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Cyprus Tax Info 2017

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Our publication does not aim to give a full description of the prevailing tax system. "Cyprus Tax Info 2017" must be used as a source of general information and cannot substitute proper professional advice.

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Preface

Our tax guide has been prepared to provide a general background to the Cyprus tax system. The information reflects tax law and practice in Cyprus as of January 2017.

Cyprus is an acknowledged financial centre - not a tax haven but a tax incentive country. The corporate tax rate in Cyprus ranks amongst the lowest in the EU, the tax regime provides many exemptions especially for non-residents and the island's double tax treaties are extremely favourable and widely used in international tax planning. Cyprus is especially attractive for setting up holding and IP companies, private funds and international trusts.

Under the non-dom rules introduced in 2015, foreign individuals are now totally exempt from investment income earned in Cyprus and abroad. In addition, tax on income earned in Cyprus is reduced substantially. The changes offer compelling advantages to foreign (non-dom) individuals from a personal tax perspective and many now consider Cyprus as being the most tax efficient jurisdiction for wealthy entrepreneurs.

We shall be pleased to be of service to you.

Oneworld ltd

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Contents

	Page
1 An International Financial Centre	9-11
2 Personal Income Tax	12-21
3 Corporation Tax	22-35
4 Special Contribution for Defence	36-41
5 Capital Gains Tax	42-44
6 Estate Duty	45
7 Value Added Tax	46-54
8 Immovable Property Tax	55-56
9 Transfer Fees	57
10 Social Insurance	58-59
11 Stamp Duty	60-61
12 International Trusts	62-63
13 Double Tax Treaties	64-65
14 Tax Due Dates	66-69
15 Oneworld Ltd	70-74



1 An International Financial Centre

Favourable position

Comprising an area of 9.251 sq km Cyprus is the third largest island in the Mediterranean after Sicily and Sardinia. The strategic location of the island has played an important role in its continuing development into a financial centre.

Cyprus enjoys perhaps the best type of Mediterranean climate with about 340 warm and sunny days a year. The light rainy season is confined to the period between November and March.

Cypriots are highly educated. In fact, Cyprus has one of the highest percentage of university graduates per capita in the EU. This ensures an adequate supply of skilled and qualified personnel. Although the native language is Greek, English is commonly used as the business language.

The strong pro-business attitude, the multilingual and highly skilled human capital, the advanced telecommunications infrastructure have made the island one of the most progressive and efficient business locations in Europe.

Foreign investment

Foreign investment has long been considered as one of the most important elements of the country's economic prosperity. The Cyprus government has liberalised the Foreign Direct Investments (FDI) policy for both EU and non-EU nationals. Administrative procedures have been simplified and as far as the minimum level of investment and the percentage of foreign participation are concerned, no limitations apply in almost all sectors of the economy.

Investment companies

Cyprus companies are suitable both for EU inbound or outbound investments. There are no investment activities that are not appropriate for the Cypriot tax environment. However, there are investment activities which are ideally suited to Cypriot tax environment such as

- holding companies
- financing companies
- IP companies
- investment funds
- South Europe, Middle East, Central and Eastern Europe head office operations
- fund management services
- financial services

Incentives for locating a business in Cyprus include:

- only 12,5 percent corporation tax – the lowest rate in the EU
- exemption from tax of dividend income, in most cases
- exemption from tax of profits from foreign permanent establishments (PE), in most cases
- exemption from tax on profits generated from transactions in shares, securities, bonds and units

- exemption from withholding tax on the repatriation of income either in the form of dividends, interest and on almost all royalties
- extensive double tax treaty network
- access to EU directives
- no thin capitalisation rules
- absence of Controlled Foreign Company (CFC) rules thus exempting foreign income received
- flexible reorganisation rules and group relief provisions



2 Personal Income Tax

Basis of taxation

All Cyprus tax residents are taxed on all income accrued or derived from all sources in Cyprus and abroad. Individuals who are not tax residents of Cyprus are taxed only on income accrued or derived from sources in Cyprus.

An individual is tax resident in Cyprus if he spends in Cyprus more than 183 days in any one year. Days in and out of Cyprus are calculated as follows:

- (a) the day of departure from Cyprus counts as a day of residence outside Cyprus
- (b) the day of arrival in Cyprus counts as a day of residence in Cyprus
- (c) arrival and departure from Cyprus in the same day counts as one day of residence in Cyprus
- (d) departure and arrival in Cyprus in the same day counts as one day of residence outside Cyprus

Foreign taxes paid can be credited against the personal income tax liability.

Personal tax rates

The following income tax rates apply to individuals:

Chargeable income	Tax rate	Tax	Accumulated tax
€	%	€	€
0-19.500	Nil	Nil	
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		

Foreign pension income is taxed at the flat rate of 5 percent on amounts over €3.420. The tax payer can, however, on an annual basis elect to be taxed at the normal rates and bands set out above.

Cyprus source widow(er)'s pension is taxed at the flat rate of 20 percent on amounts over €19.500. However, the taxpayer can, on an annual basis elect to be taxed at the normal tax rates and bands set out above.



Exemptions

The following income is exempted from income tax:

Type of income	Exemption limit
<ul style="list-style-type: none">Interest¹	The whole amount
<ul style="list-style-type: none">Dividends¹	The whole amount
<ul style="list-style-type: none">Remuneration from any employment exercised in Cyprus by a non resident individual before the commencement of the employment (exemption applies for a period of 10 years for employment commencing 1 January 2012 provided that the annual remuneration exceeds €100.000). For employment commencing 1 January 2015 the exemption does not apply in case the said individual was a Cyprus tax resident for 3 (or more) tax years out of the 5 tax years immediately prior to the tax year of commencement of the employment nor in the preceding tax year. In certain cases it is possible to claim the exemption where income falls below €100.000 per annum.	50 percent of the remuneration
<ul style="list-style-type: none">Remuneration from any employment exercised in Cyprus by a non Cyprus resident individual before the commencement of his	20 percent of income with a maximum amount of €8.550 annually

Type of income (cont'd)	Exemption limit
<p>employment. For employments commencing during or after 2012 the exemption applies for a period of 5 years starting from the tax year following the year of commencement of the employment with the last eligible tax year being 2020. This exemption may not be claimed in addition to the immediately above mentioned 50 percent exemption for employment income.</p> <ul style="list-style-type: none"> <li data-bbox="114 736 550 937">▪ Remuneration 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 <li data-bbox="114 991 484 1074">▪ Profits of a foreign permanent establishment under certain conditions ² <li data-bbox="114 1105 544 1220">▪ Lump sum received by way of retiring gratuity, computation of pension or compensation for death or injuries 	<p>The whole amount</p> <p>The whole amount</p> <p>The whole amount</p>

Type of income (cont'd)	Exemption limit
<ul style="list-style-type: none"> ■ Capital sums accruing to individuals from any payments to approved funds (e.g. provident funds) 	The whole amount
<ul style="list-style-type: none"> ■ Profits from the sale of securities³ 	The whole amount

¹ Dividend and interest income are subject to Special Defence Contribution.

² With effect as from 1 July 2016, taxpayers may elect to tax the profits earned by a foreign permanent establishment, with a tax credit for foreign taxes incurred on those foreign permanent establishment profits. Transitional rules apply in certain cases on the granting of foreign tax credits where a foreign permanent establishment was previously exempt and subsequently a taxpayer elects to be subject to tax on the profits of the foreign permanent establishment.

