not used.



Thresholds and penalties		Amount in Euro (€)
1	Registration threshold for established persons in the Republic of Cyprus (taxable supplies in Cyprus)	15.600
2	Registration threshold for non-established persons in the Republic of Cyprus (taxable supplies in Cyprus)	no threshold
3	Registration threshold for distance sales (sale of goods consumers in Cyprus as well as electronically supplied services to consumers established in Cyprus, by suppliers resident in another EU Member State)	10.000
4	Registration threshold for acquisition of goods in Cyprus from suppliers resident in another EU Member State	10.251,61
5	Registration threshold for intra-community supply of services	no threshold
6	Registration threshold for receipt of services from abroad for which the recipient must account for VAT under the reverse charge provisions	15.600
7	From 20 August 2020 penalty for late submission of VAT return	100 for each return
8	Penalty for failure to apply the reverse charge provisions (Effective as of 1 July 2021)	200 for each return up to a maximum of 4000
9	Penalty for omission to keep books and records for a period of 6 years	341
10	Penalty for late submission of VIES return	50 for each return
11	Penalty for late submission of corrective VIES return	15 for each return
12	Omission to submit the VIES return constitutes a criminal offence with a maximum penalty of	850
13	Penalty for late VAT registration	85 per month of delay
14	Penalty for late VAT deregistration	€85 (one-off)
15	Penalty for late payment of VAT	10% additional tax plus default interest on the late payment of VAT, including the 10% additional tax



Customs and Excise Duties

Customs Duties

Cyprus, being a Member State of the European Union (EU), belongs to the Customs Union of the EU. The Customs Union means that all EU Member States work together as if they were one, applying the same tariffs to goods imported into their territory from the rest of the world and applying no tariffs internally. Therefore upon the importation of goods into Cyprus from outside the EU, customs duties may be levied as well as customs controls on imported goods aiming to protect consumers, animals and the environment from goods which could be bad or dangerous.

Additionally, all the Community customs laws are directly applicable in Cyprus. The most significant acts are the Union Customs Code (UCC) and its implementing regulations, as well as the Common Customs Tariff, also known as the EU's Combined Nomenclature (CN). These laws are complemented by Cypriot national laws, particularly with regard to areas that are not covered by the UCC.

The nature and value of the goods, as well as the relevant TARIC classification codes, determine whether quotas and other measures apply, as well as the level of customs duties to be imposed. Specifically, the Common Customs Tariff stipulates a tax rate to be applied to the value or number of imported goods, depending on their type. It can either be represented as a fixed amount applied to a certain quantity (i.e. specific tax) or as a percentage applied to the customs value (i.e. ad valorem tax).

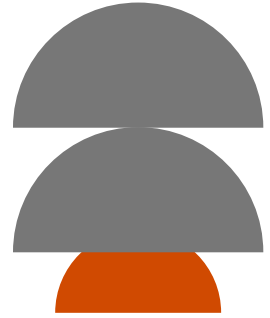
Customs duties are calculated based on three main drivers:

Classification	Origin	Valuation
<p>The Common Customs Tariff provides a duty rate to be applied to the value or quantity of the imported products for each type of good. The proper customs classification of the goods is one of the most crucial factors that should be taken into account on the importation of goods in Cyprus. A wrong classification may result in the application of higher customs duties than necessary and additional tax burden, or lower customs duties, which would increase the risk of a tax assessment by the Cypriot Customs Authorities.</p>	<p>If the goods imported have a preferential origin based on international trade agreements between the European Union and non-EU countries, they may benefit from a reduced or zero duty rate upon importation given that the applicable criteria are met. For example, the EU has concluded a free trade agreement with the UK following Brexit, therefore Cypriot companies can benefit from zero rate of customs duties when they trade with the UK. However, they have to collect and maintain appropriate evidence to be able to prove to the customs authorities the preferential origin.</p>	<p>The customs value of goods imported in the EU is determined according to the rules provided in the UCC. The most common rule of determining the customs value is the 'transaction value', subject to certain additions or deductions. The transaction value is primarily based on the price of the goods, however additional expenses should be added to determine the customs value in case that they are incurred by the buyer. For example, the following expenses need to be considered, among others, when determining the customs value:</p> <ul style="list-style-type: none"> • Commissions (except buying commissions) • Transport costs and insurance (to the EU) • Royalties and licence fees



Other valuation methods include:

1. The transaction value of identical goods
2. The transaction value of similar goods
3. The deductive method
4. The computed method
5. The fall-back method



Special customs procedures

Special customs procedures exist that allow for the import of goods into Cyprus from non-EU countries with full or partial relief from customs duties or suspension of customs duties. These procedures have been put in place to promote economic growth in the EU and include, among others, the Temporary Admission, Inward Processing Relief, Outward Processing Relief and Customs Warehousing. Each special customs procedure has different specific requirements that shall be met in order to benefit from the relief or suspension.

Customs representation

When dealing with the Cypriot Customs Authorities to perform the customs formalities and obligations required by the customs legislation, a person may appoint a customs representative. Customs representation may be direct, where the representative acts in the name and on behalf of another person, or indirect, where the representative acts in their own name but on behalf of another person. Customs declarations in Cyprus can be lodged by the owner of the goods or a representative or a person who has control over the goods.



Trade measures

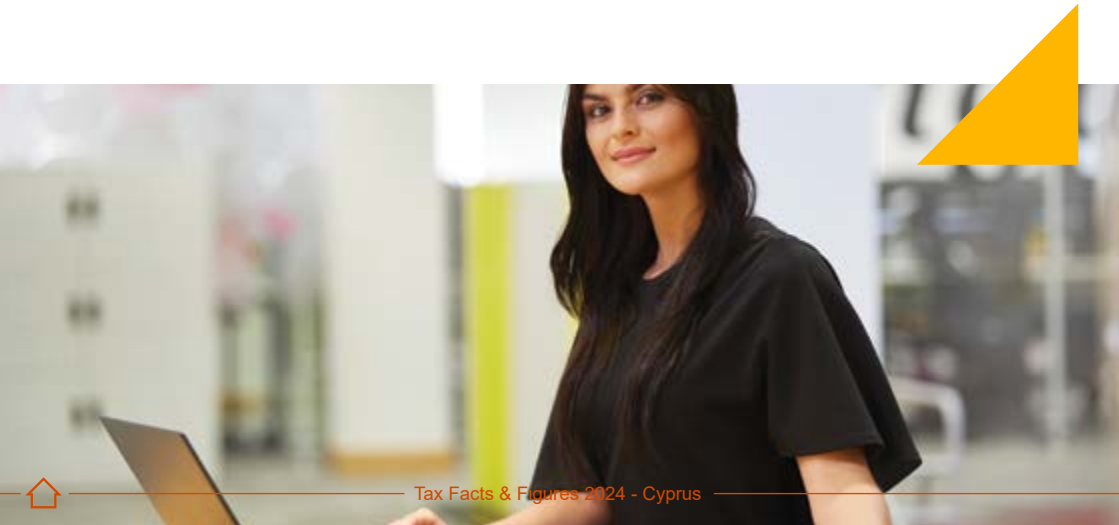
According to the law, the importation and exportation of certain goods is prohibited or restricted, aiming to protect the society and the environment. Such goods may include potentially hazardous goods to the human health or the environment (e.g. chemical products), goods with controlled end-use (e.g. explosives), agricultural products and dual use products (i.e. both civil and military use). These goods require import/export licences from the relevant authorities and their importation/exportation may be subject to certain conditions or even prohibited.

