

Alliott Partellas Kiliaris Ltd

TAX FACTS 2018



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INTRODUCTION

The present Alliot Partellas Kiliaris publication is for informative purposes only and aims to provide the reader with an overview and quick reference guide to Cyprus tax system.

Situations should be viewed separately based on specific facts of each scenario.

The taxation department of Alliot Partellas Kiliaris Limited is comprised with professionals that use real world experience and technical expertise to assess, analyse and then formulate tax effective solutions that will help clients implement decisions that can deliver value to their personal and business plans and strategies.

We are at your disposal for any information and/or specialized advice that you may require on your tax matters.

PERSONAL INCOME TAX

1. PERSONAL INCOME TAX

Individuals who are Cyprus tax residents are subject to tax on their worldwide income. A Cyprus tax resident individual is a person who resides at the Republic of Cyprus for more than 60 days in a calendar year, provided that he does not live in any other country for more than 183 days in total, during any given tax year and who is not a tax resident in any other country for that year. Further an individual, for tax residency purposes, is required to carry out business in Cyprus or is employed in Cyprus and maintains a permanent residence in Cyprus (either owned or rented). Individuals who are not Cyprus tax residents are subject to tax only for their sources of income earned in Cyprus.

Calculation of days in and out of Cyprus is as follows:

- The day of departure is considered a day outside Cyprus;
- The day of arrival is considered a day in Cyprus;
- Arriving in Cyprus and departing on the same date is considered a day in Cyprus; and
- Departing from Cyprus and arriving on the same day is considered a day outside Cyprus.

1.1 Personal Income Tax Rates

Taxable Income	Tax Rate %	Tax Amount	Cumulative Tax
0 - 19,500	-	-	-
19,501 - 28,000	20%	1,700	1,700
28,001 - 36,300	25%	2,075	3,775
36,301 - 60,000	30%	7,110	10,885
> 60,001	35%		

1.2 Tax Exemptions

Type of Income	Exemption applies to:
Remuneration from salaried services rendered outside the Republic to a permanent establishment or to a foreign employer for more than 90 days in the tax year.	100%
Dividend income.	100%
Interest income.	100%

Remuneration from any employment exercised in Cyprus commencing from 1st January 2012 by an individual who was not resident in the Republic before the commencement of employment. The exemption is applicable for 5 years commencing 1st January following the year of employment until the year 2020.	the lower of 20% or €8,550 of remuneration
<p>Remuneration from any employment in Cyprus by an individual, who was a non Cyprus resident before the commencement of the employment, provided that the annual remuneration exceeds €100,000.</p> <p>The above exemption applies for a 10 year period.</p> <p>The individual will not be eligible for the exemption in cases where the individual was a Cyprus tax resident in any three of the previous five tax years preceding the commencement of employment in Cyprus. However, this only applies to employments that commenced on or after 1 January 2015. The exemption will be granted for any tax year in which the annual total gross emoluments from the employment exceed €100,000 regardless if in a specific tax year these were less than €100,000. This is subject to the total emoluments exceeding €100,000 at the start of the employment and the Tax Department must be satisfied that the fluctuation in the total gross emoluments is not solely for the reasons of obtaining this exemption.</p> <p>It should be noted that were the individual is benefiting from the 50% exemption, this individual cannot at the same time benefit from the 20% exemption, as stated on the note above.</p>	50% of employment income
Rental income from buildings of which there is a Preservation Order.*	100%
Profit from the sale of securities.	100%
Profit from a permanent establishment abroad.*	100%
Widows pension up to €19,500. Above €19,500 a special tax rate of 20% is applied.	100%
Foreign pensions (special rate of 5%).	€ 3,420
Capital payments from approved provident funds or life insurance plans.*	100%

*Under certain conditions.