³ 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. Circulars have been issued by the Tax Authorities further clarifying what is included in the term Securities. According to the circulars the term 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 on Repos on Securities, units in open-end or close-end collective investment schemes. The circulars also clarify specific types of participation in foreign entities which are considered as Securities.

Tax incentives for the employment in Cyprus of highly paid non-Cypriot resident individuals non domiciled in Cyprus

- (a) Remuneration from any employment in Cyprus by an individual who was not a resident of Cyprus before the commencement of the employment enjoys a 50 percent exemption from income tax for a period of 10 years provided that the annual remuneration exceeds €100.000. This is applicable for employments commencing 1 January 2012. As regards employment contracts commencing 1 January 2015, there is a further requirement that the individual was not a Cyprus tax resident for 3 (or more) years in the immediately preceding 5 tax years prior to commencement of such employment and was not a tax resident in the tax year immediately prior to commencing employment in Cyprus
- (b) Income tax legislation currently also provides for a 20 percent exemption (subject to a maximum of €8,550 per annum) from income tax from any employment exercised in Cyprus by an individual who was not a Cyprus resident before commencing such employment. For employments commencing during (or after) 2012 the exemption applies for a period of 5 years starting from the tax year following the year of employment with the last eligible tax year being 2020. In conclusion, individuals eligible for the 50 percent exemption are not entitled to the 20 percent exemption

The maximum income tax rate on personal income in Cyprus is presently set at 35 percent for income in excess of €60,000. The

50 percent exemption means the effective income tax rate on eligible employment income for such high earners will range from around 8 percent to below 17.5 percent, depending on personal circumstances.

Loans/financial assistance to directors

Whenever a loan or other financial assistance is provided to individual shareholders or directors Cyprus tax residents (up to their 2nd degree relatives) the recipient is deemed to receive benefit of 9 percent per annum calculated on a monthly basis. The tax on this benefit will be assessed and collected through the PAYE system for emoluments.

Deductibility of salaries

Salaries will not be deductible for income tax purposes if employer contributions for the Social Cohesion Fund, Redundancy Fund, Industrial Trading Fund, Pension Fund and Provident Fund are not paid in the year in which they are due.

If the above contributions are fully paid (together with interest and penalties) within 2 years of their due date the salaries and the contributions become deductible in the year in which they are settled.

Tax deductions

The following are deducted from income:

<ul style="list-style-type: none"> ▪ Contributions to trade unions or professional bodies 	<p>The whole amount</p>
<ul style="list-style-type: none"> ▪ Loss of current year and previous years (individuals are required to prepare audited financial statements for current year and losses of the previous five years may be deducted) 	<p>The whole amount</p>
<ul style="list-style-type: none"> ▪ Rental income 	<p>20 percent of gross rental income</p>
<ul style="list-style-type: none"> ▪ Donations to approved charities (with receipts) 	<p>The whole amount</p>
<ul style="list-style-type: none"> ▪ Social Insurance, provident fund, medical fund (maximum 1,5 percent of remuneration), pension fund contributions (maximum 10 percent of remuneration) and life insurance premiums (maximum 7 percent of remuneration) 	<p>Up to 1/6 of the chargeable income</p>
<ul style="list-style-type: none"> ▪ Special contribution 	<p>The whole amount</p>
<ul style="list-style-type: none"> ▪ Expenditure incurred for the maintenance of a building (under Preservation Order) 	<p>Depending on the size of the building - up to €700, €1.100 or €1.200 per square meter</p>

(cont'd)

- Amount invested each tax year as from 1 January 2017 in approved innovative small and medium sized enterprises either directly or indirectly

Up to 50 percent of the taxable income as calculated prior to this deduction (subject to a maximum of €150.000 per year). Unused deduction can be carried forward and claimed in the following 5 years, subject to the cap of 50 percent of taxable income (and overall maximum of €150.000 per year)

Private Sector Special Contribution Effective for 2014-2016

As from 1 January 2017, the Special Contribution is abolished.

The special contribution covers private sector employees, self-employed individuals and private sector pensioners.

The recipient of the remuneration is liable for half of the special contribution and the employer for the other half.

For employees and pensioners the special contribution should be settled through withholding. For self-employed individuals the special contribution should be settled via the provisional system.

The Special Contribution rates which applied in the period 2014-2016 are as follows:

Gross monthly emoluments in Euro	Special Contribution
0-1.500	Nil
1.501-2.500	2,5% (minimum €10)
2.501-3.500	3,0%
Over 3.501	3,5%

- *The percentage of the contribution is calculated on the total gross emoluments.*

Social grants

The following social grants are given subject to income criteria:

- Grant for every child receiving full time higher education in Cyprus (with certain restrictions) or full time university education outside Cyprus. Families with more than 3 children receive an additional grant
- Grant for blind persons
- Basic child grant and additional child grant for families that have a gross family (applicant, spouse, children) income below the specified threshold

The actual amounts of social grants are revised annually and announced at the beginning of each year. It is not necessary to submit any evidence on application unless it is the first claim.

3 Corporation Tax

Basis of taxation

Companies tax resident in Cyprus are taxed on all their income accrued or derived from all sources in Cyprus and abroad. A non Cyprus tax resident company is taxed on income accrued or derived from a business activity which is carried out through a permanent establishment in Cyprus and on certain income arising from sources in Cyprus.

A company is resident of Cyprus if it is managed and controlled in Cyprus. Foreign taxes paid can be credited against the Corporation tax liability.

Corporation tax rates

	Tax rate %
Companies	12,5

Exemptions

The following income is exempted from tax:

Type of income	Exemption limit
▪ Profit from the sale of securities	The whole amount
▪ Dividends (excluding, as from 1 January 2016, dividends which are tax deductible for the paying company*)	The whole amount

Type of income (cont'd)	Exemption limit
<ul style="list-style-type: none"> ▪ Interest not arising from the ordinary activities or closely related to the ordinary activities of the company* 	The whole amount
<ul style="list-style-type: none"> ▪ Profits of a foreign permanent establishment, under certain conditions ** 	The whole amount
<ul style="list-style-type: none"> ▪ Gains relating to foreign exchange (forex) differences with the exception of forex arising from trading in foreign currencies and related derivatives 	The whole amount

* Such dividend and interest income is subject to Special Contribution for Defence

** With effect as from 1 July 2016, taxpayers may elect to tax the profits earned by a foreign permanent establishment, with a tax credit for foreign taxes incurred on those foreign permanent establishment profits. Transitional rules apply in certain cases on the granting of foreign tax credits where a foreign permanent establishment was previously exempt and subsequently a taxpayer elects to be subject to tax on the profits of the foreign permanent establishment.