Authorised Economic Operator (AEO) status

Traders established in the EU customs territory who are engaged in international trade and customs operations may apply for EU AEO status. This status demonstrates that the holder is verified by the EU Customs Authorities according to various criteria and can be considered as a safe part of the supply chain and a reliable business partner. Entities with AEO status are eligible for streamlined access to simplified customs procedures. AEO status can be granted in any EU Member State and will be valid throughout the EU. For example, it can be obtained by the Cypriot Customs Authorities and will be recognised in all 27 Member States.

Import Control System 2 (ICS2)

ICS2 is a cargo pre-departure information system, which is part of the customs safety and security regulatory regime. Economic operators have to submit Entry Summary Declarations (ENS) within this system for the goods they transport to or via the common security area of EU, Switzerland and Norway. Currently it applies to postal and air freight traffic. As of 1 March 2024, it will be also extended to all economic operators transporting goods by sea, inland waterways, road and rail.



Excise Duties

Excise duties are imposed on certain products produced in Cyprus, imported from third countries or arrived from other EU Member States. As an EU Member State, Cyprus follows the EU Excise Duties Directive and imposes excise duties on energy products, alcoholic beverages and manufactured tobacco. Cyprus also imposes excise duties on other products like smoked salmon and caviar, as the EU rules allow Member States to tax additional products.

The excise duty rates which are currently applied in Cyprus are prescribed by the Cyprus Excise Duties Law No. 91(I) of 2004, as amended or replaced from time to time. The relevant list of excise goods and duty rates, based on the last amendment of November 2023, are presented in the below tables.

Energy products		Excise duty rate
1	Products of CN Codes 2707 10 00, 2707 30 00 and solvent naphtha of CN 2707 50 00 (per 1000 litres)	€429 (temporarily* €359)
2	Products of CN Codes 2710 19 99 and 2710 20 90 excluding other lubricating oils or other oils not available for sale or used as motor fuel or as motor fuel additives (per 1000 litres)	€429 (temporarily* €359)
3	Pentanes, hexanes, heptanes, octanes, octadecanes of CN code 2901 10 00, benzene of CN code 2902 20 00 and mixed xylene isomers of CN code 2902 44 00 (per 1000 litres)	€429 (temporarily* €359)
4	Unleaded petrol (per 1000 litres)	€429 (temporarily* €359)
5	Leaded petrol (per 1000 litres)	€421
6	Gas oil used as motor fuel (per 1000 litres)	€400 (temporarily* €330)
7	Gas oil used as heating fuel (per 1000 litres)	€ 74,73 (temporarily* €21)
8	Gas oil used for agriculture purposes (per 1000 litres)	€21
9	Gas oil for other uses (per 1000 litres)	€ 74,73 (temporarily* €21)

10	Kerosene used as motor fuel (per 1000 litres)	€400 (temporarily* €330)
11	Kerosene used as heating fuel (per 1000 litres)	€74,73 (temporarily* €21)
12	Kerosene used for agriculture purposes (per 1000 litres)	€21
13	Kerosene, for other uses (per 1000 litres)	€74,73 (temporarily* €21)
14	Heavy fuel-oil used as heating fuel (per 1000 kg)	€15
15	Liquid petroleum gas used as motor fuel (per 1000 kg)	€125
16	Liquid petroleum gas used as heating fuel (per 1000 kg)	€0
17	Liquid petroleum gas for other uses (per 1000 kg)	€0
18	Natural gas used as motor fuel (per gigajoule gross calorific value)	€2,60
19	Natural gas used as heating fuel (per gigajoule gross calorific value)	€2,60
20	Natural gas for other uses (per gigajoule gross calorific value)	€2,60
21	Coal and coke used as heating fuel (per gigajoule gross calorific value)	€0,31
22	Coal and coke for other uses (per gigajoule gross calorific value)	€0
23	Electricity (per MWh)	€0

**Temporarily means from 3 November 2023 until 3 March 2024 according to regulatory acts (unless it is extended by new regulatory acts).*

*** Temporarily means from 15 November 2023 until 31 March 2024 according to regulatory acts (unless it is extended by new regulatory acts).*



Alcohol and alcoholic beverage		Excise duty rate
1	Ethyl alcohol (per hectolitre of unhydrous ethyl alcohol)	€956,82
2	Beer (a) when brewed by independent small breweries (per hectolitre per degree of alcohol of final product)	€3
	Beer (b) when brewed by breweries other than independent small Breweries (per hectolitre per degree of alcohol of final product)	€6
3	Still Wine	€0
4	Sparkling wines	€0
5	Fermented beverages other than wine and beer	€0
6	Intermediate products (per hectolitre)	€45

Tobacco products		Excise duty rate
1	Cigarettes (per packet of 20 cigarettes)	€1,10 and 34% on retail sale price*
2	Cigars and cigarillos (per kilogram)	€90
3	Fine-cut tobacco for the rolling of cigarettes (per kilogram)	€150
4	Other smoking tobacco (per kilogram)	€150
5	Heated tobacco products (per kilogram of net weight of tobacco mixture)	€150

**Provided that a minimum excise duty of €2,43 per packet of 20 cigarettes shall be charged and collected regardless of the highest retail sale price.*

Other products		Excise duty rate
1	Smoked salmon and smoked sturgeon including fillets (per kilogram)	€5,13
2	Caviar (per kilogram)	30% ad valorem
3	Articles of crystal which fall within CN Codes 7010, 7013, 7018 and 9405, with a lead monoxide (PbO) content by weight 24% or more and articles made of porcelain which fall within CN Codes 6913 and 6914	20% ad valorem
4	Liquid used in electronic cigarettes regardless of whether it contains nicotine (per ml)	€0,12

As a general rule, excise duties become payable in Cyprus when excise goods are released for consumption in Cyprus. This may happen in the following cases:

- Production of excise goods in Cyprus outside a suspension arrangement.
- Importation of excise goods in Cyprus, which do not subsequently enter into a suspension arrangement.
- Exit of excise goods from a suspension arrangement.
- Possession of excise goods outside a suspension arrangement if the duties have not been previously paid.



