

Tax Facts 2018 - Cyprus



Income Tax Rates for individuals

Taxable Income	Tax Rate	Amount of tax	Accumulated tax
€	%	€	€
0-19,500	0	0	0
19,500-28,000	20	1,700	1,700
28,000-36,300	25	2,075	3,775
36,300-60,000	30	7,110	10,885
Over 60,000	35		

Income Tax Exemptions - Individuals

Dividends	ALL (may be subject to special contribution for defense)
Interest (investing activities)	ALL (may be subject to special contribution for defense)
First employment in Cyprus	20% or 50% of total remuneration
Salaries earned from services rendered outside Cyprus for more than 90 days ¹ in a tax year to a non-Cyprus resident employer or to a foreign permanent establishment of a Cyprus resident employer	ALL
Profits of a permanent establishment abroad	ALL (under certain conditions)
Profits from the sale of titles	ALL
Gains relating to foreign exchange differences with the exception of arising from ordinary activities	ALL

Income Tax Deductions - Individuals

Contributions to trade unions and professional bodies	ALL
Rental income	20% of rental income
Donations to approved charities	ALL
Social Insurance, provident fund, medical fund (maximum 1,5% of remuneration), pension fund contributions and life insurance premiums (maximum 7% of the insured amount)	maximum 1/6 of chargeable income

Corporation Tax

Tax on taxable profits: 12.5%

Corporation tax exemptions

Profit from the sale of titles	ALL
Dividends*	ALL (may be subject to Special Defense Contribution)
Interest not arising from the ordinary activities	ALL
Profits of a permanent establishment **	ALL (under certain conditions)
Gains relating to foreign exchange differences with the exception of arising from company's ordinary activities	ALL

* As from 1 January 2016, Dividends which are tax deductible for the paying company are not exempt.

** As from 1 July 2016, taxpayers may elect to tax the profits of the permanent establishment and granting tax credit for the foreign taxes paid on the permanent establishments profits.

Allowable expense Incentives

- Interest expense incurred for the direct or indirect acquisition of 100% of the share capital of a subsidiary company (subject to conditions).
- 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. Deduction cannot exceed 80% of taxable profit.
- Profits from exploitation and/or disposal of property rights. (80% of the net profit as calculated using the modified nexus fraction).
- Shipping companies for operation in international waters under tonnage tax regime of qualifying ship-owners, charterers and ship managers, from the operation of qualifying community ships.

Special defense contribution (SDC)

Special contribution for defense is only imposed on Cyprus tax residents and Cyprus domiciled individuals (after 16 July 2015). If an individual is deemed to be non-domiciled in Cyprus, that individual will be exempt from paying tax on rental/interest or dividend income irrespective of whether the income is derived in Cyprus and or if the income is remitted or used in Cyprus.

	Companies	Individuals
Dividends from Cyprus resident companies	0%	17%
Dividend income from non-Cyprus tax resident companies	0% (1)	17%
Interest income from ordinary or closely related activities to the ordinary activities of the business	0%	0%
Other Interest Income	30%	30%
Rental income (reduced by 25%)	3%	3%

Notes:

1) Provided that:

- a) less than 50% of income is derived from investment activities
AND
- b) foreign tax is significantly lower than the Cyprus tax (effective rate of less than 6.25% on the profit distributed)

Deemed dividend distribution

A company resident in Cyprus, is deemed to distribute 70% of the accounting profits after taxation (as adjusted for Special Contribution for Defense purposes), in the form of dividends, within the two years from the end of the year in which the profits relate. Special Defense Contribution is imposed to the extent that the ultimate direct/indirect shareholders of the company are Cyprus Tax resident and Cyprus domiciled individuals. Deemed dividend distributions are reduced by actual dividend payments made during the two years.

Disposal of company assets to shareholders

Disposal of company's assets to shareholders or closely related individuals (who have not previously been gifted to the company by the shareholder) below market value generates a deemed dividend distribution for the difference.

Company dissolution and reduction of capital

Cumulative profits of the last five years prior to the company's dissolution, which have not been distributed or deemed to have been distributed, will be considered as distributed on dissolution and will be subject to Special contribution for defense at the rate of 17%.

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

Special Contribution for Employees, Self-Employed and Pensioners in the Private Sector

As from 1 January 2017, Special Contribution is abolished.

Social Insurance contribution rates

	Social Insurance Fund	Redundancy Fund	Industrial Training Fund	Social cohesion fund
Employee	7.8%	-	-	-
Employer	7.8%	1.2%	0.5%	2%
Self employed	14.6%	-	-	-

Maximum contributions for emoluments: €54,396 (except social cohesion fund which has no maximum)

Capital gains tax: 20%

Imposed on disposal of immovable property in Cyprus owned directly (or through company shares) or indirectly through shares if at least 50% of the market value of the said shares derive from such immovable property.