Corporate tax deductions

All expenses incurred wholly and exclusively in earning the income of the company and are supported by the relevant documentation, including:

Type of expense	Exemption limit
<ul style="list-style-type: none"> ▪ Donations to approved charities (with receipts) 	The whole amount

Type of expense (cont'd)	Exemption limit
<ul style="list-style-type: none"> ▪ 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 annual NID deduction is calculated as an interest rate on the new equity. The relevant interest rate is the yield on 10 year government bonds (as at December 31 of the prior tax year) of the country where the funds are employed in the business of the company plus a 3 percent premium (subject to a minimum amount which is the yield on the 10 year Cyprus government bond as at the same date plus a 3 percent premium). For 2016, the minimum relevant interest rate is 6,685%. A tax payer may elect not to claim all or part of the available NID for a particular tax year. Certain anti avoidance provisions apply. 	<p>The NID deduction cannot exceed 80 percent of the taxable profit derived from assets financed by new equity (as calculated prior to the NID deduction)</p>
<ul style="list-style-type: none"> ▪ Employer's contributions to social insurance and approved funds on employees' salaries 	<p>The whole amount</p>

Type of expense (cont'd)	Exemption limit
<ul style="list-style-type: none"> ■ Employer's contributions to: <ul style="list-style-type: none"> - Medical fund for employees - Provident/Pension fund for employees <p>Any expenditure incurred for the maintenance of a building (under Preservation Order) Depending on the size of the</p> ■ Interest expense incurred for the direct or indirect acquisition of 100 percent of the share capital of a subsidiary company will be treated as deductible for tax purposes provided that the subsidiary company does not own (directly or indirectly) any assets that are not used in the business. If the subsidiary owns (directly or indirectly) assets not used in the business the deduction is restricted to the amount which relates to assets used in the business. This applies for acquisitions of subsidiaries from 1 January 2012 ■ Royalty income, embedded income and other qualifying income derived from qualifying intangible assets 	<p>1 percent of employee's remuneration 10 percent of employee's remuneration</p> <p>building – up to €700, €1.100 or €1.200 per square meter</p> <p>The whole amount of interest expense if the subsidiary does not own (directly or indirectly) any assets not used in the business. A restricted amount of interest expense if the subsidiary owns (directly or indirectly) assets not used in the business</p> <p>80 percent of the net profit as calculated using the modified nexus fraction²</p>

Type of expense (cont'd)	Exemption limit
<p>in the “new” Cyprus intellectual property (IP) box (provision applies with effect from 1 July 2016)¹</p> <ul style="list-style-type: none"> ▪ Royalty income, embedded income and other qualifying income derived from qualifying intangible assets in the “old” Cyprus IP box³ ▪ Tax amortisation on any expenditure of a capital nature for the acquisition or development of IP (provision applies with effect from 1 July 2016)⁴ ▪ Entertainment expenses for business purposes ▪ Expenditure incurred for the acquisition of shares in an innovative business (abolished as from 1 January 2017) 	<p>80 percent of the net profit</p> <p>Allocated over the lifetime of the IP (maximum period 20 years)</p> <p>Lower of 1 percent of the gross business income or €17.086</p> <p>The whole amount</p>
But not including:	
<ul style="list-style-type: none"> ▪ Expenses of a private motor vehicle ▪ Interest applicable to the cost of acquiring a private motor vehicle, irrespective of its use and to the cost of acquiring any other asset not used in the business 	<p>The whole amount</p> <p>The whole amount (for a period of 7 years, since the date of acquisition)</p>

Notes

- 1 *“Intangible assets” comprise patents, copyrighted software, utility models, intangible assets that grant protection to plants and genetic material, orphan drug designations, extensions of patent protection. It also comprises of other intangible assets which are non-obvious, useful and novel, that are certified as such by a designated authority, and where the taxpayer satisfies size criteria (ie annual IP related revenue does not exceed €7,5mn for the taxpayer, and group total annual revenue does not exceed €50mn for the taxpayer, and group total annual revenue does not exceed €50mn, using a 5 year average for both calculations).*
- 2 *A fraction is applied to the net profit based on research and development (R&D) activity of the taxpayer; the higher the amount of R&D undertaken by the taxpayer itself (or via a taxable foreign permanent establishment or via unrelated third party outsourcing), the higher the amount of R&D fraction (modified nexus fraction).*
- 3 *The term ‘intangible assets’ includes copyrights, patents and trademarks. The old Cyprus IP box closed as from 30 June 2016. Under transitional/grandfathering rules, taxpayers with intangible assets that were already included in the old Cyprus IP box as at 30 June 2016 continue to apply the old Cyprus IP box provisions for a further five years i.e. until 30 June 2021 for those intangible assets. A much shorter transitional/grandfathering period to 31 December 2016 is applied in the case of intangible assets acquired directly or indirectly from related parties during the period 2 January 2016 – 30 June 2016, unless at the time of acquisition such intangible assets were already benefitting from an IP box (including the Cyprus IP box) or were not acquired with the main purpose (or one of the main purposes) being tax avoidance. Embedded income and income earned from intangible assets economically but not legally owned will only qualify in the relevant transitional/grandfathering period if earned from those type intangible assets that would qualify for the new Cyprus IP box (i.e. patents, copyrighted software, etc.). Additionally any expenditure of a capital nature incurred for the acquisition or development of such intangible assets may be claimed as a tax deduction in the year in which it was incurred and the immediate four following years on a straight line basis.*
- 4 *Excluding goodwill and intangible assets falling under the transitional rules of the old Cyprus IP box which continue with that box’s tax amortisation (see 3 above). A taxpayer may elect not to claim all or part of the available tax amortization for a particular tax year.*

Losses carried forward

The tax loss incurred during a tax year and which cannot be set-off against other income is carried forward and is set-off against future profits during the next five years.

The current year loss of one company can be set off against the profit of another provided the companies are both Cyprus tax resident companies of a group¹.

Group is defined:

- (a) one company holding at least 75 percent of the shares of the other company
- (b) at least 75 percent of the voting shares of the companies are held by another company

As from 1 January 2015 interposition of a non Cyprus tax resident companies will not affect the eligibility for group relief as long as such companies is tax resident of either an EU country or in a country with which Cyprus has a double tax treaty or an exchange of information agreement (bilateral or multilateral).

A partnership or a sole trader transferring business into a company can carry forward tax losses into the company for future utilisation.

Losses from a permanent establishment abroad can be set-off against profits of the company in Cyprus. Subsequent profits of the permanent establishment abroad are taxable up to the amount of losses previously allowed.

Note

- (1) *As from 1 January 2015 a Cyprus tax resident company may also claim the tax losses of a group company which is tax resident in another EU country, provided such EU company firstly exhausts all possibilities available to utilise its losses in its country of residence or in the country of any intermediary EU holding company.*

Reorganisations

Transfers of assets and liabilities between companies can be effected without tax consequences within the framework of a reorganisation.