Suspension arrangements

The production, process, possession or movement of excise goods under a suspension arrangement is generally performed through an authorised tax warehouse, for which a licence is needed by the Cypriot Customs Authorities, regardless of whether you are the owner or user of the tax warehouse. In order to operate a tax warehouse, you have to obtain a permit from the Cypriot Customs Authorities and comply with certain obligations such as the payment of a financial guarantee and maintenance of relevant books and records. The permit type depends on the type of excise goods.

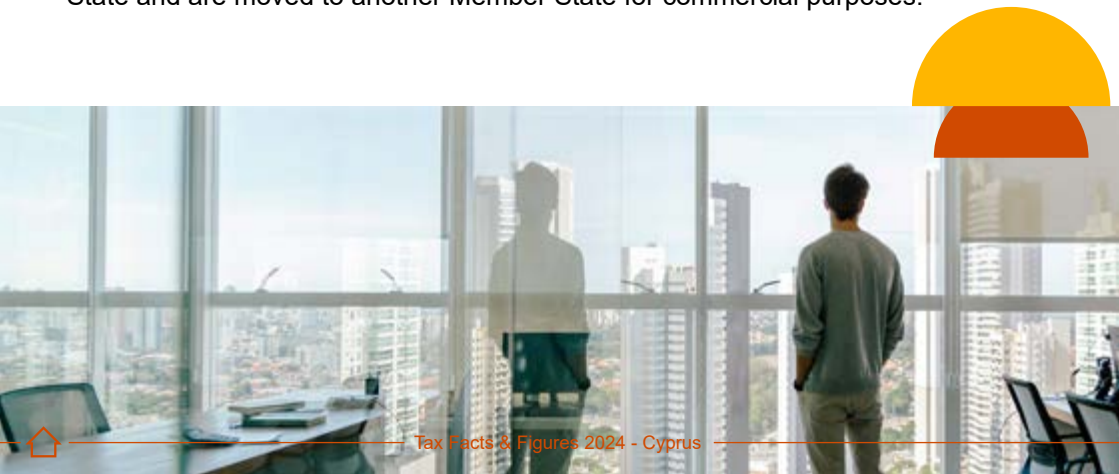
For the movement of excise goods between Member States under a suspension arrangement, it is required to be registered in the common EU registry SEED (System of Exchange of Excise Data), submit the electronic administrative document (e_AD) through the EMCS (Excise Movement and Control System) and pay a financial guarantee.

Special licences in relation to excise goods

In all cases, a licence is required to produce excise goods or operate a tax warehouse. In certain cases, special licences are also required. For example, you need a special licence to sell or display for sale manufactured tobacco. Depending on the type of licence, an annual licence fee is due to the Cypriot Customs Authorities.

Excise Movement and Control System (EMCS)

Further to the intra-Community movement of excise goods under suspension of excise duties, as from 13 February 2023, EMCS was extended to the movement of excise goods that were released for consumption in the territory of one Member State and are moved to another Member State for commercial purposes.



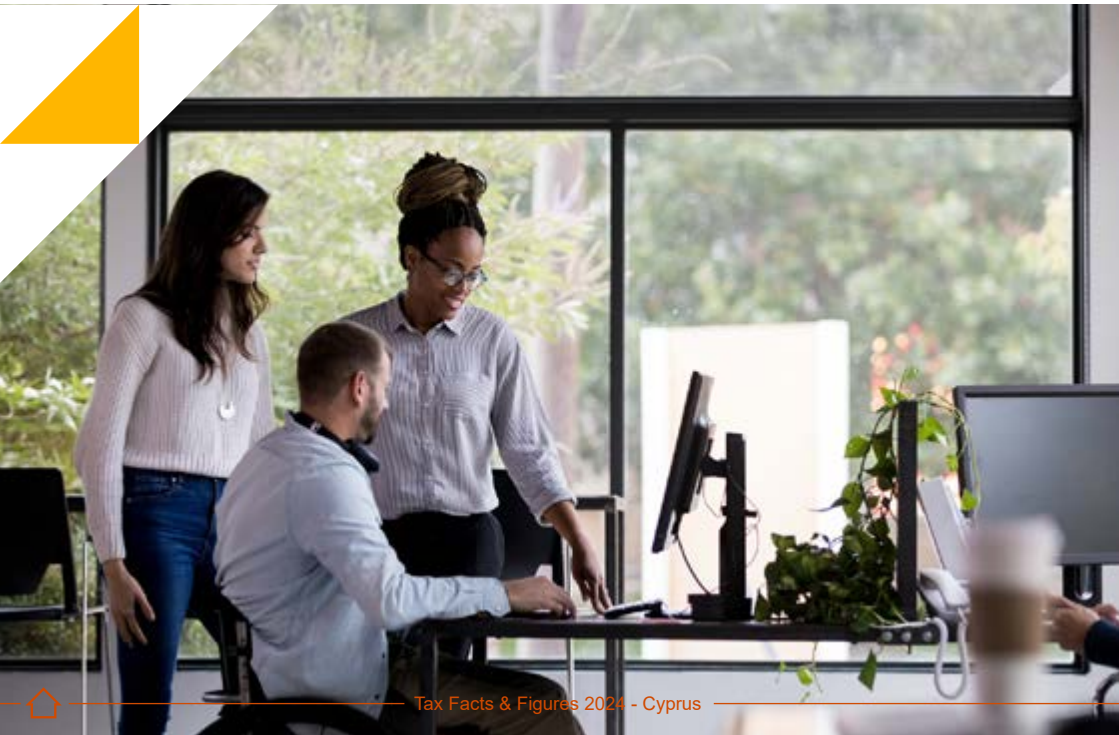
Refund of excise duties

In some cases, a refund of the excise duties paid may be granted. For example, if excise duties are released for consumption in a Member State, excise duties are paid. Subsequently, if those goods are moved to another Member State for commercial purposes, excise duties become payable in that Member State. Once the excise duties are paid in the second Member State by the consignee, the consignor is entitled to a refund of the excise duties paid in the first Member State.

The Cypriot Customs Authorities are obliged to return all or part of the amount of excise duties paid within three years from the payment if proof can be provided that the duties were not payable.

Exemptions from excise duties

The Cypriot legislation provides for certain exemptions in relation to the use of excise goods, such as excise goods which are intended to be used in the context of diplomatic or consular relations, by recognised international organisations, as supplies for ships or aircraft, for temporary import and subsequent re-export, etc.



Levy on Cyprus property disposals

As from 22 February 2021 a levy of 0,4% applies on all disposals of immovable property that are within the current control of the Republic (i.e. both trading-nature and capital-nature disposals).

As from 18 November 2022, the levy applies on all disposals of immovable property as well as disposals of shares of a company which, directly or indirectly, holds immovable property (1).

In cases involving a direct disposal of immovable property, the levy is imposed on the disposal consideration, whereas in cases involving a disposal of shares of a company the levy is imposed on the latest general valuation undertaken by the Department of Land & Surveys.

The obligation for payment of the levy lies with the seller.

