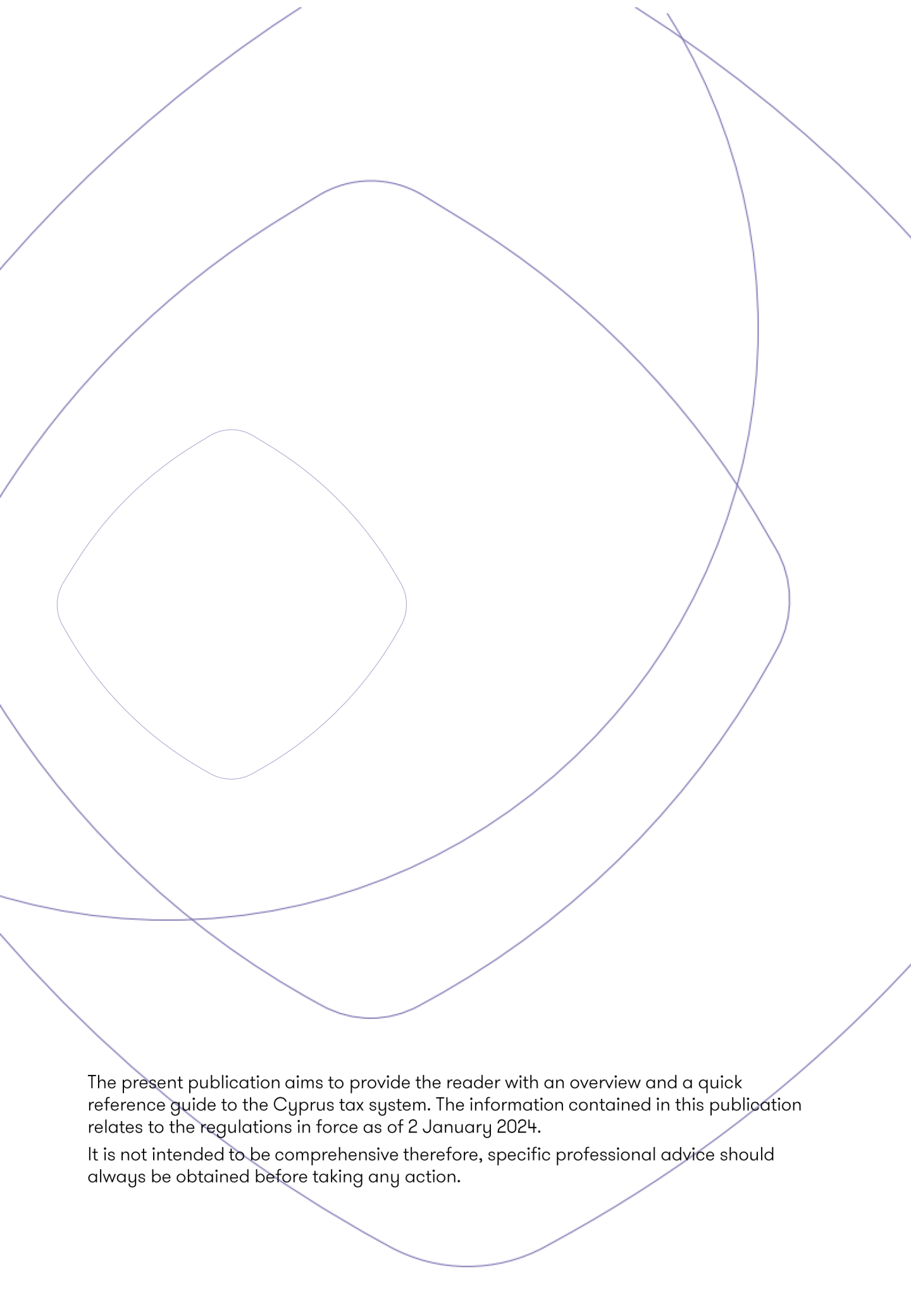


Cyprus Tax Facts 2024



The background of the page features several overlapping, hand-drawn purple lines that form abstract, organic shapes. These lines vary in thickness and create a sense of movement and depth across the white page.

The present publication aims to provide the reader with an overview and a quick reference guide to the Cyprus tax system. The information contained in this publication relates to the regulations in force as of 2 January 2024.

It is not intended to be comprehensive therefore, specific professional advice should always be obtained before taking any action.

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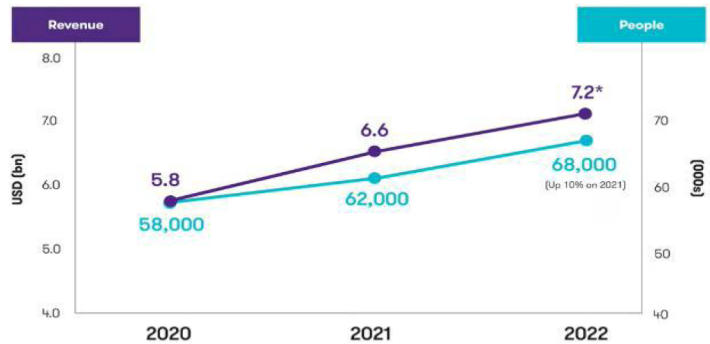


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Doing business in Cyprus

Since its accession to the European Union in 2004, the tax legislation of Cyprus complies with EU requirements and with the OECD initiative against harmful tax practices.

The significant tax advantages offered by Cyprus to international companies with a Cyprus tax-resident base include:

- Double tax treaties with over 68 countries
- Favorable tax regime, including corporation tax of 12,5%, one of the lowest rates in the EU
- Nil withholding taxes on dividends and on interest payable to non-Cyprus tax residents
- Exemption from tax in most cases on dividends received
- Exemption from tax of profits from operations of permanent establishments situated abroad
- Exemption from tax of profits on disposal of shares, bonds and other securities (except in the case where the company issuing the shares owns immovable property directly or indirectly that is situated in Cyprus)
- Exemption from capital gains tax on gains arising from the disposal of immovable property situated abroad.

International companies which choose to have a permanent establishment in Cyprus can enjoy additional benefits such as:

- Strategic geographic location
- excellent communications infrastructure
- efficient legal, accounting and banking services
- liberal foreign direct investment regime
- highly qualified, well-educated and multilingual labour force
- freedom of movement of foreign currency
- one of the lowest crime rates in Europe.

All the above factors combine to make Cyprus an ideal and effective location for EU inbound and outbound investments.

Personal taxation

Imposition of tax

Individuals who are Cyprus tax residents are subject to tax on their worldwide income, whether remitted to Cyprus or not. Individuals who are non-Cyprus tax residents are subject to tax only on their Cyprus-source income.

Tax residence

For Cyprus tax purposes, “Cyprus tax resident” means an individual who, in the year of assessment (calendar year), stays in the Republic of Cyprus for a period or periods exceeding in aggregate 183 days.

As from 1st January 2017 the “60 days rule” for tax residency has been introduced. An individual will be considered as a tax resident of Cyprus if he/she satisfies either the existing “183 days rule” or the new “60 days rule” for the tax year.

The “60 days rule” applies to individuals who in the relevant tax year:

- Do not reside in any other single state for a period exceeding 183 days in aggregate
- Are not tax resident in any other state
- Reside in Cyprus for at least 60 days
- Have other defined Cyprus ties.

For company residence, see page 14.

Days in and out of Cyprus are calculated as follows:

- The day of departure from Cyprus is taken as a day of residence outside Cyprus
- The day of arrival in Cyprus is taken as a day of residence in Cyprus
- Arrival in and departure from Cyprus on the same day is taken as a day of residence in Cyprus
- Departure from and arrival in Cyprus the same day is taken as a day of residence outside Cyprus.

Income tax rates for 2024

Taxable Income €	Rate %	Tax €	Cumulative taxable Income €	Cumulative Tax €
First 19.500	-	-	19.500	-
Next 8.500	20	1.700	28.000	1.700
Next 8.300	25	2.075	36.300	3.775
Next 23.700	30	7.110	60.000	10.885
Over 60.000	35			

Foreign pensions

Foreign pensions of a Cyprus resident individual which exceed the amount of €3.420 per annum are taxable at the rate of 5%. The recipient of such pension may elect, for each year of assessment, to be taxed at the normal rates.

Widow pensions

As from year 2014, widow pensions received are taxed separately (is not added to other income) at a rate of 20% for any amount that exceeds €19.500. However, the pensioner may choose to add the pension on the total income and be taxed under the normal personal income tax rates.

Funds industry

Special rules for variable remuneration which is connected to the carried interest, for individuals employed in the funds industry - on Alternative Investment Fund (AIF) and Undertakings for Collective Investments in Transferable Securities (UCITS), is taxed at flat rate of 8% with a minimum tax liability of €10.000 per annum. Employees satisfying the conditions can elect on annual basis to be taxed under this regime for a period of 10 years or follow the normal provisions for personal tax assessment.

Benefit in kind

Benefit either in cash or otherwise, provided to employees and/or members of their families, is added to earnings/income and is subject to income tax. The Tax Department provided guidelines for calculation of benefits in three main categories of benefits i.e. cars/accommodation/other benefits.

Exempt Income

Type of income	Limit	Note
Profits on disposal of titles	100%	1
Remuneration from salaried services rendered outside Cyprus	100%	2
Dividend income	100%	3
Interest income	100%	4
Remuneration of individuals who, before commencing employment in Cyprus, were not Cyprus tax residents	20% of emoluments, up to a maximum of €8.550 p.a.	5,7
Remuneration of individuals who, before commencing employment in Cyprus, were not Cyprus tax residents and their income from employment is more than €55.000 per annum	50% of total emoluments	6,7
Lump sum on retirement, commutation of pension or compensation for death or personal injury	100%	
Capital sums received in respect of eligible life insurance policies or provident, pension and other funds	100%	
Profits from a permanent establishment abroad are exempt subject to certain conditions	100%	
Rent from preserved buildings	100%	
Taxable income arising from operations in Cyprus in the audio-visual industry	50%	8

Notes

1. "Titles" means ordinary shares, founder's shares, preference shares, options on titles, debentures, bonds, short positions on titles, futures/forwards on titles, swaps on titles, depository receipts on titles like ADRs and GDRs, claim rights on bonds and debentures (excluding the rights on interest of such products), index participations (provided that they represent titles), repurchase agreements or Repos on titles, participations in companies like Russian OOO & ZAO, American LLCs (provided that they are not transparent entities), Romanian SAs & SRLs, Bulgarian ADs and OODs and units in open-ended or close-ended collective investment schemes that have been established and registered, and function, in accordance with the provisions of specific and relevant legislation in the country of the registration. Promissory notes and bills of exchange are not included under definition of titles.
2. The employer must either be a non-Cyprus tax resident or a Cyprus tax resident with a permanent establishment abroad. For the exemption to apply, the service abroad must be for a period or periods of more than 90 days in aggregate in any one year of assessment.
3. Such dividend income is subject to Special Defence Contribution for Cyprus tax residents.
4. The exemption does not apply if interest arises or is closely related to business activities, which will be treated as trading income.

