



**Cyprus
Tax Facts
2018**

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1. Personal Income Tax

Personal Tax Rates

Taxable income for the year €	Tax rate €	Accumulated tax €
Up to 19.500	-	-
19.501 - 28.000	20	1.700
28.001 - 36.300	25	3.775
36.301 - 60.000	30	10.885
Over 60.000	35	

Exemptions

Type of income	Exemption
Interest income (unless it arises from ordinary activities)	100%
Dividends	100%
Remuneration from any employment, commencing on or after 1.1.2012, exercised in Cyprus by a non-resident individual before its commencement of employment (applies for 10 years provided emoluments exceed €100.000 pa.)	50%
Remuneration from any employment, exercised in Cyprus by a non-resident individual before its commencement of employment. For employment commencing on or after 2012 it applies for 5 years excluding the year of commencement with last eligible year being the year 2020 (cannot be claimed in addition to the 50% exemption above)	20% or €8.550 (lower of)
Remuneration from salaried services rendered outside Cyprus for more than 90 days in a tax year to a foreign establishment of a Cyprus resident employer or to a foreign resident employer	100%
Profits from a permanent establishment abroad under certain conditions	100%
Profit from the sale of securities	100%
Lump sum received from life insurance plans, approved provident funds or retiring gratuity	100%
Rent income received from preservative buildings	100%
Foreign pension income up to €3.420 (5% flat on amounts above €3.420)	100%
Cyprus widow pension up to €19.500 (20% flat on amounts above €19.500)	100%

Tax deductions

Type of deduction	Deduction
Rental income	20%
Losses of current and previous five years (only in case of audited financial statements)	100%
Donations to approved charities	100%
Contributions to trade unions or professional bodies	100%
Social insurance, provident fund (max 10% of emoluments, medical fund (max 1,5% of emoluments), pension fund and life insurance premiums (max 7% of the insured amount)	Up to 1/6 of the taxable income
Special contribution	100%
Expenditure incurred in respect of a preservative building	Up to €1.200, €1.100 or €700 per sq. m. (depending on size of building)
Amount invested in an approved innovative small or medium sized enterprise as from 1.1.2017	Up to 50% of taxable profit (maximum annual deduction of €150.000)

Special contribution

As from 1 January 2017, special contribution is abolished. The Special Contribution which was applied in the period 2014-2016 is set out in the table below.

Gross monthly emoluments from employment / pension	Government / semi- government employees and pensioners	Private sector employees, self-employed individuals and private sector pensioners
2014-2016		
€	Rate	Rate
Up to 1.500	-	-
1.501 – 2.500	2,5%	2,5% (minimum €10)
2.501 – 3.500	3,0%	3,0%
Over 3.500	3,5%	3,5%

Every individual who is resident in Cyprus is obliged to prepare and submit its annual income tax return (T.D.1) by 31st of July of the subsequent year provided that their annual gross income exceeds the threshold of €19.500. As from tax year 2017, the income tax return of an individual can only be submitted electronically through Taxisnet.

In the case of a self-employed individual whose annual turnover exceeds €70.000, audited financial statements should be prepared.

2. Corporation Tax

Corporation tax rate for all companies is 12,5%.

Exemptions

Type of income	Exemption
Profit from the sale of securities	100%
Passive interest	100% (subject to SDC)
Dividend income (excluding those that as from 1 st January 2016 are tax deductible from the paying company)	100% (may be subject to SDC)
Profits from a foreign permanent establishment	100%
Foreign exchange gains except those arising from trading of forex and other derivatives	100%

Deductions

Type of expense	Deduction
Expenses incurred wholly and exclusively in the production of taxable income are tax deductible expenses provided that they are accompanied by supporting evidencing documents	100%
Interest expense for the acquisition of a 100% subsidiary is treated as a tax deductible expense to the extent that the company's assets (directly or indirectly owned) are used in the business. Applicable for subsidiary acquisitions from 1 st January 2012 onwards	100% of the interest expense (or proportionately based on the % of subsidiary's business assets)
New equity introduced in the form of paid up share capital or share premium, as of 1st January 2015, is eligible for annual notional interest deduction (NID is calculated as a reference rate on the new equity which equals the yield of a 10 years government bond plus a 3% margin). 2017 NID rate is 6,489% (2016: 6,685%). Certain anti-avoidance provisions apply	100% of the NID (NID cannot exceed the 80% of the taxable profit deriving from the assets financed by the new equity)
Net royalty income arising from intangible assets	80%
Amortization of acquisition cost or development cost of intangible assets	Lower of 20 years or lifetime of IP asset
Donations to approved charities (with receipts)	100%
Employer's contributions on salaries and approved funds	100%
Entertainment expenses for business purposes	1% of gross income with a maximum of €17.086