The following direct or indirect disposals of immovable property are exempt:

- Debt for asset swaps;
- Qualifying reorganisations; and
- Shares listed on a recognised stock exchange.

Notes:

1. During the period 22 February 2021 – 17 November 2022, different provisions applied with respect to certain aspects of the levy. For example, during this period the levy is applied only on disposals of immovable property itself and disposals of shares of a company which directly held immovable property to the extent that the buyer of the shares assumes control of such company.



Immovable Property Tax

Immovable Property Tax has been abolished as from 1 January 2017. Until tax year 2016, the owner of immovable property situated in Cyprus was liable to pay an annual IPT which was calculated on the market value of the property as at 1 January 1980, at the varying rates as noted in the table below, which apply per owner and not per property.



Tax rates

Property value (as at 1 January 1980) €	Rate ‰	Accumulated tax €
First 40.000*	6	240
From 40.001 – to 120.000	8	880
From 120.001– to 170.000	9	1.330
From 170.001– to 300.000	11	2.760
From 300.001– to 500.000	13	5.360
From 500.001– to 800.000	15	9.860
From 800.001 – to 3.000.000	17	47.260
Over 3.000.000	19	

* Property owners whose property had a total value of €12.500 or less (as at 1.1.1980) were exempt from Immovable Property Tax from year 2013 to 2016

Exemptions

The following were never subject to Immovable Property Tax:

- Public cemeteries
- Churches and other religious buildings (partly exempt)
- 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



Trusts

A trust may be defined as the obligation under which a person to whom property is transferred (i.e. the trustee) is bound to deal with the beneficial interest in such property in a particular manner in favor of a specified person or persons or class of persons (i.e. the beneficiaries). The creator of the trust is the settlor. A trust is not a separate legal entity.



International Trusts

The Law defines an International Trust as being a trust in respect of which:

- (a) The Settlor is not a tax resident in Cyprus during the calendar year which precedes the year of creation of the trust;
- (b) At least one of the Trustees is a tax resident in Cyprus during the trust period; and
- (c) None of the Beneficiaries are tax residents in Cyprus during the calendar year which precedes the year of creation of the trust.

According to applicable law:

- (i) Where the beneficiary is resident in Cyprus, the income and profits of a Cyprus International Trust which are earned or deemed to be earned from sources within and outside of Cyprus, are subject to every form of taxation imposed in Cyprus and
- (ii) Where the beneficiary is not a resident of Cyprus, the income and profits of a Cyprus International Trust which are earned or deemed to be earned from sources within Cyprus, are subject to every form or taxation imposed in Cyprus.



Transfer fees by the department of land and surveys

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

Market Value	Rate	Fee	Accumulated fee
€	%	€	€
First 85.000	3	2.550	2.550
From 85.001 to 170.000	5	4.250	6.800
Over 170.000	8		

However:

- No transfer fees are payable if VAT is applicable upon purchasing the immovable property.
- The above transfer fees are reduced by 50% in case the purchase of immovable property is not subject to VAT.



In the case of free transfers of property the transfer fees are calculated on the value of the property as follows:

- from parents to children – Nil
- between spouses – 0,01%
- between third degree relatives – 0,01%
- to trustees €50

‘Value’ in these cases refers to values as at 1 January 2013.

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

In the case of companies’ reorganisations, transfers of immovable property are not subject to transfer fees or mortgage registration fees.

Further, certain debt-for-asset swap arrangements may under conditions be exempted from transfer fees.



Social insurance

Contributions %	2024	2023
Employer	8,8	8,3
Employee	8,8	8,3

The rate of Social insurance contributions is applied to a maximum level of emoluments. **The maximum level of emoluments for 2024 is €62.868 (weekly €1.209/monthly €5.239)** (for year 2023 the levels were €60.060, €1.155, €5.005, and for year 2022 the levels were €58.080, €1.117, €4.840 respectively).

The rate of 8,8% applies for both the employer and the employee as from 1 January 2024 and for the next five years. Thereafter, the rate will increase every five years until it reaches 10,7% as from 1 January 2039.

Other employer's contributions

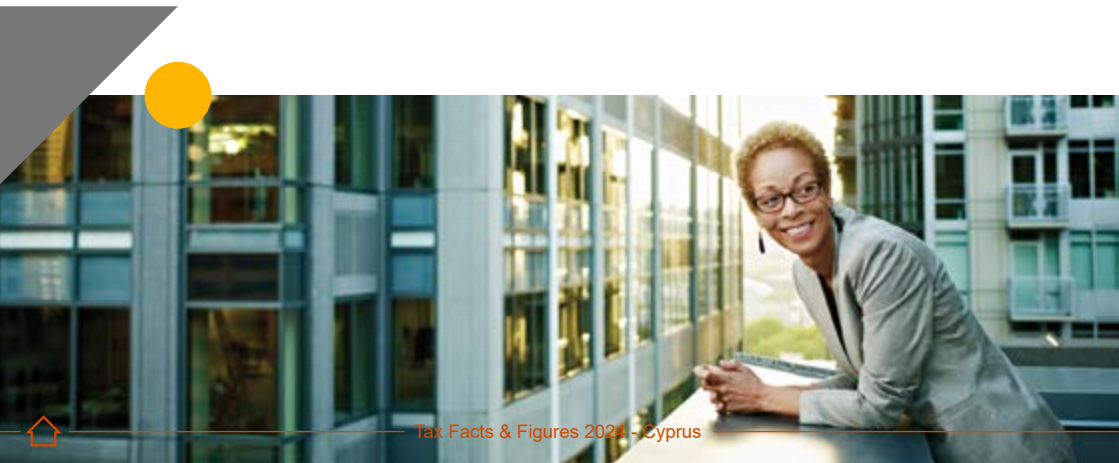
The employer makes the following other contributions based on employee's emoluments:

	%
Social cohesion fund	2,0*
Redundancy fund	1,2**
Industrial training fund	0,5**
Holiday fund (if not exempt)	8,0**

* *Social cohesion fund is calculated on total emoluments and has no maximum level*

** *Restricted to the maximum level of emoluments as with the social insurance contributions*

As from 1 January 2024 the contributions of self-employed persons are 16,6% of their income (15,6% for 2019-2023). Thereafter, the rate will increase every five years until it reaches 20,4% as from 1 January 2039. The amount of the contributions is subject to a lower and a maximum limit, depending on the profession or trade of the Self-Employed Person. These limits are set on an annual basis.



General Health System

As per General Health System Law of 2001 (89(I)/2001 as amended 2017, a general health system was introduced in Cyprus aiming to provide to the population equal access to a holistic health care system. Patients will have the option to select a health care provider from the private as well as the public health care sector.