5. The exemption starts from the year following the year of employment and it can be applied for employment starting from 26 July 2022 onwards. The employee should have been employed for at least 3 consecutive years outside Cyprus by a non-resident employer. The maximum period for which the exemption applies is 7 years.
6. It applies from the year of employment in the Republic and can last for a maximum of 17 years. An employee is eligible for this allowance if he/she was not resident of Cyprus for a period of 15 consecutive tax years immediately prior to the commencement of the employment in Cyprus. If during employment period, the income falls below €55k then the exemption will be granted only if the commissioner is satisfied on certain conditions. Special rules apply for employment starting from 01/01/2022 to 29/06/2023.
7. In practice the tax authorities will allow only one out of the two claims (see note 5 & 6 above).
8. The exemption of 50% cannot exceed the 35% of the qualifying expenses approved by the relevant authority. Any restriction on the exemption can be carried forward for utilization in the next 5 years following same principles. The previous exemption does not apply when a cash refund is claimed back based on the provisions

Allowable deductions

Description	Limit	Note
Annual subscriptions to trade unions and professional associations	100%	
Donations to approved charitable institutions (with receipts)	100%	1
Expenses for letting of buildings	20% of gross rental income	
Interest of a loan used to acquire rented properties	100%	
All expenses incurred wholly and exclusively for the production of income provided that are supported by proper documentation	100%	2
Expenditure incurred for the purpose of maintaining a preserved building	Subject to restrictions	3
Life insurance premiums	100%	4 & 5
Wages and salaries and contributions to Social Insurance Fund, Redundancy Fund, Human Resource Development Fund, Social Cohesion Fund, Pension Fund and Provident Fund	100%	5-7
Expenditure incurred for the acquisition of shares in an “innovative small/medium sized business” (applicable up to 31/12/2026)	Up to 50% of the investment - subject to restrictions with max relief €150k	8
Expenditure on film infrastructure and technological equipment	Up to 20%	

Notes

1. In case of a loss, to the extent of the donation, the loss is not carried forward.
2. Excludes interest and/or running expenses of private motor vehicles.
3. Restriction depends on the covered area of the building.

<u>Square meters</u>	<u>€ per square meter</u>
Up to 120	Up to €1.200
121 – 1.000	Up to €1.100
Over 1.000	Up to €700

4. The deduction for annual life insurance premium is restricted to 7% of the capital sum assured on death. The life insurance should be for the life of the taxpayer and not for his/her spouse unless it relates to policies effected before 1 January 2003. When a life insurance policy is cancelled within six years of its inception, there is a claw-back of premium relief as follows:

Cancellation (in year)	% of premiums allowed treated as income
1-3	30%
4-6	20%

5. The total deduction for all the above allowances (life insurance, contributions to the social insurance, general health system, provident, pension, medical or other “approved” fund) is restricted to 1/5 of an individual’s taxable income before deducting these allowances.
6. Wages and salaries for which the above-mentioned contributions have not been paid in the year, in which they were due, will not be tax deductible for the calculation of taxable income.
7. If the contributions (including any penalties and interest) are paid in full within two years from their due date, then such wages and salaries and their associated contributions will be tax deductible expense in the year that they are paid.
8. Innovative enterprise means the enterprise:
 - a) which can demonstrate, through a comprehensive study carried out by a specialist external expert that may in the near future develop new or substantially improved products, services, or processes in connection with the best products, services or processes in the market and which run the risk of technological or industrial failure or,
 - b) whose research and development costs represent at least 10% of total operating costs in at least 1 of 3 years preceding the granting of the aid or, in the case the enterprise is at the start-up stage and does not have financial history, in the audit of its current tax year, as certified by the external auditor.



Business taxation

Imposition of tax

Cyprus tax resident persons (individuals and companies) are subject to tax on their worldwide income whether remitted to Cyprus or not.

Non-Cyprus tax resident persons are subject to tax only on their Cyprus-source income.

A company is subject to tax in Cyprus if its management and control is exercised in Cyprus, irrespective of its place of registration. To achieve tax residency and substance, the Cyprus Tax Authorities take into consideration the following factors in general:

- the composition of the board of directors
- where the board meetings take place and whether major decisions are properly taken during these meetings
- the place where the discussion and approval of the financial statements take place
- the board of directors must have control over the bank account which must be situated in Cyprus
- the place where the seal of the company is authorized to be used.

In practice, in order for a company to establish its tax residency, it should submit a request for tax residency certificate to the Cyprus Tax Authorities.

As from 31/12/2022 a company incorporated in Cyprus will by default be considered as tax resident of Cyprus unless it is tax resident in any other jurisdiction.

“Company” has the meaning given to this term by the Companies Law and includes anybody with or without legal personality, or public corporate body, as well as every company, fraternity or society of persons, with or without legal personality, including any comparable company incorporated or registered outside the Republic and a company listed in the First Schedule but it does not include a partnership.

Partnerships are not taxable entities. The income of a partnership is attributed to the partners and is subject to income or corporation tax as the case may be.

In the case of a trust that is an entity, the trust is considered to be resident in Cyprus if one or more of its trustees are resident in Cyprus, unless the trust provides the information required to be reported according to CRS to another participating jurisdiction’s tax authority because it is treated as resident for tax purposes there.

Tax registration

As of 1st July

2011, a Company is obliged to register with the tax authorities within 60 days of its registration with the Companies Registrar.

Corporation tax rate

- 12,5% of taxable income

Exempt income

Type of income	Limit	Note
Profits on disposal of securities	100%	1
Dividend income (special regime as from 1 January 2016)	100%	2, 3, 4, 7
Interest Income	100%	6
Profits from operations through a permanent establishment abroad	100%	7
Foreign exchange differences	100%	8
Taxable income arising from operations in Cyprus in the audio abroad	100%	9

Notes

1. The definition of “titles” is stated in page 11 of the booklet.
2. Such dividend income is subject to Special Defence Contribution for Cyprus tax residents.
3. As from 1 January 2016 to comply with the Parent Subsidiary Directive provisions, dividends will only be exempt from Income tax provided that they were not tax-deductible by the paying company.
4. In case where the exemption does not apply, the income will not be considered as “dividend income” for Special Defence Contribution purposes i.e. it will only be taxable under income tax.
5. Unilateral tax credit relief - In case where the dividend income is subject to taxation in Cyprus (income tax) a tax credit relief will be provided assuming that the paying company is based in another member state. Such relief will not be made available if there is no valid commercial reason for the structure in place and its purpose is merely for tax purposes.
6. The exemption does not apply if interest arises or is closely related to the business activities of the entity. Note that exempt interest income is subject to 30% Special Defence Contribution from 29/4/2013 (see page 48)
7. The exemption does not apply if the permanent establishment engages directly or indirectly more than 50% in activities which result in investment income AND the foreign tax burden is significantly lower than the Cyprus tax burden.
8. Any foreign exchange differences arising from transactions (either realised or unrealised) which are not triggered as a result of trading in FX, must be reversed for tax purposes. Those trading in FX can elect irrevocably for any unrealized exchange differences to be adjusted. Such election is made through a special tax form.
9. The exemption of 50% cannot exceed the 35% of the qualifying expenses approved by the relevant authority. Any restriction on the exemption can be carried forward for utilization in the next 5 years following same principles. The previous exemption does not apply when a cash refund is claimed back based on the provisions of the scheme.

Allowable deductions

Description	Limit	Note
Employer's contributions for:		
a. Wages and salaries and contributions to Social Insurance Fund, Redundancy Fund, Human Resource Development Fund, Social Cohesion Fund.	a. 100%	
b. Pension Fund and Provident Fund.	b. 10% on employee's remuneration	1
c. Medical Fund	c. 1.5% on employee's remuneration	
Donations to any approved charitable institution (with receipts)	100%	2
Expenditure incurred for the purpose of maintaining a preserved building.	Subject to restrictions	3
Business entertainment expenses	Lower of 1% of gross income, or €17.086	
Interest on loans to acquire assets used in a business.	100%	4
All expenses incurred wholly and exclusively for the production of income provided that are supported by appropriate documentation.	100%	5
A Notional Interest Deduction (NID) will be allowed on new equity funds introduced into a Cyprus tax resident company on or after 1/1/2015. The NID should be calculated on the basis of the 'reference interest rate' which is equal to the yield on the 10-year government bond (as at December 31 of the prior tax year) of the country where the new funds will be/are invested plus 5%.	80% of taxable profit before allowing the deduction	6
"Old" Intellectual Property (IP) regime - 80% of the net income generated from the exploitation of IP and 80% of the net profit from the disposal of such IP is not taxable. Application of this regime ceased 30/6/2016 with transitional/grandfathering rules to apply until 30/6/2021.	80%	Page 40
"New" Intellectual Property (IP) regime – nexus approach applies as from 1/7/2016.	80%	A fraction is applied based on R&D activity undertaken by the tax payer – see page 40

Description	Limit	Note
Interest expense is tax deductible if arising from loan used in acquiring direct or indirect a 100% subsidiary, provided that all subsidiary's assets are used for the production of taxable income.	100%	
Deemed Expense on balances with Related Parties.	Subject to restrictions	7
Benefit in Kind provided that has been taxed in the hands of the employees and/or their family members.	100%	
Expenditure incurred for the acquisition of shares in an "innovative small / medium sized business (applicable up to 31/12/2026)	Up to 30% of the investment subject to restrictions with max relief €150k	See page 13
Expenditure on film infrastructure and technological equipment	Up to 20%	

Notes

- Wages and salaries for which the above-mentioned contributions have not been paid in the year in which they were due, will not be tax deductible for the calculation of taxable income. If the contributions (including any penalties and interest) are paid in full within two years from their due date, then such wages and salaries and their associated contributions will be tax deductible expense in the year that they are paid.
- In case of a loss, any part of the loss up to the amount of the donation cannot be carried forward.
- Depending on the covered area of the building:

Square meters	€ per square meter
Up to 120	Up to €1.200
Over 1.000	Up to € 700
121 – 1.000	Up to € 1.100
- Interest payable for acquiring a saloon car whether used in the business or not, or any other asset that is not used in the business, is not allowable for the first seven years.
- Excludes interest and running expenses of saloon (passenger) cars as classified under the Motor Vehicles and Traffic Regulations.
- New equity means any equity (fully paid up shares and share premium) introduced into the business on or after 01/01/2015. If the new funds are derived from loans on which a tax deduction for interest has been claimed, the amount of the NID is reduced by the amount of interest deduction claimed. In the event that the new funds are introduced in the form of assets in kind, their valuation for the purposes of calculating the NID cannot exceed their market value at the date of their introduction into the business. Also, no NID shall be granted if the market value of the assets is not documented to the satisfaction of the Tax Commissioner. In the case of reorganizations carried out without generating taxable profits in the transferring company, the NID is calculated as if no restructuring took place. The NID may be restricted by the Tax Commissioner if he is of the opinion that the arrangements have been put in place with the aim of benefitting from the NID, with no valid economic or commercial reason or in the case where there is an attempt to utilise the old equity as new equity through related party transactions and other arrangements.

