



# DOING BUSINESS IN CYPRUS

 NEOCLEOUS

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## Introduction

With an area of 9,251 square kilometres, Cyprus is the third largest island in the Mediterranean Sea. It is strategically located in the Eastern Mediterranean at the crossroads of Europe, Asia and Africa. The population of the area controlled by the Republic of Cyprus is 858,000 according to the government statistical service. Reliable, up to date information for the occupied area is unavailable.

The island was invaded in 1974 by the Turkish army and about 37% of the territory remains under Turkish occupation. The so-called Turkish Republic of North Cyprus is recognised only by Turkey, and all the references in this brochure to Cyprus relate to the legitimate government of the Republic of Cyprus. While political uncertainty continues to surround "the Cyprus problem", and it is hoped that there will be a satisfactory resolution in the near future, day-to-day business life is unaffected by the issue.

Cyprus is very well placed as an international business and financial centre. Apart from its strategic geographical location, relaxed way of life and attractive climate, it offers an excellent commercial infrastructure, highly educated, English-speaking human resources, a business-friendly environment, particularly in the area of taxation, a high standard of living and a low rate of crime. Living costs are moderate, and good airline connections and telecommunications and increasing alignment with the European position in matters of culture and trade make it an effective bridge between West and East. Its time zone is 7 hours ahead of New York, 2 hours ahead of London, 1 hour behind Moscow and 5 hours behind Beijing. The official languages are Greek and Turkish, but English is the *lingua franca* of business.

Cyprus is an independent, sovereign republic with a presidential system of government and a written constitution which safeguards the rule of law, political stability, human rights and the ownership of private property. Cyprus has been a member of the European Union since 1 May 2004. In preparation for EU membership Cyprus made significant structural and economic reforms that transformed its economic landscape and created a modern, open and dynamic business environment. Since accession, Cyprus has successfully faced the challenge of European integration, and has established itself as the natural portal for inward and outward investment between the EU and the rest of the world, particularly the rapidly-growing economies of Russia, Eastern Europe, India and China. Cyprus is a member of the Commonwealth, the Council of Europe, the IMF, the UN, the World Bank and the WTO, and a founder member of the Organization for Security and Co-operation in Europe.

On 1 January 2008 Cyprus adopted the euro as its currency.

The legal system, modelled on the English common law system since independence

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in 1960, is harmonised with the *acquis communautaire* of the EU. Cyprus is a signatory to a large number of international conventions and treaties, including an extensive network of double taxation treaties covering more than 50 countries.

Cyprus is a low-tax jurisdiction whose fiscal and regulatory regimes are aligned with EU norms, particularly the Code of Conduct for Business Taxation, and fully satisfy the requirements of the OECD, the Financial Action Task Force of the OECD and the Financial Stability Forum. It has been on the OECD White List of jurisdictions complying with international best practice since its inception. The regulatory framework is designed to maintain Cyprus's reputation as a respectable and responsible place to do business while allowing businesses to conduct their legitimate activities in an environment as free as possible from onerous bureaucratic restrictions.



## Commercial environment

Cyprus has an open, free-market, service-based economy with some light manufacturing. According to the International Monetary Fund, in 2014 GDP per capita was USD 30,769, thirty-seventh in the world and on a par with the Czech Republic and Trinidad and Tobago. The United Nations Human Development Index for 2013 ranks Cyprus thirty-second in the world as regards quality of life.

The government's economic policy is aimed at promoting and maintaining favourable investment conditions and supporting private initiatives. Foreign participation in the economy has been officially encouraged and liberalised for some time. Administrative procedures have been simplified and in all but a few strategic or specifically regulated industries such as banking and media there are no limits on foreign investment. Citizenship is available for significant investors. There is a growing awareness among foreign corporations and individuals of the particular advantages of using Cyprus as a business base for both inward and outward investment. At the 2011 population census, 24% of residents of the government-controlled area were non-Cypriots, of whom a small majority were EU nationals.

In recent years the inflow of approved foreign investment has increased considerably. Cyprus has 24 bilateral treaties for the encouragement and reciprocal protection of investments and more are under negotiation. The purpose of the treaties is to create and maintain favourable conditions for investments made by nationals of one treaty state in the other treaty state for their mutual benefit on a long-term basis, to guarantee the protection of such investments (including the repatriation of profits) and to establish procedures for settling any disputes that may arise. Cyprus is a signatory to the convention which in 1988 established the Multilateral Investment Guarantee Agency, a member of the World Bank Group.

There are many well-qualified lawyers who are experienced in all aspects of company law and tax planning. The principal international accountancy firms practise in Cyprus, as well as insurance, financial services and fiduciary companies. Limassol, Cyprus's commercial and shipping centre, is among the world's most important third party ship management centres.

The Cyprus telecommunications system is excellent and costs are among the lowest in Europe. CYTA, the soon-to-be-privatised state-owned service provider, operates fixed and mobile networks with a full range of voice and data services. Following liberalisation of the market several other service providers now offer similar services in competition to CYTA.

The government has established a free trade zone close to Larnaca offering excellent infrastructure, low rents and customs-free status. It also plans to establish a Software Technology Park to stimulate and encourage the flow of knowledge and technology

among research, development and educational institutions, corporate bodies and other participants in the IT market.

The country's two international airports, situated near Larnaca and Paphos, which serve numerous international airlines, were reconstructed and upgraded within the past 10 years. Seaborne traffic is served by the two multi-purpose ports of Limassol and Larnaca, which are used as warehouse, distribution and container transshipment centres.

