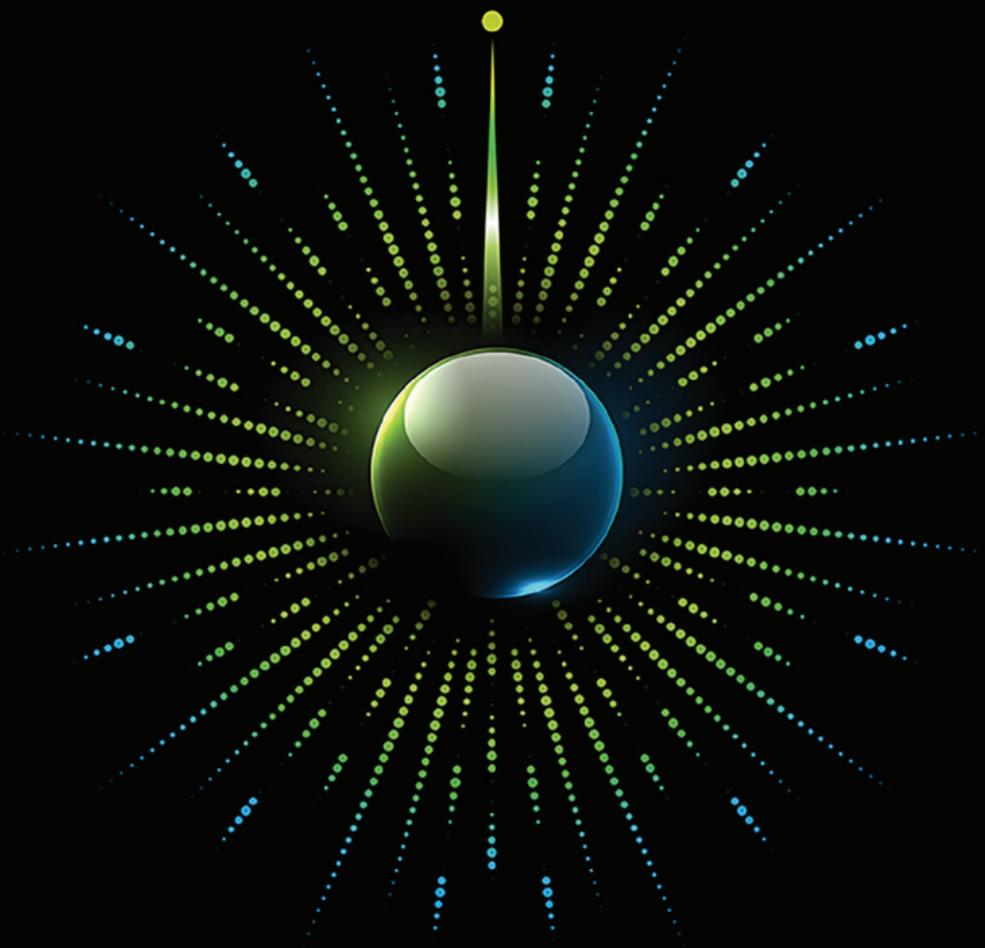


**Deloitte.**



Cyprus  
**Tax Facts**  
**2024**

Tax ●



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Welcome to our annual edition of Cyprus Tax Facts. Over the years, the Deloitte tax guide has become the taxpayer's tool to the tax environment in Cyprus, for both businesses and individuals. The provision of taxation services is one of our core offerings, with emphasis on Business Tax, Personal Tax, Indirect Tax (including VAT), Global Employer Services (including solutions for High Net Wealth Individuals) or Cross-border Tax. I hope you find our guide useful.

**Pieris Markou**  
**CEO**

The tax information contained in this guide is accurate as at its date of publication (4 January 2024). The information included within is designed to increase the reader's general awareness of the Cyprus Tax System and in no case should substitute seeking professional advice. For explanations, clarifications or professional advice, please contact your Deloitte advisors.

# Deloitte Cyprus

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# Income Tax

## Individuals

### Imposition of tax

An individual who is tax resident in the Republic of Cyprus (the Republic), is taxed on income accruing or arising from sources both within and outside the Republic.

An individual who is not tax resident in the Republic, is only taxed on income accruing or arising from sources within the Republic.

### Tax residency

An individual who spends more than 183 days in the Republic is a tax resident of the Republic.

An individual can be a tax resident of the Republic even if he/she spends less than or equal to 183 days in the Republic provided that he/she satisfies all of the following conditions within the same tax year (1 January – 31 December):

- i. does not spend more than 183 days in any other country;
- ii. is not a tax resident of any other country;
- iii. spends at least 60 days in the Republic;
- iv. maintains a permanent home in the Republic that is either owned or rented;
- v. carries on a business in the Republic, is employed in the Republic or holds an office in the Republic at any time during the tax year.

If the employment/business or holding of an office is terminated during the year, then the individual would cease to be considered a tax resident of the Republic for that tax year.

For the purpose of calculating the days of presence in the Republic:

- the day of arrival is considered as a day in the Republic;
- the day of departure is considered as a day out of the Republic;

- the arrival into the Republic and departure from the Republic on the same day is considered as a day in the Republic; and
- the departure from the Republic and return to the Republic on the same day is considered as a day out of the Republic.

### Personal income tax rates

Taxable Income €	Tax Rate %	Tax €	Cumulative Tax €
0 - 19.500	0	0	0
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
Over 60.000	35		

### Exemptions

The following income is exempt from income tax:

Income	Exemption
Dividend income	The whole amount
Interest income (excluding interest income arising in the ordinary course of business or closely connected with the ordinary carrying on of the business)	The whole amount
Remuneration from first employment in the Republic, which commenced after 26 July 2022 and up to and including the year 2027, by an individual who was employed outside the Republic by a non-Cyprus resident employer for three consecutive years immediately before the commencement of his/her employment in the Republic ( <a href="#">notes 1 and 5</a> ). For the previous exemption which applied to employments commencing between the year 2012 and 26 July 2022, refer to <a href="#">note 2</a> .	20% of the remuneration (up to a maximum of €8.550 per annum)

Remuneration from employment exercised in the Republic, by an individual who was not resident of the Republic for at least 15 consecutive years immediately before the commencement of his/her first employment in the Republic, provided that:

50% of the remuneration

- the individual's first employment in the Republic commenced as from 1 January 2022 onwards **and**
- the remuneration from such employment exceeds €55.000 ([notes 3](#) and [5](#)).

For the previous exemption which applied to employments commencing up to and including 26 July 2022, refer to [note 4](#).

Remuneration from the rendering of salaried services outside the Republic to a non-resident employer or a permanent establishment outside the Republic of a resident employer, for an aggregate period in the year of assessment of more than 90 days

The whole amount

Foreign exchange (FX) gains, with the exception of FX gains arising from trading in foreign currencies and related derivatives ([note 6](#))

The whole amount

Gains arising from the disposal of Securities ([note 7](#))

The whole amount

Gains arising from a qualifying loan Restructuring ([note 13](#))

Up to the whole amount

Profits of a permanent establishment maintained outside the Republic (subject to conditions)

The whole amount

Rent from a preserved building (subject to conditions)

The whole amount

Lump sum received as retiring gratuity, commutation of pension, death gratuity or as consolidated compensation for death or injury

The whole amount



## Wear and tear allowances

Individuals carrying on a business are allowed to deduct wear and tear allowances on assets used in the business from their taxable income ([page 20](#)).

## Non-deductible expenses

The following expenses are not deductible in calculating the taxable income of an individual:

Expense	Non-deductible
Expenses not incurred wholly and exclusively for the production of taxable income	The whole amount
Expenditure not supported by appropriate documentation	The whole amount
Business entertainment expenses	Amount in excess of 1% of the gross income or €17.086 (whichever is lower)
Private motor vehicle expenses	The whole amount
Interest payable or deemed to be payable in relation to the acquisition of a private motor vehicle, irrespective of whether it is used in the business or not, or other asset not used in the business. This restriction ceases after seven years from the date of acquisition of the relevant asset.	The whole amount
Wages and salaries relating to services offered within the tax year on which social insurance and other contributions have not been paid in the year in which they were due. In case the contributions (including any penalties and interest) are paid within two years following the due date, such wages and salaries will be tax deductible in the tax year in which they are paid.	The whole amount

## **Loans or other financial assistance provided to company directors or individual shareholders**

Any amount provided by a company as a loan or financial assistance to a director, or to an individual shareholder, or to his/her spouse, or to any relative up to second degree is considered as a monthly benefit equal to 9% per annum calculated on the amount received. Such benefit is included in the individual's income subject to income tax.

### **Benefits**

Benefits provided to an employee or to a member of his/her family, either in cash or otherwise, are subject to income tax. Detailed guidance on the practical application of benefits in kind has been issued by the Tax Department, through an informative leaflet which is available on the Tax Department's [website](#).

### **Losses**

#### **Losses carried forward**

Individuals who carry on a business may carry forward tax losses incurred during a tax year over the next five years, to be offset against taxable income.

Where a person, including a partnership, converts a business into a limited liability company, any unutilised tax losses can be transferred to the new company.

#### **Losses of a permanent establishment outside the Republic**

Tax losses arising from a permanent establishment maintained outside the Republic can be offset against taxable profits arising in the Republic in the same year. However, any subsequent taxable profits from such a permanent establishment are taxable up to the amount of tax losses previously offset.

## Personal Tax Allowances

The following contributions are deductible from the taxable income of an individual:

### Contributions

Social insurance contributions, contributions to the General Healthcare System, contributions to approved provident and pension funds, contributions to medical or other approved funds as well as life insurance premiums in respect of the life of the claimant ([note 14](#))

### Allowance

Limited to 1/5 of the net taxable income before these allowances

### Tax credit for foreign tax paid

Foreign tax paid on income subject to income tax in Cyprus may be credited against income tax payable on such income, irrespective of the existence of a tax treaty.

# Income Tax

## Companies

### Imposition of tax

A company which is tax resident in the Republic, is taxed on income accruing or arising from sources both within and outside the Republic.

A company which is not tax resident in the Republic, is only taxed on income accruing or arising from sources within the Republic.

### Tax residency

A company is tax resident in the Republic if:

- it is managed and controlled from the Republic; or
- it is incorporated or registered in the Republic but is managed and controlled from outside the Republic, as long as the company is not considered a tax resident of any other country (applies from 31 December 2022).

### Tax rate

The headline corporate income tax rate is 12,5%.

### Exemptions

The following income is exempt from corporate income tax:

<b>Income</b>	<b>Exemption</b>
Dividend income ( <a href="#">note 8</a> )	The whole amount
Interest income (excluding interest income arising in the ordinary course of business or closely connected with the ordinary carrying on of the business)	The whole amount
Foreign exchange (FX) gains, with the exception of FX gains arising from trading in foreign currencies and related derivatives ( <a href="#">note 6</a> )	The whole amount

Gains arising from the disposal of Securities ( <a href="#">note 7</a> )	The whole amount
Gains arising from a qualifying loan Restructuring ( <a href="#">note 13</a> )	Up to the whole amount
Profits of a permanent establishment maintained outside the Republic (subject to conditions and with an election to tax)	The whole amount
Rent from a preserved building (subject to conditions)	The whole amount
Income of a company which operates in the Republic in the audio-visual industry (subject to conditions)	Up to 50%
Capital gain from the disposal of intellectual property rights	The whole amount

### Deductible expenses

All expenses incurred wholly and exclusively for the production of income are deductible in calculating the taxable income of a company, including:

Expense	Deduction
Interest incurred for the acquisition of an asset used in the business	The whole amount
Notional interest deduction (NID) on new equity ( <a href="#">note 9</a> )	Up to 80% of the taxable profit generated from the new equity
Expenditure for the maintenance of buildings under preservation order (subject to conditions)	Depends on the size of the building
Donations to approved charitable organisations	The whole amount
Donations to political parties (subject to conditions)	Up to €50,000
Employer's contributions to approved funds on employees' salaries	The whole amount

Expenditure for scientific research, and for Research & Development ( <a href="#">note 17</a> )	The whole amount
Investment in an innovative small/medium sized business (subject to conditions) ( <a href="#">note 19</a> )	Up to 30% of the invested amount (capped at €150.000)
Expenditure on film infrastructure and technological equipment (subject to conditions)	Up to 20%
Benefits provided to an employee and/or their family members that have been taxed in the hands of the employee	The whole amount

## Wear and tear allowances

Companies are allowed to deduct wear and tear allowances on assets used in the business from their taxable income ([page 20](#)).