1.3 Tax Deductions

Type of Expense	Deduction applies to:
Rental income.	20% of rental income
Special contribution on salaries and pensions.	100%
Expenditure incurred for the maintenance of a building in respect of which there is in force a Preservation Order.	Up to €1,200, €1,100 or €700 per square meter (depending on the size of the building)

Expenses incurred wholly and exclusively for the production of taxable income supported by relevant documentation such as agreements, invoices, receipts etc.	100%
Interest in respect of the acquisition of a building for rental purposes.	100%
Subscriptions to trade unions or professional bodies.	100%
Donations to approved charitable organisations.	100%
Tax losses of current year and previous years. This applies to individuals required to prepare audited financial statements. Deduction applies to current year losses as well as the losses of the previous five years.	100%
Profits from the exploitation and/or disposal of intellectual property rights.	80%

1.4 Tax Allowances

Type of Expense	Allowance applies to:
Annual life insurance premiums.	Restricted to 7% of the insured amount
Social insurance contributions, contributions to approved provident and pension funds, contributions to medical or other approved funds as well as life insurance premiums. Premium payments to approved medical funds are tax deductible provided that they do not exceed 1.5% of the gross salary income.	The total amount of the allowances is limited to 1/6 of the taxable income as calculated before deducting the allowances.
Cancellation of a life insurance policy within 6 years from the date it was entered into, part of the life insurance already given as an allowable deduction will be taxable.	Cancellation within 3 years - 30% taxable. Cancellation within 4 to 6 years - 20% taxable.

1.5 Non-deductible Expenses

Type of Expense	Amount not deductible:
Immovable property tax.	100%
Professional tax.	100%
Expenses not incurred wholly and exclusively for the production of taxable income or expenses incurred wholly and exclusively for the production of taxable income which are not supported by the relevant documentation such as agreements, invoice, receipts etc.	100%

Donations to non-approved charitable organisations.	100%
Private motor vehicle expenses.	100%

1.6 Double Tax Relief

Double taxation relief is available for any foreign tax paid abroad on income subject to tax in Cyprus. Where a double tax treaty exists, its provisions will state the method of how relief should be obtained. In the absence of a double tax treaty, the foreign tax is unilaterally relieved as a credit against the Cyprus income tax payable on such income, provided that the relevant supporting documentation is in place in the Greek or English language.

1.7 Benefits in kind to company directors or individual shareholders

If a company director, or an individual shareholder, or his/her spouse, or any relative up to the second degree, receives a loan or any other financial assistance from the company, such person is deemed to have obtained a monthly benefit in kind equal to 9% per annum of the monthly balance of the loan/financial assistance and this amount is included in the individual's income subject to income tax.

The amount of tax on the monthly benefit should be withheld from the individual's monthly salary and paid to the Tax Department on a monthly basis under the PAYE system.

1.8 Submission of Tax Returns

Individuals with gross income in excess of €19,500 in a tax year, have an obligation to file an income tax return. Sole proprietors with an annual turnover of more than €70,000 are obliged to prepare audited financial statements.

2. CORPORATION TAX

A Cyprus tax-resident company is subject to tax on its worldwide income. A company is considered a Cyprus tax-resident if the following three criteria co-exist:

- The majority of the directors reside in Cyprus and thus manages and controls the company from there.
- The board meetings are held in Cyprus.
- The general policy of the company is formulated in Cyprus.

A Cyprus tax-resident company, or a permanent establishment in Cyprus of a non-Cyprus tax-resident company, is subject to the corporation tax rate of 12.5% on its taxable profits.

2.1 Tax exemptions

Type of Income	Exemption applies to:
Income from dividends.* Dividend income may be subject to special defence contribution.	100%
Interest income. If the interest income arises from the ordinary course of business or is closely connected with the carrying on of the business, then it will be considered as business income and will not be exempt. Interest income not arising from the ordinary course of business will be subject to special defence contribution.	100%
Capital gains from the sale of Immovable property assets.	100%
Profits from a permanent establishment abroad. **	100%
Profits from sale of securities.	100%
Profits relating to foreign exchange differences.	100%
Gains arising from a loan restructuring.	100%

*As of 1st January 2016, dividends which are tax deductible for the paying company are not considered as dividends but as trading profits subject to corporation tax.

**Under certain conditions.

2.2 Tax Deductions

Type of Expense	Deduction applies to:
Expenses incurred wholly and exclusively for the production of taxable income which are supported by the relevant documentation such as agreements, invoices, receipts etc.	100%
Interest expense incurred for the acquisition of a directly or indirectly owned subsidiary (100%), given that the wholly owned subsidiary does not own any assets which are not used in the business. If the wholly owned subsidiary does own assets which are not used in the business, then the interest expense is restricted to the amount which relates to the assets not used in the business. The above applies to acquisitions of wholly owned subsidiaries as from 1st January 2012.	100%
Amortisation of the cost of acquisition or development of intangible assets.	Lower of useful life of IP assets or 20 years.
Losses from a permanent establishment abroad.*	100%
Business entertainment expenses.	1% of gross income not exceeding €17,086
Subscriptions and donations to approved charities.	100%
Net royalty income arising from intangible assets	80%
Employer's contribution on staff salaries.*	100%
As from 1st January 2015, new equity introduced to a company is eligible for an annual notional interest deduction provided that the new equity is used for business purposes. The annual notional interest is calculated as an interest rate on the new equity. The relevant interest rate is the yield on 10 year government bonds of the country in which the new equity is invested, increased by 3%. The bond yield is the one applicable as of 31st December of the year preceding the tax year.	80% of taxable profit arising from new equity
Interest relating to the acquisition of fixed assets used for business purposes.	100%