7. Section 33 of the law gives the power to the Tax Commissioner to adjust the profits or the benefits of a Cyprus tax resident person, by imposing additional “deemed income” in cases where the conditions of a transaction between related parties are not the same as those that would have been agreed and applied between unrelated parties. The amendment of the law now grants the right to the other party to account for a “deemed expense”, equal to the increase in the profit or the benefits of the party for which the commissioner imposed deemed income. The “deemed expense” will also be subject to the normal interest restriction provisions based on Section 11 of the legislation.

Anti-tax avoidance provisions

Further to the adoption of the EU Council Directive 2016/1164 of 12 July 2016, the following anti-tax avoidance provisions have been introduced in the Income Tax Law, defining rules against tax avoidance practices.

The below provisions are applicable as from 1 January 2019.

Interest limitation rule

Excess Borrowing Cost (EBC) over 30% of the Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is not allowed as tax deductible expense in calculating the taxable profit of a company.

Safe-harbour threshold

EBC up to and including €3.000.000 is tax deductible (annually, per company or Cypriot group, as the case may be).

Other specific exclusions:

- grandfathering of loans concluded before 17 June 2016
- long-term loans for public infrastructure projects
- group equity escape.

Controlled Foreign Company

Subject to conditions, the non-distributable income of a CFC or of a foreign permanent establishment, arising from non-genuine arrangements, is included to the taxable income of the Cyprus tax resident company. Foreign tax paid on the income of the CFC may be credited against income tax payable in Cyprus.

General Anti-Abuse rule (GAAR)

Cypriot tax resident companies shall ignore an arrangement or a series of arrangements which are non-genuine and having been put into place for the main purpose or one of the main purposes of obtaining a tax advantage that defeats the object or purpose of the applicable tax law. Non-genuine, are arrangements which are not put into place for valid commercial reasons which reflect economic reality.

As from 1 January 2020 the Exit Taxation rule and the Hybrid Mismatches rule also apply.

Hybrid mismatch

Occurs when there is a difference in the tax treatment of a transaction following the provisions of the laws of two or more jurisdictions. The scope of the law is to neutralise the tax effects i.e., double deduction or deduction without inclusion.

As from 1/1/2022 the provisions also apply for “Reverse hybrid mismatches” – that is when an entity is treated as transparent (not taxable) in the country of incorporation but is taxable in the country of the investor.

Exit Taxation

Applies in the following circumstances:

- a Cyprus company transfers assets to its own Permanent Establishment (PE) abroad in an EU member state or a 3rd country
- a PE in Cyprus transfers assets to its own Head- Office or another PE in an EU member state or to a 3rd country
- a Cyprus company transfers its “tax residence” to an EU member state or to a 3rd country
- a PE transfers “the business” to an EU member state or to a 3rd country.

A Cyprus company or a PE of a foreign entity in Cyprus, will be subject to tax at an amount equal to the market value of the transferred assets at the time of the exit of the assets, less their value for tax purposes in any of the above cases.

Transfer Pricing Documentation Requirements (effective from 01 Jan 2022)

The new transfer pricing law and regulations cover all type of transactions between related parties (that meet the 25% relationship test) in excess of:

- €5.000.000 for the category of financing transactions; and
- €1.000.000 for the rest categories of transactions.

Type of transactions covered:

- Financing: provision and receipt of financing
- Goods: sale and purchase
- Services: provision and receipt of services
- IP Related: sale, purchase, leasing of intangible assets
- Other: any other transaction between related parties.

Transfer Pricing Documentation

The ratification of the new TP legislation aims towards the completion of the three-tiered approach, as per the guidelines of BEPS Action 13 (CbCr, Master File, Local File). It introduces TP documentation requirements to Cyprus tax resident companies and permanent establishments to:

- prepare a **Local File**, containing information and documentation for any intercompany transaction that the local entity is engaged with related parties (if the above thresholds are met)
- prepare a **Master file**, containing high level information about the global business operations and TP policy of the MNE group (*applies to ultimate or surrogate parent entities of MNE groups with consolidated revenues over €750m*)
- submit a **Summary Information Table (SIT)**, containing a summary of the transactions with related parties (no threshold applies).

Reporting Deadlines

- **Local / Master File:** upon request should be made available within 60 days (annual preparation requirement & should be prepared by the Income Tax Return deadline).
- **SIT:** Should be prepared by the Income Tax Return (ITR) deadline (i.e. 15 months from the end of the tax year under review) and submitted electronically together with the ITR.
- **CbC Report** must be filed with the Cyprus Tax Department no later than 12 months after the last.
- **CbCR notification** filing must be made no later than the last day of the fiscal year to which the CbC report relates to.

Transfer Pricing Simplification Measures

On 06 July 2023, the Cyprus Tax Department provided further guidance through a tax circular (6/2023), with regards to simplified documentation requirements for transactions with related parties that do not exceed the designated thresholds for the preparation of a Cyprus Local File. Moreover, the circular introduces the application of safe harbor provisions for certain types of transactions. The provisions have a retrospective effect as of 01 January 2022.

Minimum Transfer Pricing Documentation requirements

- Brief description of the functional analysis of the entity under review (i.e., main functions performed, assets used, and risks assumed);
- Company's characterization based on the functional analysis performed;
- Most appropriate TP method for the transaction under review and the rationale of its use;
- Determination of the arm's length price based on benchmarking analysis performed (based on internal or external comparables) or any other analysis in line with the OECD TP guidelines.

Safe Harbor provisions for certain type of transactions

Type of Transactions	Safe Harbor Rates
Back-to-Back financing	Minimum return of 2.5%
Loans Receivable	10-year government bond (as at 31 Dec of prior year) of the country in which the funds are lent + 3.5%
Loans Payables	10-year government bond (as at 31 Dec of prior year) of Cyprus + 1.5%
Low value-added services	Minimum 5% mark-up on associated cost



Penalties for non-compliance

- the penalties vary between €500 – €20.000 depending on each case
- non submission of SIT within the agreed deadline - €500
- late filing of the Local / Master file (61st – 90th day) – €5.000
- late filing of the Local / Master file (91st – 120th day) – €10.000
- late filing of the Local / Master file (after the 121st day) – €20.000
- a penalty of up to €10.000 and €5.000, in respect of each CbC Report and notification respectively, may be imposed on a Cypriot Constituent Entity for noncompliance. Under certain circumstances each penalty may be increased up to €20.000.

Advance Pricing Agreements (APA's)

- determines in advance the transfer pricing price and methodology of a transaction(s) under review for a specific period of time
- the applicability of an APA is set to four (4) years timeline for the Cyprus Tax Department to finalize an APA (10 – 24 months)
- an APA can either be revised or revoked in case the contractual terms or assumptions on which the APA was based have changed.

Mandatory Disclosure Regime (DAC6)

As of March 2021 the provisions of the EU Directive have been transposed into the Cyprus legislation.

The purpose following action 12 of BEPS, is to prevent aggressive cross-border tax planning. Targets all persons (entities or individuals) acting as “intermediaries” making Reportable Cross-Border Arrangements (RCBAs). An arrangement will be reportable if it meets at least one of the “Hallmarks”. Some of the hallmarks also require the “main benefit test” to be satisfied.

Cross-border arrangements

Main benefit test

Category A: Generic hallmarks <ol style="list-style-type: none"> Confidentiality clause applies in respect of the arrangement Remuneration is in relation to the tax advantage Standardised documentation is used, which does not need to be substantially customised for implementation 	✓
Category B: Specific hallmarks <ol style="list-style-type: none"> Acquisition of a loss making company Effect of converting income into capital Arrangement involves circular transactions 	✓
Category C: Specific hallmarks related to cross border transactions <ol style="list-style-type: none"> Deductible cross-border payments between associated enterprises, and <ol style="list-style-type: none"> i) the tax jurisdiction of the recipient does not impose any corporate tax (or at the rate of almost zero), or ii) the jurisdiction of the recipient is included in a list of non-cooperative states the payment in the jurisdiction of the recipient is exempt from tax, or payment benefits from a preferential tax regime in the jurisdiction of the recipient 	✓
Category C: Specific hallmarks related to cross border transactions <ol style="list-style-type: none"> Deductible cross-border payments between associated enterprises, and <ol style="list-style-type: none"> i) the recipient is not resident in any tax jurisdiction, or ii) the jurisdiction of the recipient is included in a list of non-cooperative states Deduction for the same depreciation in more than one jurisdiction Relief from double taxation in respect of the same item of income or capital in more than one jurisdiction Transfer of assets with materially different valuation in the jurisdictions involved 	✗
Category D: Specific hallmarks concerning automatic exchange of information and beneficial ownership <ol style="list-style-type: none"> Undermining reporting obligations Obscuring beneficial ownership 	✗
Category E: Specific hallmarks concerning transfer pricing <ol style="list-style-type: none"> Involves unilateral safe harbour rules Transfer of 'hard-to-value intangibles' Intragroup transfers that reduce the projected annual EBIT of the transferor by more than 50% 	✗

DAC6 application / Reporting periods / Penalties

Retrospective application as from 25/06/2018.

As from 01/01/2021 intermediaries and taxpayers should report an RCBA within 30 days from the earlier of: (a) that is available for implementation (b) that is ready for implementation (c) its implementation has started. Even-though the application has started earlier, the Cyprus Tax Department provided amnesty from late filing penalties until 31/01/2022.

Penalties for non-compliance can go up to €20.000 per RCBA.