## Non-deductible expenses

The following expenses are not deductible in calculating the taxable income of a company:

Expense	Non-deductible
Expenses not incurred wholly and exclusively for the production of taxable income	The whole amount
Expenditure not supported by appropriate documentation	The whole amount
Business entertainment expenses	Amount in excess of 1% of the gross income or €17.086 (whichever is lower)
Private motor vehicle expenses	The whole amount

Interest payable or deemed to be payable in relation to the acquisition of a private motor vehicle, irrespective of whether it is used in the business or not, or other asset not used in the business. This restriction ceases after seven years from the date of acquisition of the relevant asset.

The whole amount

Interest expense incurred for the acquisition of shares in a wholly owned (direct or indirect) subsidiary shall be deductible for income tax purposes provided that this subsidiary does not own (directly or indirectly) any assets which are not used in the business. If this subsidiary does own (directly or indirectly) assets that are not used in the business, the interest expense that corresponds to the percentage of assets not used in the business will not be deductible. This applies to shares acquired from 1 January 2012 onwards.

Wages and salaries relating to services offered within the tax year on which social insurance and other contributions have not been paid in the year in which they were due. In case the contributions (including any penalties and interest) are paid within two years following the due date, such wages and salaries will be tax deductible in the tax year in which they are paid.

The whole amount

## Losses

### Losses carried forward

Companies may carry forward tax losses incurred during a tax year over the next five years to be offset against taxable income.

### Group relief

Current year tax losses may be surrendered by one Cyprus tax resident group company to another. A group company which is tax resident in another EU country may also surrender current year tax losses to a Cyprus tax resident company, provided such company firstly exhausts all possibilities available to utilise its tax losses in its country of residence or in the country of any intermediary EU holding company.

Group relief is available if both companies are members of the same group for the entire tax year.

Two companies are considered to be part of a group for group relief purposes if:

- one is at least a 75% subsidiary of the other, or
- both are at least 75% subsidiaries of a third company.

The interposition of a non-Cyprus tax resident company does not affect the eligibility for group relief as long as such company is tax resident in either an EU country or in a country with which Cyprus has signed a tax treaty or an exchange of information treaty (bilateral or multilateral).

Where a company has been incorporated by its parent company during the tax year, this company will be deemed to be a member of the group for group relief purposes for that tax year.

### **Losses of a permanent establishment outside the Republic**

Tax losses arising from a permanent establishment outside the Republic may be offset against taxable profits of the company arising in the Republic in the same year. However, any subsequent taxable profits from such a permanent establishment are taxable, up to the amount of the tax losses previously offset.

### **Tax credit for foreign tax paid**

Foreign tax paid on income subject to income tax in Cyprus may be credited against income tax payable on such income, irrespective of the existence of a tax treaty.

### **Anti-Tax Avoidance Provisions**

The following anti-tax avoidance provisions have been introduced in the Income Tax Law as a result of the adoption of the EU Council Directive 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market.

### **Interest limitation rule**

Excess Borrowing Cost (EBC) that exceeds 30% of taxable earnings before interest, tax, deductions and additions in respect of fixed and intangible assets used in the business

(EBITDA) is not deductible for the purpose of calculating the taxable income of a company. By derogation from the above rule, the EBC is deducted up to the amount of €3.000.000 per fiscal year, per company or Cypriot group, as the case may be. Other exceptions may also apply. Clarifications on the applicability of the interest limitation rule are provided in [Circular 5/2023](#) that was issued by the Cyprus Tax Department.

### **Controlled Foreign Company (CFC) rule**

The non-distributable income of a Controlled Foreign Company (CFC) or of a foreign permanent establishment arising from non-genuine arrangements which are controlled by the controlling company resident in the Republic, is added to the taxable income of the controlling company resident in the Republic, subject to certain exceptions.

Any foreign tax paid on the income of the CFC is credited against income tax payable in the Republic.

### **General Anti-Abuse rule (GAAR)**

The GAAR provides that for the purposes of calculating the corporate tax liability, an arrangement or a series of arrangements which are non-genuine shall be ignored. Non-genuine arrangements are arrangements which are not put into place for valid commercial reasons that reflect economic reality.

### **Exit taxation**

In certain cases, when a taxpayer moves assets (e.g. from head office to permanent establishment or vice versa) or its tax residence out of the Republic, the taxpayer shall be subject to tax on an amount equal to the market value of the transferred assets, at the time of exit, less their value for tax purposes.

The taxpayer has the right to defer the payment of the exit tax by paying it in instalments over five years.

### **Hybrid mismatches**

Hybrid mismatches rules may apply to deny a deduction or tax an income in the Republic, to the extent hybrid mismatches result in double deduction or deduction without inclusion.

# Transfer Pricing

## Arm's Length Principle

The arm's length principle, i.e. the principle that conditions made or imposed in transactions between associated persons should be similar to those observed and applied between independent persons, is codified in Article 33 of the Income Tax Law.

## Transfer Pricing Documentation

Comprehensive transfer pricing documentation requirements apply to Cyprus taxpayers as from 1 January 2022 and include:

- Maintaining a **Cyprus Local File** if the aggregated value of transactions with related parties per tax year exceed (or should exceed based on the arm's length principle) €750.000 per category of transaction. The relevant categories are goods, services, IP related income, financial transactions and other transactions.
- Maintaining a **Master File** if the Cyprus taxpayer is either the Ultimate Parent Entity or the Surrogate Parent Entity of an MNE Group with consolidated group revenues exceeding €750 million for Country-by-Country Reporting purposes.
- Maintaining simplified transfer pricing documentation for taxpayers with related party transactions that are not required to be documented in a Cyprus Local File.
- The preparation and submission of a **Summary Information Table** ('SIT') by all taxpayers. The SIT contains high level information on related party transactions, such as the identity of the counterparties, their jurisdiction of tax residency and the value of the transactions.

The Transfer Pricing Documentation rules apply to all Cyprus tax resident companies, as well as permanent establishments of non-resident companies.

## Transfer Pricing Documentation Reporting Deadlines

Transfer pricing documentation (e.g., Local File, Master File, and simplified documentation) for a particular year should be prepared no later than the due date for submitting the taxpayer's Corporate Income Tax Return for that year.

Upon request by the Cyprus Tax Department, the transfer pricing documentation should be made available within 60 days from the receipt of the relevant request by the taxpayer or by a person authorised to act as a representative of the taxpayer.

A SIT should be prepared for each separate tax year and be submitted to the Cyprus Tax Department, along with and by the due date for, the Corporate Income Tax Return for that year.

## Transfer Pricing Documentation Penalties

Where a taxpayer has received a notice from the Cyprus Tax Department to provide transfer pricing documentation and fails to do so within the required timeframe of 60 days, penalties ranging from €5.000 to €20.000 will apply depending on the length of the delay.

In the cases where a taxpayer fails to submit a SIT, a penalty of €500 will be imposed.

# Special Modes of Taxation

## Insurance companies

Insurance companies are generally taxed in the same way as all other companies. However, in the case where there is no tax payable or where the tax payable on the taxable income of the life business is less than 1,5% of the gross insurance premiums, then the insurance company pays the difference as additional tax.

## Pension income from services rendered abroad

The pension income of any individual resident in the Republic, which arises from services rendered abroad, is taxed at a flat rate of 5% for amounts exceeding €3.420 per annum.

The taxpayer has the right to choose to be taxed either under the special mode of taxation as stated above or under the personal income tax rates ([page 3](#)). If the latter is chosen, the pension is added to the individual's taxable income.

## Widow's pension

The total amount of widow's pension received from the Social Insurance Fund and/or other approved pension funds is taxed at a flat rate of 20% on amounts exceeding €19.500. The taxpayer can however elect to be taxed in accordance with the personal income tax rates ([page 3](#)). In this case, the pension is added to the individual's taxable income.

## Variable remuneration of individuals employed in the Funds industry

The variable remuneration of employees of:

- an Alternative Investment Fund (AIF) Manager or self-managed AIF, or
- a Management company for Collective Investments in Transferable Securities (UCITS),

which is connected to the carried interest, is taxed at a flat rate of 8% with a minimum tax liability of €10.000 per annum (subject to conditions). Qualifying employees can

elect to be taxed under this special mode of taxation on an annual basis for a ten-year period or otherwise be taxed in accordance with the personal income tax rates ([page 3](#)).

### **Income arising from intellectual property rights, etc.**

The gross income arising from intellectual property rights, other exploitation rights, compensations or other similar income arising from sources within the Republic, of a person who is not resident in the Republic and does not arise from a permanent establishment in the Republic, is subject to withholding tax at the rate of 10% (unless a tax treaty provides for a lower tax rate).

Royalties received by a connected company registered in a European Union Member State are exempt from withholding tax (subject to conditions).

Rights granted for use outside the Republic are not subject to withholding tax.

### **Film royalties**

The gross income derived by a non-resident person in respect of royalties arising from film projection in the Republic is subject to withholding tax at the rate of 5% (unless a tax treaty provides for a lower tax rate).

Royalties received by a connected company registered in a European Union Member State are exempt from withholding tax (subject to conditions).

### **Profits of professionals, entertainers, etc.**

The gross income derived by an individual not resident in the Republic from the exercise in the Republic of any profession or vocation, the remuneration of public entertainers not resident in the Republic, and the gross receipts of any theatrical or musical or other group of public entertainers, including football clubs and other athletic missions from abroad, derived from performances in the Republic is subject to withholding tax at the rate of 10% (unless a tax treaty provides for a lower tax rate).

## **Income from Oil & Gas related activities**

The gross amount or other income derived from sources within the Republic by any person who is not resident in the Republic, which does not arise from a permanent establishment in the Republic, as consideration for services carried out in the Republic with respect to the extraction, exploration or exploitation of the continental shelf, subsoil or natural resources, as well as the installation and exploitation of pipelines and other installations on the ground, the seabed or above the surface of the sea, is subject to withholding tax at the rate of 5% (unless a tax treaty provides for a lower tax rate).

## **Income from technical assistance**

The gross income arising from sources within the Republic, as consideration for technical assistance provided by any person who is not resident in the Republic, is subject to withholding tax at the rate of 10%. Such income is exempt from withholding tax if the services are provided by a permanent establishment in Cyprus.

## **Payment of tax withheld**

Tax withheld on payments to non-Cypriot residents should be paid to the Tax Department by the end of the following month.

In case of late payment, interest and penalties apply.

# Annual Wear and Tear Allowances

Annual wear and tear allowances are calculated as a percentage on the cost of acquisition of the asset used in the business and are deductible from the taxable income.

<b>Plant and machinery</b>	<b>Rate</b>
Fork lifts, excavators, loading vehicles, bulldozers and oil barrels	25%
Motor vehicles of all types except private motor vehicles (e.g. saloon cars)	20%
Personal computers (hardware) and operating software	20%
Application software	
- up to €1.709	100%
- over €1.709	33 1/3%
Plant and machinery used in agriculture*	15%
Water drillings, industrial carpets, video recorders, televisions*	10%
Any other plant and machinery*	10%
Furniture and fittings*	10%
*If acquired between 2012 - 2018	20%

<b>Buildings</b>	<b>Rate</b>
Metallic frame of greenhouses	10%
Wooden frame of greenhouses	33 1/3%
Commercial buildings	3%
Industrial, agricultural and hotel buildings**	4%
**Industrial and hotel buildings acquired between 2012 - 2018	7%

<b>Ships</b>	<b>Rate</b>
Steamships, tug-boats and ships used in the fishing industry	6%
Sailings vessels	4 1/2%
Ship launching machinery	12 1/2%
Used ships	In accordance with special agreement
New commercial ships	8%
New passenger ships	6%
Used commercial and passenger ships and capital additions	Remaining useful economic life in accordance with the class certificate

<b>Tools</b>	<b>Rate</b>
All tools in general	33 1/3%

<b>Specialised fixed assets</b>	<b>Rate</b>
Armored cars (used by businesses which provide security services)	20%
Motor yachts	6%
Wind generators (the cost should include the cost of installation reduced by any amount of subsidy received)	10%
Photovoltaic systems (the cost should include the cost of installation reduced by any amount of subsidy received)	10%
New airplanes	8%
New helicopters	8%
Specialised machineries for rail roading (e.g. Locomotive engines, Ballast wagon, container wagon and container sleeper wagon)	20%

<b>Intangible assets</b>	<b>Rate</b>
Intangible assets with certain exceptions ( <a href="#">note 15</a> )	5% - 100%

# Profits from Intellectual Property (IP)

According to the IP regime, qualifying intangible asset means an asset which was acquired, developed or exploited by a person in the course of carrying on a business and which constitutes intellectual property, other than marketing-related intellectual property, and which is the result of research and development activities, including an intangible asset for which there is only economic ownership.

