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Tax Facts

2020 - Cyprus



Knowing you.

Income Tax

Tax Residency

An individual is considered a Cyprus tax-resident provided that he/she remains for more than 183 days or at least 60 days in the Republic following certain conditions.

Personal Income Tax rates

Taxable Income	Tax Rate	Amount of tax	Accumulated 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 60,001	35		

Notes:

- (1) Physical persons are required to submit personal tax returns 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.

Income Tax Exemptions - Individuals

Dividends	ALL (may be subject to Special Defence Contribution (SDC))
Interest (investing activities)	ALL (may be subject to SDC)
First employment in Cyprus	20% or 50% of total remuneration
Remuneration earned from salaried services rendered outside Cyprus for more than 90 days in a tax year to a non-Cyprus resident employer or to a foreign permanent establishment of a Cyprus resident employer	ALL
Profits of a foreign permanent establishment	ALL (under certain conditions)
Profits from the sale of securities	ALL
Foreign exchange (FX) gains with the exception of arising from ordinary activities	ALL

Income Tax Deductions - Individuals

Subscriptions to trade unions and/or professional bodies	ALL
Rental income	20% of gross rental income
Interest on acquisition of building for rental purposes	ALL

Contributions to Social Insurance, N.H.S, provident fund, medical fund (max. 1,5% of remuneration), pension fund and life insurance premiums (max. 7% of the insured amount)	maximum 1/5 of chargeable income
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Rent from preserved buildings (subject to conditions)	ALL
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Lump sum received as retiring gratuity, commutation of pension, death amount gratuity or as consolidated compensation for death or injury	ALL
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Interest income earned from corporate bonds	ALL (subject to SDC at 3%)
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Corporation Tax

Tax on taxable profits:	12.5%
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Corporation Tax exemptions

Profit from the sale of securities	ALL
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Dividends*	ALL (may be subject to SDC)
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Interest not arising from the ordinary activities of the company	ALL
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Profits of a foreign permanent establishment (PE) **	ALL (under certain conditions)
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Foreign exchange (FX) gains with the exception of arising from company's ordinary activities	ALL
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* 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 foreign permanent establishment and granting tax credit for the foreign taxes incurred on those foreign permanent establishment's 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 may be eligible for an annual notional interest deduction (NID). Deduction cannot exceed 80% of taxable profit derived from the assets financed by the new equity.

- Profits from exploitation and/or disposal of intellectual 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 defence 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
Dividend income 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 ("passive")	30%	30%
Gross rental income (reduced by 25%)	3%	3%

Notes:

- (1) Unless: more than 50% of income is derived from investment activities **AND** 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 Defence purposes), in the form of dividends, within the two years from the end of the year in which the profits relate. Special Defence 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's 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) for a consideration below market value, the difference will be deemed to have been distributed for a consideration as a dividend to the shareholder.

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 defence at the rate of 17%. This provision does not apply in the case of dissolution under a reorganization.

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 defence contribution at the rate of 17% (after deducting any amounts which have been deemed as distributable profits).

Social Insurance & National Health Insurance Scheme contributions

	Social Insurance Fund	Redundancy Fund	Industrial Training Fund	Social cohesion fund	01/03/2019 29/02/2020	01/03/2020 onwards
Employee	8.3%	-	-	-	1.70%	2.65%
Employer	8.3%	1.2%	0.5%	2%	1.85%	2.90%
Self employed	15.6%	-	-	-	2.55%	4%

Maximum contributions on employee's emoluments: €4.572 per month and €54.864 per annum – (except social cohesion fund which has no maximum).

For the purposes of calculating the contributions of N.H.I. scheme, gross emoluments are limited to €180.000 per annum.

Capital gains tax: 20%

Imposed on disposal of immovable property situated in Cyprus including 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).

Gains on disposal of shares listed on recognized stock exchange are exempt from Capital Gains Tax.

Transfer fees by department of land and surveys

Land transfer fees are payable by the buyer to the Department of Land and Surveys on transfer of immovable property.

- In the case where the purchase of immovable property is subject to VAT, no transfer fees are payable.