Wear and tear allowances

Description	Rate (%)	Note
Industrial, agricultural and hotel buildings	4	1,2
Plant and machinery used in agriculture	15	2
Commercial buildings	3	2
Plant & machinery	10	1,2
Loose tools	33 $\frac{2}{3}$	2
Furniture, fixtures & fittings	10	1,2
Computer hardware and operating software	20	2
Motor vehicles (excl. saloon cars)	20	2
Excavators, tractors, bulldozers, self-propelled loaders and drums for petrol companies	25	2
Application software	33 $\frac{2}{3}$ (100% if less than €1.709)	2
Air-conditioning	10	2
Printing and binding machines	10	2
Bullet-proof commercial vehicles	20	2
Sailing/Motor yachts	4 $\frac{1}{2}$ / 6	2
Wind turbines	10	2
Photovoltaic systems	10	2
New aeroplanes and helicopters	8	2

Notes

- For the following assets acquired through 2012-2018 (new/ used/additions) an increased allowance on the acquisition cost of the assets is provided as follows:
 - plant and machinery 20 %
 - furniture and fittings 20%
 - industrial buildings 7%
 - hotel buildings 7%.
- Allowances start when the asset is used in the business. For assets acquired from related companies, within this period, Art. 33 may apply.

Losses

Tax losses incurred in any one year and which cannot be set off against other profits of the same year, can be carried forward and set off against future profits of the next five years.

This amendment in the income tax law applies from 1/1/2013 and acts retrospectively for losses carried forward from the year 2008.

Relief in respect of group trading losses is allowed among Cyprus tax resident companies which are members of the same group (with at least 75% control) for the whole year. Only current year group trading losses can be surrendered from one company of the group to another. As from 1/1/2012 companies incorporated by their parent company within the year (with at least 75% ownership), will qualify for group relief for the whole year.

As from 1 January 2015, a company established and tax resident in any member state of the EU, can transfer losses to a group company resident in Cyprus, provided that it has exhausted all other possibilities to use the said losses in its country of tax residence. The amendment also covers companies operating in jurisdictions outside EU with which Cyprus has signed bilateral or multilateral agreements for the avoidance of double taxation or for exchange of information.

Losses of a sole trader or a partnership business converted into a limited liability company can be set off against future profits of the company.

Losses of a permanent establishment abroad can be set off against the Cyprus profits of a business whether incorporated or unincorporated. However, future profits of the permanent establishment are liable to tax, to the extent of the losses allowed (loss recapture).

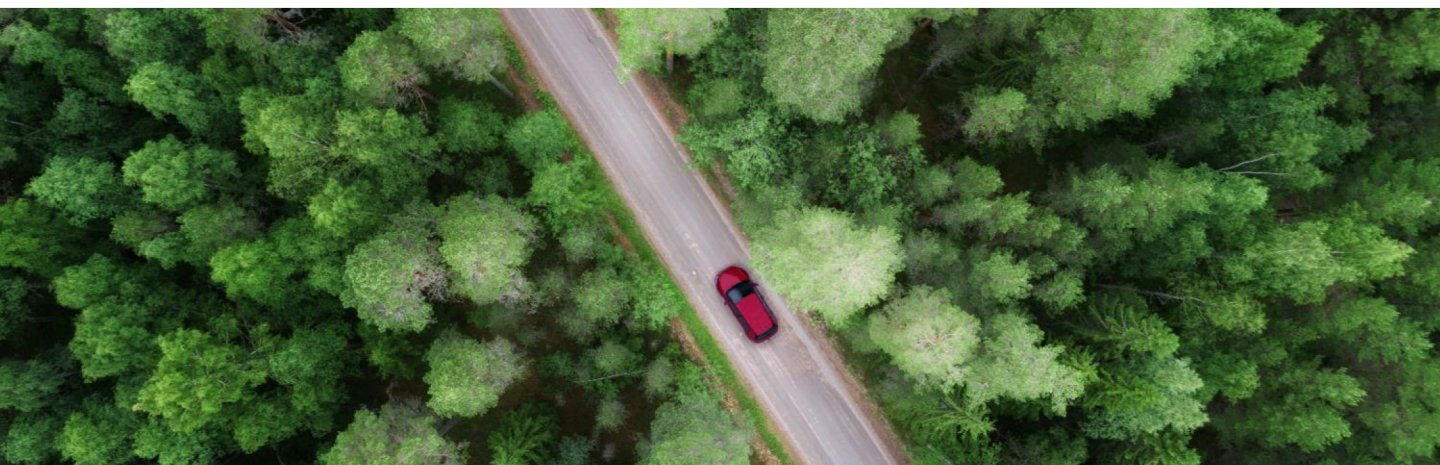
Company reorganisations

Transfers of assets and liabilities between companies in the course of a reorganisation (including provisions and reserves) can be effected without any tax consequences.

The term reorganisation includes exchange of shares, transfer of commercial activities, mergers and de-mergers.

As from 1 January 2016, the new law provides that the Tax Commissioner can refuse to apply the tax relief on the reorganisation provisions unless there are valid commercial and economic reasons that substantiate the reorganisation application.

The Tax Commissioner may also provide the tax exemptions conditionally in respect to the number of shares to be issued and also for the time period that the shares should be kept by the recipient, which should not exceed 3 years.



Value Added Tax (VAT)

Imposition of VAT

VAT applies to taxable supplies made by a taxable person in the furtherance of their business. It also applies to intra-community acquisitions and importation of goods as well as services received from outside Cyprus.

Registration

Registration is compulsory for businesses if at any time their taxable supplies in the preceding 12 months are in excess of €15.600. Additionally, there is an obligation to register at any time where it is expected that taxable supplies will exceed the threshold in the next 30 days.

Registration is also compulsory, irrespective of the value of the supplies, where a business provides services to a business registered for VAT purposes in another EU Member State.

Other situations where obligatory registration applies include the acquisition of goods from other EU Member States over the threshold of €10.251 during any calendar year or acquisition of a business as a going concern. Furthermore, an obligation for VAT registration arises for businesses carrying out economic activities from the receipt of services from abroad or certain domestic services for which VAT is accounted for under the reverse charge provision, subject to the registration threshold of €15.600 being exceeded at any point in the preceding 12 months.

Zero-rated supplies are part of the total taxable supplies in determining whether the threshold has been reached. If a business makes only zero-rated supplies that exceed the threshold an obligation to register for VAT arises.

Voluntary registration is available for businesses which make taxable supplies and do not yet meet the threshold of €15.600.

Taxable persons (legal entities or individuals) with no establishment in Cyprus who are engaged, or expected to be engaged, in taxable supplies in Cyprus are subject to registration regardless of threshold.

VAT returns

Registered persons are obliged to submit periodic VAT returns to the Tax Department which are due by the 10th day of the 2nd month following the end of the reference period. Any related liability must be paid within the same deadline.

VAT return submissions are made electronically via the TFA (Tax For All) online portal.

VAT rates

The VAT legislation provides for the following four VAT rates:

1. zero rate 0%
2. lower reduced rate 3%
3. lower reduced rate 5%
4. higher reduced rate 9%
5. standard rate currently 19%.

Zero-rated taxable supplies (0%)

The zero rate applies mainly to:

- exports to non-EU Countries
- certain supplies of services and ancillary services relating to qualifying sea vessels and aircrafts
- commissions received from abroad relating directly to exports of goods outside EU Member States
- commissions received from abroad relating directly to the importation of goods from non-EU countries where the goods are placed under customs suspension arrangements, including temporary storage, free zones, customs warehousing, etc.
- international air and sea transport
- supply of gold to the Central Bank of Cyprus.
- typewriters with Braille characters and certain special electronic typewriters, as well as wheeled and other vehicles for persons with disabilities.
- until 31 May 2024 (unless otherwise extended) certain types of fresh, chilled or frozen meat and certain types of fresh or chilled vegetables,
- until 30 April 2024 (unless otherwise extended) certain goods which serve basic needs such as bread, milk, eggs, baby food, diapers, female hygiene products, coffee and sugar.

Lower reduced rate taxable supplies (3%)

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

- supply of books, newspapers and magazines in hardcopy or electronic format
- certain types of equipment and books used by disabled persons.
- orthopedic devices and equipment as well as devices for support of the hearing impaired,
- certain types of street sanitation and waste disposal,
- admission to theatrical performances, circuses, cinemas, cultural and sporting events.

Lower reduced rate taxable supplies (5%)

The reduced rate of 5% applies mainly to:

- supply of foodstuffs and beverages when sold as take-away or with delivery except soft-drinks and alcoholic beverages
- construction, erection or supply of housing used as a permanent residence before first occupation (see details below)
- supply of pharmaceutical products and vaccines that are used for health care, prevention of illnesses and as treatment for medical or veterinary purposes
- supply of agricultural fertilizers and insecticides renovation and repair of private dwellings, excluding materials which account for more than 50% of the value of the services supplied (see details below)
- LPG Gas supplied in cylinders
- bottled water, industrialized drinks, juice drinks (excluding carbonated drinks, alcoholic beverages, beer and wine)
- car seats for children
- services of writers, composers and artists, as well as the royalties received by them
- hairdressing services
- entry fees at sports events and fees for the use of athletic centers
- supply of catering services by school canteens.

Higher reduced rate taxable supplies (9%)

The reduced rate of 9% applies to:

- transport of passengers and their accompanying luggage with urban, suburban and rural taxis as well as with tour, excursive and suburban buses
- restaurant services and other similar catering services, including alcoholic beverages, beer and wine
- accommodation in hotels, tourist and other similar establishments including provision of holiday accommodation
- domestic sea-transport of passengers and their accompanying luggage.

Exemptions

Goods or services exempt from VAT

These include:

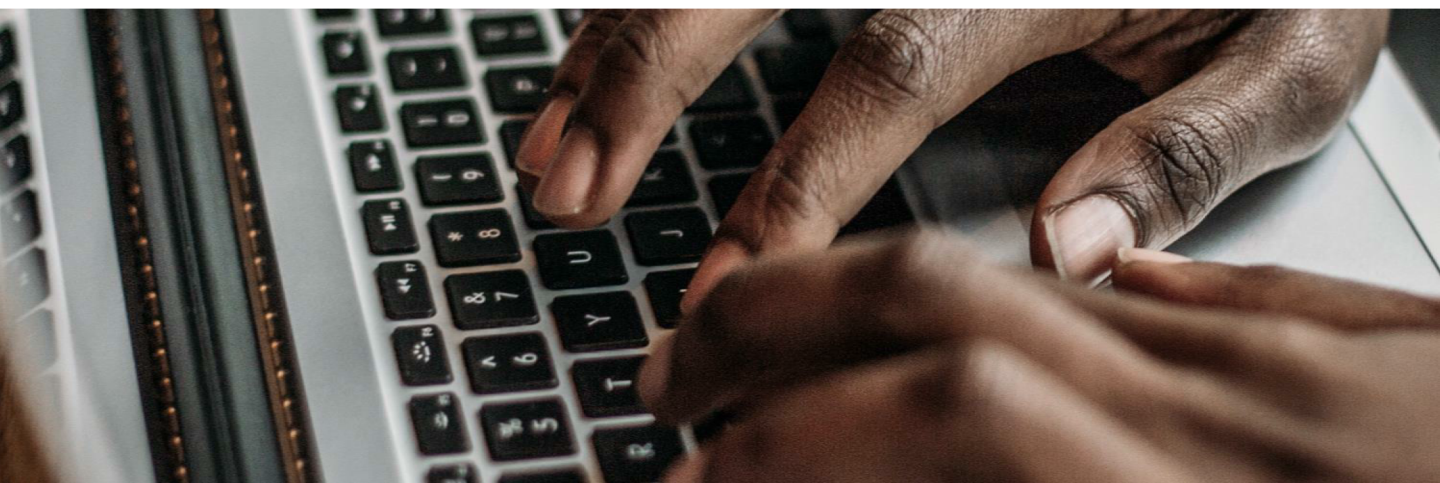
- land under certain conditions (see also page 30)
- used buildings
- new buildings for which application for a building permit was made prior to 1 May 2004
- rental of immovable property for residential purposes – except for business (excluding cases with right of purchase) (see page 30)
- banking and financial services
- insurance
- medical and hospital services
- education
- sports
- lottery tickets and gambling.