Reorganisations include:

- (a) Mergers and demergers
- (b) Partial divisions
- (c) Transfer of registered office of a European company or a European cooperative company
- (d) Transfer of assets
- (e) Exchange of shares

Annual Wear and Tear allowances on fixed assets

The following allowances are given as a percentage on the cost of acquisition and are deducted from the chargeable income:

Fixed assets	%
Plant and machinery	
• Plant and machinery ¹	10
• Furniture and fittings	10
• Boreholes	10
• Machinery and tools used in an agricultural business	15
• Computer hardware and operating systems	20
• Application software	33 1/3

Fixed assets (cont'd)	%
• Commercial motor vehicles (vans, trucks)	20
• Motor cycles	20
• Excavators, tractors, bulldozers self-propelled loaders and drums for petrol companies	25
• Expenditure on application software less than €1.709 is written off in the year of acquisition	
• Televisions and videos	10
• Industrial carpets	10
Buildings	
• Commercial buildings	3
• Industrial, agricultural and hotel buildings ²	4
• Flats	3
• Metallic greenhouse structures	10
• Wooden greenhouse structures	33 1/3
Boats	
• Sailing vessels	4,5
• Steamers, tugs and fishing boats	6
• Shipmotor launches	12,5
• New cargo vessels	8
• New passenger vessels	6
• Used cargo/passenger vessels	Over their useful life

Fixed assets (cont'd)	%
Tools	
• Tools in general	33 1/3
• Video tapes property of video clubs	50
• Specialised Machinery for the laying of Railroads (e.g. Locomotive engines, Ballast wagons, Container wagons and Container Sleeper Wagons	20
• New Airplanes	8
• New Helicopters	8
• Motor Yachts	6
• Wind Power Generators	10
• Photovoltaic Systems	10

Notes

- Plant and machinery vehicles (excluding private motor vehicles) and other assets acquired during the tax years 2012-2016 (inclusive) are eligible to accelerated tax depreciation at the rate of 20 percent (excluding such assets which are already eligible for a higher annual tax rate of tax depreciation)*
- In the case of industrial and hotel buildings which are acquired during the tax years 2012-2016 (inclusive) an accelerated tax depreciation in the rate of 7 percent per annum applies.*

Special Type of Companies

Shipping companies

No income tax is payable on the profits earned or dividends paid by a Cyprus shipping company which owns ships under the Cyprus flag and operates in international waters (including chartering), or on the salaries of officers and crew of such ships.

The legislation allows non community vessels to enter the tonnage tax regime provided the fleet is composed by at least 60 percent community vessels.

Insurance companies

Profits of insurance companies are liable to corporation tax similar to all other companies except in the case where the corporation tax payable on taxable profit of life insurance business is less than 1,5 percent of gross premium. In this case the difference is paid as additional corporation tax.

Cyprus Alternative Investment Funds (AIFs) and Undertakings for Collective Investment in Transferable Securities (UCITs)

The sole object of AIFs and UCITs is the collective investment of funds of its unitholders.

AIFs can take the following types and legal forms:

Types:

- Limited Number of Investors (75)
- Unlimited Number of Investors

Legal Forms:

- Variable Capital Company (VCC)
- Fixed Capital Company (FCC)
- Limited Partnership (LP)
- Common Fund (CF)

The first three apply to both types of funds whereas the Common Fund applies to unlimited number of Investor AIFs only.

UCITs can take the following legal forms:

- Common Fund (CF)
- Variable Capital Investment Company (VCC)

AIFs and UCITs are liable to tax or not depending on their legal status. Under certain conditions, management fees charged for the management of AIFs and UCITs funds can be exempt from VAT.

IP and Royalties (IP “box regime”)

New provisions to the application of the Cyprus IP (intellectual property) regime to align the Income Tax law with OECD Action 5 of BEPS were introduced, effective from 1 July 2016.

The new IP Box regime provides exemptions from tax on income related to Intellectual Property (IP) as follows:

- 80 percent deduction from the qualifying profits earned from qualifying intangible assets
- “qualifying intangible assets” are defined as patents and computer software developed after 1 July 2016
- marketing and related IP - for example, trademarks - are not considered as qualifying intangible assets
- “qualifying profit” is a percentage of overall income. The percentage will be the qualifying expenditure and the uplift expenditure over the total expenditure incurred for the qualifying intangible
- effective tax rate of 2,5 percent or less (in essence only 20 percent of the qualifying profits are taxed at the rate of 12,5 percent)

In addition:

- no withholding taxes on payment of royalties apply
- Cyprus has an extensive network of double tax treaties
- the EU Directive on Interest and Royalties providing for nil withholding taxes between EU countries and which extends also to Cyprus

EU Interest and Royalty Directive

The EU interest and royalty directive came into effect on 1 January 2005. It provides that interest and royalty payments in one EU member state are exempt from any withholding taxes imposed on those payments in that state, provided that the beneficial owner of the interest is a company in another EU state.

For the directive to apply the companies must be associated. The interest or royalty must be on an arm's length basis. The directive will not apply to what is considered to be in excess of an arm's length amount.

Film rental

The gross amount of any rental in respect of the showing of cinematograph films in Cyprus derived by any person who is not a tax resident, is subject to a 5 percent withholding tax.

Income from profession or vocation

The gross income derived by an individual not resident in Cyprus, from the exercise in Cyprus of a profession or vocation or of public

entertainers including football clubs and other athletic clubs is subject to a 12,5 percent withholding tax.

Annual Government levy

All companies are required to pay an annual fixed duty of €350 to the Registrar of companies. For groups of companies the total duty is capped at €20.000.

The duty must be paid by 30 June each year.

Financial penalties of 10 and 30 percent will be levied for late payment within 2 and 5 months from the due date. The Registrar may deregister the company in case of further delay. The fee for re-registering is either €500 or €750 depending on the circumstances.



4 Special Contribution for Defence

Special Contribution for Defence is imposed on dividend income “passive” interest income and rental income earned by companies tax resident in Cyprus and by individuals who are both Cyprus tax residents and Cyprus domiciled. Non-tax residents are exempt from special contribution for defence. It is charged at the rates shown in the table below.

Tax rates

	Individuals	Legal entities
	% ¹	% ¹
• Dividend income from Cyprus resident companies	17 ⁵	Nil ²
• Dividend income from non-Cyprus resident companies	17 ⁵	Nil ¹ (under conditions) ³
• Interest income arising from the ordinary activities or closely related to the ordinary activities of the business	Nil ⁴	Nil ⁴
• Other interest	30 ^{2,5}	30 ⁵
• Rental income (reduce by 25 percent)	3 ^{4,5,6}	3 ^{4,5,6}

Notes

- 1 *Legal entities are subject to Special Contribution for Defence if they are tax resident in Cyprus. Prior to 16 July 2015 individuals were subject to Special Contribution for Defence if they were tax resident in Cyprus. As from 16 July 2015 individuals are subject to Special contribution for defence if they are both Cyprus tax resident and Cyprus domiciled. An individual is domiciled in Cyprus for the purposes of Special Contribution for Defence if (s)he has a domicile of origin in Cyprus per the Wills and Succession Law (with certain exceptions) or if (s)he 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. Anti-avoidance provisions apply*

- 2 *Dividends received by a Cyprus tax resident company from other Cyprus tax resident companies are exempt, subject to certain anti avoidance provisions*
- 3 *As from 1 January 2016 this section only applies to dividends which are not deductible for tax purposes by the paying company. Dividends which are deductible for tax purposes by the paying company are subject to Corporation Tax*

The exemption of this section does not apply if:

- *more than 50 percent of the paying company's activities result directly or indirectly in investment income and*
- *the foreign tax is significantly lower than the tax burden in Cyprus. The tax authorities have clarified through a circular that "significantly lower" means an effective tax rate of less than 6,25 percent on the profit distributed*

When the exemption does not apply, the dividend income is subject to special Contribution for Defence at the rate of 17 percent