- In the case, where the purchase of immovable property is not subject to VAT, then the transfer fees are reduced by 50%.

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

Andorra	Denmark	Ireland	Montenegro	Slovenia
Armenia	Egypt	Italy	Norway	South Africa
Austria	Estonia	Jersey	Poland	Spain
Azerbaijan	Ethiopia	Kazakhstan	Portugal	Sweden
Barbados	Finland	Kuwait	Romania	Thailand
Bahrain	France	Kyrgyzstan	Romania	Syria
Belarus	Georgia	Latvia	Russia	Thailand
Belgium	Germany	Lebanon	San Marino	The States of Guernsey
Bosnia	Greece	Lithuania	Saudi Arabia	Ukraine
Bulgaria	Hungary	Luxembourg	Serbia	United Arab Emirates
Canada	Iceland	Malta	Seychelles	United Kingdom
China	India	Mauritius	Singapore	United States
Czech Republic	Iran	Moldova	Slovakia	Uzbekistan

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 restrictions with regards to royalty rights being used within CY).

Anti-tax avoidance measures

Controlled Foreign Company (CFC) rule

The non-distributable income of a CFC or of a foreign PE 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.

Interest limitation rule

Excess Borrowing Cost (EBC) shall be deductible in the tax period in which they are incurred only up to 30% of the taxpayer's earnings before interest, tax, depreciation and amortization (EBITDA). There is a threshold of €3.000.000 per annum.

General Anti-Abuse rule (GAAR)

The non-distributable income of a CFC or of a foreign PE 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.

Exit taxation (application from 01 January 2020)

Where a taxpayer moves assets (e.g. from head office to PE 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.

Hybrid mismatches (application from 01 January 2020)

Hybrid mismatches rules apply to prevent double non-taxation of certain income in the Republic.

Tax calendar

End of each month

- > Payment of PAYE and N.H.S. deducted from employee's salary, in the preceding month (TD61).
- > Payment of SDC and N.H.S. 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 (TD601).
- > Payment of tax withheld in the preceding month on payments made to non-Cyprus residents (TD7).

31 January

- > Submission of declaration of deemed dividend distribution (TD623) for the year ended 31 December 2017.

31 March

- > Electronic submission of company's tax return for accounting periods ending on 31 December 2018 (TD4).
- > Electronic submission of the 2018 income tax return of physical persons preparing audited financial statements (TD1).

30 April

- > Payment of premium tax for life insurance companies - first installment for 2020 (TD199).

30 June

- > Payment of SDC and N.H.S for the first six months of 2020 on rents if such tax is not withheld at source by tenant, dividends or interest from sources outside Cyprus (TD601).
- > Payment of personal income tax for the tax year 2019 under the self-assessment method by individuals not preparing audited financial statements (TD158).

31 July

- > Electronic submission of the employer's return for 2019 (TD7)
- > Submission of the 2020 provisional tax return and payment of the first installment (TD5, TD6)
- > Electronic submission of 2019 personal tax return of individuals

1 August

- > Payment of the 2019 final corporation tax under the self-assessment method by individuals and companies preparing audited financial statements (TD158).

31 August

- > Payment of premium tax for life insurance companies – second installment for 2020 (TD199).

30 September

- > Electronic submission of 2019 personal returns by self-employed individuals who do not prepare audited financial statements.

31 December

- > Submission of the 2020 revised provisional tax return and payment of the second installment (TD5, TD6).
- > Payment of SDC and N.H.S for the last six months of 2020 on rents if such tax is not withheld at source by tenant, dividends or interest from sources outside Cyprus (TD601).
- > Payment of premium tax for life insurance companies - third and last installment for 2020 (TD199).

Interest and Penalties

The official interest rate, as set by the Finance Minister, is 1.75% per annum for amounts due as from 1 January 2020 (2019:2%, 2018-2017:3.5%)

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

This Tax Card has been prepared based on the latest legislation voted by the representatives of parliament as at 31 December 2019. You should consult your tax advisor before making decisions on the basis of information given herein.

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