Zero-rate vs. Exemption

Businesses which provide zero-rated supplies are entitled to recover input VAT, whereas businesses which only supply exempt goods or services, with some exceptions are not entitled to recover VAT incurred on their purchases, expenses or imports.

Mechanics of VAT

- VAT is charged on taxable supplies of goods and services made (output tax) and is paid on purchases of goods and services received (input tax)
- VAT returns showing the output tax and input tax must normally be submitted quarterly if the output tax is greater than the input tax, the difference must be paid to the Tax Department by the 10th of the second month following the end of the reporting period
- if the output tax is less than the input tax, the difference is carried forward, except in specific cases when it may be refundable.



Refund of excess VAT

In many cases a business which has excess input VAT resulting in a refundable VAT balance can claim this amount, following an application to the Commissioner. The claim is filed electronically via TFA.

Interest is payable by the VAT Authorities where a VAT refund claim is delayed for more than four months from the date of submission of the refund application. This period is extended to 8 months where the application is to be reviewed by the Authorities. The interest applies from the 1st day of the 5th month until the date that the refund is processed. The interest rate is 5% for 2024 (2.25% for 2023, 1.75% for 2020/22, 2% for 2019, 3.5% for 2017/18, 4% for 2015/16).

From 1/8/2018 refunds are made available by bank transfer. This is subject to the prior submission of form T.D.2008 accompanied by an IBAN certificate issued by the bank confirming the bank details.

Effective from 20 August 2020, the following also apply regarding VAT refunds:

- the Tax Commissioner reserves the right to suspend the payment of a VAT credit balance and applicable interest in cases where taxpayers fail to comply with the obligation to submit income tax returns [i.e. Company Income Tax Return (IR4), Self-employed Income Tax Return (IR1), Employer's Return (IR7)]. The refund is suspended until the taxpayer complies with the relevant obligations. No interest is paid to the taxpayer where the delay in refunding the VAT is due to late submission of income tax returns
- the right to request refund of a VAT credit balance is limited to six (6) years from the end of the VAT period in which the refund arose. Any VAT refund requests submitted after the six-year period are examined at the discretion of the Tax Commissioner.

Irrecoverable input tax

For certain supplies of goods and services, input VAT is irrecoverable. These include input VAT related to:

- most exempt supplies
- private or non-business activities
- the business activity of another business
- purchase, import or hire of saloon cars, unless used for qualifying purposes, such as car rental and driving lessons, or as taxis
- business entertainment expenses (unless relating to employees and directors not including ancillary expenses)
- goods acquired in accordance with a second-hand goods scheme
- accommodation of directors and their connected persons.

VIES

A taxable person making intra-community supplies of goods and/ or services to taxable persons in other EU Member States has an obligation to register with VIES. In addition, the taxable person has an obligation to submit monthly electronic VIES forms.

In order to register for VIES, a VAT registration with the Tax Department is firstly required.

INTRASTAT

A taxable person who acquires or dispatches goods in Cyprus from or to other EU Member States must register and submit monthly Intrastat declarations. The threshold for 2024 is €320.000 for arrivals and €75.000 for dispatches. The threshold for simplified declarations is €2.700.000 for arrivals and €5.800.000 for dispatches.

E-commerce VAT rules

From 1 July 2021, the new European eCommerce rules for business-to-consumers (B2C) transactions have been implemented. The new rules cover the following:

- thresholds for distance sales of goods within the EU are abolished and an EU-wide threshold of €10.000 has been introduced. Below this threshold, supplies of telecommunications, broadcasting and electronically supplied services, and distance sales of goods within the EU, are subject to VAT in the Member State where the taxable person is established
- the MOSS regime is extended to other B2C services, to intra-EU distance sales of goods and to certain domestic supplies of goods, thus resulting in a bigger One Stop Shop (OSS) (subject to threshold of €10,000)
- online marketplaces and electronic interfaces facilitating B2C supplies of goods are deemed for VAT purposes to have received and supplied the goods themselves (“deemed supplier”)
- the VAT exemption on importation of small consignments of a value up to EUR 22 is abolished. All goods imported in EU/Cyprus are now subject to VAT
- a new special scheme for distance sales of goods imported from third territories or third countries of an intrinsic value not exceeding EUR 150 has been introduced referred to as the Import One Stop Shop (IOSS)
- a simplification mechanism for the collection of import VAT by postal operators has been introduced for consignments not exceeding EUR150 and for which the IOSS is not used.

Refund for expenses incurred in other Member States

Businesses may claim electronically for the refund of any VAT paid on business expenses in another Member State (state of refund). VAT may be refunded only on prescribed business expenses in respect of input tax allowable in accordance with the VAT legislation of the refunding Member State.



Standard rate VAT on the rent/lease of commercial immovable property

The lease and/or rental of immovable property to a taxable person for the purpose of the exercise of taxable business activity is subject to standard rate VAT of 19%. This does not extend to the lease and/or rental of a property which is used as a residence. The lessor has the right to opt-out from the imposition of VAT to the lessee but once exercised, the option is irrevocable.

The above provisions apply to leases and/or rentals beginning at or after 13/11/2017.

Long term lease of immovable property

From 1/1/2019 the long-term lease of immovable property which substantively transfers the right to deal with the property as owner is treated as a supply of a good and if transferred prior to its first occupation is subject to 19% or 5% VAT, depending on the status of the lessee.

Standard rate VAT on supply of non-developed building land

The supply of non-developed building land from 2/1/2018 is subject to standard rate VAT of 19%. This includes the transfer of ownership, transfer of indivisible land portion or the transfer of ownership by way of a contract, agreement for sale, agreement to transfer ownership at a future date or leasing arrangement with an option to purchase.

The subject matter falling within the scope of the amendments is the transfer of undeveloped building land intended for the construction of one or more structures where the supply is in the course of carrying out a business activity. No VAT will be imposed on transactions for land located in areas which are not intended for development i.e. in environmental protection, archaeological and agricultural areas.

Application of reverse charge on the supply of immovable property and land in the course of loan restructuring or compulsory transfer

As from 2/1/2018, the scope of the domestic reverse charge mechanism has been extended.

VAT must be accounted under the reverse charge provisions on transactions relating to transfers of new buildings or land subject to VAT during the process of loan restructuring and for compulsory transfer to the lender.

From 5 December 2019, the definition of the term 'lender' includes licensed credit and financial institutions, credit acquiring companies, including their subsidiaries, as well as a public body or any licensed company which acquired/ received from a credit institution any non-performing/overdue loans.

Construction industry – Article 11B

With effect from 9 March 2012 provisions affecting the construction industry, provide that a taxable person shall not impose VAT on services provided to another business in respect of, construction, alteration, demolition, repair or maintenance of any building or civil engineering project.

The VAT is to be accounted for by the recipient of the services, applying acquisition accounting. This involves accounting for the VAT on behalf of the supplier while simultaneously claiming the input VAT to the extent that it is recoverable. From 20 August 2020, the obligation of a taxable person to self-account for VAT by applying the reverse charge mechanism under Article 11B has been extended to cases where the supplier of the services is not a taxable person.

Sale or transfer of a new building

On 11 November 2022, Κ.Δ.Π. 423/2022 was published in the Official Gazette, amending the 8th Schedule of the VAT law. The aforementioned Schedule regulates the extent to which the supply of immovable property is taxable.

As per the amendment, the supply of a building is subject to VAT when supplied before its first delivery and under any subsequent deliveries within a period of five (5) years from its completion, provided that no actual use has occurred by an unrelated person for a period of at least twenty-four (24) months. Before the amendment, the transfer of buildings or part thereof and related land constituted a taxable supply to the extent that it took place before the first occupation.

The amendments are effective as of 11 November 2022.

Domestic reverse charge

From 1 October 2020, Article 11E of the VAT Law extends the application of the reverse charge to encompass certain categories of goods. The goods which come under the scope of the aforementioned Article include mobile phones, other devices which utilize a recognized network functioning at certain frequencies, microprocessors, central processing units, gaming consoles, tablets and laptops.

Domestic reverse charge is also applied to supplies within the construction sector (Article 11B), supply of scrap metal (Article 11C), transfer of immovable property within the scope of restructuring (Article 11D) and the supply of certain unprocessed and semi-processed precious metals.

The person liable to account for VAT on transactions involving these supplies is the purchaser of the goods or recipient of the services, with corresponding right for input VAT recovery subject to the relevant rules.

Imposition of the reduced rate of 5% on the acquisition and/or construction of residences for use as the primary and permanent place of residence

The reduced rate of 5% applies to the acquisition and/or construction of residences to be used by eligible persons as the primary and permanent place of residence for the next 10 years.

From 1 November 2023 changes to the scheme provide that the reduced rate applies for the first 130 square meters of the building area until the value of €350.000, on the condition that the property does not exceed 190 square meters and/or the value of €475.000.

Persons with disabilities or large families may be entitled to more generous conditions, and provisions have been introduced in transitioning to the new rules for persons who have submitted planning permit applications by 31 October 2023 and have until 16 June 2026 for submission of the application under the older, more favorable conditions.

The reduced rate of 5% applies only after obtaining a certified confirmation from the Tax Commissioner.

From 8/6/2012 the reduced rate has been extended to include residents of non-EU countries where the property will be used as the primary place of residence in the Republic.

Reduced rate of 5% on the renovation and repair of private residences

The renovation and repair of used 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%, excluding the value of materials which constitute more than 50% of the value of the services.