Land and buildings acquired in the period 16 July 2015 until 31 December 2016 will be exempt from Capital Gains Tax in the time of disposal (subject to certain conditions).

Immovable property tax

Immovable Property Tax is abolished as from 1 January 2017.

VAT

Zero rate	0%
Reduced rate	5%
Reduced rate	9%
Standard rate	19%
Exempt supplies	-

Registration level: €15.600

Transfer fees by department of land and surveys

In the case where the immovable property transfer is subject to VAT, no transfer fees are imposed.

In the case, it is not subject to VAT, the following transfer fees are imposed at a discount of 50%.

Value of property	Rate	Tax	Accumulated Tax
€	%	€	€
1 - 85,000	3	2,550	2,550
85,000 - 170,000	5	4,250	6,800
170,000 +	8		

Trusts

According to applicable law:

(i) A Cyprus resident beneficiary is subject to taxation imposed in Cyprus for the income and profits of a Cyprus International Trust which are earned or deemed to be earned from sources within and outside of Cyprus.

(ii) A non-Cyprus beneficiary is subject to taxation imposed in Cyprus for the income and profits of a Cyprus International Trust which are earned or deemed to be earned from sources within Cyprus.

Cyprus Double Tax treaties

				Sweden
Armenia	Estonia	Italy	Portugal	Switzerland
				Syria
Bahrain	Finland	Kuwait	Romania	Thailand
				Ukraine
Belarus	Georgia	Latvia	San Marino	United Arab Emirates
				United Kingdom
Bosnia	Greece	Lithuania	Seychelles	United States
				Uzbekistan
Canada	Hungary	Mauritius	Slovakia	
Czech Republic	India	Montenegro	South Africa	

The general concept is that there is no withholding tax for payments made from Cyprus for dividends, interest and for royalty rights not used within CY (there are some restriction with regards to royalty rights being used within CY).

Tax calendar

End of each month

- Payment of tax deducted from employee's salary (PAYE) in the preceding month.
- Payment of special contribution for defense withheld on payments of dividends, interest or rents (when the tenant is a company, partnership, the state or local authority) made to Cyprus tax residents in the preceding month.
- Payment of tax withheld in the preceding month on payments to non-Cyprus residents.

31 January

- Submission of declaration of deemed dividend distribution (IR623) for the year ended 31 December 2015.

31 March

- Electronic submission of the 2016 corporation tax return (IR4) for accounting periods ending on 31 December 2016 (IR4).
- Electronic submission of the 2016 income tax return of physical persons preparing audited financial statements (2).

30 April

- Payment of premium tax for life insurance companies - first installment for 2018.

30 June

- Payment of special contribution for defense for the first six months of 2017 on rents if such tax is not withheld at source by tenant and on dividends or interest from sources outside Cyprus.
- Payment of 2017 personal income tax under the self-assessment method by individuals not preparing audited financial statements (2).

31 July

- Electronic submission by employers of the total 2017 payroll (Form IR7).
- Submission of the 2018 provisional tax return and payment of the first installment.
- Electronic submission of 2017 personal tax returns of individuals whose income do not include income from a trade/business, rents, dividends, interest, royalties nor income relating to trading goodwill (1).

1 August

- Payment of 2017 final corporation tax under the self-assessment method.
- Payment of 2017 personal income tax under the self-assessment method by individuals preparing audited financial statements (2)

31 August

- Payment of premium tax for life insurance companies – second installment for 2018.

30 September

- Electronic submission of 2017 personal returns of individuals not required to prepare audited financial statements but whose income include income from a trade/business, rents, dividends, interest, income from royalties or income relating to trading goodwill (1) (2).

31 December

- Payment of provisional tax - second and last installment for 2018.
- Payment of special contribution for defense for the last six months of 2018 on rents if such tax is not withheld at source by tenant and on dividends or interest from sources outside Cyprus.
- Payment of premium tax for life insurance companies - third and last installment for 2018.

Interest and Penalties

The official interest rate, as set by the Finance Minister, is 3.5% per annum for all amounts due as from 1 January 2018 (3.5% for 2017, 4% for the year 2015-2016, 4,5% for the year 2014, 4.75% for the year 2013, 5% for years 2011 and 2012, 5,35% for the year 2010, 8% for the years 2007-2009 and 9% up to 31 December 2006). In addition to the interest, penalties are also charged depending on the circumstances.

Notes

(1) Physical persons are required to submit personal tax returns only when their gross income exceeds €19.500

(2) A physical person is obliged to submit audited financial statements if his/her turnover exceeds €70.000 annually.

This Tax Card has been prepared based on the latest legislation voted by the representatives of parliament as at 31 December 2017. You should consult your tax advisor before making decisions on the basis of information given herein.

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