Contributions relating to the implementation of the General Health System (NHS) started on 1 March 2019, and the current rates are as per the table below:

Ref	Category	Applied on	Rate
(i)	Employees	Own emoluments	2,65%
(ii)	Employers	Employees' emoluments	2,90%
(iii)	Self-employed	Own income	4,00%
(iv)	Pensioners	Pension	2,65%
(v)	Persons holding office*	Officers' Remuneration	2,65%
(vi)	Republic of Cyprus or Natural/Legal person responsible for the remuneration of persons holding an office	Officers' Remuneration	2,90%
(vii)	Persons earning rental, interest, dividend and other income	Rental, Interest, Dividend Income etc	2,65%
(viii)	Republic's Consolidated Fund (Πάγιο Ταμείο της Δημοκρατίας)	Emoluments/Pensions of persons (i), (iii), (iv) and (v)	4,70%

**Relates to holders of public or local authority office or other office, the income out of which does not come within the scope of (i) or (iii) or (iv) of (vii).*

GHS contributions are capped at €180.000 total annual incomes.



Stamp duty

The following table gives the amount or rate of duty payable on certain documents. Transactions which fall within the scope of reorganisations are exempt from stamp duty. Also, documents relating to assets situated outside Cyprus or business affairs that take place outside Cyprus are exempt from stamp duty.



Nature of documents

Receipts (if not exempt) - for sums of over €4	7 cents
Cheques	5 cents
Letters of credit	€2
Letters of guarantee	€4
Bills of exchange (payable within three days, on demand or at sight)	€1
Contracts with a fixed amount	
- the first €5.000	0
- between €5.001 - to €170.000	1.5‰
- above €170.000	2‰*
Contracts without fixed sum	€35
Customs declaration documents (depending on document type)	€18-€35
Bills of lading	€4
Charterparty	€18
Powers of attorney	
- general	€6
- limited	€2
Certified copies of contracts and documents	€2

* Capped at a maximum of €20.000.



Capital duty

Upon incorporation of a Cyprus company

Authorised share capital

€105

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

Authorised share capital

Nil

Issued share capital

€20 on every issue, whether the shares are issued at nominal value or at a premium

Tax treaties and withholding tax (WHT) tables

WHT on dividends, interest and royalties

Cyprus does not levy a WHT on dividends, interest and royalties paid to non-residents of Cyprus except in the case of royalties earned on rights used within Cyprus, which are subject to a WHT of 10% (5% in the case of cinematographic films). Such Cyprus WHT on royalties for rights used within Cyprus may be reduced or eliminated by double tax treaties entered into by Cyprus or by the EU Interest and Royalty Directive as enacted in the Cyprus tax legislation.

It is noted that, as from 31 December 2022, Cyprus applies WHT of 17% on dividends paid by non-quoted companies, 17% (30% during 31 December 2022 - 31 December 2023) on payments of passive interest (excluding payments by individuals) and 10% on payments of royalties and similar type payments (excluding payments by individuals) if the recipient of the payment is a company in a jurisdiction included on the EU list of non-cooperative jurisdictions on tax matters (commonly referred to as the EU 'blacklist').



WHT on other types of income

Cyprus levies a 10% WHT on the remuneration of non Cyprus tax residents for technical services provided to Cyprus payers, subject to certain conditions. However no such WHT is levied if such services are performed via a permanent establishment in Cyprus of the non-resident or if performed between 'associated' companies as these are defined by the EU Interest and Royalty Directive as enacted in the Cyprus tax legislation.

Cyprus also levies a 10% WHT on the gross income/ receipts derived by a non-resident individual from the exercise in Cyprus of any profession or vocation and the remuneration of non-resident public entertainers (such as theatrical, musical including football clubs, other athletic missions, etc).

Further, a 5% WHT is levied on gross income derived from within Cyprus by non-residents with no local permanent establishment for services in regards to the exploration, extraction or exploitation of the continental shelf as well as the establishment and use of pipelines and other installations on the ground, on the seabed and on the surface of the sea.

WHT on dividend, interest and royalties tables

Table A below illustrates the applicable Cyprus WHT rates on outbound dividend, interest and royalty payments.

Table B, further below, illustrates the WHT rates provided for in the double tax treaties entered into by Cyprus. This table illustrates the maximum tax rates on Cyprus inbound payments which the treaty partner country may charge on such type incomes qualifying under the respective treaty. The actual WHT rate charged may be lower/eliminated based on each paying country's domestic law provisions.

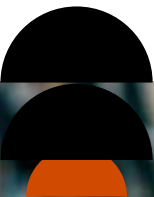


Table A- WHT on outbound payments from Cyprus

Paid from Cyprus				
Paid to	Dividends (1) %	Interest (1) %	Royalties Rights not used within Cyprus %	Royalties Rights used within Cyprus %
EU non-cooperative jurisdictions	17%	17%	10%	10%
Other non-treaty countries	Nil	Nil	Nil	5/10 (2)
Andorra	Nil	Nil	Nil	Nil
Armenia	Nil	Nil	Nil	5
Austria	Nil	Nil	Nil	Nil
Bahrain	Nil	Nil	Nil	Nil
Barbados	Nil	Nil	Nil	Nil
Belarus	Nil	Nil	Nil	5
Belgium	Nil	Nil	Nil	Nil
Bosnia (6)	Nil	Nil	Nil	5/10 (3)
Bulgaria	Nil	Nil	Nil	5/10 (3)
Canada	Nil	Nil	Nil	0/5/10 (4), (3)
China, P.R.	Nil	Nil	Nil	5/10 (3)
Croatia (14)	Nil	Nil	Nil	Nil
Czech Republic	Nil	Nil	Nil	0/10 (10)
Denmark	Nil	Nil	Nil	Nil
Egypt	Nil	Nil	Nil	5/10 (3)
Ethiopia	Nil	Nil	Nil	5
Estonia	Nil	Nil	Nil	Nil
Finland	Nil	Nil	Nil	Nil
France	Nil	Nil	Nil	0/5 (3)
Georgia	Nil	Nil	Nil	Nil
Germany	Nil	Nil	Nil	Nil
Greece	Nil	Nil	Nil	0/5 (3)
Guernsey	Nil	Nil	Nil	Nil
Hungary	Nil	Nil	Nil	Nil
Iceland	Nil	Nil	Nil	5
India	Nil	Nil	Nil	5/10 (3)
Iran	Nil	Nil	Nil	5/6 (3)
Ireland, Rep. of	Nil	Nil	Nil	0/5 (3)
Italy	Nil	Nil	Nil	