*Under certain conditions.

2.3 Non-deductible Expenses

Type of Expense	Amount not deductible:
Expenses not incurred wholly and exclusively for the production of taxable income or expenses incurred wholly and exclusively for the production of taxable income which are not supported by the relevant documentation such as agreements, invoice, receipts etc.	100%
Immovable property tax.	100%
Overseas tax.	100%
Donations to non-approved charitable organisations.	100%
Losses relating to foreign exchange differences.	100%
Interest payable or deemed to be payable for the acquisition of a private motor vehicle or other assets not used in the business. The above restriction applies for 7 years from the date of acquisition of the relevant asset.	100%
Expenses paid on behalf of other group companies.	100%
Entertainment expenses.	Amount exceeding 1% of turnover or €17,086 (the lowest of)
Private motor vehicle expenses.	100%
Interest payable or deemed to be payable for the acquisition of a not wholly owned subsidiary/associate. The above restriction applies for 7 years from the date of acquisition of the subsidiary/associate.	100%
Expenses of a capital nature.	100%
Expenses relating to the acquisition of securities.	100%
Wages and salaries on which the relevant Social Insurance contributions and the contribution to provided funds have not been paid in the year in which they are due. In circumstances where the above contributions are paid in full within two year following the due date, such wages and salaries will be tax deductible in the tax year in which they are settled.	100%

2.4 Annual wear and tear allowances

Plant and Machinery	%
Machinery	10*
Furniture & Fittings	10*
Commercial vehicles	20
Agricultural machinery	15*
Computer hardware and operating systems	20
Application software	33 1/3
Application software up to a cost of €1,708	100
Buildings	%
Commercial buildings	3
Industrial, agricultural and hotel buildings	4**
Apartments	3
Other	%
Wind Power Generators	10
Photovoltaic systems	10
Television and videos	10
Tools in general	33

*20% for the period 2012-2018

**7% for the period 2012-2018

2.5 Tax Incentives

- **Group Relief** is allowed when the surrendering the claimant companies are members of the same group for the entire tax year and are both Cyprus tax-resident. Current year tax losses can therefore be set-off against the taxable profits of any of the company within the same group (under certain conditions).
- **Tax losses** incurred during a tax year can be carried forward over the next five years from the end of the tax year in which they are incurred and be set off against future taxable income.
- **Double tax relief** is available on any foreign tax paid abroad on income subject to tax in Cyprus. Where a double tax treaty exists, its provisions will state the method of how relief should be obtained. In the absence of a double tax treaty, the foreign tax is unilaterally relieved as a credit against the Cyprus income tax payable on such income, provided that the relevant supporting documentation is in place in the Greek or English language.

3. SOCIAL INSURANCE

Contributions are as follows:

Fund	Rate %
Social Insurance Fund (employer contribution)	7.8%
Social Insurance Fund (employee contribution)	7.8%
Social Cohesion Fund (employer contribution)	2.0%
Redundancy Fund (employer contribution)	1.2%
Human Resources Development Fund (employer contribution)	0.5%
Central Holiday Fund (employer contribution)	8.0%
Self-employed contributions	14.6%

The maximum level of monthly income on which the contributions are payable for the year 2017 is €4,533. The weekly income is €1,046. Employees must contribute 7.8% of their salary up to a monthly limit of €4,533 to the Social Insurance fund. The contributions payable by the employee are remitted to the Social Insurance Office through the PAYE system on a monthly basis. No other contributions in respect of other funds are due from the employee.

SPECIAL CONTRIBUTION FOR DEFENCE

4. SPECIAL CONTRIBUTION FOR DEFENCE

Cyprus tax residents, individuals as well as Cyprus domiciled, are subject to special defence contribution on the sources of income as per the table below.