- 4 *Such interest income is subject to personal Income Tax / Corporation Tax*
- 5 *The Special Contribution for Defence rate on interest income of 30 percent is effective for interest received or credited from 29 April 2013 onwards*
 - (a) *Interest income earned by individuals from Cyprus government savings bonds and development bonds as well as all interest earned by a provident fund is subject to Special Contribution for Defence at the rate 3 percent (instead of 30 percent)*
 - (b) *In the case where the total income of an individual (including interest) does not exceed €12.000 in a tax year, then the rate on interest income is reduced to 3 percent (instead of 30 percent)*
 - (c) *For Cyprus sourced rental income where the tenant is a Cyprus company, partnership the state or local authority Special Contribution for Defence on rental income is withheld at source and is payable at the end of the month following the month in which it was withheld. In all other cases the Special Contribution for Defence on rental Income is payable by the landlord in 6 monthly intervals on 30 June and 31 December each year*
 - (d) *For Cyprus sourced interest and dividends Special Contribution for Defence due is withheld at source and is payable at the end of the month following the month in which they were paid*
 - (e) *However for foreign sourced dividends, interest and rental income Special Contribution for Defence is payable in 6 monthly intervals on 30 June and 31 December each year*
- 6 *Rental income is also subject to personal income tax / corporation tax*

Foreign taxes paid can also be credited against the Special Contribution for Defence liability.

Introduction of “Domicile” in the Special Contribution for Defence (SCD) Law

SCD in Cyprus imposes tax on certain categories of passive income (interest, dividends and rental income) received by persons who are considered to be residents of Cyprus for tax purposes, subject to any available exemptions. The SCD Law also includes provisions for the deemed distribution of profits of Cypriot tax resident companies to the extent that the shareholders of such companies are Cypriot tax residents. An individual is considered to be a resident of Cyprus for tax purposes if he/she is physically present in Cyprus for a period or periods exceeding in aggregate 183 days during a calendar year.

The SCD Law is amended so that an individual will now be subject to SCD if he/she is both a resident for tax purposes of Cyprus and domiciled in Cyprus.

With the introduction of “non-domicile” or “non-dom” rules, a Cyprus tax resident individual who is not domiciled in Cyprus will effectively not be subject to SCD in Cyprus on any interest, dividends and rents received, regardless of whether such income is derived from sources within Cyprus or outside and regardless of whether such income is remitted to a bank account or economically used in Cyprus.

It must be noted that no further tax is imposed on individuals under the Income Tax Law in respect of interest and dividend income.

Deemed dividend distribution

If a Cyprus resident company does not distribute a dividend within two years from the end of the tax year then:

- 70 percent of accounting profits (after specified adjustments for revaluations etc) are deemed to have been distributed
- 17 percent special contribution for defence is imposed on deemed dividend distribution applicable to shareholders who are both Cyprus tax residents and Cyprus domiciled residents of Cyprus, including higher level Cyprus parent companies. Prior to 16 July 2015, the imposition applied to the extent the ultimate direct/indirect shareholders of the company were Cyprus tax resident individuals. The rate is reduced to 3 percent on deemed distributions of Collective Investment Schemes
- Deemed distribution is reduced with payments of actual dividends which have already been paid during the two years from the profits of the relevant year

When an actual dividend is paid after the deemed dividend distribution, then special contribution for defence (if any) is imposed only on the additional dividend paid not previously subject to deemed dividend distribution.

The SCD paid under the deemed dividend distribution provisions can be reclaimed where a dividend is eventually paid to a higher level Cyprus parent company.

Disposal of assets to shareholders at less than market value

Finally, if a company disposes an asset to its shareholder or to one of his relatives for consideration lower than the market value of that asset then it will be considered as a deemed distribution of dividend (subject to conditions).

Company dissolution

The 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 SCD at the rate of 17 percent.

The rate for Collective Investment Schemes is 3 percent.

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

Reduction of capital

In the case of reduction of capital of a company, any amounts paid or due to the shareholders up to the amount of the undistributed taxable income of any tax year calculated before the deduction of losses from subsequent years, will be considered as dividends distributed subject to SCD at 17 percent after deducting any amounts which have been deemed as distributed.

The above provisions do not apply where the shareholders are non-Cyprus residents and upon redemption of units or shares in a Collective Investment Scheme.

Prior to 16 July 2015, the above provisions applied only to the extent that the ultimate shareholders (direct or indirect) are Cyprus tax resident individuals. As from 16 July 2015 the above provisions apply only to the extent that the ultimate shareholders (direct or indirect) are individuals who are both Cyprus tax resident and Cyprus domiciled.



5 Capital Gains Tax

Basis

Capital Gains Tax (CGT) is imposed at the rate of 20 percent on gains from the disposal of immovable property situated in Cyprus including gains from the disposal of shares in companies which own such immovable property in Cyprus and not listed in any recognised Stock Exchange.

Further, as from 17 December 2015, shares of companies which indirectly own immovable property located in Cyprus and at least 50 percent of the market value of the shares derive from such immovable property are subject to Capital Gains Tax.

Determination of capital gain

The capital gain is calculated after deducting from the selling price the initial acquisition cost or the market value as at 1 January 1980 whichever is the higher, inflated by the retail price index in Cyprus. Expenses related to acquisition and disposal are deductible.

Exemptions

The following disposals of immovable property are not subject to CGT:

- Transfers arising on death
- Subject to conditions, land as well as land with buildings, acquired in the period 16 July 2015 up to 31 December 2016 will be exempt from Capital Gains Tax upon its disposal
- Gifts made from parent to child or between husband and wife or between up to third degree relatives

- Gifts to a company where the company's shareholders are members of the donor's family and the shareholders continue to be members of the family for five years after the day of the transfer
- Gifts by a family company to its shareholders, provided such property was originally acquired by the company by way of donation. The property must be kept by the donee for at least three years
- Gifts to charities and the Government
- Transfer as a result of reorganisations
- Exchange or disposal of immovable property under the Agricultural Land (Consolidation) Laws
- Expropriations
- Exchange of properties, provided that the whole of the gain made on the exchange has been used to acquire the other property. The gain that is not taxable is deducted from the cost of the new property, ie the payment of tax is deferred until the disposal of the new property.

Lifetime exemptions

The following deductions exist for individuals:

	€
• Sale of own residence (under certain conditions)	85.430
• Sale of agricultural land by a farmer	25.629
• Other sales	17.086

The above deductions are granted only once for each taxpayer and not for each sale. An individual claiming a combination of the above is allowed up to a maximum of €85.430.

6 Estate Duty

Estate Duty was abolished in 2000.

The executor/administrator of the estate of the deceased is required by the Deceased Persons Estate Law to submit to the Tax Authorities a statement of assets and liabilities of the deceased within six months from the date of death.



7 Value Added Tax

Value Added Tax (VAT) is imposed on the provision of goods and services in Cyprus, as well as on the acquisition of goods from the EU and the importation of goods into Cyprus.

Taxable persons charge VAT on their taxable supplies (output tax) and are charged with VAT on goods or services which they receive (input tax).

Where the output VAT in a VAT period exceeds the total input VAT a payment has to be made to the Authorities. If the VAT input exceeds the VAT output, the excess input VAT is carried forward as a credit and set-off against future output VAT.

For intra community acquisitions of goods (except goods subject to excise duty or new means of transport) the trader does not pay VAT on receipt of the goods in Cyprus but instead accounts for VAT using the acquisition accounting method. This involves a simple accounting entry in the books of the business whereby he self charges VAT and at the same time claims it back if it relates to taxable supplies thereby creating no cost to the business.