Paid from Cyprus

Paid to	Dividends (1) %	Interest (1) %	Royalties Rights not used within Cyprus %	Royalties Rights used within Cyprus %
Jersey	Nil	Nil	Nil	Nil
Jordan	Nil	Nil	Nil	5/7 (13)
Kazakhstan	Nil	Nil	Nil	5/10 (3)
Kuwait	Nil	Nil	Nil	5
Latvia	Nil	Nil	Nil	0/5 (11)
Lebanon	Nil	Nil	Nil	Nil
Lithuania	Nil	Nil	Nil	5
Luxembourg	Nil	Nil	Nil	Nil
Malta	Nil	Nil	Nil	5/10 (3)
Mauritius	Nil	Nil	Nil	Nil
Moldova	Nil	Nil	Nil	5
Montenegro (6)	Nil	Nil	Nil	5/10 (3)
Netherlands (14)	Nil	Nil	Nil	Nil
Norway	Nil	Nil	Nil	Nil
Poland	Nil	Nil	Nil	5
Portugal	Nil	Nil	Nil	5/10 (3)
Qatar	Nil	Nil	Nil	5
Romania	Nil	Nil	Nil	0/5 (9)
Russia	Nil	Nil	Nil	Nil
San Marino	Nil	Nil	Nil	Nil
Saudi Arabia	Nil	Nil	Nil	5/8 (12)
Serbia (6)	Nil	Nil	Nil	5/10 (3)
Seychelles	Nil	Nil	Nil	5
Singapore	Nil	Nil	Nil	5/10 (3)
Slovakia Republic (8)	Nil	Nil	Nil	0/5 (9)
Slovenia	Nil	Nil	Nil	5
South Africa	Nil	Nil	Nil	Nil
Spain	Nil	Nil	Nil	Nil
Sweden	Nil	Nil	Nil	Nil
Switzerland	Nil	Nil	Nil	Nil
Syria	Nil	Nil	Nil	5/10 (3)
Thailand	Nil	Nil	Nil	5/10 (5)
Ukraine	Nil	Nil	Nil	5/10 (7)
United Arab Emirates	Nil	Nil	Nil	Nil
United Kingdom	Nil	Nil	Nil	Nil
United States	Nil	Nil	Nil	Nil



Notes- Table A- outbound Payments from Cyprus

1. Under Cyprus legislation, there is no WHT on dividends and interest paid to non residents of Cyprus. Further, there is also no WHT on royalties paid to non-residents of Cyprus for rights not used within Cyprus.
2. 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%).
3. The WHT rate of 5% is applicable on royalties for cinematographic films.
4. 0% on literary, dramatic, musical, or artistic work (excluding motion picture films and works on film or videotape for use in connection with television).
5. 5% WHT applies for any copyright of literary, dramatic, musical, artistic, or scientific work.
6. Serbia, Montenegro and Bosnia apply the Yugoslavia/ Cyprus treaty.
7. A 5% WHT will be levied on payment of royalties in respect of any copyright of scientific work, any patent, trademark, secret formula, process, or information concerning industrial, commercial, or scientific experience and cinematographic films.
8. The Cyprus-Czechoslovakia treaty applies with the Slovak Republic.
9. 5% WHT 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.
10. 10% WHT rate applies 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.
11. Nil applies if the payer is a company that is a resident in Cyprus and the beneficial owner of the income is a company (other than partnership) that is a resident in Latvia. 5% WHT rate applies for all other cases.
12. A WHT rate of 5% is applicable on royalties for the use of, or the right to use, industrial, commercial or scientific equipment and on royalties for cinematographic films including films and video tape for television. A WHT rate of 8% applies in all other cases.
13. A WHT rate of 7% is applicable on royalties and fees for technical services. A WHT rate of 5% is applicable on royalties for cinematographic films including films and video tape for television.
14. The treaty is effective as from 1 January 2024.



Table B- Maximum WHT on inbound payments to Cyprus

Received in Cyprus			
Paid from	Dividends %	Interest %	Royalties %
Andorra	Nil	Nil	Nil
Armenia	0/5 (1)	0/5 (2)	5
Austria	10	Nil	Nil
Bahrain	Nil	Nil	Nil
Barbados	Nil	Nil	Nil
Belarus	5/10/15 (3), (4)	5	5
Belgium	10/15 (4)	0/10 (2), (5)	Nil
Bosnia (6)	10	10	10
Bulgaria	5/10 (7)	0/7 (2), (8)	10 (8)
Canada	15	0/15 (9)	0/10 (10)
China, P.R.	10	10	10
Croatia (45)	5	0/5 (47)	5
Czech Republic	0/5 (11)	Nil	0/10 (12)
Denmark	0/15 (2), (11), (13)	Nil	Nil
Egypt	5/10 (14)	10	10
Estonia	Nil	Nil	Nil
Ethiopia	5	0/5 (2)	5
Finland	5/15 (15)	Nil	Nil
France	10/15 (16)	0/10 (17), (18)	0/5 (18)
Georgia	Nil	Nil	Nil
Germany	5/15 (19)	Nil	Nil
Greece	25	10	0/5 (18)
Guernsey	Nil	Nil	Nil
Hungary	5/15 (7)	0/10 (2)	Nil
Iceland	5/10 (16)	Nil	5
India	10	0/10 (20)	10 (21)
Iran	5/10 (7)	0/5 (2)	6
Ireland, Rep. of	Nil	Nil	0/5 (18)
Italy	15	10	Nil
Jersey	Nil	Nil	Nil
Jordan	5/10 (16)	0/5 (2)	7
Kazakhstan	5/15 (16)	0/10 (2)	10
Kuwait	Nil	Nil	5



Received in Cyprus

Paid from	Dividends	Interest %	Royalties %
Latvia	0/10 (22)	0/10(22)	0/5 (23)
Lebanon	5	0/5 (2)	Nil
Lithuania	0/5 (16)	Nil	5
Luxembourg	0/5 (16)	Nil	Nil
Malta	Nil	0/10 (2)	10
Mauritius	Nil	Nil	Nil
Moldova	5/10 (7)	5	5
Montenegro (6)	10	10	10
Netherlands (45)	0/15 (46)	Nil	Nil
Norway	0/15 (24)	Nil	Nil
Poland	0/5 (25)	0/5 (2)	5
Portugal	10	10	10
Qatar	Nil	Nil	5
Romania	10	0/10 (2)	0/5 (26)
Russia	5/15 (27)	0/5/15 (28)	Nil
San Marino	Nil	Nil	Nil
Saudi Arabia	0/5 (29)	Nil	5/8 (30)
Serbia (6)	10	10	10
Seychelles	Nil	Nil	5
Singapore	Nil	0/7/10 (2), (31)	10
Slovak Republic (38)	10	0/10 (2)	0/5 (26)
Slovenia	5	0/5 (2)	5
South Africa	5/10(33)	Nil	Nil
Spain	0/5 (34)	Nil	Nil
Sweden	5/15 (7)	0/10 (2)	Nil
Switzerland	0/15 (35)	Nil	Nil
Syria	0/15 (36)	0/10 (9)	10/15 (37)
Thailand	10	0/10/15 (38)	5/10/15 (39)
Ukraine	5/10 (40)	0/5 (9)	5/10 (41)
United Arab Emirates	Nil	Nil	Nil
United Kingdom	0/15 (42)	Nil	Nil
United States	5/15 (43)	0/10 (44)	Nil