In calculating the taxable profit, an 80% deemed deduction applies to the profit from the exploitation of such qualifying intangible assets which is calculated based on a specific formula that follows the “nexus approach”.

Capital gains arising from the disposal of a qualifying asset are not included in the qualifying profits and are fully exempt from income tax.

Where the calculation of qualifying profits results in a loss, only 20% of this loss may be carried forward or group relieved.

The taxpayer may choose to forego the whole or part of the deduction in each year of assessment.

Capital allowances can be claimed on the cost of any qualifying intangible asset ([page 21](#) and [note 15](#)).

# Profits from Shipping Activities

The following are exempt from taxation in accordance with the provisions of the Merchant Shipping (Fees and Taxing Provisions) Law and are subject to tonnage tax:

- The income of a qualifying ship-owner from the operation of a qualifying Cyprus, community and/or foreign ship (under conditions), in a qualifying shipping activity.
- The income of a qualifying charterer from the operation of a qualifying Cyprus, community and/or foreign ship (under conditions), in a qualifying shipping activity.
- The income of a qualifying ship operator from the provision of ship management services of the crew and/or technical administration services.
- Dividends paid directly or indirectly from the profits mentioned above.
- Salaries or other benefits paid to the masters, officers and the crew of a qualifying Cyprus or Community flag ship in a qualifying shipping activity.

For the purposes of the above-mentioned Law, in the case of a Cyprus ship, the term “ship-owner” also includes the bareboat charterer.

# Special Contribution for Defence

The persons that are subject to Special Contribution for Defence ("SDC") are:

- Cyprus tax resident companies
- Individuals who are tax resident and domiciled in Cyprus ([note 10](#))

SDC is imposed on the following sources of income at the rates indicated below:

<b>Income</b>	<b>Rate</b>
Dividend income	17%
Interest income*	17%
Interest received or credited from savings certificates and development bonds of the Republic of Cyprus, corporate bonds listed on a recognised Stock Exchange and bonds listed on a recognised Stock Exchange, that are issued by a local authority or State organisation.	3%
Interest earned by an approved provident fund	3%
Interest earned by the Social Insurance Fund	3%
Rental income less 25%	3%

\* With effect as of 1 January 2024, the SDC rate on interest income has been reduced from 30% to 17%.

## Dividends

The following dividend income is exempt from SDC:

- Dividends received by a company resident in the Republic from another company resident in the Republic, excluding dividends paid indirectly after the lapse of 4 years from the end of the year in which the profits which were distributed as dividends were generated ([note 8](#)).

- Dividends received directly or indirectly from dividends on which SDC has already been paid.
- Dividends received by a company resident in the Republic or a company not resident in the Republic which maintains a permanent establishment in the Republic from a company which is not resident in the Republic.

This exemption does not apply if:

- a) More than 50% of the activities of the non-resident dividend paying company lead to investment income; and
- b) The foreign tax burden on the income of the dividend paying company is substantially lower than the tax burden of the Cyprus tax resident company or the non-resident company which has a permanent establishment in the Republic.

### **Interest income**

Interest earned as a result of the ordinary carrying on of the business (including interest closely connected to the ordinary carrying on of the business) and interest earned by a collective investment scheme is not considered interest for SDC purposes and is therefore exempt from SDC.

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

### **Deemed distribution**

A company resident in the Republic is deemed to have distributed 70% of its profits after taxation in the form of dividends at the end of the two years from the end of the tax year in which such profits were generated. SDC is imposed to the extent that the ultimate direct/indirect shareholders of the company are Cyprus tax resident and domiciled individuals.

For the purpose of calculating the amount of the deemed distribution, the term “profits” means the accounting profits arrived at using generally acceptable accounting principles, after the deduction of any transfers to reserves as specified by any law. Any losses brought forward, group relief losses as well as any amounts which emanate from the revaluation of movable and immovable property, including any additional depreciation, are ignored.

The term “taxation” includes the following taxes:

- Corporate income tax (which includes charges of additional tax);
- Special contribution for defence;
- Capital gains tax; and
- Foreign tax paid that has not been credited against income tax and/or SDC payable for the relevant year.

The amount of deemed dividend is reduced by the amount of actual dividend distributed during the year the profits were generated, or the following two years.

In case where an actual dividend is paid after the deemed dividend distribution date, any deemed distribution reduces the actual dividend on which SDC is payable.

In the case of an individual who is not resident or non-domiciled in the Republic receiving dividends from a company which is resident in the Republic, emanating from profits which at any stage were subject to deemed distribution, the SDC paid as a result of the deemed distribution is refundable.

The deemed distribution provisions do not apply to profits arising either from a qualifying loan Restructuring ([note 13](#)), subject to conditions, or a qualifying reorganisation ([note 16](#)).

In addition, the deemed distribution provisions do not apply to accounting profits arising in the years 2017 to 2020 which result from the write-off of part or of the whole amount of a loan that was a non-performing loan on or before 31 December 2015.

## **Disposal of assets to shareholders at less than market value**

In the case where a company disposes an asset to its Cyprus tax resident and domiciled shareholder (individual) or to his/her relative of up to second degree of kindred or his/her spouse, without consideration or for a consideration which is less than the market value of the asset disposed, it is deemed that the company has distributed dividends to its shareholder, equal to the difference between the market value of the asset and the amount of the consideration.

The above provision will not apply in case the asset was initially received by the company by way of a gift from its shareholder (individual) or from his/her relative of up to second degree of kindred or from his/her spouse.

## **Company dissolution**

The aggregate profits of the last five years prior to a company's dissolution, which have not been distributed or deemed to be distributed, will be considered as distributed on dissolution and will be subject to SDC.

Companies that are under voluntary dissolution or liquidation are obliged to submit within one month from the date of the approval of the resolution, a deemed dividend declaration and pay any SDC in relation to the profits of the specific tax year and the two preceding years.

The deemed dividend distribution provisions do not apply on any accounting profits arising during the dissolution or liquidation if the assets of the company are not sufficient for the repayment of its creditors and no amount is available to be distributed to its shareholders.

Where assets are distributed to the company's shareholders upon the company's liquidation or dissolution, which have a market value that exceeds the cost of their acquisition by the company, the deemed distribution provisions will apply. The amount of the dividend that is deemed to be distributed to its

shareholders will be equal to the difference between the market value of the assets and the cost of acquisition of the particular asset by the company.

The deemed dividend distribution of profits that become realised upon the company's dissolution or liquidation may not exceed the amount of the net assets distributed to the shareholders.

These provisions do not apply in the case of dissolution under reorganisation, in accordance with certain prerequisites set out in the relevant Regulations, or where the shareholders are not resident or non-domiciled in the Republic.

### **Reduction of capital**

In the case of a capital reduction by a company, any amounts paid or due to shareholders that are individuals, in excess of the amount of the share capital that was actually paid by the shareholder, will be treated as a deemed dividend subject to SDC provided that the shareholders are Cyprus tax resident and domiciled individuals.

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

### **Tax credit for foreign tax paid**

Foreign tax paid on income subject to SDC may be credited against SDC payable on such income irrespective of the existence of a tax treaty for the avoidance of double taxation.

# Capital Gains Tax

Capital Gains Tax (CGT) is imposed at the rate of 20% on:

- Gains from the disposal of immovable property situated in the Republic
- Gains from the disposal of shares of companies not listed on a recognised stock exchange which own immovable property situated in the Republic
- Gains from the disposal of shares of companies which indirectly own immovable property situated in the Republic and derive at least 50% of their market value from such immovable property.

In computing the capital gain, the following are deducted from the sale proceeds:

- The value of the immovable property as at 1 January 1980 or cost if the date of acquisition is later, as adjusted for inflation.
- The cost of any additions after 1 January 1980, or the date of acquisition if later, as adjusted for inflation.
- Expenditure incurred wholly and exclusively for the production of the gain (e.g. transfer fees, approved real estate agent commission, interest expense).

## Exemptions

The following disposals of immovable property are exempt from CGT:

- Transfer on death
- Gifts between spouses, parents and children and relatives up to third degree of kindred
- Gift from a foster parent to a foster child
- Gift to a company whose shareholders are members of the donor's family and continue to be members of the family for a period of five years from the date of the gift

- Gift by a family company to its shareholders, if the company had also acquired the property in question via donation. However if the shareholder disposes the property within three years then the shareholder will not be entitled to the allowances listed on [page 31](#)
- Gift to a charitable organisation or to the Republic or to a political party
- Exchange or disposal under the Agricultural Land (Consolidation) Laws
- Exchange, provided the gain is used for the acquisition of new property. The gain derived from the exchange reduces the cost of the new property and the tax is paid when the latter is disposed
- Expropriations
- Transfer of ownership or share transfers in the event of company reorganisations
- Transfer of property of a missing person under administration
- Transfer of ownership between spouses that their marriage has been dissolved by a court order or in case of transfer of ownership between the same persons for the purpose of settling their property according to the Settlement of Property Relationships between Spouses Law
- Transfer under a qualifying loan Restructuring (subject to conditions) ([note 13](#))
- Transfer of shares listed on a recognised stock exchange as well as disposal of units in an Alternative Investment Fund (AIF) or Open-Ended Undertaking for Collective Investment (UCIT), whose establishment and operation is governed by the respective Cypriot laws on AIFs and UCITs, that are listed on a recognised stock exchange.

## Allowances

Individuals are entitled to deduct from the capital gain the following lifetime allowances:

	€
Disposal of principal private residence (subject to conditions)	85.430
Disposal of agricultural land by a farmer	25.629
Other disposals	17.086

## Administrative penalties

Administrative penalties amounting to €100 or €200, depending on the specific case, are imposed for late submission of declarations or late submission of supporting documentation requested by the Commissioner.

In case of late payment of the CGT, interest and penalties apply.

# Levy of 0,4% on Immovable Property Disposals in Cyprus

For the purposes of providing financial support to the owners of immovable property that is inaccessible or its economic exploitation is practically or legally impossible as a result of the Turkish invasion, as of 22 February 2021 a levy of 0,4% is imposed as follows:

- (a) on the sale of immovable property, for which a general value has been determined by the Department of Lands and Surveys, the seller shall pay a levy equal to a percentage of 0,4% of the sale proceeds; and
- (b) on the sale of shares of a company, which is not listed on a recognised Stock Exchange, and which directly or indirectly owns immovable property for which a general value has been determined by the Department

of Lands and Surveys, the seller shall pay a levy equal to a percentage of 0,4% on the latest valuation of the immovable property by the Department of Lands and Surveys, corresponding to the shares of the company that are being sold.

Clarifications for the imposition of the levy and the relevant exemptions are provided in [Circular 2/2023](#) that was issued by the Cyprus Tax Department.

## Maintenance of Accounting Books and Records

Every person (individual, company or partnership) deriving income from the following sources:

- i. Profits or other benefits from any business; or
- ii. Dividends, interest or discounts; or
- iii. Income from leasing, intellectual property rights, patent rights or other profits arising from ownership; or
- iv. Trade goodwill

is obliged to:

- Issue receipts and invoices, as specified by relevant Regulations. Invoices should be issued within 30 days from the date of the transaction unless a written approval has been obtained by the Commissioner for the purpose of issuing the invoices at a later date. In case where invoices are not issued within the prescribed deadline, a penalty of €100 per month will be imposed.
- Maintain accounting books and records and prepare financial statements that are audited in accordance with acceptable auditing standards, by a person that is eligible to act as an auditor of a company in accordance with the Companies Law. The Tax Commissioner can exempt a person from this obligation and alternatively request the submission of other information for examination purposes.

- Update its accounting books and records within four months from the date of the transactions. In the case where accounting books and records are not updated within the prescribed deadline, a penalty of €100 per quarter will be imposed.