Where the acquisition relates to an exempt transaction, the trader must pay the VAT that corresponds to the acquisition.

VAT rates

The legislation provides for the following tax rates:

- Zero rate
- Reduced rate 5 percent
- Reduced rate 9 percent

- Standard rate of 19 percent as from 13 January 2014

Zero rate

- Supply of goods and services to other EU member states
- Exports to non EU countries
- Commissions received from abroad for import-export of goods
- International air and sea transport
- Processing carried out on goods in Cyprus on behalf of a customer abroad provided that the goods will be exported outside the EU when the processing finishes

Reduced rate

- Hotel accommodation fees (9%)
- Restaurants and catering (except alcohol) (9%)
- Rural and private taxi transport services (9%)
- Tourist excursion and long distance bus services (9%)
- Foodstuffs (5%)
- Medicines and vaccines (5%)
- Supply of fertilisers, animal feeding products and seeds (5%)
- Supply of live animals for human consumption (5%)
- Books, magazines and newspapers (5%)

- Non-bottled water (5%)
- Liquid gas (5%)
- Transfer of persons on a rural or city bus (5%)
- Various goods for the use of handicapped persons (5%)
- Ice-cream and similar products (5%)
- Funeral services and supply of coffins (5%)
- Road sweeping, garbage collection and recycling (5%)
- Services of authors, composers and artists (5%)

Exemptions

The following services are exempt from VAT:

- Rents
- Most medical services
- Most insurance banking and financial services
- Educational services
- Management services provided to mutual funds
- Supplies of real estate, excluding new buildings before their first use but including supplies of land and of second-hand buildings
- Postal services provided by the national postal authority
- Lottery tickets and betting coupons for football and horse racing

Registration

Registration is compulsory for businesses with turnover in excess of €15.600 in a year or with an expected turnover in excess of €15.600 in a period of thirty days following. Businesses with less than this turnover have the option to register only if they so elect.

An obligation for registration also arises for businesses which make acquisitions of goods from other EU member states in excess of €10.252 during any calendar year.

Exempt goods and services and transactions of capital nature are not taken into consideration when determining the annual turnover for registration purposes.

In addition as from 1 January 2010 an obligation for VAT registration arises for businesses engaged in the supply of intra-Community services for which the recipient must account for VAT under the reverse charge rules. Such businesses will be required to complete and submit a VIES (VAT Information Exchange System) declaration on a monthly basis, for services which are taxed by the recipient under the reverse charge provisions. VIES return will only be submitted electronically.

Furthermore, an obligation for VAT registration arises for businesses carrying out economic activities where they receive services from abroad for which an obligation to account for Cyprus VAT under the reverse charge provision exists.

No registration threshold exists for intra-Community supply of services, however for intra-Community receipt of services from abroad a threshold of €15.600 applies.

Thresholds for VAT Registration - Summary

	€
• Provision of taxable supplies in Cyprus	15.600
• Acquisition of goods in Cyprus from other EU member states suppliers	10.252
• Supply of intra-community services	No threshold
• Receipt of services from abroad - under reverse charge rules	15.600
• Registration threshold for sales to persons not subject to VAT registration in Cyprus by suppliers in another EU member state	35.000

Difference between zero rate and exempt supplies

The difference between zero rate and exempt supplies is that businesses that make exempt supplies are not entitled to recover the VAT charged on their purchases, expenses or imports

Irrecoverable input VAT

As an exception to the general rule, input VAT cannot be recovered in a number of cases which include the following:

- Acquisition used for making exempt supplies
- Purchase, import or hire of saloon cars

- Entertainment and hospitality expenses (except those relating to employees and directors)
- Housing expenses of directors

Refund of foreign (EU) VAT (in terms of the 8th Directive)

With effect from 1 January 2010, EU established businesses are able to reclaim foreign (EU) VAT by an electronic process, ensuring quicker refunds to claimants.

Costs on which VAT is reclaimed will have to be classified in accordance with the following categories:

- Fuel
- Hiring of means of transport
- Expenditure on means of transport (other than 1 and 2 above)
- Road tolls and road usage charges
- Travel expenses such as taxi fares, public transport fares etc
- Accommodation
- Food, drink and restaurant
- Admissions to fairs and exhibitions
- Expenditure on luxuries, amusement and entertainment
- Other

Tax Authorities will be required to process claims within a stipulated time period. If this time frame is exceeded they will have to pay interest (currently set at 3,5 percent) to the claimants on overdue refunds.

Reporting Obligations and Listings (VIES)

With effect from 1 January 2010 additional filing requirements have been introduced by the EU. Where a Cyprus Company provides cross border services to VAT registered businesses within EU Member States then there is an obligation to register to VIES (Vat Information Exchange System).

VAT declaration – Payment/return of VAT

VAT returns must be submitted quarterly and the payment of the VAT must be made within 10 days of the second month that follows the month in which the tax period ends.

VAT registered persons and companies have the right to request for a different filing period. Approval of the VAT Authorities is required. A tax person maybe required by the authorities to file returns for different periods.

Where in a quarter input tax is higher than output tax, and therefore a repayment is due, the difference is refundable or is transferred to the next VAT quarter.

Penalties

	€
• Late submission of VAT Return	51 each
• Late submission of VIES Return	50 each
• Late submission of corrective VIES Return	15 each
• Late registration with VAT authorities	85 per month of delay
• Omission to keep books and records for 6 years	341

Reduced rate 5 percent for acquisition of first residence

The reduced rate of 5 percent is effective as from 1 November 2011 and applies to the acquisition and/or construction of residences to be used as the primary and permanent place of residence for the next 10 years.

The persons who are entitled to this rate should fulfil the following conditions:

- Has completed 18 years of age at the time of submission of application
- Is a citizen of Cyprus or any other member state of the EU
- Does not own any other place of residence in Cyprus

With effect from 8 June 2012 the eligible persons included residents of non EU countries provided that the residence will be used as their primary and permanent place of residence in the Republic of Cyprus.

Following a legislative amendment, the restriction that existed for the imposition of the reduced rate of VAT on the first 200 square meters for private residences up to 275 square meters no longer applies.

Based on the amendment, the reduced rate of VAT of 5% applies on the first 200 square meters whereas for the remaining square meters as determined based on the building coefficient, the standard VAT rate is imposed. The reduced rate is imposed only after obtaining a certified confirmation.

The private residences must be used as the main and permanent place of residence for a period of 10 years.

In addition based on the amendment, persons who have already

acquired a residence on which the reduced VAT rate was imposed, can re-apply and acquire a new residence on which the reduced VAT rate will be imposed, irrespective of whether the 10 year prohibition period for using the residence provided or in the legislation has lapsed or not. A condition for this to apply is that in case the 10 year period of using the residence as the main and permanent place of residence has not lapsed, the persons must pay back to the Tax Department the difference in the VAT between the standard and reduced VAT rates applicable at the time of the acquisition or construction of the residence.

Imposition of the reduced rate of 5 percent on the renovation and repair of private residences

As from 4 December 2015, the renovation and repair of old private residences (for which a period of at least three years has elapsed from the date of their first use) is subject to VAT at the reduced rate of VAT of 5 percent, excluding the value of materials which constitute more than 50 percent of the value of the services.