Cyprus tax resident individuals, who are non domiciled or non Cyprus tax resident individuals, are not subject to special defence contribution.

Source of Income	Cyprus tax resident but non-domiciled Individuals	Cyprus tax resident and domiciled individuals	Cyprus tax resident companies
Dividend income received from Cyprus tax resident companies	0%	17%	0% Dividends received by a Cyprus tax resident company from another Cyprus tax resident company are subject to 17% after the lapse of 4 years from the end of the year in which the profits which were distributed as dividends arose.
Dividend Income received from non-Cyprus tax resident companies	0%	17%	<p>0% The zero rate is not applicable and the dividend will be subject to 17% special contribution for defence if the following exist:</p> <p>(a) more than 50% of the activities of the foreign company paying the dividend lead to investment income; and</p> <p>(b) the foreign tax burden on the income of the foreign company paying the dividend is substantially lower than the tax burden of the Cyprus tax resident company.</p> <p>The tax department has clarified that 'significantly lower' means an effective tax rate less than 6.25% on distributed profits.</p>

Interest income arising from the ordinary activities or closely connected with the ordinary activities of the business	0% Subject to personal tax	0% Subject to personal tax	0% Subject to personal tax
Other interest income	0%	30% A person whose total annual income including interest is below €12.000 and receives interest that is subject to special defence contribution can claim a refund of 27% (effective special contribution for defence payable of 3%)	30%
75% of rental income	0%	3% Rental income is subject to personal income tax as well	3% Rental income is subject to corporation tax as well
		For Cyprus sourced rental income where the tenant is a Cyprus company, partnership, the state or local authority the special contribution for defence should be withheld by the tenant and should be paid to tax authorities by the end of the month following the month in which it was withheld.	

Any foreign tax paid/withheld on any of the above mentioned sources of income, can be claimed against the special contribution for defence liability provided that the relevant supporting documentation is in place.

4.1 Non-Domiciliation

Since 16 July 2015 individuals that are both Cyprus tax resident and Cyprus domiciled are subject to Special Contribution for Defence.

In accordance to the domicile concept under the tax legislation the following cases apply:

- a. The domicile received by him/her at birth ('domicile of origin'), or
- b. The domicile acquired or retained by him/her by his/her own act ('domicile of choice').

Under (a) above, the domicile of origin of a legitimate child is that of the father's, or in case of an illegitimate child, that of the mother's.

Under (b) above, a person may acquire a domicile of choice by establishing his/her home at any place within the Republic of Cyprus with the intention of permanent or indefinite residence.

For tax purposes, a non-domiciled individual will be treated as domiciled in Cyprus if he/she has been a Cyprus tax resident for at least 17 out of the last 20 years prior to the relevant tax year (deemed domicile rule).

An individual who has a domicile of origin in Cyprus, may still qualify as non-domiciled mainly if he/she has not been a Cyprus tax resident for a consecutive period of 20 years.

4.2 Deemed Distribution

Companies are deemed to have distributed to their Cyprus tax resident shareholders 70% of their after tax accounting profits, within two years from the end of the year in which the profits were earned. Special Contribution for defence at the rate of 17% should be withheld on such deemed distribution and paid to Cyprus tax authorities. The deemed distribution provision applies to tax resident corporate shareholders and do not apply to non-Cyprus tax resident shareholders.

On 13/09/2011 the Tax Department issued Circular No. 2011/10, having a retrospective effect from 2003 onwards, according to which the exemption with regards to profits attributable to non resident corporate shareholders, has now been extended to profits attributable to resident corporate shareholders of a Cypriot resident company to the extent that such profits are indirectly attributable to ultimate shareholders which are non-residents of Cyprus.

From 16/07/2015 the deemed distribution provisions should not apply to the extent that the ultimate direct/indirect shareholders of the company are individuals who are Cyprus tax residents but non-Cyprus domiciled.

The amount of deemed dividend is reduced by the amount of actual dividend distributed during the year to which the profits relate, or the following two years. In cases where an actual dividend is paid after the deemed dividend distribution date, any deemed distribution reduces the actual dividend on which the defence contribution is withheld.

4.3 Capital Reduction

In case of a reduction of share capital any amounts paid to the individual shareholders in excess of the amount of the share capital that was actually paid by the individual shareholders will be treated as a deemed dividend subject to special contribution for defence provided that the ultimate shareholders are Cyprus domiciled and tax residents.