As of 1 January 2023, enterprises that satisfy certain thresholds are allowed to submit their financial statements to a limited assurance review as opposed to a full audit. These are:

- Companies whose net turnover and total balance sheet does not exceed €200.000 and €500.000 respectively, for at least two consecutive years.
- Individuals whose annual turnover and any other income from sources defined in article 5(1)(c), 5(1)(f), 5(1)(g) or in article 5(2)(d) and 5(2)(e) of the Income Tax Law exceed €70.000 but do not exceed €200.000, and whose total balance sheet does not exceed €500.000, for at least two consecutive years.

Individuals whose turnover and total balance sheet exceed the above limits, are still required to have their Financial Statements subjected to a full audit.

Individuals carrying on a business are exempt from the obligation to maintain accounting books and records and prepare audited financial statements if their annual gross income does not exceed the amount of €70.000 (including business income).

Accounting books and records should be kept for a period of at least six years.

# Mandatory Disclosure Rules for cross-border tax arrangements (DAC6)

The provisions of the EU Council Directive 2018/822, known as “DAC6”, are effective since 1 January 2021 through the amending Law on Administrative Cooperation in the field of taxation of 2021.

The Cyprus DAC6 Law is broadly aligned with the Directive, which is intended to increase transparency in the area of direct taxation, with a view of combating tax avoidance and tax evasion in the EU. The Cyprus Tax Authorities (CTA) have also issued guidance, in the form of a Decree, which provides clarifications on the main provisions of the Law and its practical application.

**Disclosure requirement:** The Cyprus DAC6 Law requires from intermediaries and relevant taxpayers to submit information to the CTA, in respect of cross border arrangements that meet at least one of the “hallmarks”, as outlined in the Law.

**Hallmarks:** Represent the reporting triggers that indicate when information concerning a cross border arrangement must be submitted to the CTA.

**Cross border arrangement:** An arrangement that concerns more than one EU Member State or an EU Member state and a third country.

**Reportable cross-border arrangement:** A cross border arrangement that meets at least one of the hallmarks.

**Application:** Retroactive application, being in force as of 25 June 2018. Intermediaries and relevant taxpayers must review the necessary information relating to transactions implemented on or after that date.

**Reporting deadlines:** Administrative fines would not be imposed for DAC6 information that was submitted until 31 January 2022, in the following cases:

- Reportable cross-border arrangements (RCBAs), the first step of which was implemented between 25 June 2018 and 30 June 2020 (“the transitional period”) and had to be submitted by 28 February 2021;
- RCBAs held between 1 July 2020 and 31 December 2021, that had to be submitted within 30 days from the date they were made available for implementation or were ready for implementation or the first step in the implementation was made, whichever occurred first (Promoters, taxpayers);
- RCBAs for which secondary intermediaries provided aid, assistance or advice, between 1 July 2020 and 31 December 2021 and had to submit information within 30 days beginning on the day after they provided aid, assistance or advice.
- The first periodic report on marketable arrangements.

As from 1 January 2022, a 30-day rolling window for submission of RCBAs applies.

**Filing process:** Intermediaries and taxpayers can register in the Government Gateway Portal “Ariadni” and upon validation, information on RCBA can be submitted by uploading an XML file.

**Legal professional privilege (LPP):** Practising lawyers are excluded from the obligation to file information to the CTA, where such information falls within the scope of LPP. They are however required to notify, within ten days, any other intermediary involved in the RCBA of their reporting obligation, or if there is no such other intermediary, the relevant taxpayer.

**Right to request information:** For the purposes of ascertaining whether there is compliance with the provisions of the legislation, the competent authority may require, with written notice, to receive information within 14 days from the intermediary or the relevant taxpayer.

**Administrative fines:** Penalties for non-compliance vary depending on the type of infringement, with a maximum of €20.000 per arrangement (please refer to the table below).

Type of Infringement	Penalty
<p>Failure/delay to submit information for a RCBA</p> <p>Failure/delay to notify of the application of a waiver due to LPP</p>	<p>Failure: €10.000 to €20.000</p> <p>Delay ≤ 90 days: €1.000 to €5.000</p> <p>Delay &gt; 90 days: €5.000 to €20.000</p>
<p>Submission of incomplete or misleading information for a RCBA by the intermediary or relevant taxpayer</p> <p>Failure to submit information and documents for an arrangement within 14 days from the date of obtaining the relevant notice by the CTA</p>	<p>€1.000, with a maximum of €10.000</p>
<p>Failure to pay the administrative fine imposed or continuation of the infringement</p>	<p>Increase of the fine up to €20.000</p>

# Mandatory Disclosure Rules for digital platform operators (DAC7)

The provisions of the EU Council Directive 2021/514 regarding the mandatory exchange of information in relation with the cross-border and non-cross-border transactions of platform operators, known as “DAC7”, have been transposed to domestic legislation through the amending Law on Administrative Cooperation in the field of taxation of 2023.

The Cyprus DAC7 Law is broadly aligned with the Directive, which is intended to enhance transparency and ensure fair taxation in the digital economy.

- **Scope of Reporting:** the reporting rules for platform operators apply in respect of platforms that allow sellers to connect with customers for:
  - the rental of immovable property, including both residential and commercial property, as well as any other immovable property and parking spaces,
  - the provision of personal services (time or task-based work carried out either online, or physically offline after having been facilitated via a platform),
  - the sale of goods, and
  - the rental of any mode of transport.
- **Reporting Obligation:** Platforms are required to collect and verify information from sellers, including identification and financial details.
- **Exchange of Information:** Member States must automatically exchange the relevant information with the tax authorities where the sellers are resident.
- **Due Diligence Requirements:** Platforms must exercise due diligence to accurately report information, ensuring compliance with tax regulations.
- **Penalties for Non-Compliance:** Penalties for non-compliance vary depending on the type of infringement, with a maximum of €20.000 per arrangement.

# Pillar Two

EU Council Directive 2022/2523 (the “Pillar Two” Directive) is part of a ‘two-pillar’ approach, led by the members of the OECD/G20 Inclusive Framework aiming to address the tax challenges arising from the digitalisation of the global economy. The Directive introduces a minimum tax rate on income arising in low-tax jurisdictions, ensuring that large Multinational Enterprises (MNEs) pay their fair share of taxes, regardless of where they operate.

Pillar Two sets a 15% global minimum effective tax rate (ETR) for MNEs and large-scale domestic groups (irrespective of whether they operate on a purely domestic or international basis) whose total consolidated group revenue exceeds €750 million. This will be enforced through the application of two interlocking rules (the GloBE rules):

- **The Income Inclusion Rule (IIR):** Requires Ultimate Parent Entities (UPEs) to pay a top-up tax if their foreign subsidiaries are taxed below the minimum rate. Effective for accounting periods beginning on or after 31 December 2023.
- **Undertaxed Profits Rule (UTPR):** Will act as a backstop rule to the IIR. It allocates the taxing rights over the under-taxed income (income that is taxed below the ETR of 15%) to entities within the MNE group in jurisdictions other than the UPE jurisdiction. Effective for accounting periods beginning on or after 31 December 2024.

Member States have the option to elect and apply a qualified domestic top-up tax (QDMTT) for companies that are based in their own low-tax jurisdiction. This will allow such jurisdictions to collect the top-up tax in their own jurisdiction instead of allowing a foreign jurisdiction to charge top-up taxes elsewhere. Cyprus has elected to adopt the QDMTT and will be effective as of 1 January 2025.

The Directive has not been transposed into domestic legislation as of the date of publication of this Guide, however a draft bill was released for public consultation in October 2023.

# Double Tax Treaties

## Income received in Cyprus

The following table and accompanying notes list the maximum withholding tax rates that may be deducted from income received by a Cyprus tax resident from a tax resident of a country that has signed a tax treaty with Cyprus.

Paid from	Dividends	Interest	Royalties
	%	%	%
Andorra	0	0	0
Armenia**	0 <sup>(31)</sup>	5 <sup>(32)</sup>	5
Austria**	10	0	0
Bahrain**	0	0	0
Barbados**	0	0	0
Belarus	5 <sup>(4)</sup>	5	5
Belgium**	10 <sup>(1)</sup>	10 <sup>(16)</sup>	0
Bosnia <sup>(27)</sup> **	10	10	10
Bulgaria**	5 <sup>(19)</sup>	7 <sup>(25)</sup>	10 <sup>(20)</sup>
Canada**	15	15 <sup>(8)</sup>	10 <sup>(11)</sup>
China**	10	10	10
Croatia <sup>(50)</sup> **	5	5 <sup>(51)</sup>	5
Czech Republic**	0 <sup>(29)</sup>	0	10
Denmark**	0 <sup>(33)</sup>	0	0
Egypt	5 <sup>(45)</sup>	10	10
Estonia**	0	0	0
Ethiopia	5	5	5
Finland**	5 <sup>(36)</sup>	0	0
France <sup>(52)</sup> **	10 <sup>(7)</sup>	10 <sup>(9)</sup>	0
Georgia**	0	0	0
Germany	5 <sup>(2)</sup>	0	0
Greece**	25	10	0 <sup>(12)</sup>
Guernsey**	0	0	0
Hungary**	5 <sup>(1)</sup>	10 <sup>(8)</sup>	0
Iceland**	5 <sup>(38)</sup>	0	5
India**	10	10 <sup>(8)</sup>	10
Iran	5 <sup>(19)</sup>	5	6
Ireland**	0	0	0 <sup>(12)</sup>
Italy**	15	10	0
Jersey**	0	0	0
Jordan	5 <sup>(38)</sup>	5 <sup>(49)</sup>	7

Paid from	Dividends	Interest	Royalties
	%	%	%
Kazakhstan	5 <sup>(46)</sup>	0 <sup>(47)</sup>	10
Kuwait	0	0	5
Latvia**	0 <sup>(41)</sup>	0 <sup>(41)</sup>	0 <sup>(42)</sup>
Lebanon	5	5 <sup>(16)</sup>	0
Lithuania**	0 <sup>(39)</sup>	0	5
Luxembourg	0 <sup>(34)</sup>	0	0
Malta**	0 <sup>(22)</sup>	10 <sup>(8)</sup>	10
Mauritius**	0	0	0
Moldova	5 <sup>(19)</sup>	5	5
Montenegro <sup>(27)</sup>	10	10	10
Netherlands <sup>(49)</sup>	0 <sup>(48)</sup>	0	0
Norway**	0 <sup>(3)</sup>	0	0
Poland**	0 <sup>(35)</sup>	5 <sup>(8)</sup>	5
Portugal**	10	10	10
Qatar**	0	0	5
Romania**	10	10 <sup>(8)</sup>	5 <sup>(14)</sup>
Russia <sup>(26)**</sup>	15 <sup>(6)</sup>	15 <sup>(30)</sup>	0
San Marino**	0	0	0
Saudi Arabia**	0 <sup>(43)</sup>	0	5 <sup>(44)</sup>
Serbia <sup>(27)**</sup>	10	10	10
Seychelles**	0	0	5
Singapore**	0	10 <sup>(23)</sup>	10
Slovakia <sup>(28)**</sup>	10	10 <sup>(8)</sup>	5 <sup>(14)</sup>
Slovenia**	5	5 <sup>(32)</sup>	5
South Africa**	10 <sup>(40)</sup>	0	0
Spain**	0 <sup>(34)</sup>	0	0
Sweden**	5 <sup>(1)</sup>	10 <sup>(8)</sup>	0
Switzerland	0 <sup>(37)</sup>	0	0
Syria	0 <sup>(1)</sup>	10 <sup>(8)</sup>	15 <sup>(13)</sup>
Thailand	10	15 <sup>(17)</sup>	5 <sup>(18)</sup>
Ukraine**	5 <sup>(21)</sup>	5	5 <sup>(15)</sup>
United Arab Emirates**	0	0	0
United Kingdom	0 <sup>(24)</sup>	0	0
USA	5 <sup>(5)</sup>	10 <sup>(10)</sup>	0

## Payments from Cyprus

Payments of dividends, interest, and royalties granted for use outside of Cyprus, by Cyprus tax residents to non-Cyprus tax residents are exempt from withholding tax in Cyprus according to the Cyprus tax legislation.

As from 31 December 2022, the above payments will be subject to withholding tax in Cyprus at the standard rates provided in the Cyprus tax legislation, if they are made to persons which are:

- a) tax resident in jurisdictions included in the EU list of non-cooperative jurisdictions ([EU Blacklist](#)), or
- b) incorporated/registered in a jurisdiction included in the EU Blacklist and are not tax resident in any other jurisdiction that is not included in the EU Blacklist.