From 4 December 2015 the reduced rate of 5% on the renovation and repair of private residences is extended to apply also to residences which are not a principal and permanent place of residence. The reduced rate 5% also applies to services received which relate to the static upgrade or energy efficiency improvement of residential properties. It applies to specific types of properties which are either used by vulnerable consumers as specified by the legislation, or which are located in remote geographic areas.

From 20 August 2020, the term “renovation” for the purpose of application of the 5% reduced VAT rate has been extended to also cover additions/extensions to a private dwelling, provided that at least 3 years have passed since its first occupation.

VAT – Interest and Penalties

Description	Interest or penalty
Late registration	€85 per month
Late submission of VAT return	€100
Late payment of VAT due on submission of VAT return	€200 each return Total penalty cannot exceed €4.000
Late submission of VIES statement	€50 per statement
Late submission of corrective VIES declaration	€15 per declaration

VAT thresholds

Description	Amount
Registration threshold for persons established in Cyprus (taxable supplies in Cyprus)	€15.600
Registration threshold for persons not established in Cyprus (taxable supplies in Cyprus)	None
Registration threshold for acquisition of goods in Cyprus from suppliers established in other Member States	€10.251,61
Registration threshold for the acquisition of services from outside Cyprus for which the recipient is liable to account for the VAT by application of a reverse-charge.	€15.600
Registration threshold for intracommunity supply of services	None
Registration threshold for distance sales of goods and certain services to non-VAT registered persons established in other EU Member States	€10.000

Tax treaties

Cyprus has a wide and expanding network of double tax treaties.

Irrespective of the provisions of these treaties, there is no withholding tax on dividends and interest paid to non-tax residents of Cyprus due to a more favourable local legislation.

As from 01/01/2024 a withholding tax is imposed on Dividend, Interest and Royalty payments at 17%, 17% and 10% respectively, on payments to a company based on countries included in the EU list of non-cooperative jurisdictions.

Cyprus has concluded double tax treaties with the countries listed below.

Received in Cyprus

EU Countries	Ratification date	Dividends %	Interest %	Royalties %
Austria	11 January 2013	10	0	0
Belgium	8 December 1999	10/15	0/10	0
Bulgaria	3 January 2021	5/10	0/7	10
Croatia	28 December 2023	5	5	5
Czech Republic	26 November 2009	0/5	0	0/10
Denmark	7 September 2011	0/15	0	0
Estonia	1 January 2014	0	0	0
Finland	1 January 2014	5/15	0	0
France	1 April 1983	10/15	0/10	0/5
Germany	16 December 2011	5/15	0	0
Greece	16 January 1969	25	10	0/5
Hungary	24 November 1982	5/15	0/10	0
Ireland	12 January	0	0	0/5
Italy	9 June 1983 (amendment)	15	10	0

EU Countries	Ratification date	Dividends %	Interest %	Royalties %
Latvia	27 October 2016	0/10	0/10	0/5
Lithuania	1 January 2015	0/5	0	0
Luxembourg	23 April 2018	0	0/10	10
Malta	11 August 1994	0	0/10	10
Netherlands	Pending verification	15	0	0
Portugal	1 January 2013	10	10	10
Poland	11 January 2013	0/5	0/5	5
Romania	8 November 1982	10	0/10	0/5
Sweden	14 November 1989	5/15	0/10	0/5
Slovenia	14 September 2011	5	5	5
Slovakia	30 December 1980	10	0/10	5
Spain	28 May 2014	0/5	0	0

Other Countries (non-EU)	Ratification date	Dividends %	Interest %	Royalties %
Andorra	11 January 2019	0	0	0
Armenia	19 September 2011	0/5	5	5
Azerbaijan	26 August 1983	0	0	0
Bahrain	26 April 2016	0	0	0
Barbados	11 September 2017	0	0	0
Belarus	12 February 1999	5/10/15	5	5
Bosnia	8 September 1986	10	10	10
Canada	3 September 1985	15	0/15	0/10
China	5 October 1991	10	10	10
Egypt	14 March 1995	15 5/10	15 10	10
Ethiopia	18 October 2017	5	5	5
Georgia	4 January 2016	0	0	0
Iceland	1 January 2015	5/10	0	5
India	14 December 2016	10	0/10	10
Iran	5 March 2017	5/10	5	6

Other Countries (non-EU)	Ratification date	Dividends %	Interest %	Royalties %
Jersey	5 March 2017	0	0	0
Jordan	11 April 2022	5/10	5	7
Kazakhstan	30 December 2019	5/15	10	10
Jurghystan	26 August 1983	0	0	0
Kuwait	1 January 2014	0	0	5
Lebanon	14 April 2005	5	5	0
Mauritius	12 June 2000	0	0	0
Moldova	3 September 2008	5/10	5	5
Montenegro	8 September 1986	10	10	10
Norway	8 July 2014	0/15	0	0
Qatar	20 March 2009	0	0	0
Russia	2 April 2012 (amendment)	5/10	0	0
San Marino	18 July 2007	0	0	0
Saudi Arabia	1 March 2019	0/5	0	5/8
Serbia	8 September 1986	10	10	10
Seychelles	27 October 2006	0	0	5
Singapore	8 February 2001	0	0/7/10	10
South Africa	18 September 2015	0	0	0
Switzerland	15 October 2015	0/15	0	0
Syria	22 February 1995	0/15	0/10	10/15
Thailand	4 April 2000	10	10/15	5/10/15
United Arab Emirates	1 January 2014	0	0	0
United States	31 December 1985	5/15	0/10	0
Ukraine	28 November 2019	5/15	5	5/10
United Kingdom	8 July 2018	0/15	0	0
Uzbekistan	26 August 1983	0	0	0

Notes

1. The convention between the Republic of Cyprus and the Socialist Federal Republic of Yugoslavia is still applicable.
2. The convention between the Republic of Cyprus and the Czechoslovak Socialist Republic is still applicable.
3. The convention between the Republic of Cyprus and the Union of Soviet Socialist Republics (USSR) is still applicable. (Currently suspended due to the war between Russia and Ukraine)

Miscellaneous special modes of taxation

International trusts

Trust Law in Cyprus is based on English legal principles and the legislation in force follows the English Trustees Act of 1925. In 1992, the International Trust Law was enacted in order to facilitate the use of the basic law by non-residents. The law was amended on 9 March 2012 to become more attractive.

A Cyprus international trust is a trust which has the following characteristics:

- the settlor and beneficiaries other than charitable institutions must not be Cyprus residents during the calendar year prior to the year of creation of the trust (may become Cyprus resident at any time following its creation)
- the trustees may vest the beneficiaries' interests in movable and immovable property both in Cyprus and abroad and in shares in Cyprus companies
- the trust can have Cyprus sourced income
- a trust may continue to be valid and enforceable without time restriction.

Taxation of a trust in Cyprus

- transparent for Cyprus tax purposes which means that the income is only assessable on Cyprus resident beneficiaries
- no capital gains tax is charged on the disposal of assets held abroad.

Shipping Companies

Based on the provisions of the Merchant Shipping Laws of 2010 – 2020, the Tonnage Tax System (TTS) covers the three main “Maritime Transport” Activities offered in international shipping today, namely ship-owning, ship-management (split into crew and/or technical management) and chartering. It also applies to fleets comprising of either EU flag or “mixed fleets” (EU & Non-EU Flag ships– subject to election criteria and conditions to be fulfilled).

Under the new TTS, no tax is imposed on:

- profits from shipping operations
- dividends paid directly or indirectly out of such profits or from the sale of a ship
- interest earned on funds used as working capital or for the financing, operation or maintenance of the ship
- profits from sale of a ship or the shares of the ship-owner company
- the salary or other related benefits from the employment of eligible seafarers.

Insurance companies

Insurance companies are taxed at the same rate of tax as all other companies. However, where the corporation tax payable on the taxable income of the life insurance business is less than 1,5% of the gross premiums, excluding the contributions in any approved pensions, provident or other fund administered by the insurance company on behalf of its members, the insurance company has to pay the difference as additional corporation tax.

Taxation of non-Cyprus tax residents

Subject to specific provisions in the relevant tax treaties between Cyprus and the country of residence of the persons concerned, the resident person who makes a payment to a non-Cyprus tax resident is obliged in the following cases to withhold and pay over to the Revenue Authorities tax as follows:

1 Entertainers and Athletes

The gross income derived by an individual from the exercise of any profession or vocation, the remuneration of public entertainers and the gross receipts of any theatrical or musical or other group of public entertainers including football clubs and other athletic missions is taxed at the rate of 10%.

2 Royalties etc.

Non-Cyprus tax resident individuals or companies who derive income from sources within Cyprus by way of royalties, premiums, compensation or other similar income are taxed at the rate of 10%. However, such income is exempt where the beneficial owner has direct minimum holding of 25% in a company of another EU member state or a permanent establishment of such a company.

3 Film rentals

The income derived by non-Cyprus tax resident individuals or companies from film rentals is taxed at 5%. However, such income is exempt where the beneficial owner has direct minimum holding of 25% in a company of another EU member state or a permanent establishment of such a company. Any such tax withheld should be paid to the Tax Department by the end of the following month, as an additional penalty of 5% will be imposed on the tax withheld in addition to any interest that may be imposed.

4 Oil and Gas

Any gross amounts or income derived from hydrocarbon activities within the Cyprus exclusive economic zone by any person who is not a Cyprus tax resident will be subject to tax in Cyprus at the rate of 5%. Any related payments made by a non-Cyprus tax resident and borne by a Cyprus tax resident triggers an obligation for the latter party to withhold the tax for payment to the Tax Department by the end of the month following the month in which the payment is made.

5 Technical assistance

A 10% withholding tax applies on the gross income arising from sources within the Republic that is paid to any person who is not resident in the Republic.

Invoicing - Fiscal Memory Systems

On 26 November 2015 the Tax Department issued a reminder for the obligation to install a Fiscal Memory System (FMS) to certain devices which are used for the issue of invoices, pursuant to Regulation ΚΔΠ 29/1997 and its related Notifications.

For each invoice issued the FMS device works by storing the data sent to the printer and in an internal memory module, thereby safeguarding the sequence of invoices. Upon request these memory modules must be available for inspection by the Tax Department.

Special contribution for defence

Imposition

A Special Defence Contribution (SDC) is imposed on interest, dividend and rental income of Cyprus tax resident companies, and Cyprus tax resident individuals domiciled in Cyprus. Non-Cyprus tax resident companies and individuals are exempt from SDC.

The new term “DOMICILE” applies for SDC purposes ONLY. In order to be taxed under SDC, an individual must be both Cyprus tax resident and also to be considered as domiciled in Cyprus. The new scheme provides incentives of 0% tax on all income subject to SDC, to attract new Cyprus tax residents.