Circular 2004/6 provides that redemption of redeemable preference shares, when the redemption is done out of distributable profits is also considered as capital reduction.

The buy back or redemption of units or other ownership interests in an opened-ended or closed-ended collective investment scheme is not considered a capital reduction and is not subject to special contribution for defence.

4.4 Disposal of assets to shareholder at less than market value

When a company disposes an asset to its individual shareholder or to a relative up to second degree or his spouse for a value which is less than its market value, the difference between the sales 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 spouse.

5. INTELLECTUAL PROPERTY (IP)

The old IP Box regime provided for an exemption from taxation of 80% of the gross royalty income following the deduction of all direct costs, such as amortization (over 5 years) and interest expense. In the case of a tax loss, only 20% of the tax loss could be surrendered to other group companies (under the group relief provisions) or be carried forward to subsequent years (subject to the 5 years rule restriction).

The 80% exemption applied also for any profit arising from the disposal of the IP.

The above provisions related to intangible assets which were defined in the Patents Law, the Trade Marks Law and the Intellectual Property Rights Law.

Transitional provisions have been included for taxpayers who have previously entered the old IP Box regime. More specifically those taxpayers shall be able to continue to benefit from the application of the old IP regime until 30 June 2021, with respect to IP which:

- (a) was acquired before 2 January 2016, or
- (b) was acquired directly or indirectly from a related person during the period from 2 January 2016 until 30 June 2016 and which assets at the time of their acquisition were benefiting under the IP Box regime or under a similar scheme for intangible assets in another state, or
- (c) was acquired from an unrelated person or developed during the period from 2 January 2016 until 30 June 2016.

For intangible assets which were acquired directly or indirectly from a related person during the period from 2 January 2016 until 30 June 2016 and which do not fall under the above provisions, a transitional period until 31 December 2016 will apply.

The income qualified for the application of the current IP Box regime now includes embedded income and income from intangible assets for which only economic ownership exists.

IMPORTANT: Only intangible assets which as at 30 June 2016 have either generated income or their development has been completed, will qualify for the transitional rules.

5.1 **New Cyprus IP Box regime**

The new Cyprus IP box applies as from 1 July 2016. An 80% deduction is provided for qualifying profits relating to a qualifying IP. Accordingly, in effect, only 20% of the qualifying profits will be taxed at the rate of 12.5%. A taxpayer may elect not to claim all or part of the available 80% deduction for a particular tax year. Qualifying tax losses in the new Cyprus IP box are restricted to 20% of their amount.

5.1.1 **Qualifying IP assets**

Qualifying intangible asset means one which was acquired, developed or exploited by a person in furtherance of his business, which is the result of research and development activities and includes intangible assets for which only economic ownership exists.

The new provisions restrict qualifying IP assets to patents, computer software, as well as IP assets which are non-obvious, useful and novel and from which the income of a taxpayer does not exceed, in a 5 year period, €7.500.000

per annum (€50.000.000 for taxpayers forming part of a Group). The later should be certified by a competent Cypriot or foreign authority.

Further, qualifying IP assets under the nexus approach do not cover trademarks including brands, image rights and other intellectual property rights used for the marketing of products or services.

5.1.2 Qualifying income

Qualifying profits are determined under the OECD BEPS Action 5 nexus approach.

Qualifying income includes, but is not limited to the following:

- royalties or other amounts in connection with the use or license of qualifying intangible assets
- any amount received from insurance or as compensation in relation to the qualifying intangible asset
- gains relating to the disposal of qualifying intangible asset
- embedded income of qualifying intangible asset

5.1.3 The Modified Nexus Approach and qualifying expenditure

The “Modified Nexus Approach” provides that there should be sufficient substance and an essential nexus between the expenses, the IP assets and the related IP income in order to benefit from a new Cyprus patent box regime.

The following formula has been introduced to determine the qualifying profits that can benefit from an IP regime relating to a qualifying asset:

$$[(\text{Qualifying expenditure} + \text{Up-lift expenditure}) / \text{Total expenditure}] \times \text{Overall IP Income}$$

Qualifying expenditure include among other expenses wages and salaries, general expenses relating to installations used for research and development and expenses for supplies related to research and development activities.

Qualifying expenditure, excludes though the R&D costs of outsourcing to related parties, contrary to the cost of outsourcing to unrelated parties which are considered as part of ‘qualifying expenditure’, the cost of the acquisition of intangible assets and costs which cannot be directly connected to a specific qualified IP asset.