The following table and accompanying notes list the maximum withholding tax rates provided in the relevant tax treaties.

Paid to	Dividends	Interest	Royalties
	%	%	%
Non-treaty countries	0	0	0*
Andorra	0	0	0
Armenia**	0 <sup>(31)</sup>	5 <sup>(32)</sup>	5
Austria**	10	0	0
Bahrain**	0	0	0
Barbados**	0	0	0
Belarus	5 <sup>(4)</sup>	5	5
Belgium**	10 <sup>(1)</sup>	10 <sup>(16)</sup>	0
Bosnia <sup>(27)</sup> **	10	10	10
Bulgaria**	5 <sup>(19)</sup>	7 <sup>(25)</sup>	10
Canada**	15	15 <sup>(8)</sup>	10 <sup>(11)</sup>
China**	10	10	10
Croatia <sup>(50)</sup> **	5	5 <sup>(51)</sup>	5
Czech Republic**	0 <sup>(29)</sup>	0	10
Denmark**	0 <sup>(33)</sup>	0	0
Egypt	5 <sup>(45)</sup>	10	10
Estonia**	0	0	0
Ethiopia	5	5	5
Finland**	5 <sup>(36)</sup>	0	0
France <sup>(52)</sup> **	10 <sup>(7)</sup>	10 <sup>(9)</sup>	0
Georgia**	0	0	0
Germany	5 <sup>(2)</sup>	0	0
Greece**	25	10	0 <sup>(12)</sup>
Guernsey**	0	0	0
Hungary**	5 <sup>(1)</sup>	10 <sup>(8)</sup>	0
Iceland**	5 <sup>(38)</sup>	0	5

Paid to	Dividends	Interest	Royalties
	%	%	%
India**	10	10 <sup>(8)</sup>	10
Iran	5 <sup>(19)</sup>	5	6
Ireland**	0	0	0 <sup>(12)</sup>
Italy**	0	10	0
Jersey**	0	0	0
Jordan	5 <sup>(38)</sup>	5 <sup>(49)</sup>	7
Kazakhstan	5 <sup>(46)</sup>	0 <sup>(47)</sup>	10
Kuwait	0	0	5
Latvia**	0 <sup>(41)</sup>	0 <sup>(41)</sup>	0 <sup>(42)</sup>
Lebanon	5	5 <sup>(16)</sup>	0
Lithuania**	0 <sup>(39)</sup>	0	5
Luxembourg	0 <sup>(34)</sup>	0	0
Malta**	15	10 <sup>(8)</sup>	10
Mauritius**	0	0	0
Moldova	5 <sup>(19)</sup>	5	5
Montenegro <sup>(27)</sup>	10	10	10
Netherlands <sup>(49)</sup>	0 <sup>(48)</sup>	0	0
Norway**	0 <sup>(3)</sup>	0	0
Poland**	0 <sup>(35)</sup>	5 <sup>(8)</sup>	5
Portugal**	10	10	10
Qatar**	0	0	5
Romania**	10	10 <sup>(8)</sup>	5 <sup>(14)</sup>
Russia (26)**	15 <sup>(6)</sup>	15 <sup>(30)</sup>	0
San Marino**	0	0	0
Saudi Arabia**	0 <sup>(43)</sup>	0	5 <sup>(44)</sup>
Serbia <sup>(27)</sup> **	10	10	10
Seychelles**	0	0	5
Singapore**	0	10 <sup>(23)</sup>	10
Slovakia <sup>(28)</sup> **	10	10 <sup>(8)</sup>	5 <sup>(14)</sup>
Slovenia**	5	5 <sup>(32)</sup>	5
South Africa**	10 <sup>(40)</sup>	0	0
Spain**	0 <sup>(34)</sup>	0	0
Sweden**	5 <sup>(1)</sup>	10 <sup>(8)</sup>	0
Switzerland	0 <sup>(37)</sup>	0	0
Syria	0 <sup>(1)</sup>	10 <sup>(8)</sup>	15 <sup>(13)</sup>
Thailand	10	15 <sup>(17)</sup>	5 <sup>(18)</sup>
Ukraine**	5 <sup>(21)</sup>	5	5 <sup>(15)</sup>
United Arab Emirates**	0	0	0
United Kingdom	0 <sup>(24)</sup>	0	0
USA	0	10 <sup>(10)</sup>	0

## Notes

- \* 10% in the case of royalties granted for use within the Republic. 5% on film and TV rights.
  - \*\* The treaty is a Covered Tax Agreement for the purpose of the Multilateral Instrument (MLI) which has entered into force for Cyprus on 1 May 2020. Cyprus has approved the minimum standards of BEPS Action 6 (Purpose of Covered Tax Agreement), Action 7 (Prevention of Treaty Abuse) and Action 14 (Making Dispute Resolution Mechanisms More Effective). The treaty is automatically amended to include these provisions.
- (1) 15% if received by a company controlling less than 25% of the voting power.
  - (2) 5% if received by a company controlling more than or equal to 10% of the capital. 15% in all other cases.
  - (3) NIL 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 dividend. 15% in all other cases.
  - (4) 5% if the amount invested by the beneficial owner is not less than €200.000 irrespective of the percentage of voting power acquired. 10% if recipient holds directly at least 25% of the share capital of the paying company. 15% in all other cases.
  - (5) 5% if received by a company controlling at least 10% of the voting power. 15% in all other cases.
  - (6) 5% if the beneficial owner is an insurance undertaking or pension fund, the Government or a political subdivision or a local authority, the Central Bank, or a company whose shares are listed on a registered stock exchange provided that no less than 15% of the voting shares are in free float and which holds directly at least 15% of the dividend paying company throughout a period of 365 days, that includes the day of the dividend payment. 15% in all other cases.
  - (7) 10% if received by a company controlling more than or equal to 10% of the capital. 15% in all other cases.

- (8) NIL if paid to the Government of the other State.
- (9) NIL if paid to the Government of the other State or in connection with the sale on credit of any industrial, commercial or scientific equipment or any merchandise by one enterprise to another or in relation to any form of loan granted by a bank or is guaranteed from the Government or other governmental organisation.
- (10) NIL if paid to the Government of the other State, to a bank or a financial institution or in respect to debt obligations arising in connection with the sale of property or the provision of services.
- (11) NIL on literary, dramatic, musical or artistic work with the exception of films used for television programs.
- (12) 5% on film royalties (except films shown on TV).
- (13) 10% on literary, musical, artistic work, films and TV royalties.
- (14) NIL on literary, artistic or scientific work including films.
- (15) 5% on royalty payments in respect of any copyright of scientific work, any patent, trademark, secret formula, process or information concerning industrial, commercial or scientific experience. 10% in all other cases.
- (16) NIL if paid to the Government of the other State, a political subdivision or a local authority, the National Bank or any institution the capital of which is wholly owned by the State or a political subdivision or a local authority or in the form of interest income from bank deposits.
- (17) 10% on interest received by financial institutions, on interest paid in connection with industrial, commercial, scientific equipment or the sale of merchandise between two companies.
- (18) 10% on right to use industrial, commercial or scientific equipment or for information concerning industrial, commercial or scientific experience and 15% for patents, trademarks, designs, models, plans, secret formulas or processes.

- (19) 5% if the dividend is received by a company owning directly at least 25% of the capital of the dividend paying company. 10% in all other cases.
- (20) This rate does not apply, where 25% or more of the capital of the Cypriot resident is owned directly or indirectly by the Bulgarian resident paying the royalties and the Cyprus company pays less than the normal rate of tax.
- (21) 5% is applicable if the dividend is received by a company owning at least 20% of the capital of the dividend paying company and has invested in the acquisition of shares or other rights of the dividend paying company of at least €100.000. 10% in all other cases.
- (22) The treaty provides that the tax on the gross amount of the dividends shall not exceed that chargeable on the profits out of which the dividends are paid.
- (23) 7% if paid to a bank or similar financial institution. NIL if paid to the Government.
- (24) 15% if dividends are paid out of income derived from immovable property by certain investment vehicles.
- (25) NIL if paid to or is guaranteed by the Government, statutory body, the Central Bank.
- (26) The additional Protocol signed on 8 September 2020 between Cyprus and Russia that amends the tax treaty is effective from 1 January 2021.
- (27) The treaty between the Republic of Cyprus and the Socialist Federal Republic of Yugoslavia still applies.
- (28) The treaty between the Republic of Cyprus and the Czechoslovak Socialist Republic still applies.
- (29) NIL if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the dividend paying company for an uninterrupted period of not less than one year. 5% in all other cases.
- (30) NIL if the beneficial owner is an insurance undertaking or pension fund, the Government or a political

subdivision or a local authority, the Central Bank, or a bank or if it is paid in respect of government or corporate bonds or Eurobonds, all listed on a registered stock exchange.

5% if the beneficial owner is a company whose shares are listed on a registered stock exchange provided that no less than 15% of the voting shares are in free float and which holds directly at least 15% of the dividend paying company throughout a period of 365 days, that includes the day of the dividend payment.

- (31) 5% if the beneficial owner has invested in the capital of the company less than €150.000 at the time of the investment.
- (32) NIL if paid to the Government or to a local authority, or to the Central Bank.
- (33) NIL 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 for an uninterrupted period of no less than 12 months.

NIL if the beneficial owner is the other Contracting State or the Central Bank of that other State, or any national agency or any other agency (including a financial institution) owned or controlled by the Government of that other State.

NIL 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, recognised for tax purposes and controlled in accordance with the laws of that other State. 15% in all other cases.

- (34) NIL if the dividend is received by a company (other than a partnership) holding at least 10% of the capital of the dividend paying company. 5% in all other cases.
- (35) NIL if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the dividend paying company for an uninterrupted period of no less than 24 months. 5% in all other cases.

- (36) 5% if the dividend is received by a company (other than a partnership) which controls directly at least 10% of the voting power in the dividend paying company. 15% in all other cases.
- (37) NIL if the beneficial owner is:
- i. a company (other than a partnership) the capital of which is wholly or partly divided into shares and which holds directly at least 10% of the capital of the dividend paying company for an uninterrupted period of at least one year, or
  - ii. a pension fund or other similar institution recognised as such for tax purposes, or
  - iii. the Government, a political subdivision, local authority or Central Bank of one of the two contracting states. 15% in all other cases.
- (38) 5% if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the dividend paying company. 10% in all other cases.
- (39) NIL if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the dividend paying company. 5% in all other cases.
- (40) 5% if the dividend is received by a company which holds at least 10% of the capital of the dividend paying company. 10% in all other cases.
- (41) NIL if the beneficial owner is a company (other than a partnership). 10% in all other cases.
- (42) NIL if the beneficial owner is a company (other than a partnership). 5% in all other cases.
- (43) NIL if the beneficial owner is a company which holds directly or indirectly at least 25% of the capital of the dividend paying company. 5% in all other cases.
- (44) 5% on royalties for the use of, or the right to use, industrial, commercial or scientific equipment. 8% in all other cases.

- (45) 5% if the beneficial owner is a company (other than a partnership) which holds directly at least 20% of the capital of the dividend paying company throughout a period of 365 days, that includes the day of the dividend payment. 10% in all other cases.
- (46) 5% if the beneficial owner is a company which holds directly at least 10% of the capital of the dividend paying company. 15% in all other cases.
- (47) NIL if the beneficial owner is the Government of the other Contracting State, a political subdivision, a central or local authority, the Central Bank or any other financial institution wholly owned by the Government of the other Contracting State. 10% in all other cases.
- (48) NIL if the beneficial owner is:
- i. a company that holds directly at least 5% of the capital of the company paying the dividends, throughout a period of 365 days, that includes the day of the dividend payment, or
  - ii. a recognised pension fund which is generally exempt under the Cyprus Income Tax Law.
- 15% in all other cases.
- (49) NIL if interest is derived and beneficially owned by the government, political subdivision, local authority or the National Bank of the other contracting State.
- (50) The treaty has been signed but has not yet entered into force as at the date of this publication.
- (51) NIL if paid in connection with the sale on credit of any industrial, commercial or scientific equipment or any merchandise by one enterprise to another or in relation to any form of loan granted by a bank.
- (52) A new treaty was signed on 11 December 2023 that has not entered into force as at the date of this publication.

