

Cyprus Country Profile

EU Tax Centre

July 2015

Key tax factors for efficient cross-border business and investment involving Cyprus

EU Member State Yes

Double Tax Treaties With:

Armenia	Estonia	Kuwait	Qatar	Switzerland
Austria	Finland	Kyrgyzstan	Romania	Syria
Azerbaijan	France	Lebanon	Russia	Tajikistan
Bahrain	Germany	Lithuania	San Marino	Thailand
Belarus	Greece	Luxembourg ^(a)	Serbia	Turkmenistan
Belgium	Guernsey	Malta	Seychelles	UAE
Bulgaria	Hungary	Mauritius	Singapore	UK
Canada	Iceland	Moldova	Slovakia	Ukraine
China	India	Montenegro	Slovenia	US
Czech Rep.	Rep. of	Norway	South Africa	Uzbekistan
Denmark	Ireland	Poland	Spain	
Egypt	Italy	Portugal	Sweden	

Note: (a) Treaty initialed on October 19, 2007, but not yet in force.

Forms of doing business Limited Liability Company with share capital
Partnerships

Legal entity capital requirements No

Residence and tax system A company is resident if its management and control is exercised in Cyprus. Registration in Cyprus is not decisive.

Resident companies are taxed on their worldwide income. Non-resident companies are taxed only on their Cypriot source income, unless they have a permanent establishment in Cyprus and have opted to be treated as a resident company (to benefit from a worldwide loss set-off).

Compliance requirements for CIT purposes

A company is required under the Income Tax Law to file its annual tax return, prepared based on audited financial statements to the local tax authorities. The filing date is 12 months after the financial year ending December 31. For electronic filings the deadline for submission is extended by 3 calendar months. Companies are required to prepare accounts and pay tax on a temporary and self-assessment basis. Corporate entities must also submit a provisional return prior to August each year based on the estimated current year's income. Provisional tax payments must be made on estimated current year income in two equal installments, on July 31 and December 31. If the income declared for provisional tax purposes is less than three-fourths of the income as finally determined, the taxpayer must pay, in addition to the normal tax, an amount equal to one-tenth (10 percent) of the difference between the final and the provisional tax. Estimated income can be revised (upwards/downwards) anytime before December 31, the date the last provisional payment is due.

A final payment must be made on August 1 of the following year of assessment, in order to bring the total installment payments to the level of the actual liability due according to the actual tax liability determined.

Tax rate

The standard corporate income tax rate is 12.5 percent.

Withholding tax rates

[On dividends paid to non-resident companies](#)

No

[On interest paid to non-resident companies](#)

No

[On patent royalties and certain copyright royalties paid to non-resident companies](#)

No withholding tax is levied on royalties paid to non-residents who are not engaged in any business in Cyprus and the intellectual property right is granted for use outside Cyprus. Otherwise, a withholding tax of 10 percent (or 5 percent for film royalties) applies, subject to reduction by double tax treaties.

[On fees for technical services](#)

No

[On other payments](#)

No

[Branch withholding taxes](#)

No



Holding rules	<p>Dividend received from resident/non-resident subsidiaries</p> <p>Exemption method (100 percent) subject to conditions:</p> <ul style="list-style-type: none"> ■ Minimum participation requirement: No (as of tax year 2009); ■ Minimum holding period: No; ■ Taxation requirement: Profits in the subsidiary taxed at more than 5 percent, or the distributing company produces more than 50 percent of its total income from non-passive sources.
Holding rules (cont'd)	<p>Capital gains obtained from resident/non-resident subsidiaries</p> <p>Only on immovable property situated in Cyprus.</p>
Tax losses	<p>Yes. Tax losses may be set-off against income from other sources in the same year, and unused losses may be carried forward to five subsequent years. No carry-back is available.</p>
Tax consolidation rules/Group relief rules	<p>Yes, for companies in a 75 percent group, provided that both companies are tax resident in Cyprus for the entire year including the year of incorporation.</p>
Registration duties	<p>EUR 102.52 plus 0.6 percent on nominal value of authorized capital. No capital duty is levied on share premium.</p>
Transfer duties	<p>On the transfer of shares</p> <p>No transfer duty on transfer of shares.</p> <p>Small administrative fee (EUR 17) on filing of the form for the issue and allotment of shares.</p> <p>Stamp duty on a share purchase agreement based on the amount stipulated in the agreement: No stamp duty is imposed on sums not exceeding EUR5.000, a 0.15 percent for sums not exceeding EUR 170,000, 0.2 percent plus EUR 247.5 for sums exceeding EUR 170,000, with a maximum duty of EUR 20.000.</p> <p>On the transfer of land and buildings</p> <p>Yes, if situated in Cyprus land transfer fees may apply depending on the value of the property.</p> <p>Stamp duties</p> <p>Yes, if situated in Cyprus land transfer fees may apply depending on the value of the property. Also, stamp duty based on the amount stipulated in the agreement: No stamp duty is imposed on sums not exceeding EUR5.000, a 0.15 percent for sums not exceeding EUR 170,000, 0.2 percent plus EUR 247.5 for sums exceeding EUR 170,000, with a maximum duty of EUR 20.000.</p>



Real Estate Taxes

Yes depending on the total value of the taxpayer's property. Rates range from 6% to 19%.

Controlled Foreign Company rules

No, but arm's length principle applies.

Transfer pricing rules

General transfer pricing rules

No, but arm's length principle applies.

Documentation requirement?

No, but recommended as a matter of practice.

Thin capitalization rules

No

General Anti-Avoidance rules (GAAR)

No

Specific Anti-Avoidance rules/Anti Treaty Shopping Provisions

The Director of Inland Revenue maintains the right to ignore/examine artificial transactions.

Advance Ruling system

Yes

IP / R&D incentives

IP Incentive of 80% notional deduction from net IP income and amortization over 5 years.

Other incentives

Accelerated depreciation for selected buildings and machinery (ending on December 31, 2014).

VAT

The standard rate is 19 percent and the reduced rates are 0, 5 and 9 percent.

Other relevant points of attention

No

Source: Cypriot tax law and local tax administration guidelines, updated 2015.



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