Notes- Table B- inbound payments to Cyprus

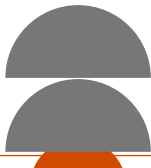
1. The WHT rate of 5% applies where a dividend is paid by a company in which the beneficial owner has invested less than €150.000.
2. No WHT if paid to the government/Central Bank/ Public Authority of the other state.
3. A WHT rate of 5% applies where the investment is not less than €200.000 in the share capital of the company paying the dividend. If such investment is less than €200.000, dividends are subject to 15% WHT.
4. For Belarus DTT a 10% WHT rate and for Belgium DTT the lower WHT rate applies to companies holding directly or indirectly at least 25% of the share capital of the company paying the dividend. In all other cases the higher WHT rate applies.
5. No WHT for interest on deposits with banking institutions.
6. Serbia, Slovenia Montenegro and Bosnia apply the Yugoslavia/Cyprus treaty.
7. Lower WHT rate applies to companies holding directly at least 25% of the share capital of the company paying the dividend. In all other cases the higher WHT rate applies.
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. No WHT 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.
12. 10% WHT applies 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.
13. No WHT if the beneficial owner is a pension fund or other similar institution providing pension schemes in which individuals may participate in order to secure retirement benefits, where such pension fund or other similar institution is established, recognized for tax purposes and controlled in accordance with the laws of that other State.
14. A WHT rate of 5% if the beneficial owner is a company (other than a partnership) which holds directly at least 20% of the capital of the company paying the dividends throughout a 365-day period that includes the day of the payment of the dividend. A WHT of 10% applies in all other cases.



15. A WHT 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 or a partnership.
16. Nil or lower WHT rate applies to companies (excluding partnerships) holding directly at least 10% of the share capital of the company paying the dividend. In all other cases the higher WHT rate applies.
17. Nil if paid to a government, bank, or financial institution. Nil also applies if related to a sale on credit of any industrial, commercial or scientific equipment or a sale on credit of any merchandise by one enterprise to another enterprise.
18. A WHT rate of 5% on royalties for cinematographic films including films and video tapes for television. With respect to France DTT the 5% WHT applies on cinematographic film royalties (other than films shown on television).
19. Lower WHT rate applies to companies holding directly at least 10% of the share capital of the company paying the dividend. In all other cases the higher WHT rate applies.
20. Nil if paid to a government or any other institution agreed upon between the two States.
21. A WHT rate of 10% is also applicable for payments of a technical, managerial, or consulting nature.
22. Nil applies if the payer is a company that is a resident in Latvia and the beneficial owner of the income is a company (other than partnership) that is a resident in Cyprus. 10% rate applies for all other cases (except for certain governmental interest).
23. Nil applies if the payer is a company that is a resident in Latvia and the beneficial owner of the income is a company (other than partnership) that is a resident in Cyprus. 5% rate applies for all other cases.
24. 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 WHT rate of 15% in all other cases.
25. 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.
26. 5% WHT 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.
27. A WHT rate of 5% applies if the beneficial owner of the company is an insurance undertaking or pension fund, or if the beneficial owner is a company whose shares are listed on a registered stock exchange provided no less than 15% of the voting shares of that company are in free float and which holds directly at least 15% of the capital of the company paying the dividends throughout a 365 day period that includes the day of payment of the dividends, or if the beneficial owner of the dividends is the government of that contracting state or a political subdivision / local authority thereof.



28. A WHT rate of 0% applies on interest if the beneficial owner is an insurance undertaking or a pension fund, or the Government of that Contracting State or a political subdivision or a local authority thereof, or the Central Bank of that Contracting State, or a bank. A WHT rate of 0% also applies on interest paid in respect of securities that are listed on a recognized stock exchange (government bonds, corporate bonds, Eurobonds). A WHT rate of 5% applies if the beneficial owner is a company whose shares are listed on a registered stock exchange provided no less than 15% of the voting shares of that company are in free float and which holds directly at least 15% of the capital of the company paying the interest throughout a 365-day period that includes the day of payment of the interest. A WHT of 15% applies in all other cases.
29. Nil rate applies to companies (excluding partnerships) holding directly or indirectly at least 25% of the share capital of the company paying the dividend. 5% WHT rate applies in all other cases.
30. 5% WHT rate applies on payments for the use of, or the right to use, industrial, commercial or scientific equipment. A WHT rate of 8% applies in all other cases.
31. A WHT rate of 7% if paid to a bank or financial institution.
32. The Cyprus - Czechoslovakia treaty applies with the Slovak Republic.
33. Lower WHT rate applies to companies holding at least 10% of the share capital of the company paying the dividend. In all other cases the higher WHT rate applies.
34. A WHT 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.
35. 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 during an uninterrupted period of at least one year (the holding period condition may be satisfied post the date of the dividend payment). Nil rate also applies 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.
36. A WHT 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.
37. 10% WHT 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, trademark, design or model, plan, secret formula or process, or any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience.



38. No WHT if paid to the government/Central Bank/ Public Authority of the other state. A WHT 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. 15% in all other cases.
39. A WHT rate of 5% applies for any copyright of literary, dramatic, musical, artistic, or scientific work. A WHT 10% rate applies for industrial, commercial, or scientific equipment. A 15% rate applies for patents, trademarks, designs or models, plans, secret formulas, or processes.
40. A WHT rate of 5% applies if the beneficial owner company (other than a partnership) holds directly at least 20% of the capital of the paying company and has invested at least EUR100.000 in the acquisition of shares or other rights in the paying company. A WHT rate of 10% applies in all other cases.
41. A WHT 5% WHT will be levied on payment of royalties in respect of any copyright of scientific work, any patent, trademark, secret formula, process or information concerning industrial, commercial or scientific experience. 10% WHT will be levied in all other cases.
42. A WHT rate of 15% applies to dividends paid out of income (including gains) derived directly or indirectly from immovable property by an investment vehicle which distributes most of its income annually and whose income from such immovable property is exempt from tax, except for cases where the beneficial owner of the dividend is a pension scheme established in Cyprus. Nil rate applies in all other cases.
43. A WHT 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% applies.
44. Nil if paid to a government, bank, or financial institution. Also, nil if related to debt obligations guaranteed by Government, or in connection with the sale of property or the performance of services.
45. The treaty is effective as from 1 January 2024.
46. Nil rate applies if the beneficial owner is a company which holds directly at least 5% of the capital of the company paying the dividends throughout a 365-day period that includes the day of the payment of the dividend. Nil rate also applies if the beneficial owner is a recognised pension fund which is generally exempt under corporate income tax laws. A WHT rate of 15% applies in all other cases.
47. Nil if related to a sale on credit of any industrial, commercial or scientific equipment or a sale on credit of any merchandise by one enterprise to another enterprise. Nil also applies if paid to a bank.