In addition, as from 4 December 2015 the renovation and repair of old private residences (for which a period of at least three years has elapsed from the date of their first use) and which are used as the place of residence of vulnerable groups or residences that are used as the place of residence and which are located in remote areas are subject to VAT at the reduced rate of VAT of 5 percent.

8 Immovable Property Tax

Immovable Property Tax is abolished as from 1 January 2017

Until tax year 2016, immovable Property Tax is imposed on the market value as at 1 January 1980 and applies to the immovable property owned by the taxpayer on 1 January of each year. The immovable property tax is payable on 30 September of each year.

The 2016 bands and rates for Immovable Property Tax for properties situated in Cyprus are per the table below which apply per owner, not per property.

Tax rates

Property value € (as at 1 January 1980)	Rate ‰	Accumulated tax €
First 40.000*	6	240
From 40.001 – 120.000	8	880
From 120.001 – 170.000	9	1.330
From 170.001 – 300.000	11	2.760
From 300.001 – 500.000	13	5.360
From 500.001 – 800.000	15	9.860
From 800.001 – 3.000.000	17	47.260
Over 3.000.000	19	

**Property owners whose property has a total value of €12.500 or less (using 1980 values) are exempt from Immovable Property Tax.*

The following categories are exempt from immovable property tax:

- schools
- immovable property owned by the Republic

- public hospitals
- churches
- embassies and consulates
- public cemeteries
- property occupied by the Turks
- agricultural land used for farming or breeding
- buildings under the Preservation order
- buildings of charitable organisations
- public places



9 Transfer Fees

Transfer Fees are levied by the Department of Land and Surveys for transfers of immovable property situated in Cyprus.

Applicable rates:

Market value €	Rate %	Fee €	Accumulated fees €
Up to 85.000	3	2.550	2.550
85.001-170.000	5	4.250	6.800
Over 170.000	8		-

However:

- No transfer fees are payable if VAT is applicable upon purchasing the immovable property.
- The above transfer fees are reduced by 50 percent in case the purchase of immovable property is not subject to VAT.

In the case of property the transfer fees are calculated on the value of the property as follows:

- parents to children Nil
- between spouses 0,1 percent
- between relatives up to third degree 0,1 percent
- to trustees € 50

'Value' in these cases refers to values as at 1 January 2013.

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

Mortgage registration fee is 1 percent of the current market value.

In the case of companies' reorganization, transfers of immovable property are not subject to transfer fees or mortgage registration fees.

10 Social Insurance

The rate of Social insurance contributions is applied to a maximum level of emoluments.

The rate of 7,8 percent applies for both the employer and the employee up to 31 December 2018.

Contributions

	%
• Employer	7,8
• Employee	7,8

The maximum level of annual income applicable on which social insurance contributions are paid on is as follows:

	€
• Weekly employees	54.396
• Monthly employees	54.396

The contributions of self-employed persons are 14,6 percent of income. The amount of the contributions is subject to a lower and a maximum limit depending on the profession or trade of the self-employed person. These limits are set on an annual basis.

Other employer's contributions

The employer makes the following other contributions based on employee's emoluments (which are restricted to the maximum level of €54.396 as stated above):

	%
• Social Cohesion fund	2
• Redundancy fund	1,2
• Industrial Training fund	0,5
• Holiday fund (if not exempt)	8



11 Stamp Duty

The table below gives the amount of duty payable on certain documents. Any contracts relating to assets situated outside Cyprus or business matters that take place outside Cyprus are exempt from stamp duty. Transactions during the reorganisations are also exempt.

Nature of document	
Receipt – for sums of €4	7 cents
Cheque	5 cents
Letter of credit	€2
Letter of guarantee	€4
Bill of exchange	€1
Contracts with Fixed amount	
- up to €5.000	0
- between €5.001 – €170.000	1,5‰
- above €170.000*	2‰
Contracts without Fixed Sum capped at a maximum of €35	
Customer declaration document	€18-€35
Bill of lading	€4
Charter party	€18
Power of attorney – general	€6
- limited	€2
Certified copy of contracts and documents	€2

Registrar of Companies fees	
Incorporation of a limited liability company Capital Duty	€103 plus 0,6% on authorised share capital
Increase in the share capital of a private company	0,6% on the additional amount of the increase
Issued share capital	flat duty of €17,09
Filing of Annual Return	€17,09
Company reorganisations	exempt

**Capped at maximum €20.000*



12 International Trusts

Cyprus International Trusts are set up under the International Trust Laws enacted between 1992 till 2013, regulating the establishment and administration of international trusts in the island.

An international trust is established by an individual “the Settlor” and is a means whereby property “the Trust Property” is held by one or more persons “the Trustees” for the benefit of another or others “the Beneficiaries” or for specified purposes.

Trusts have traditionally been very important tax planning devices. Even today a very high proportion of tax planning structures involve trusts.

Tax aspects

International trusts are governed by the International Trusts Law of Cyprus. International trusts are not taxed in Cyprus. In fact, Cyprus international trusts enjoy important tax advantages, providing significant tax planning possibilities.

The following advantages are indicative of the possible options for tax minimisation:

- All income, whether trading or otherwise, of an international trust (ie a trust whose property is located and income is derived from outside Cyprus) is not taxable in Cyprus
- Dividends, interest or other income received by a trust from a Cyprus international business company are neither taxable nor subject to withholding tax
- Gains on the disposal of the assets of an international trust are not subject to capital gains tax in Cyprus, except cases of disposal of immovable property situated in Cyprus or shares in companies which own such immovable property in Cyprus

- An alien who creates an international trust in Cyprus and retires in Cyprus is still exempt from tax if all the property settled and the income is abroad, even if he is a beneficiary
- The assets of an international trust are not subject to estate duty in Cyprus
- Trusts are usually used by wealthy individuals for the purpose of protecting their estates from inheritance or capital gains taxes in their home country. They can also be used by expatriates settling into a trust before repatriating assets acquired while working abroad, to protect such assets from tax in their home country

Additional protection

Building on existing clauses, additional firewall provisions were included in the legislation to enhance the validity of the trust vis-à-vis foreign laws and court proceedings in other countries:

- The trust's validity, management, disposition of property, variations of its terms or the exercise of the functions of the trustee/protector are regulated by Cyprus' Law and are not affected by the application of any foreign law
- In the event of a settlor's bankruptcy, or liquidation, no Cyprus or foreign law shall invalidate the trust and no claim can be brought against the property transferred into the trust
- The trust or disposition is not affected by the laws of any other jurisdiction which prohibits or does not recognize the concept of a trust
- The trust or disposition is protected against foreign inheritance law and against foreign laws which regulate personal relationships