# Tax Calendar 2024

Date	Obligation	Tax Form
End of each month	Payment of PAYE deducted from employees' salaries for the previous month	TD61
	Payment of tax withheld on payments made to non-Cyprus tax residents during the previous month	TD11
	Payment of SDC (and GHS contributions if payment is made to a Cyprus tax resident individual) withheld on dividends and interest paid in the previous month to Cyprus tax residents	TD603 TD602
31 January	Payment of SDC and GHS contributions on deemed dividend distribution for the profits of tax year 2021	TD623
31 March	Electronic submission of the income tax return for tax year 2022 for individuals preparing audited financial statements and companies	TD1, TD4
30 April	Payment of the first instalment of the premium tax for insurance companies (life business) for 2024	TD199
31 May	Electronic submission of the 2023 employer's return	TD7
30 June	Payment of SDC (and GHS contributions if payment is made to a Cyprus tax resident individual) on rents, dividends or interest earned from sources outside the Republic for the first 6 months of 2024	Through tax portal under payment codes 604, 612, 613
	Payment of SDC (and GHS contributions if payment is made to Cyprus tax resident individual) withheld on rent* paid for the first 6 months of 2024  *Where the tenant is a Cyprus company, partnership, the Government or a local authority there is an obligation to withhold SDC on the amount of the rent paid	TD614 (payment code 614)

31 July	Electronic submission of the 2023 personal tax return by individuals and payment of the income tax liability	TD1
	Submission of the 2024 provisional tax return and payment of the first instalment of provisional tax	Through tax portal under payment codes 200 and 213 for self-employed individuals
1 August	Payment of the 2023 tax balance through self-assessment by individuals preparing audited financial statements and companies	Through tax portal under payment code 300
31 August	Payment of the second instalment of the premium tax for insurance companies (life business) for 2024	TD199
31 December	Submission of the 2024 revised provisional tax return (if applicable) and payment of the second instalment of provisional tax	Through tax portal in case of downward or upward revision
	Payment of SDC (and GHS contributions if payment is made to a Cyprus tax resident individual) on rents, dividends or interest earned from sources outside of Cyprus for the last 6 months of 2024	Through tax portal under payment codes 604, 612, 613
	Payment of SDC (and GHS contributions if payment is made to Cyprus tax resident individual) withheld on rent* paid for the last 6 months of 2024  *Where the tenant is a Cyprus company, partnership, the Government or a local authority there is an obligation to withhold SDC on the amount of the rent paid	TD614 (payment code 614)
	Payment of the third and last instalment of the premium tax for insurance companies (life business) for 2024	TD199

**Note:** Tax payments can only be made electronically ([note 12](#)).

### **Electronic submission of tax returns**

Every person (individual or company) who has an obligation to submit a tax return in accordance with the provisions of the Assessment and Collection of Taxes Law must do so electronically.

All individuals who have gross income that falls under Article 5 of the Income Tax Law are obliged to submit a tax return. The Council of Ministers has the power to issue decrees which shall specify the categories of taxpayers with a total annual gross income below the taxable threshold of €19.500 that will be exempted from this obligation and may provide extensions to the submission deadline.

### **Submission of revised tax returns**

From tax year 2018 onwards, a revised tax return can be submitted within three years from the submission deadline of the relevant tax return.

In exceptional cases, overdue revised income tax returns may be accepted by the Cyprus Tax Department provided that certain conditions are met. These are provided in [Circular 9/2023](#).

The submission of a revised income tax return is made only through the submission of Forms [T.D.001AN2020](#) (Individuals) and [T.D.004AN2020](#) (Companies).

### **Administrative penalties**

An administrative penalty of €100 or €200 (depending on the specific case), is imposed for the late submission of a tax return or late submission of supporting documentation requested by the Commissioner.

In case of late payment of the tax due, a penalty of 5% is imposed on the tax due. An additional penalty of 5% is imposed if the tax remains unpaid two months after the payment deadline.

### **Public interest rate**

The interest rate applicable on late payment of taxes is set through a Decree and it is imposed on a completed month basis. The rate for 2024 is 5%.

The applicable interest rates for previous years are as follows:

<b>Period</b>	<b>Interest rate %</b>
Up to 31/12/2006	9
1/1/2007 - 31/12/2009	8
1/1/2010 - 31/12/2010	5,35
1/1/2011 - 31/12/2012	5
1/1/2013 - 31/12/2013	4,75
1/1/2014 - 31/12/2014	4,5
1/1/2015 - 31/12/2016	4
1/1/2017 - 31/12/2018	3,5
1/1/2019 - 31/12/2019	2
1/1/2020 - 31/12/2022	1,75
1/1/2023 - 31/12/2023	2,25

# Value Added Tax

## Imposition of tax

Value Added Tax (VAT) is imposed on the supply of all goods and services in Cyprus, on the acquisition of goods from other Member States and on the importation of goods from third countries.

## Rates

Standard rate	19%
Reduced rate	9%
Reduced rate	5%
Reduced rate	3%
Zero rate	0%

### Standard rate

The standard rate applies to the supplies of all goods and services in Cyprus which are not subject to the zero rate, the reduced rates or are not exempt.

### Reduced rate 9%

The reduced rate of 9% applies to:

- All restaurant and catering services (including the supply of alcoholic drinks, beer, wine and soft drinks).
- Accommodation in hotels, tourist lodgements and any other similar lodgements including the provision of holiday lodgements.
- Transportation of passengers and their accompanying luggage within the Republic using urban, intercity and rural taxis and tourist and intercity buses.
- Movement of passengers in inland waters and their accompanying luggage.
- Provision of services and supply of goods by nursing homes, which are not exempt transactions.

### **Reduced rate 5%**

The reduced rate of 5% applies to:

- The supply of foodstuff.
- The supply of prepared or unprepared foodstuff and/or beverages (excluding alcoholic drinks, beer, wine and soft drinks) or both, irrespective of whether the goods are delivered from the supplier to the customer or taken away by the customer.
- The supply of pharmaceutical products and vaccines that are used for health care, prevention of illnesses and as treatment for medical or veterinary purposes.
- The supply of live animals used for the preparation of food.
- Entry fees to circus, festivals, luna parks, museums etc.
- Entry fees at sports events and fees for using athletic centres.
- Hairdressing services.
- Renovation and repair of private households after three years of first residence (see details below).
- Supply of catering services from school canteens.
- Acquisition or construction of residence (subject to conditions, see details below).

### **Reduced rate 3%**

The reduced rate of 3% was introduced on 21 July 2023 and applies to the following supplies:

- Books, newspapers, and periodicals (including those in electronic formats).
- Audiobooks for disabled persons.
- Special lifting appliances, wheelchair-type buggies and other vehicles for disabled persons.
- Certain orthopaedic items and appliances; splints, supports, and other fracture items and devices; certain prosthetic items; and certain devices to facilitate hearing and other medical devices or implants.
- Street cleaning, refuse collection, and waste treatment services, other than the supply of such services by public authorities, local authorities, and bodies governed by public law.
- Disposal and treatment of wastewater and evacuation of septic and industrial tanks.

- Admission to theatrical, musical, or dance performances, or classical works.

## **Zero rate**

The zero rate applies to:

- The exportation of goods.
- Supply, modification, repair, maintenance, chartering and hiring of sea-going vessels, which are used for navigation on the high seas and carrying passengers for reward or used for the purpose of commercial, industrial, or other activities.
- Supply, modification, repair, maintenance, chartering and hiring of aircrafts, used by airlines operating for reward mainly on international routes.
- Supply of services to meet the direct needs of sea going vessels and aircrafts.
- Transportation of passengers from the Republic to a place outside the Republic and vice versa using a seagoing vessel or aircraft.
- Supplies of gold to the Central Bank of the Republic.
- International passenger transportation to the extent it takes place within Cyprus territory.
- Braille typewriters and special electronic typewriters for disabled persons.
- Wheelchair-type buggies and other vehicles intended exclusively for the personal use of disabled persons.

Furthermore, the following goods are temporarily subject to 0% VAT:

- Until 30 April 2024: Bread, milk, eggs, certain types of baby food, baby diapers, adult diapers, products for feminine hygienic protection, coffee, and sugar.
- Until 31 May 2024: Certain types of meat and vegetables.

## **Exemptions**

Exempt supplies include:

- Rental of immovable property for residential purposes (see analysis below).
- Financial services (with certain exceptions).
- Hospital and medical caring services.

- Postal services.
- Insurance services.
- Disposal of immovable property where the application for building permission has been submitted prior to 1 May 2004.
- Educational services at all levels of education under certain conditions.

## **Obligation for registration**

Every individual or company is obliged to register if:

- a) at the end of any month, the value of taxable supplies recorded in the last 12 months exceeds €15.600; or at any point in time the value of taxable supplies is expected to exceed €15.600 in the next 30 days;
- b) supply of services to a VAT registered person within the European Union with nil registration threshold;
- c) is involved in the acquisition of goods from other EU member states (relates to persons who offer exempt supplies of goods and services or are non-profitable organisations) with registration threshold of €10.250;
- d) is established in Cyprus and offers zero rated supplies of goods or services;
- e) acquires a business on a going concern basis;
- f) is established abroad and makes distance sales of goods to Cyprus (i.e., sales of goods to individuals in Cyprus from abroad) which exceed €10.000 and does not opt to make use of the simplified One Stop Shop (OSS) scheme.
- g) is established in Cyprus and performs cross border sales of goods and certain services to individuals established in other EU Member States and the value of these sales exceeds €10.000.
- h) Persons not established in Cyprus (legal entities or individuals), who are engaged in taxable activities in Cyprus, are obliged to register for VAT purposes (i.e., no threshold applies).

## **Right for registration**

- Persons who trade outside the Republic in goods or services which would have been taxable if they were provided within the Republic,
- groups of companies, and
- divisions of companies.

## **VAT returns and payment / refund of VAT**

Any registered person must submit to the Tax Commissioner a VAT return not later than the 10th day from the end of the month following the end of each VAT period and pay the VAT due.

Payment of the VAT due can be made at Commercial banks, by bank transfer to the Central Bank, as well as via the "Internet Banking" platform of selected banking institutions.

All taxable persons must submit their quarterly VAT returns online, via the Tax for All (TFA) platform.

A claim for a VAT refund is made electronically via the TFA platform.

Every taxable person who makes a claim for VAT refund will be entitled to a repayment of the VAT amount with interest, if the repayment is delayed for a period exceeding four months from the date of the submission of the claim.

In case a VAT audit regarding the claim is conducted by the Tax Commissioner, the period of four months is extended to eight months.

VAT refunds are made via bank transfer. In order to obtain the refund, Form T.D.2008 must be completed and submitted to the relevant district Tax office along with an IBAN certificate or equivalent documentation issued by the bank showing the bank details.

In respect to the VAT refunds,

- VAT refunds will be suspended where income tax returns have not been submitted by the submission date of the VAT refund claim. In addition, no interest will be payable on a VAT refund for the period during which the refund is suspended.
- VAT refund applications cannot be submitted after six years from the end of the relevant tax period. Exemptions will be allowed at the Tax Commissioner's discretion.

## **Administration of intra-community trading and intra-community services**

Businesses that undertake intra-community trading, i.e., acquisitions and sales of goods and supply of services from/to EU Member States need to complete the following forms:

### ***Intra - Community Acquisitions***

1. Intrastat - Arrivals of goods
2. Inclusion in the VAT return (on a total basis)

### ***Intra - Community Supplies***

1. Intrastat - Departures of goods
2. Recapitulative statement for supplies of goods and services (VIES form)
3. Inclusion in the VAT return (on a total basis)

### **Intrastat submission process**

Intrastat forms are submitted to the Tax Department within ten days from the end of the related month, in electronic form only, provided that the supplies of a taxable person exceed the registration threshold for Intrastat purposes.

The Recapitulative statement is submitted to the Tax authorities within 15 days from the end of the related month in electronic form.

### **Penalties and interest**

Late registration	€85 for every month of delay
Late submission of VAT return	€100 for each return
Late payment of VAT	10% of amount due plus interest (refer to public interest rate)
Late de-registration	€85 one-off
Late submission of Intrastat form	€15 for each return
Late submission of Recapitulative statement (VIES return) for supplies	€50 for each statement

### **Tax Tribunal/Appeals**

Every taxable person has the right to submit a hierarchical appeal to the Tax Tribunal.

The hierarchical appeal should be filed within 45 days from the date of the notification to the taxable person of the relevant decision or act of the Commissioner (may be extended subject to the approval of the Tax Tribunal).