Type of expense	Deduction
Employer's contribution to medical funds for employees	1% on employees remuneration
Employer's contribution to provident/pension fund for employees	10% on employees remuneration
Expenditure incurred in respect of a preservative building	Up to €1.200, €1.100 or €700 per sq. m. (depending on size of building)

Tax incentives

Losses carried forward	Tax losses incurred during a tax year can be carried forward and set off against taxable profits of the next five years
Group loss relief	Current year losses of a Cyprus company can be set off against the profits of another Cyprus company of the group provided that group relief conditions apply.
As from 1st 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 that the EU company firstly exhausts all possibilities available to utilize the losses in its country of residence on in any other intermediary EU holding company.	
Reorganizations	Company reorganizations are allowable without any tax effect
Partnerships/sole traders transferring a business into company	Tax losses can be carried forward into the company for future utilization
Permanent establishment	Tax losses can be set off against taxable profits of the Cyprus company
Investment in approved innovative small and medium sized enterprises	Up to 50% deduction of the taxable income as calculated prior to this deduction (subject to a maximum of €150.000 per year). Unused deduction can be carried forward and claimed in the following 5 years subject to the cap of 50% of taxable income and the maximum of €150.000 per year.
New equity introduced	New equity introduced in the form of paid up share capital or share premium on or after 1.1.2015 is eligible for annual notional interest deduction (NID). NID is calculated by multiplying the new equity with a reference rate. The reference rate is the yield of the 10 year government bond increased by 3%. NID cannot exceed 80% of the taxable profit deriving from the assets financed by the new equity. The NID reference rate for 2017 is 6,489% (2016: 6,685%)

3. Wear and Tear Allowances

Buildings	%
Commercial buildings	3
Industrial, agricultural and hotel buildings	4 (7% in the case of industrial and hotel buildings acquired within 2012-2018)
Plant and machinery	%
Machinery	10
Furniture and fittings	10
Agricultural machinery	15
Computer hardware	20
Computer software	33 1/3 (100% if cost up to €1.708)
Vehicles and other means of transportation	%
Commercial vehicles	20
Excavators, tractors, bulldozers etc.	25
New airplanes / helicopters	8
Motor yachts	6

Plant and machinery and vehicles acquired during the years 2012 – 2018 are eligible for accelerating wear and tear allowances at the rate of 20%.

4. Special Contribution for the Defence

Type of income	Individuals	Legal entities
	Tax rates	
Interest arising from ordinary activities	Nil	Nil
Other interest (passive)	30%	30%
Rent received (minus 25%)	3%	3%
Dividends received from a Cyprus tax resident company	17%	Nil
Dividends received from a non-Cyprus tax resident company	17%	Nil

Foreign taxes paid can be credited against the liability of special contribution for defence arising in Cyprus.

Deemed dividend distribution (DDD)

Companies which do not distribute 70% of their accounting profits*, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the shareholders are individuals who are both Cyprus tax resident and Cyprus domiciled (from 16/7/2015 Cyprus domicile also applies). The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

Deemed dividend distribution is reduced with any actual dividend payments made during that period out of the profits of these relevant years.

Where actual dividend payment takes place after the DDD date, then if special contribution for defence is due on such dividends a tax is imposed only on the amount of dividends that exceeds the dividends that they were deemed to have been distributed and for which special contribution for the defence was paid.

***Accounting profits** the amount subject to special contribution for defence is net of corporation tax, special contribution for defence, capital gains tax and unrelieved foreign taxes. The amount is also adjusted as required by the Special Contribution for Defence Law.

For the tax years 2012 – 2014 further deductions have been granted that allow the deduction from the accounting profits, of any plant and machinery and buildings acquired during these years (excluding private motor cars) that are used for business purposes.

Dissolution of a company

In the case where a company is dissolved, the cumulative accounting profits of the last five years that have not been distributed or deemed to have been distributed as dividends will be considered as distributed on dissolution and will be subject to special defence contribution at the rate of 17%.

This provision does not apply in the case of dissolution under reorganization.