Special defence contribution rates

Type of income	Tax rate %	Note
Interest income of resident companies and individuals from sources within the Republic of Cyprus	17	1
Interest income of resident companies and individuals from sources outside the Republic of Cyprus	17	1
Interest income of resident companies and individuals arising from or closely related to the ordinary carrying on of a business	Nil	
Interest income of resident individuals and companies from listed corporate bonds, Cyprus Government development bonds and savings certificates	3	
Interest income of provident funds	3	
Rental income of resident companies and individuals (reduced by 25%)	3	2
Dividend income of Cyprus tax resident companies	Nil	3&4
Dividend income of Cyprus tax resident individuals	17	4

Notes

1. Individuals whose total yearly income including interest does not exceed €12,000 are entitled to a refund of 14%.
2. As from 1st July 2011, legal entities that are paying rent must withhold SDC and pay it to the Revenue Authorities during the month following the month in which the tax was withheld.
3. Dividends received from a non-Cyprus tax resident company are exempt from SDC. The exemption does not apply where the dividend paying company engages directly or indirectly more than 50% in activities which lead to investment income and the foreign tax burden is substantially lower than the Cyprus tax burden. The words “substantially lower” are not interpreted in the law but are taken to mean lower than 50% of the Cyprus corporation tax, i.e. lower than 6.25%. When the exemption does not apply, the dividend income is subject to SDC at 17%.
4. Foreign tax paid can be credited against SDC payable.

Exemption from special contribution for defence

- dividends received by a company resident in Cyprus from another company resident in Cyprus, excluding dividends paid indirectly after 4 years from the end of the year in which the distributed profits arose (refer to the next paragraph 'Dividend 4 years rule', for further information)
- dividends received directly or indirectly from dividends on which defence contribution has already been paid (refer to page 10, note 3, for further details). To comply with the Parent Subsidiary Directive provisions dividends will only be exempt from Income Tax, provided that they were not tax-deductible by the paying Company. In the case where the exemption does not apply, then the income will not be considered as 'dividend income' for Special Defence Purposes and therefore it will be taxable under Income Tax.

Deemed dividend distribution

If a Cyprus tax resident company does not distribute by way of dividend at least 70% of its accounting profits within the year of assessment and the two years following the end of the year of assessment to which the profits refer, the company is deemed, as at the end of the two years from the end of the year of assessment, to have distributed such profits and is liable to pay 17% special defence contribution on the deemed dividends attributable to its shareholders, including companies, who are Cyprus tax residents.

The term 'dividend' includes the amount of surpluses arising from business profits of a public corporate body deposited to the Consolidated Fund of the Republic of Cyprus and the term 'shareholder' includes the holder of a unit or share in an open-ended or close-ended collective investment scheme (CIS), and, in the case of a public corporate body, the Republic of Cyprus. Any deemed dividend in the case of a CIS is subject to special defence contribution at 17%.

The deemed distribution is reduced by the amount of actual dividends declared and paid out of the profits of the year to which the profits refer and the two years following it.

Actual dividends paid after the deemed distribution are subject to special defence contribution only on the additional dividends remaining after deducting any deemed dividend.

The deemed distribution provisions do not apply to profits which relate directly or indirectly to non-resident shareholders.

A non-Cyprus tax resident receiving a dividend emanating from profits which at any stage were subject to deemed distribution, is eligible to a refund.



Dividend 4 years rule

Any amount of profit distributed as dividend, will be subject to SDC after 4 years from the year of distribution irrespective of who the shareholder is as long as it is a tax resident of Cyprus. The provisions of law apply for profits arising before and after the year 2012. If for example, dividends are received by a company resident in Cyprus from another company resident in Cyprus, after 1/1/2012 and such dividends relate to profits generated during the years up to the year 2007, and for which profits no Special Defence Contributions was made, then there is an obligation to impose SDC.

In case the actual dividend is distributed to another resident company that is not owned directly by an individual or individuals, then the Tax Commissioner will have discretionary powers to disregard the fact that the payment was made to another company if such recipient company was interposed without any valid commercial or economic reasons.

If the main purpose of interposing a company is primarily to avoid, reduce or postpone the payment of SDC, the tax authorities could consider that the dividend is deemed to be received by the individuals who directly or indirectly control the company which received the dividend and demand payment of the SDC accordingly.

Company dissolution

The profits of the last 5 years prior to the company's dissolution will be considered as distributable on dissolution and will be subject to Special Defence Contribution at 17%. Any deemed dividend distributions incurred during the period are taken into consideration. The above provision does not apply in the case of tax reorganisation.

Voluntary winding-up

Within one month from the approval of a resolution for voluntary winding-up, a company must submit a deemed dividend declaration and pay any SDC due on the profits of that year and the two preceding years.

Transfer of assets

Transfer of a company's assets to its shareholders (or to their relatives of up to 2nd degree) at below market value will be considered a deemed dividend, equal to the difference between the amount of the consideration and the amount of the asset market value. However, if the asset was originally donated to the company, the deemed dividend distribution will not apply.

Reduction of capital and deemed dividends

When a company reduces its capital, any amounts paid to a shareholder in excess of the share capital contributed will be treated as deemed dividend to the shareholder. The redemption of a unit or share in an open-ended or close-ended CIS does not constitute a reduction of capital.

Intellectual Property (IP) regime

The "Old" regime closed as from 30/6/2016 but with transitional period of further 5 years i.e. up to 30/6/2021.

The provisions of the old regime are as follows:

- the cost of acquisition of IP is written off in the year incurred and in the following 4 years i.e. 20% amortisation on a straight-line basis
- 80% of any income generated from the exploitation of the IP is exempt from taxation. The income is calculated after deducting all direct expenses associated with the production of that income
- 80% of any profit generated from the disposal of IP is exempt from taxation. The profit is calculated after deducting all direct expenses associated with the disposal.

The definition of IP includes all intangible assets described in the Patent Rights Law, the Intellectual Property Law and the Law regarding Trademarks. It therefore includes patents, trademarks, copyrights etc. **A “New” IP regime (nexus approach) was introduced as from 1/7/2016** where a fraction is applied to the net profit based on R&D activity of the taxpayer. This means that only a proportion of royalty income, applicable only on qualifying expenses, will be taxed under the preferential tax regime. The nexus approach excludes application of the regime for marketing-related IP assets like trademarks. Amortisation is granted over the lifetime of the IP which cannot exceed 20 years.

Any losses deriving from the application of the special IP regime provisions must be restricted to 20% for Group relief purposes (to be surrendered to other companies of the group) or for carrying forward to subsequent years.

This new amendment in the Income Tax Law is applied retrospectively from 1/1/2012.

Capital Gains Tax

Companies and individuals are subject to capital gains tax at the rate of 20% on gains arising from the disposal of:

- immovable property situated in Cyprus
- shares in a company which owns immovable property situated in Cyprus (excluding shares listed on any recognised stock exchange).

As from 17/12/2015 onwards, the definition of immovable property changed to include shares of companies that directly or indirectly are related with companies who hold immovable property situated in Cyprus and at least 50% of the value of the shares derives from the market value of the such immovable property- excluding shares listed on any recognised stock exchange. No liabilities are taken into consideration in the calculation of the 50% value of the immovable property. Indexation allowance applies on the market value of the immovable property at 1 January 1980 (or on the actual cost of acquisition and on improvements to the property if acquired later).

Life time tax-free capital gains

Individuals are entitled to a life-time exemption from capital gain on the following:

Disposal of private residence (under certain conditions)	€ 85.430
Disposal of agricultural land by a farmer	€ 25.629
Any other disposal of immovable property	€ 17.086

Deductions based on a combination of the above are restricted to maximum amount of € 85.430



Exemptions

- Disposal of immovable property acquired at market value from a non-related party during the period from 16/7/15 up to 31/12/2016
- Capital gain that derives from the sale of the main residence in the event of a loan restructuring, if the sale proceeds do not exceed € 350.000 (special conditions apply). The rule applies up to 31/12/2017.
- Capital gain that arises from the disposal of immovable property in the context of loan reorganisation.
- Transfers on death
- Gifts between spouses and relatives up to 3rd degree.
- Gifts to family companies provided the shareholders continue to be members of the family for five years after the date of transfer.
- Gifts by a family company, of which all the shareholders are members of the same family, to any of its shareholders, provided that the property gifted had itself been taken by the company by the way of a gift. In case of subsequent disposal, the donee cannot use his life time exemption if he disposes of the property before the lapse of the at least three years from the date of transfer of the property to his/her name.
- gifts to approved charitable institutions or a local authority for educational, or other charitable purpose
- disposal of property under the Compulsory Acquisition Law
- gifts to the Republic of Cyprus or to a political party (cost of acquisition if later) of the property given under an exchange of property is less than the sales proceeds value of the property received, the gain reinvested in the property received is exempt
- exchange or disposal of immovable property under the Agricultural Land (consolidation) Laws
- gain on disposal of shares which are listed on any recognised stock exchange
- transfers of shares as a result of company reorganisations.

Levy on property disposals

(Central Agency of Equal Burden Distribution)

- As from 22/02/2021 a levy of 0.4% is imposed on all disposals of immovable property in Cyprus (excluding occupied areas) subject to either CGT or Income Tax
- As from 18/11/2022 the levy is imposed on all disposals of immovable property in Cyprus and on disposals of shares of a company that directly or indirectly holds immovable property in Cyprus.

Note: for direct disposal of IP the levy is calculated on the actual consideration whereas in case of shares the levy is calculated on the latest available values of the Land Registry Office.

Exemptions: Debt for Asset Swaps / Re-organisations / Listed shares in stock exchange

Estate duty

Estate Duty has been abolished for deaths on or after 1 January 2000. However, the legal representative of a deceased person is required to submit to the Tax Department a statement of assets and liabilities within six months from the date of death. All outstanding tax obligations have to be settled before the estate of the deceased can be distributed to the beneficiaries.