Appeals may also be made to the Tax Commissioner within 60 days from the date of issue of the tax assessment.

### **Sale or transfer of a new building**

The sale and/or transfer of a new building is subject to VAT at 5% or 19% (depending on the case of the purchaser).

As from 11 November 2022, the supply of a building within five years from its completion date, provided there was no actual use of the building by an unrelated person for a period of at least twenty-four months, is subject to VAT.

### **Imposition of 19% VAT on the letting of immovable property for business purposes**

VAT at the rate of 19% is imposed on the leasing and/or letting of immovable property to a taxable person for the purposes of carrying on taxable activities.

The leasing of buildings used as residences remains an exempt transaction for VAT purposes.

The lessor has the right to notify the Tax Commissioner by submitting a relevant form (TD 1220), to opt for the non-imposition of VAT to the lessee of the immovable property, subject to the terms and conditions specified in the relevant Notification of the Tax Commissioner.

The decision of the lessor to opt for the non-imposition of VAT is irrevocable.

### **Long-term lease of immovable property**

The long-term leasing of immovable property which essentially gives the lessee the right to sell the property as owner or the right to sell the property is considered as a supply of good and not as a supply of service and is subject to VAT at 5% or 19% (depending on the case of the purchaser).

The imposition of VAT does not cover cases where the property is no longer considered as new and therefore, not subject to VAT.

### **Imposition of 19% VAT on non-developed building land**

The rate of 19% is imposed on the transfer of non-developed building land. Specifically, VAT is imposed on the transfer of ownership, transfer of indivisible land portion, transfer of ownership under a sale agreement or an

agreement which specifically provides that the ownership will be transferred on a future date or by virtue of a leasing agreement with the right to buy non-developed building land which is intended for the construction of one or more structures in the course of carrying out a business activity.

Non-developed building land includes all non-developed land plots that are intended for the construction of one or more structures. This definition includes non-developed building land that is either covered or not from the water supply and covers land plots of all types as listed below:

- Land plots under development
- Finished land plots
- Land plots with a final approval certificate
- Land plots with land title

Other types of land plots are also included in the list of non-developed building land.

However, the purchase of land for the sole purpose of constructing a dwelling to be used as the principal and permanent place of residence of an individual will be subject to 5% VAT. Individuals who had initially been charged by property developers with 19% VAT for the purchase of a plot of land that was ultimately used to construct the principal and permanent residence of that individual are entitled to a refund of 14% of the VAT originally paid (the difference of the standard rate of 19% and the reduced rate of 5%).

### **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**

The reduced rate of 5% applies to the acquisition and/or construction of residences to be used by eligible persons (residents of the Republic or/and other EU member states or other non-EU member states) as the primary and permanent place of residence, only after obtaining a certified confirmation from the Commissioner.

The statutory declaration may be filed at any stage at the time of construction of the residence or in case of supply prior to the eligible person obtaining possession.

As from 1 November 2023 there are new provisions for the application of the reduced VAT rate of 5%. According to the new rules:

- The reduced VAT rate of 5% applies on the first 130 square meters of the buildable area and up to a total value of €350.000,
- provided that the total value does not exceed €475.000 and the buildable area does not exceed 190 square meters.

Any residence exceeding 190 square meters of buildable area and/or having a total cost of more than €475.000 will be subject to VAT at 19% on the total value.

In case of a person with disabilities, the reduced rate of 5% applies on the first 190 square meters provided that the total value does not exceed €475.000.

For families with more than three children, for any additional children over three, the total buildable area increases by 15 square meters (however there is no change in the thresholds of €350.000 and €475.000).

Transitional provisions have been introduced and apply in the following cases:

1. applications for the reduced VAT rate of 5% are submitted to the Tax Department by 16 June 2026, and
2. the application for planning permission was submitted to the competent authority by 31 October 2023.

In the cases where the transitional provisions apply, the reduced VAT rate of 5% applies only to the first 200 square meters of the buildable area of the residence, with no maximum cap on the size or value of the residence.

A person who has exercised the right to purchase a residence with a reduced rate of VAT is eligible to exercise this right again for the purposes of the purchase of another residence before ten years have elapsed, only if:

- that person has ceased to use the residence as the primary and permanent place of residence before the period of ten years has elapsed;
- has notified the Tax Commissioner within 30 days from the day the property was ceased being used as a residence; and
- has paid the difference between the reduced VAT rate and the standard VAT rate as were applicable during the time of delivery or construction of the residence which corresponds to the remaining of the ten-year period that the residence was not used as his primary residence.

## **Imposition of the reduced rate of 5% on the renovation and repair of private residential homes**

The reduced VAT rate of 5% on the renovation and repair of private residential homes applies to all the residential homes. The renovation and repair consist of plumbing, electrical, carpentry, painting, building and construction work. It also applies to such services provided for the purposes of making additions to private residences. The reduced rate applies provided at least three years have passed since the first use of the private residence. In case the value of the materials exceeds the total value of the supply by more than 50%, the value of the materials is subject to the standard rate of VAT.

## **Application of Reverse Charge for certain domestic acquisitions of goods and services**

### **(i) Application of Reverse Charge for services acquired from abroad**

According to Article 11, the reverse charge provisions should apply when services are provided by persons situated outside Cyprus to a person situated in Cyprus for the purpose or furtherance of his business, when

- The buyer/recipient is a taxable person in Cyprus
- The place of supply is Cyprus
- Provided the services are not subject to the zero VAT rate or exempt.

### **(ii) Application of Reverse Charge for certain domestic acquisitions of goods and services**

Taxable persons who purchase the following goods and/or services for business purposes must account for VAT in Cyprus based on the reverse charge provisions as per Articles 11A – 11F of the VAT Law:

- **Article 11A**  
The supply of gas through a natural gas distribution system or electricity by a person established outside Cyprus to a taxable person in Cyprus.
- **Article 11B**  
The supply of certain services or services supplied with goods for the purposes of the construction, demolition, repair, or maintenance of any civil engineering project.

- **Article 11C**  
Supply of scrap metal.
- **Article 11D**  
The transfer of immovable property from a borrower to a lender when the transfer is made in the framework of a loan restructuring or under a forced transfer procedure.
- **Article 11E**  
Supply of goods falling under the below categories:
  - Mobile phones;
  - integrated circuit mechanisms, such as microprocessors and central processing units, prior to their integration into end-user products; and
  - game consoles, computer tablets and laptops.
- **Article 11F**  
The supply of certain unprocessed and semi-processed precious metals.

For all the above transactions, the supplier must therefore not charge the customer VAT on its invoice and include the VAT number of the customer on the invoice. The customer, therefore, has the obligation to account for VAT based on the reverse charge provisions.

### **(iii) Application of Reverse Charge for intra community acquisitions of goods**

According to the provisions of article 12A, the reverse charge provisions should apply when goods are shipped to Cyprus from another EU member state and the person acquiring the goods in Cyprus is a taxable person in Cyprus.

### **Penalties**

Failure to apply the reverse charge provisions in the above transactions is subject to a penalty of €200 per VAT Return with a maximum penalty of €4.000.

# Social Insurance and other Contributions

## Contributions to the Social Insurance and other funds

Contributions to the social insurance and other relevant funds are calculated on gross emoluments at the following rates:

	Employer	Employee	Self-employed
	%	%	%
Social Insurance Fund	8,8	8,8	16,6
Redundancy Fund	1,2	-	-
Industrial Training Fund	0,5	-	-
Social Cohesion Fund	2,0	-	-

## Income limits

The above rates (excluding the rate applicable to contributions to the Social Cohesion Fund) are applied on the employee's gross emoluments subject to the following upper limits:

	per week	per month	per annum
	€	€	€
Weekly employees	1.209	-	62.868
Monthly employees	-	5.239	62.868

The amount of contributions payable by self-employed individuals is subject to a lower and an upper weekly limit depending on the occupation of the self-employed individual.

	Lower Weekly Limit	Upper Weekly Limit
	€	€
Self - employed individuals	Depends on occupational category	1.209

## Payment deadline for employers

The contributions that the employer is obliged to pay, should be paid not later than the end of the month following the month that the contributions relate to. Payments are made via the online portal for the payment of social insurance contributions, SISnet.

## Payment deadline for self-employed individuals

Months that the contributions relate to	Date
January - March	10th day following the end of the month following the end of each quarter
April - June	
July - September	
October - December	

## Additional charge for late payment of contributions

Every employer or self-employed individual who fails to pay the contributions within the deadline, is obliged to pay an additional charge in the range of 3% to 27%, depending on the period of delay, calculated on the amount of contributions due for payment. Late payments of contributions can only be made at the District Offices of the Social Insurance Services.

## Contributions to the General Healthcare System (GHS)

GHS contributions are calculated and paid as a percentage on the gross emoluments/pensions as follows:

Contributor's category	Rate %
A) Employees / pensioners / income earners / persons holding an office	2,65
B) Employers	2,90
C) Self-employed individuals	4,00
D) The Republic or natural / legal person responsible for the remuneration of Officers	2,90
E) The Republic	4,70

## Income limit

For the purposes of calculating the GHS contributions, gross emoluments are capped to €180.000 per annum (with the exception of categories (D) and (E)).

# Transfer Fees for Immovable Property

## Transfer fees

Transfer fees are paid by the acquirer to the Department of Lands and Surveys on transfers of immovable property. The transfer fees are calculated on the market value of the property as estimated by the Department of Lands and Surveys at the following rates:

Market Value	Rate	Fees	Cumulative Fees
€	%	€	€
0 - 85.000	3	2.550	2.550
85.000 - 170.000	5	4.250	6.800
Over 170.000	8		

The above rates are reduced by 50% except in the case of transfers under Part VI and Part VIA of the Transfers and Mortgages of Immovable Property Law.

In the case of free transfers of property between the following parties, the transfer fees are calculated on the value of the property as at 1 January 2013 at the following rates:

- from parents to children 0%
- between spouses 0,1%
- between third degree relatives 0,1%

## Exemptions from transfer fees

The following transfers are exempt from transfer fees:

- under a qualifying reorganisation
- under a qualifying loan Restructuring ([note 13](#))
- in the context of bankruptcy, liquidation, disposal of mortgaged immovable property by the lender, where the sales proceeds do not exceed the amount of €350.000 per owner
- transfers that are subject to VAT.

# Stamp Duty

Documents relating to property situated in the Republic or to any matters or issues executed or performed in the Republic are subject to stamp duty as follows:

Type of document	Amount/ Rate
Letters of guarantee	€4
Letter of credit	€2
Receipts for amounts over €4	€0,07
Customs documents	€18/€35
Bills of lading	€4
Bills of exchange (payable at sight on first demand or within 3 days from demand or sight)	€1
Charter hire document	€18
General power of attorney	€6
Special power of attorney	€2
Certified copies of contracts and documents	€2
Will	€18
Estate administration document	€9
Contracts with a specified consideration	
• For amounts up to €5.000	0%
• For amounts between €5.001 - €170.000	0,15%
• For amounts over €170.000	0,2%
	(Maximum duty €20.000)
Contracts without a specified consideration	€35
Issue of tax residency certificate by the Tax Department	€80

## Exemptions

Documents relating to transactions that take place in relation to a qualifying reorganisation or qualifying loan Restructuring ([note 13](#)) are exempt from stamp duty.

# Registrar of Companies Fees

Action	Amount
Registration of a limited company by shares or guarantee, with share capital	€105
Registration of a company without share capital	€175
Registration of an increase in the company's share capital	€40
Filing of a return for the allotment of shares where the value of the shares issued is payable in cash or in kind	€20
Change of company name	€40
Reduction of capital	€80
Application for registration of a general or a limited partnership	€120
Application for registration of a business name	€80
Filing with the Registrar of the following:	
• Annual Return	€20
• Annual Return which is overdue	€50 + €1 for each day of delay for the first six months and €2 thereafter up to a maximum of €500
Notification of a registered mortgage on immovable property in the Republic irrespective of the sum of money	€20

Registration of a charge apart from a mortgage on immovable property within the Republic:

a) On the form of notification of the charge	€40
b) On the charge document securing maximum amount:	
• For a sum of money up to €17.086	€100
• For a sum of money exceeding €17.086 but not over €34.172	€200
• For a sum of money exceeding €34.172 but not over €85.430	€340
• For a sum of money exceeding €85.430 but not over €170.860	€500
• For a sum of money over €170.860 where no amount is mentioned	€600

### Annual Company Levy

All companies registered in the Cyprus company register must pay an annual levy of €350. In the case of a group of companies the total amount payable is capped at €20.000.