5. Social Insurance

Contributions

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

Other employer's contributions

Social cohesion fund	2%
Redundancy fund	1,2%*
Industrial training fund	0,5%*
Holiday fund (if applicable)	8%*

*Restricted to the Maximum level of emoluments

Year	Annual maximum	Monthly maximum	Weekly maximum
2016	€54.396	€4.533	€1.046
2017	€54.396	€4.533	€1.046
2018	€54.396	€4.533	€1.046

6. Value Added Tax (VAT)

Categories	Rates
Standard VAT rate	19%
Reduced VAT rate (catering, restaurants etc.)	9%
Reduced VAT rate (food, medicine, books etc.)	5%
Zero VAT rate (export of goods etc.)	0%
Acquisition or construction of primary / permanent place of residence (EU residents from 1/10/2011 & non EU residents from 8/6/2012)	5%

Registration thresholds	€
Taxable supplies in Cyprus	15.600
Acquisition of goods in Cyprus from suppliers resident in another EU member state	10.252
Receipt of services from abroad for which the recipient must account for VAT under the reverse charge mechanism	15.600
Distance sales (sale of goods to persons not subject to VAT registration in Cyprus by suppliers resident in another EU member state)	35.000

7. Capital Gains Tax (CGT)

When the disposal is not subject to income tax, capital gains tax is imposed at the rate of 20% on gains from the disposal of immovable property situated in Cyprus as well as shares in companies which directly* hold immovable property, adjusted to account for inflation.

From 17 December 2015 onwards, gains from the disposal of share in companies which indirectly hold immovable property situated in Cyprus and at least 50% of the market value of the shares derive from the immovable property they are also subject to capital gains tax. Shares of companies listed on stock exchange are exempted.

Lifetime exemptions (deductions from CGT)	€
Disposal of private residence	85.430
Disposal of agricultural land	25.629
Any other disposal	17.086

Exemptions

Land or buildings acquired between 16 July 2015 till 31 December 2016 will be exempt upon its disposal

Gifts to a company provided that the company's shareholders are members of the donor's family and the shareholders continue to be members of the donor's family for five years after the day of the transfer

Gifts by a family company to its shareholder provided that the property was acquired as a donation. The property must be kept by the donee for at least three years

Transfer as a result of reorganization

Exchange of properties Under certain conditions

Transfer as a result of death

Gifts up to third degree relatives

Gifts to charities or the government

8. Immovable Property Tax

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

9. Transfer Fees

Value as of 1.1.2013	Rate %	Transfer fee €	Accumulated transfer fee €
Up to €85.000	3	2.550	2.550
€85.001 - €170.000	5	4.250	6.800
Over €170.001	8		

No transfer fees are paid in the event where the transfer is subject to VAT.

Transfer fees are reduced by 50% for any immovable property where the transfer is not subject to VAT.

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

No transfer fees or mortgage registration fees are paid in the case of company's reorganization.

10. Tax Diary

Timing	Obligation for	By company	By individual
End of following month	Payment of tax deducted from employees salary (PAYE)	√	
	Payment of special contribution for defence withheld on payments of dividend, interest or rent from a company or partnership to Cyprus tax residents	√	
	Payment of tax withheld on payments made to non-Cyprus residents	√	
31 January 2018	Submission and payment of the special contribution for defence on deemed dividend distribution for the 2015 profits (T.D.623)	√	
31 March 2018	Electronic submission of the 2016 company income tax return (T.D.4)	√	
	Electronic submission of the 2016 personal tax return for physical persons preparing audited financial statements (T.D.1 Acc.)		√
30 June 2018	Payment of 2017 tax for employees not preparing audited financial statements		√
	Payment of special contribution for defence for the first six months of 2018 on rents if such tax was not withheld by the tenant and on dividends or interests received from sources abroad	√	
31 July 2018	Electronic submission of the employers total 2017 payroll (T.D.7)	√	
	Submission of 2018 provisional tax return and payment of the first installment	√	√
	Electronic submission of the 2017 personal tax return for individuals not preparing audited financial statements and whose income does not include income from a trade/business, rents, dividends, interest and royalties (T.D.1)		√
1 August 2018	Payment of 2017 final corporation tax under the self-assessment method	√	
	Payment of the 2017 personal income tax under the self-assessment method for individuals preparing audited financial statements		√
30 September 2018	Electronic submission of 2017 personal tax return for individuals not preparing audited financial statements but whose income includes income from a trade/business, rents, dividends, interest and royalties (T.D.1)		√
31 December 2018	Payment of second (and last) installment of 2018 provisional tax	√	√
	Payment of special contribution for defence for the last six months of 2018 on rents if such tax was not withheld by the tenant and on dividends or interests received from sources abroad	√	

Interest and penalties

The official interest rate for all amounts due as from 1 January 2018 is 3,5% p.a. (2017: 3,5% / 2015-2016: 4% / 2014: 4,5% / 2013: 4,75% / 2011-2012: 5% / 2010: 5,35% / 2007-2009: 8% / up to 2006: 9%).

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

Elympus

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