Social insurance contributions

Employer's contribution	8,8%	Maximum earnings on which contributions are payable: <ul style="list-style-type: none"> • €1.209 per week • €5.239 per month • €62.868 per annum
Employee's contribution	8,8%	
Self-employed individual	16,6%	Contributions are payable at 15.6% based on minimum weekly earnings specified for various professions as follows.
Doctors, Pharmacists and other specialists in health matters		Up to 10 yrs €443.45 Over 10 years - €896.99
Accountants, Economists, Lawyers etc.		Up to 10 yrs €443.45 Over 10 years - €896.99
Managers real estate Agents and Wholesalers		€896.99
Teachers and Professors		Up to 10 yrs €433.38 Over 10 yrs €866.75
Individuals in Construction Industry		€544.25
Farmers, Fishermmen, Postmen, Miners, Salesmen, Sailors		€302.36
Shopkeepers, Cleaners, Messengers		€413.22
Technicians, Clerks, Secretaries, Carpenters		€443.45



Other contributions by employer

Social cohesion fun	2%	
Redundancy fund	1,2%	
Industrial training fund	0,5%	
Holiday fund	8%	Unless exempt if other acceptable arrangements

*applies on the total emoluments without restriction

National Health System (as from 1/3/2019)

Contributions	First Phase 01/03/2019 – 29/02/2020	Second Phase 01/03/2020 onwards
Employers	1,85%	2,90%
Employees / pensioners / income earners (i.e. rental income / interest / Dividends etc)	1,70%	2,65%
Self-employed individual (own profit)	2,55%	4%
Government	1,65%	4,70%

Maximum income on which contributions are payable €180.000. The “income” includes salary income, rental income, dividend income, interest income and other income.

Registrar’s fee

An annual fixed levy of €350 is imposed on all Cyprus companies. A cap of €20.000 in case of groups of companies will apply. This levy is payable to the Registrar of Companies by 30 June of each year. Exceptions that applied in 2012 are abolished. Thus all registered companies either active or dormant will have to contribute from the first year of their registration. The amendment acts retrospectively from year 2012.

Penalties on late payment of this levy:

- up to 2 months delay 10% penalty
- more than 2 months delay 40% penalty
- in case that the levy is not paid within 5 months then the Registrar of Companies may deregister the company.

Stamp duty

With effect from 1st March 2013

Contracts:	
• First €5.000	0%
• €5.001 - €170.000	0.15%
• Over €170.000	0.2%
Stamp duty ceiling	Max € 20.000
Without fixed sum	€35
Certified copies of agreements	€ 2
Power of Attorney – specific transaction	€ 2
Power of Attorney – general	€ 6
Bill of exchange:	
• Payable on demand or at sight	€ 1
• Payable otherwise	Same as with contracts
Bill of landing	€ 4
Cheques	€ 0.05
Vessel's manifest for export or import of goods	€ 35
Charter party	€ 18
Letter of credit	€ 2
Letter of guarantee	€ 4
Issue of a certificate of residence	€ 80
Receipts – For sums over € 4	€ 0.07

Exemptions

- transactions made in the course of a company reorganization
- transactions relating to any property situated outside the Republic or to any matter or thing to be performed or done outside the Republic, irrespective of the place where it is executed.

Immovable property transfer fees

Value per plot €	Rate %
First €85.430	3,0
€85.431 - €170.860	5,0
Over €170.860	8,0

In the case of property free transfers between the following parties, the fees are calculated on the assessed value written on the title deed as at 1 January 2013 as follows:

To a spouse OR to a relative up to 3 rd degree	0,01%
To a child	0%
To trustees	€50

in the case of company re-organisations, transfers of immovable property are not subject to transfer fees

no transfer fees will be payable when the immovable property to be transferred is subject to VAT. If the immovable property to be transferred is not subject to VAT, the transfer fee will be reduced by 50%.

Immovable Property Annual Tax (IPAT) (abolished as from 1/1/2017)

Up to 31/12/2016 the below rates were applicable - although a 75% discount applied for settlements up to 31/10/2016, 72,5% discount for settlements up to 31/12/2016:

Market value at € January 1980	Rate %	Amount €	Cumulative Amount €
Up to €40.000 (First €12.500 is tax free)	0.6	240	240
€40.001 - €120.000	0.8	640	880
€120.001 - €170.000	0.9	450	1.330
€170.001 - €300.000	1.1	1.430	2.760
€300.001 - €500.000	1.3	2.600	5.360
€500.001 - €800.000	1.5	4.500	9.860
€800.001 - €3.000.000	1.7	37.400	47.260
Over €3.000.000	1.9		

Exemptions from IPAT

- public cemeteries
- churches and other religious properties (partly exempt)
- public hospitals
- schools
- immovable property owned by the Republic
- properties owned by embassies and consulates
- properties available for common use with free access
- properties under Turkish occupation
- properties under preservation order
- properties used for charitable purposes owned by public entities
- agricultural properties used by farmers/owners actually residing in the area.

Company registration fees

- of a limited company by shares or guarantee, with share capital - €105
- of a company without share capital - €175
- increase of share capital - €20

Allotment of shares

Each application for allotment of shares for cash or otherwise, whether at nominal value or at a premium, is subject to a flat fee of €20.

Tax calendar

End of the following month	
	<ul style="list-style-type: none">• payment of PAYE deducted from employees' salaries• payment of social insurance contributions• payment of special contribution for defence deducted at source from interest or dividend paid• payment of special contribution for defence on interest and dividends received not deducted at source• as from 1 July 2011 payment of special contribution for defence on rental income by companies, partnerships, the Government or any local authority.
31 January	<ul style="list-style-type: none">• submission of the declaration of deemed dividend distribution that relates to tax year 2021.
31 March	<ul style="list-style-type: none">• submission of company's tax return (TD4) of year 2022• submission of individual's tax return (TD1) with audited financial statements (turnover exceeding €70k) of year 2022• Submission of the Summarized Information Table (SIT) for Transfer Pricing purposes• Preparation of all TP documentation for transactions with related parties for tax year 2022.
30 April	<ul style="list-style-type: none">• * submission of personal income tax return (TD1) by individuals who are receiving salaried income and will not be filing annual accounts• * submission of employer's payroll return (TD7) for the previous year• payment by life insurance companies of first instalment of premium tax for the current year.
30 June	<ul style="list-style-type: none">• payment of special contribution for defence on rental, dividend and interest income from abroad for the first six months of the year• *submission of personal income tax return (TD1) by individuals who are self-employed and will not be filing annual accounts• payment of tax balance for previous year by individuals who do not prepare audited accounts under self-assessment method• payment of the second instalment of the special tax levy by Credit Institutions for 2024• payment of the Registrars' Special Levy on registered companies €350.

31 July	<ul style="list-style-type: none"> • submission of provisional tax declaration (forms TD5, TD6) and payment of first instalment of provisional tax.
1 August	<ul style="list-style-type: none"> • payment of final corporation tax for the previous year under the self-assessment method by individuals and companies preparing audited accounts.
31 August	<ul style="list-style-type: none"> • payment by life insurance companies of second instalment of premium tax for 2024.
30 September	<ul style="list-style-type: none"> • payment of the third instalment of the special tax levy by Credit Institutions for 2024.
31 December	<ul style="list-style-type: none"> • * submission of company's tax return (TD4) for the previous year • payment of special contribution for defence on rental, dividend and interest income from abroad for the second half of the year • submission of a revised provisional tax return (if applicable) and payment of the 2nd (final) instalment of provisional tax • payment by life insurance companies of third instalment of premium tax • payment of the fourth instalment of the special tax levy by Credit Institutions for 2024 • * submission of personal income tax return (TD1) by individuals (self-employed) who are filing annual accounts • physical stock-take for goods.

Note: * Please see 'electronic submission' provisions below

Electronic submission of tax returns

Electronic submission of tax returns for individuals and companies is extended for further 3 months from the normal submission deadline.

The submission of hardcopy tax returns will be accepted by the Inland Revenue Department only in cases of direct payment, winding up of companies, and issue of tax certificate. This service shall be provided under the condition that, upon becoming available, an electronic tax return will be submitted within one month the latest.

Such commitment and responsibility must be taken by the auditor by filing a relevant letter to the tax authorities.

From tax year 2011 onwards, the Employers' Return (TD7) may only be submitted electronically via TAXISnet. With the three-month extension granted, the deadline is moved to 31/7 of the following year.

Accounting books and records

The accounting books and records, together with the tax submission forms and documents, must be retained by companies for a period of 6 years.

Interest and penalties

Interest charges

Period	% Interest
1 Jan 2007 – 31 Dec 2009	8
1 Jan 2010 – 31 Dec 2010	5,35
1 Jan 2011 – 31 Dec 2012	5
1 Jan 2013 – 31 Dec 2013	4,75
1 Jan 2014 – 31 Dec 2014	4,50
1 Jan 2015 – 31 Dec 2016	4
1 Jan 2017 – 31 Dec 2018	3,5
1 Jan 2019 – 31 Dec 2019	2
1 Jan 2020 – 31 Dec 2022	1,75
1 Jan 2023 - 31 Dec 2023	2,25
From 1 Jan 2024	5

Penalties

Effective from 1.7.2011 the following penalties apply to both Companies & Individuals:

- administrative penalty of €100 when a taxpayer refuses, fails or neglects to submit any notification or tax return or provide any information requested or does not perform any of their duties within the deadline stated in the law
- administrative penalty of €200 when a taxpayer refuses, fails or neglects to submit any notification or tax return or provide any information requested or does not perform any of his duties within the deadline stated in the law and the Commissioner has requested in writing the taxpayer to fulfil their obligations within a time period which is not less than 60 days
- administrative penalty of €200 when a taxpayer refuses, fails or neglects to submit any notification or tax return or provide any information or does not perform any duty requested by the Commissioner in writing within a deadline given by him which is not less than 60 days

- administrative penalty of €100 when a person refuses, fails or neglects to submit any notification or tax return or provide any information or does not perform any duty in relation to another person requested by the Commissioner in writing within a deadline given by him which is not less than 60 days
- penalty equal to 5% of the tax due will be imposed if a taxpayer does not pay the amount of tax due within the deadline stated in the law or determined in a notice issued by the Commissioner
- additional penalty of 5% of the tax due will be imposed if a taxpayer does not pay the amount of tax due within 2 months from the deadline stated in the law.

Other penalties

- penalty equal to €100 is imposed in case of late registration with the Inland Revenue
- penalty equal to €100 is imposed in case of late communication (later than 60 days) of a change to the Inland Revenue department e.g. changes on legal documents etc.
- penalty equal to €100 is imposed in case the books and records are not updated on time. This penalty is imposed on quarterly basis
- penalty equal to €100 is imposed in case invoices are not issued on time. This penalty is imposed on monthly basis
- penalty equal to €100 is imposed in case that no stock taking takes place at the end of the tax year for provisional declarations an additional tax of 10% is imposed on the difference between the tax due per the final assessment and the tax per the provisional declaration, if the provisional taxable income is less than the 75% of the taxable income as will be finally determined by the tax office
- penalty equal to €100 is imposed when invoices are not issued within 30 days from the date of the transaction
- penalty of €100 is imposed when there is a delay by more than 4 months in updating the books and records by the persons who are obliged to keep such records.



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