- The annual levy is payable from the year of incorporation.
- The annual levy is payable to the Registrar of Companies by 30 June of each year.
- Late payment of the levy will give rise to the following penalties:
  - a) 10% penalty for delays up to two months;
  - b) 30% penalty for delays between two and five months.
- Non-payment of the levy may result in deregistration (strike-off) of a company by the Cyprus Registrar of Companies (which will not allow the company to submit documents or request certificates from the Registrar of Companies).
- If a company is re-instated within a two-year period from its strike-off, a fixed penalty of €500 (in addition to the outstanding amount of the levy) is imposed. The fixed penalty will be increased to €750 where a company is re-instated after the two-year period.

## Register of Beneficial Owners

As of 14 November 2023, the Final Solution of the electronic system of the Register of Beneficial Owners (the “BO Register”) was implemented, requiring all Companies registered as per Companies Law, Cap. 113, all European Companies (SE) and all Partnerships (altogether the “Entities”) or their Officers/Partners (as the case may be) to submit information regarding their beneficial owners (BO) into the electronic system of the BO Register, subject to specific requirements.

This development introduces the following obligations and potential penalties for the Entities and their Officers/Partners:

- All changes to the information recorded in the BO Register for a specific Entity need to be updated within 14 days from the time such Entity or its Officers/Partners become aware of the changes.
- All Entities are required to verify the information recorded in the BO Register annually, during the month of December. The annual verification process is mandatory irrespective of whether there were any changes to the information recorded in the BO Register during the year or not.
- Irrespective of any individual criminal liability or potential prosecution, a corporate or other legal entity (and each of its officers) will incur a fine of €200 for non-compliance. This fine may be accompanied by a daily penalty of €100 for each day of non-compliance, with a maximum charge of €20,000.

It should be noted that an officer of a corporate or other legal entity will be exempt from such fines if they have exercised due diligence in adhering to the provisions of Law N.188(I)/2007 and Directive P.I. 112/2021, as amended, and the violation is not attributed to their actions, omissions, or negligence.

# Notes

1. The exemption is granted for seven tax years, starting from the tax year following the tax year of commencement of the first employment in the Republic.

Individuals will not be granted this exemption, if they are granted the new 50% exemption of Article 8(23A).

2. 20% of the remuneration (up to a maximum of €8.550 per annum) from any employment exercised in the Republic, which commenced within 2012 and up to and including 26 July 2022 by an individual who was resident outside the Republic before the commencement of his/her employment in the Republic, is exempt from income tax. The exemption is granted for five years, starting from the tax year following the year of commencement of employment. Individuals who meet the conditions for this exemption before its termination date (i.e. 26 July 2022) will continue to benefit for the relevant five-year period.
3. The exemption is granted for 17 tax years, starting from the tax year of commencement of first employment in the Republic.

The exemption can also be granted to individuals who commenced their first employment in the Republic prior to 1 January 2022 and who have continued employment in the Republic from the year of commencement of their first employment in the Republic up to and including tax year 2021 and for a period of at least 15 years immediately before the commencement of their first employment in the Republic were non Cyprus tax residents **and**:

- they have been granted with the 50% exemption based on Article 8(23), **or**
- whose first employment in the Republic commenced between 2016 and 2021 with emoluments exceeding the €55.000 per annum, **or**
- whose first employment in the Republic

started between tax years 2016 and 2021 with emoluments not exceeding the €55.000 per annum and within a period of six months from 26 July 2022 their emoluments exceed the €55.000 per annum.

4. 50% of the remuneration from any employment exercised in the Republic by an individual who was resident outside the Republic before the commencement of his/her employment in the Republic, is exempt from income tax provided that the remuneration from such employment exceeds €100.000 per annum. The exemption is granted for ten years, starting from the first year of employment in the Republic. An individual is not eligible for the exemption in case he/she has been a Cyprus tax resident for at least three out of the last five tax years immediately prior to the tax year of commencement of employment or he/she has been a Cyprus tax resident in the tax year immediately prior to the tax year of commencement of employment in the Republic. Individuals who meet the conditions for this exemption before its termination date (i.e. 26 July 2022) will continue to benefit for the relevant ten year period, unless the individual qualifies for the new 50% exemption of Article 8(23A).
5. An individual is considered to have first employment in the Republic when for the first time, after a period of 15 consecutive tax years, during which he/she was not providing any salaried services in the Republic, starts to provide salaried services in the Republic to a Cypriot or to a non-Cypriot employer.
6. Persons trading in FX have an option to make an irrevocable election to be subject to tax only on realised FX differences.
7. 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. The term also 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-ended or closed-ended collective investment schemes. The redemption of participation or share in an open or closed-ended collective investment scheme constitutes a disposal of Securities.

8. The income tax exemption shall not apply to the extent that dividends are deductible from the taxable income of the non-resident dividend paying company. Dividends that do not qualify for the income tax exemption are not considered as dividends for SDC purposes.
9. Equity introduced to a company as from 1 January 2015 (new equity) in the form of paid-up share capital or share premium is eligible for an annual notional interest deduction (NID). The NID is calculated as a percentage (reference rate) on the new equity. The relevant reference rate is the yield of the ten-year government bond (as at 31 December of the previous tax year) of the country where the funds are employed in the business of the company, plus a 5% premium. In case the country in which the funds are employed does not have an issued ten-year government bond, the yield of the ten-year Cyprus government bond plus a 5% premium should be used.
10. An individual is domiciled in Cyprus for SDC purposes if he/she has a domicile of origin in Cyprus as per the Wills and Succession Law (with certain exceptions) or if he/she 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.
11. In case where the actual dividend is received by a company which is owned indirectly by Cyprus tax resident and domiciled individual(s) and the Commissioner considers that the interposition of this company as a shareholder of the company paying the dividend does not serve any substantial commercial or economic purpose but is primarily intended to prevent, reduce or postpone the payment of SDC, the Commissioner may deem that the dividend is paid directly to the individual(s) who directly/indirectly control the company receiving the dividend and

require the payment of the SDC on the dividend either from the company receiving the dividend or from the individual(s) who directly/indirectly control the company.

12. Tax payments can be made only via the Tax Portal.
13. "Restructuring" means the direct or indirect sale and transfer of immovable property and transfer of rights under a sale contract deposited with the Department of Lands and Surveys, between one or more borrowers and/or debtors and/or guarantors regarding the same credit facility or grant or debt and one or more creditors or non-related persons made from 31 December 2015 up to 31 December 2024, which aims to reduce or repay credit facilities or loans or debts granted to borrowers with one or more lenders.

The credit facility/grant/debt must be a non-performing loan before or as at 31 December 2015, as interpreted by the European Banking Authority.

The direct or indirect sale and transfer of immovable property and transfer of rights under a sale contract deposited with the Department of Lands and Surveys may also be made to a non "related person" for the reduction or repayment of credit facilities or grants or debts arising under a written agreement with the creditor, who had become non-performing on or before 31 December 2015.

Any borrower's related person is also considered a borrower, as the term "related person" is interpreted in the Income Tax Law, provided that the disposal and transfer of immovable property as well as the transfer of rights under a sales agreement filed with the Department of Lands and Surveys is for the benefit of the lender.

In practice, loans that were non-performing before or as at 31 December 2015 and were restructured up to 31 December 2017 can also be considered as non-performing loans by the Tax Department, subject to conditions.

14. The allowance for the annual life insurance premium is restricted to 7% of the insured amount.

Life insurance policies, in respect to the life of the claimant's spouse, which were in existence up to 31 December 2002 and for which the claimant was receiving a tax allowance, will continue to be deductible by the claimant.

In the event of cancellation of a life insurance contract within six years from the date it was entered into, a portion of the life insurance premiums already given as an allowance will be taxable as follows:

- cancellation within three years                      30%
- cancellation between four to six years      20%

15. The capital cost of any intangible asset, excluding goodwill, is tax deductible as a capital allowance over the useful economic life of the asset, as determined by acceptable accounting principles (with a maximum useful life of 20 years).

16. The accounting profits arising from a reorganisation are included in the profits subject to the deemed dividend distribution provisions in the year of assessment in which one of the following events occurs:

- Partial or total alienation by the receiving company of the transferred asset from which the accounting profits arose.
- Direct or indirect, partial or total alienation, which takes place in the course of a reorganisation, of the shares of the receiving company by the transferring company or another company which was acquired during the reorganisation.
- Reduction of capital of the receiving company or any company interposed between the transferring company and the receiving company which was issued during the reorganisation.

The above provisions apply with the same chronological order of the alienation in the accounting profits, which were exempted, and

which relate in proportion to the alienation and are included in the profits of the company by which the alienation occurs.

17. For expenses incurred during the years 2022, 2023 and 2024 (including expenses of a capital nature) for which a deduction is granted in accordance with Article 9(1)(l), an additional tax deduction is granted for research & development expenses, equal to 20% of the relevant expenses. This additional deduction cannot be claimed alongside the deduction provided under the Cyprus IP regime.
18. The tax allowable deduction for an individual investing in an innovative small/medium sized business is available up to 31 December 2026. The deduction is subject to the following upper limits, as a percentage on the qualifying investment:
  - 50%, if the SME does not operate in any market,
  - 30%, if the SME operates in any market less than 10 years from its registration or less than seven years after its first commercial sale,
  - 20%, if the initial investment is more than 50% of the average annual turnover over the previous five years.

The total deductible amount may not exceed €150.000 per tax year. The remaining investment cost which is not claimed as tax deductible may be carried forward and deducted from the taxable income of the subsequent five years, subject to certain restrictions. The investment must be held for at least three years.

19. The tax allowable deduction for a company investing in an innovative small/medium sized business is available up to 31 December 2026. It is limited to 30% of the invested amount and the total deductible amount may not exceed €150.000 per tax year. The investment can be made either directly, or through an investment fund or an alternative trading platform and only from own capital. The eligible shares must be newly issued ordinary shares and be held by the investor for at least three years.

# The Deloitte Tax Management Team

## Nicosia

### Partners and Members of the Board of Directors

Agis Agathocleous                      agagathocleous@deloitte.com  
*(Business Tax Services Leader)*

Christos Papamarkides              cpapamarkides@deloitte.com  
*(Indirect Tax Services Leader)*

Michael Michaelides                mmichaelides@deloitte.com

### Directors

Chrystalla Michael  
Harris Kleanthous  
Milto Phanti  
Anna Efstathiou  
Elli Iosif  
Panayiotis Marinou  
Angelos Gregoriou

## Limassol

### Partners and Members of the Board of Directors

Antonis Taliotis                      ataliotis@deloitte.com  
*(Tax & Legal Services Leader)*

Alecos Papalexandrou              apapalexandrou@deloitte.com

### Directors

Marios Stouppas  
Christakis Economou  
Stella Koustai  
Yiannakis Frangous  
Nicholas Eliades

# Deloitte Partners & Board Members

## Partners and Members of the Board of Directors

Pieris Markou (Chief Executive Officer)

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Agis Agathocleous

Kypros Ioannides

Gaston Hadjianastassiou

Yiannis Sophianos

Yiannis Leonidou

Andreas Thoma

Dimitris Dimitriou

Marios Schizas

Clea Evagorou

Michael Michaelides

Calliopi Nicolaidou

Stelios Kyriakides

Costas Philippou

# Our Offices & Your Contacts in Cyprus

## Nicosia

### **Andreas Andreou**

Partner - In Charge of the Nicosia office

aandreou@deloitte.com

24 Spyrou Kyprianou Avenue

CY-1075 Nicosia, Cyprus

P.O.Box 21675

CY-1512 Nicosia, Cyprus

Telephone: + 357 22360300

Facsimile: + 357 22360400

infonicosia@deloitte.com

## Limassol

### **Nicos Charalambous**

Partner - In Charge of the Limassol office

ncharalambous@deloitte.com

Maximos Plaza, Tower 1, 3<sup>rd</sup> floor

213, Arch. Makarios III Avenue

CY-3030 Limassol, Cyprus

P.O.Box 58466

CY-3734 Limassol, Cyprus

Telephone: +357 25 868686

Facsimile: +357 25 868600

infolimassol@deloitte.com

**[www.deloitte.com/cy](http://www.deloitte.com/cy)**



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Offices: Nicosia, Limassol

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