In addition up-lift expenditure equal to the lower of the two below will be added to the qualifying expenses:

- (i) 30% of the eligible costs, or
- (ii) the total amount of the cost of acquisition and outsourcing to related parties for research and development in relation to the eligible intangible asset.

5.1.4 Accounting records

Proper books of account and records of income and expenses must be kept for each intangible asset for which a benefit is claimed under the new regime.

5.1.5 Non-qualifying assets for the IP Box regime

Expenditure of acquiring a non-qualifying intangible asset in accordance with the new rules or which does not qualify for the transitional provisions and the asset is used in furtherance of the business of the taxpayer can be amortized over the period of its useful life (maximum of 20 years) in accordance with the accepted accounting principles. Upon sale of this intangible asset, a balancing statement must be prepared. This is the same treatment as when a fixed asset is sold. Goodwill does not qualify for amortization.

VALUE ADDED TAX

6. VALUE ADDED TAX

6.1 VAT Rates:

	%
Standard VAT rate (effective from 13 January 2014 onwards)	19%
Reduced VAT rate (applicable for hotel accommodations, restaurant and catering services)	9%
Reduced VAT rate (applicable for supply of water, medicine, gas, newspapers, food, admission to performances, books)	5%
Zero VAT rate (applicable for export of goods, leasing of aircrafts and vessels)	0%
Exempt VAT transactions (applicable for sale of buildings after first use, hospital and medical services, financial and insurance services, letting and leasing of immovable property etc)	-

6.2 Registration with the VAT

Compulsory registration	Registration threshold
Supply of goods and services within the Republic.	€ 15,600
Supply of goods and services to persons established in other Member States, where they not hold a valid VAT number.	€ 15,600
Intra-community acquisition of goods during any calendar year.	€ 10,251.61
Supply of services subject to the reverse charge mechanism to a taxable VAT registered person who is established in another Member State.	N/A
Distance sales of goods by a VAT registered supplier who is resident in another Member State made to individuals resident in Cyprus.	€ 35,000

6.3 Obligations after registering with the VAT

Type of obligation	Clarifications
Submission of VAT returns	Monthly or quarterly electronically via the Taxis Net system.
Issue of legal receipts	With a taxable supply of goods or services to individuals or non-VAT registered persons
Issue of VAT invoices	In relation to taxable supplies of goods and services to taxable persons in the Republic and/or to any EU established persons.

INFRASTAT declaration for monthly dispatches	For dispatch of goods to other Member States. Threshold for 2017 is €55,000
INFRASTAT declaration for monthly arrivals	For acquisition of goods from other Member States. Threshold for 2017 is €100,000
Monthly VIES statements	Provided that the counterparty holds a valid VAT number in their country this applies for the dispatch of goods to other Member States, the provision of services to persons situated in other Member States and for triangular trade. There is no registration threshold.
Deregistration from the Cyprus VAT register	Compulsory within 60 days from the termination of trading operations

6.4 Penalties

Non-compliance	Penalty
Failure to register with the Cyprus VAT register	€85 per month
Delayed submission of VAT return	€51 per VAT return
Delayed submission of VIES return	€50 per VIES return
Delayed correction of mistake on VIES return	€15 per VIES return
Delayed submission of INFRASTAT return	€15 per INFRASTAT return
Delayed payment of VAT	a one off payment of 10% on the due amount plus interest for any complete month for which the amount still remains due
Late deregistration	a one off €85 payment

CAPITAL GAINS TAX

7. CAPITAL GAINS TAX

Capital Gains Tax is only imposed on the sale of property situated in Cyprus. The gain arising after the deduction from the sale proceeds, of the value of the property as at 1.1.1980 or the cost of acquisition after 1.1.1980 adjusted for inflation, is taxed at the rate of 20%.

Lifetime exemptions from the sale of immovable property which are applicable to individuals are as follows:

	Gains up to €
Any disposal of immovable property.	17,086
Disposal of agricultural land.	25,629
Disposal of private residence*	85,430

*Under certain conditions.

IMMOVABLE PROPERTY TAX

8. IMMOVABLE PROPERTY TAX

Immovable property tax has been abolished as from 1st January 2017.