13 Double Tax Treaties

Withholding taxes - Paid to Cyprus

	Dividends %	Interest %	Royalties %
Armenia	0/5	5	5
Austria	10	0	0
Azerbaijan	0	0	0
Bahrain	0	0	0
Belarus	5/10/15	5	5
Belgium	10/15	0/10	0
Bosnia	10	10	10
Bulgaria	5/10	0/7	10
Canada	15	0/15	0/10
China	10	10	0/10
Czech Republic	0/5	0	0/10
Denmark	0/15	0	0
Egypt	15	15	10
Estonia	0	0	0
Finland	5/15	0	0
France	10/15	0/10	0/5
Germany	5/15	0	0
Georgia	0	0	0
Greece	25	10	0/5
Guernsey	0	0	0
Hungary	5/15	0/10	0
Iceland	0	0	0
India	10/15	0/10	15
Ireland	0	0	0/5
Italy	15	10	0
Kuwait	0	0	5
Kyrgyzstan	0	0	0
Latvia	0	0	0
Lebanon	5	5	0
Lithuania	0/5	0	5
Malta	0	10	10
Mauritius	0	0	0
Moldova	5/10	5	5
Montenegro	10	10	10
Norway	0/15	0	0

(cont'd)	Dividends %	Interest %	Royalties %
Poland	0/5	0/5	5
Portugal	10	10	10
Qatar	0	0	5
Romania	10	0/10	0/5
Russia	5/10	0	0
San Marino	0	0	0
Serbia	10	10	10
Seychelles	0	0	5
Singapore	0	0/7/10	10
Slovakia	10	0/10	0/5
Slovenia	5	5	5
Spain	0/5	0	0
South Africa	0	0	0
Sweden	5/15	0/10	0
Switzerland	0	0	0
Syria	0/15	0/10	10/15
Tajikistan	0	0	0
Thailand	10	10/15	5/10/15
Ukraine	5/15	2	5/10
United Arab Emirates	0	0	0
United Kingdom	0/15	10	0/5
United States of America	5/15	0/10	0
Uzbekistan	0	0	0

The above table provides a summary of the withholding taxes applicable for payments to Cyprus companies from double tax treaty countries.

Withholding taxes - Paid from Cyprus

Dividends No withholding taxes exist for dividend payments which are made to non tax residents of Cyprus.

Interest No withholding taxes exist for interest payments which are made to non tax residents of Cyprus.

Royalties No withholding taxes are levied on royalties as long as the right is used outside Cyprus. If the right is used in Cyprus, the rates appearing in the above table apply.

14 2016 Tax Due Dates

End of following month

Payment of tax deducted from employees salary (PAYE) in the preceding month.

Payment of special contribution for defence 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 (TD 623) for the year ended 31 December 2014

31 March

Electronic submission of the 2015 corporation tax return (TD4) and income tax return of physical persons preparing audited Financial Statements for the year ended 31 December 2015

30 April

Payment of premium tax for life insurance companies - first instalment for 2017.

Non-electronic submission of 2016 personal tax returns of individuals whose incomes do not include income from a trade/business, rents, dividends, interest, royalties nor income relating to trading goodwill

30 June

Payment of special contribution for defence 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 2016 personal income tax under the self assessment method by individuals not preparing audited financial statements

Non-electronic submission of 2016 personal tax returns of individuals not required to prepare audited financial statements but whose incomes include income from a trade/business, rents, dividends, interest, royalties or income relating to trading goodwill

31 July

Electronic submission by employers of the total 2016 payroll (TD7)

Submission of the 2017 provisional tax return and payment of the first instalment.

Electronic submission of 2016 personal tax returns of individuals whose incomes do not include income from a trade/business, rents, dividends, interest, royalties nor income relating to trading goodwill

1 August

Payment of 2016 final corporation tax under the self assessment Method.

Payment of 2016 income tax under the self assessment method by individuals preparing audited financial statements



31 August

Payment of premium tax for life insurance companies – second instalment of 2017

30 September

Submission of 2016 personal tax returns of individuals not required to prepare audited financial statements but whose income derived from trade/business, rents, dividends, interest, royalties or income relating to trading goodwill

31 December

Payment of provisional tax – second and last instalment for 2017

Payment of special contribution for defence for the last six months of 2017

Payment of premium tax for life insurance companies - third and last instalment for 2017

Interest and Penalties

The official rate applicable as from 1 January 2017, set by the Ministry Finance is 3,5 percent. The interest rate for outstanding amounts is 4 percent for 2015-2016, 4,5 percent for 2014, 4,75 percent for 2013, 5 percent for 2011-2012, 5,35 percent for 2010, 8 percent for 2007 - 2009 and 9 percent prior to 2007.

In addition to the interest, a penalty is also charged depending on the circumstances.

Notes

- (1) Physical persons submit 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

15 Oneworld Ltd

At Oneworld Ltd we deal in solutions. Although a significant proportion of our business is corporate registration and administration, many clients now come to us for a complete solution and for many we also provide creation and administration of trusts, international tax advice, accounting and payroll, VAT and customs, corporate finance, valuations and related services.

Like our clients, we maintain the highest professional standards and code of conduct. Our due diligence procedures more than meet the requirements of the highly regulated jurisdictions in which we work.

Adherence to the highest standards is demonstrated by the licences we have obtained. Our staff are trained comprehensively in anti money laundering and 'know your client' procedures. As you would expect, confidentiality is paramount in all our dealings, and our staff are bound by law to maintain professional confidences.

We are one of the leading corporate providers and we bring a depth of experience to our work and dealings with clients. Our personnel consists of chartered accountants, lawyers, financial advisors, tax specialists, administrators and company secretaries as well as a highly trained and knowledgeable corporate and support staff.

Oneworld Ltd is a member of One Group which includes:

- One Plus Capital Ltd
- One Plus Family MFO Ltd
- Oneworld Trustees Ltd
- Oneworld MidEast Ltd
- Priamus Pro Audit Services (Affiliated)

Our Services

Corporate and Trust

- Company and Trust Formation
- Domiciliary and Management
- International Structuring
- Registrar and Shareholders
- Intellectual Property
- Fund Administration

Financial Advisory

- Corporate Finance
- Listings
- Financial Due Diligence
- Business Recovery
- Mergers and Acquisitions
- Venture Capital



Global Compliance

- Accounting Services and Reporting
- VAT Registration
- HR and Payroll
- Fund Valuation Services

Business Advisory

- Domiciliary and Management
- Internal Audit
- Regulatory Compliance
- Corporate Strategy
- Performance and Reward Management
- HR Management
- IT Services

Tax and Legal

- International Tax
- EU Direct Tax
- Transfer Pricing
- Legal Services
- Legal Support



Contacts

Savvas Shiatis	sshatis@oneworldweb.net
George Hadjipavlou	ghadjipavlou@oneworldweb.net
Marios Fieros	mfieros@oneworldweb.net
Theodoros Theodorou	ttheodorou@oneworldweb.net
Alexandros Philippides	aphilippides@oneworldweb.net
Efthymios Michaelides	emichaelides@oneworldweb.net

Address

Nicosia

(Head Office)

75 Prodromou Avenue

Oneworld House

PO Box 25207

Nicosia 1307, Cyprus

T +357 22496000

F +357 22493000

info@oneworldweb.net

Limassol

135 Arch. Makarios III Avenue

Emelle Building, 4th floor

PO Box 51718

Limassol 3021, Cyprus

T +357 25337745

F +357 25337765

Limassol@oneworldweb.net

www.oneworldweb.net

Dubai, UAE

Bayswater Tower, Office 1812

Al Abraj South Street

Business Bay

PO Box 333641

Dubai UAE

T +971 45515693

F +971 42767612

info@oneworldmideast.net

www.oneworldmideast.net



www.oneworldweb.net