2024 Tax diary

Please note that the deadlines stipulated below may be revised. Taxpayers are recommended to monitor developments.

End of each month

- Payment of tax deducted from employees salary (PAYE) in the preceding month.
- Payment of Special Contribution for Defence withheld on payments of dividends, interest or rents (when the tenant is a company, partnership, the state or local authority) made to Cyprus tax residents in the preceding month.
- Payment of tax withheld in the preceding month on payments to non-Cyprus residents.

31 January

- Submission of declaration of deemed dividend distribution (TD623) for the year ended 31 December 2021.

31 March

- Electronic submission of the 2022 corporation tax return (TD4) for accounting periods ending on 31 December 2022 (TD4).
- Electronic submission of the 2022 income tax return of physical persons preparing audited financial statements (2).

30 April

- Payment of premium tax for life insurance companies - first instalment for 2024.

31 May

- Electronic submission by employers of the total 2023 payroll (Form TD7).

30 June

- Payment of Special Contribution for Defence for the first six months of 2024 on rents if such tax is not withheld at source by tenant and on dividends or interest from sources outside Cyprus.

31 July

- Submission of the 2024 provisional income tax return and payment of the first instalment.
- Electronic submission of 2023 personal income tax returns and payment of 2023 personal income tax under the self-assessment method by (i) employees and pensioners whose incomes do not include income from a trade/business, rents, dividends, interest, royalties not income relating to trading goodwill (1) and (ii) other individuals that have gross income that falls under Article 5 (includes salaries, dividends, interest and profits from share dealings) and who are not obliged to prepare audited financial statements (1) (2)

1 August

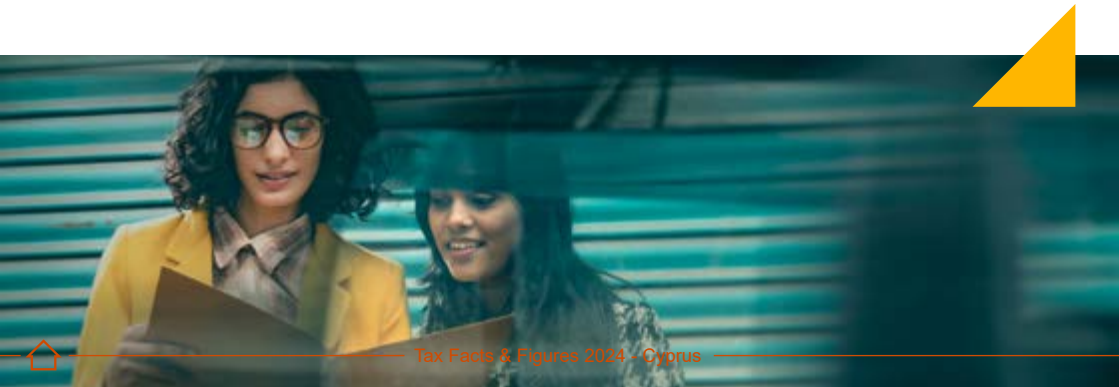
- Payment of 2023 final corporation tax under the self-assessment method.
- Payment of 2023 personal income tax under the self assessment method by self-employed individuals preparing audited financial statements (2).

31 August

- Payment of premium tax for life insurance companies - second instalment for 2024.

31 December

- Payment of provisional tax - second and last instalment for 2024.
- Payment of Special Contribution for Defence for the last six months of 2024 on rents if such tax is not withheld at source by tenant and on dividends or interest from sources outside Cyprus.
- Payment of premium tax for life insurance companies - third and last instalment for 2024.



Interest and Penalties

The official interest rate, as set by the Finance Minister, for all amounts due as from 1 January 2024 is 5% (2,25% for 2023, 1,75% for 2022, 2021 and 2020, 2% for 2019, 3,5% for 2017-2018, 4% for 2015-2016, 4,5% for 2014, 4,75% for 2013, 5% for years 2012 and 2011, 5,35% for the year 2010, 8% for the years 2007-2009 and 9% up to 31 December 2006).

In addition to the interest, penalties are also charged depending on the circumstances.

Notes:

1. For tax years up to 2021, physical persons are required to submit personal tax returns only when their gross taxable income exceeds €19.500. As from tax year 2021, this threshold is abolished and therefore all individuals have an obligation to submit an individual tax return.
2. A physical person is obliged to submit audited financial statements if his/her annual income from trade/business, rents, dividends interest, royalties or income relating to trading goodwill exceeds €70.000. Such physical person should be paying his/her 2023 income tax by 1 August 2024 and submitting his/her electronic tax return by 31 March 2024.



PwC in Cyprus

In a world that is constantly evolving, our aim at PwC Cyprus is to find the right solutions to complex problems, creating value for our clients, stakeholders and society. We embrace the future with a focus on quality and by building strong relationships based on trust. In times of great challenge, trust is more important than ever. PwC's new global strategy, "The New Equation", leads to a people led and tech powered future. It includes our ability to look at problems from different angles and present innovative solutions that make a difference and lead to sustained outcomes.

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In a dynamic and challenging business environment, where competition is more intense than ever, we are here to support you at every step of your journey. Ready to provide you with a broad range of services that meet even your most complex needs.



Assurance



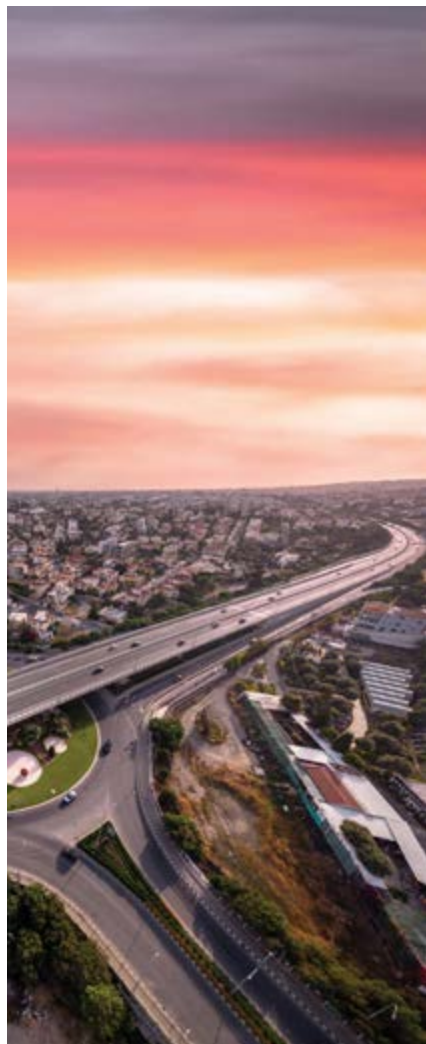
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Tax & Legal



**Tax & Finance
Managed Services**





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Our industry specialisation in the following sectors, gives you the benefit of our in-depth industry knowledge and experience.

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Retail & Consumer

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Government & Public Services

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