LAND TRANSFER FEES

9. LAND TRANSFER FEES

Tax Rates

Value €	Tax Rate %	Transfer fees €	Cumulative€
Up to 85,000	3	2,550	2550*
85,000 - 170,000	5	4,250	6,800*
Over 170,000	8		

* No transfer fees are paid in the event of an immovable property transferred that is subject to VAT. In the event where the transfer is not subject to VAT, land transfer fees are reduced by 50%.

Note: No transfer fees apply in the case of companies' reorganizations.

STAMP DUTY

10. STAMP DUTY

Cyprus stamp duty is levied only on 'documents' (ie. Written agreements / contracts) concerning assets situated in Cyprus and transactions or matters that will be carried out in Cyprus.

The stamp on agreements with a fixed value is levied as follows:

Value of contract	Stamp Duty
Equal of more than €5,000	0%
From €5,001 to €170,000	0.15%
Equal or less than €170,001	0.20% but capped at €20,000

SHIP MANAGEMENT SERVICES

11. SHIP MANAGEMENT SERVICES

Ship management services means the services provided by a ship manager to an owner or bareboat charterer of a ship by virtue of a relevant written ship management agreement relating to the crew management services and/or to the technical management services of the ship. A ship manager who provides commercial management services will not be considered a qualifying ship manager for such services and will be liable to pay Income Tax on the corresponding part of his income. Income derived from the rendering of ship management services is subject to Income Tax at the ordinary rate of 12.5%.

A ship owner, ship manager, charterer who has opted for application of the Tonnage Tax System must remain under this system for at least 10 years. Early withdrawal will result in penalties and in such case the ship manager cannot re-elect to apply the Tonnage Tax System until the initial ten-year period has lapsed.

The following are exempt from any taxation in accordance with the provisions of the Merchant Shipping Law and may be subject to tonnage tax:

- The income of a qualifying ship owner from the operation of a qualifying Cyprus, community and/or foreign vessel engaged in qualifying shipping activities.
- The income of a qualifying charterer from the operation of a qualifying Cyprus, community and/or foreign vessel, engaged in qualifying shipping activities.
- The income of a qualifying ship manager from the provision of crew and/or technical administration services.

11.1 Exemptions

In addition to the above, the below sources of income are also exempt from any taxation in Cyprus:

- Interest income relating to the working capital of the company.
- Salaries and other benefits paid to officers, masters and the crew of a qualifying Cyprus vessel engaged in a qualifying shipping activity.
- Dividends paid directly or indirectly from the profits which arose from qualifying shipping activities.
- Income from the transfer of shares of a ship owning company or the sale of a Cyprus-registered vessel.
- No stamp duty is payable on ship mortgage deeds or other security documents.
- Estate duty of inheritance tax is levied following the death of a shareholder.

TAX CALENDAR

12. SIGNIFICANT DATES OF 2018 FOR TAX PURPOSES:

DATE							
31- Jan	31- Mar	30- Apr	30- Jun	31- Jul	01- Aug	31- Dec	
√							Payment of Special Defence contribution for deemed dividend distribution purposes for the year ended 31 December 2015.
	√						Electronic submission of the 2016 corporation income tax return. Electronic submission of the 2016 income tax return for individuals preparing audited financial statements.
		√					Submission of 2017 personal tax return for employees not preparing accounts and the payment of outstanding tax. The deadline is extended by 3 months in the cases of electronic submission.
			√				Submission of personal income tax return and payment of final tax for the year 2017 of self-employed individuals not preparing audited financial statements. The deadline is extended by 3 months in the cases of electronic submission.
			√			√	Payment of the 2018 special defence contribution on rents, dividends or interest from sources outside Cyprus for the first 6 months of 2018.
				√			Electronic submission by employers of the total payroll of the previous year (IR7 form for the year 2017).
				√		√	Submission of provisional tax declaration and payments of 1st and 2nd instalment 2018.
					√		Payment of the final tax of 2017 with self-assessment for individuals and companies that prepare audited financial statements.
End of the following month.							PAYE for employees deducted from salaries relating to the previous month.
End of the following month.							Payment of Special Defence contribution withheld on payments of dividends, interest and rents made to Cypriot tax residents by partnerships, companies, the State or local authorities.
End of the following month.							Payment of tax withheld on payments made to non-Cypriot tax residents.

Interest and penalties: If the above mentioned deadlines are not met, an annual interest at the rate of 3.5% per annum as well as a penalty depending on the circumstance, will be imposed.