### **Taxation**

The far-reaching tax reform that took effect on 1 January 2003 brought about major changes to the Cyprus taxation system. An increase in the rate of VAT to 15% (since increased to 19% but still among the lowest rates in Europe) made possible a reduction of certain taxes and the abolition of others. The old, complex tax regime was replaced by a new system that eliminates discrimination and differential treatment between different categories of business and is simple and transparent. The distinction between local and international companies was abolished and the corporate tax rate is now uniform and only 12 %, among the lowest in the EU. The maximum personal income tax rate for resident individuals is 35%.

### **Exchange control**

With the abolition of exchange controls on 1 May 2004 both residents and non-residents, whether individuals or corporate bodies, may hold and manage assets and liabilities in any currency and in any country. There is no distinction between nationals of Cyprus, nationals of other EU member states or third country nationals.

### **Anti money-laundering measures**

The principal anti-money laundering legislation in Cyprus is the Prevention and Suppression of Legalising Proceeds from Illicit Actions Law of 2007, Law 188(I) of 2007 ("the Law"). The Law, which was passed on 31 December 2007, consolidates, amends and replaces the Prevention and Suppression of Money Laundering Activities Laws of 1996 to 2004 with effect from 1 January 2008.

The Law contains both suppressive and preventive provisions against money laundering, and fully implements the Third Anti- Money Laundering Directive, Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 and the Financial Action Task Force's ("FATF") revised 40 Recommendations against money laundering and its 9 Special Recommendations against terrorist financing.

The Law criminalises money laundering from all crimes punishable with imprisonment in excess of one year as well as terrorist financing activities. All persons carrying on "relevant financial business" (including credit institutions, investment firms, insurance companies, lawyers, accountants, real estate agents and dealers in precious metals and stones) are obliged to implement strict procedures to preventing

the abuse of their services for money laundering. Persons subject to the Law are required to implement procedures for customer identification, record keeping and internal reporting. They must ensure that their employees are aware of their obligations under the Law and provide adequate training to assist them in recognising money laundering transactions. Organisations must appoint properly qualified persons as "Money Laundering Compliance Officers".

The Law designates the Central Bank of Cyprus ("CBC") as the competent supervisory authority for all banks operating in Cyprus and assigns to it the responsibility of ensuring banks' compliance with the provisions of the Law. The CBC is also the supervisory authority for providers of money transmission services. The Cyprus Securities and Exchange Commission ("CySEC") is the regulator for investment firms, fund managers and administrative service providers and the relevant professional bodies are responsible for their members' activities.

The CBC has issued useful guidance on customer identification, record keeping and other procedures for the prevention of money laundering, including the identification of beneficial owners of accounts and transactions and checks on the source and legitimacy of funds flowing through the banking system in Cyprus. These are available on the CBC's website.

The Law established a special Unit for Combating Money Laundering ("MOKAS") as part of the Attorney General's Office, to take responsibility for the receipt and analysis of suspicious transaction reports and money laundering and terrorist financing investigations.

The measures taken in Cyprus for combating money laundering and terrorist financing have been evaluated several times by the FATF and the Council of Europe's Moneyval Committee, an FATF regional body whose membership comprises all European states, including Cyprus, which are not members of the FATF.

In its official report published in June 2000, the FATF recognised that the anti-money laundering system of Cyprus complies with international standards. Subsequent evaluation reports adopted by the Moneyval Committee commend the legal and other measures taken by Cyprus in line with international conventions and standards, and the efficiency and effectiveness of the practical implementation of those measures.

### **Immigration**

Cyprus has aligned its immigration law and regulations with the EU's *acquis communautaire* on matters such as entry and stay of third country nationals for self-employment and study purposes and long-term residence. Nationals of non-EU countries who have been residing in Cyprus for at least five years are entitled to Long-Term Residence Permits which have an indefinite limit; their issue is a requirement imposed on all EU member states. Visa obligations for foreign nationals are in line with EU obligations. Cyprus is a signatory to the Schengen agreement and is currently

going through the pre-implementation evaluation procedure. A “fast-track” economic citizenship programme, offering accelerated citizenship by naturalisation to qualifying persons, is also available. Details are given overleaf.

### **Work permits**

Citizens of EU member states may work in Cyprus. If they are employed, they must obtain residence permits, to which they are entitled as of right. Nationals of other countries wishing to work in Cyprus require employment permits. These are granted for employment by a specific employer and are normally valid for one year, although they can be renewed .

As part of its drive to attract foreign investment the government has put in place a "fast-track" scheme for dealing with applications by foreign companies to employ workers from third countries, offering:

- simplified procedures and conditions for granting work and residence permits for third country employees of foreign companies;
- reduction of the time taken to examine applications;
- indefinite work and residence permits for senior management and other key employees;
- streamlined procedures for domestic staff employed by senior management personnel;
- reduction of documentation required to support applications to the essentials; and
- relaxation of re-entry visa requirements for third country workers who frequently travel outside Cyprus.

In particular, Russian businessmen in senior management positions who reside mainly in Cyprus may apply for permanent residence permits, and a fast-track procedure has been established for applications to be examined by the Immigration Control Committee. The Committee liaises closely with the Russian Chamber of Commerce and the Embassy of the Russian Federation in Cyprus in order to resolve any problems that may arise.

### **Economic citizenship programme**

The Civil Registry Law, 141(I) of 2002 provides for non-Cypriots of full age and capacity to acquire citizenship by naturalisation. Applicants are generally required to have lived in Cyprus for seven years prior to submitting an application.

However, in 2013 the Cyprus government introduced a fast-track procedure under which qualifying persons can obtain Cypriot citizenship by naturalisation on an accelerated basis, typically within three months. As Cyprus is a member of the EU, and Cypriot citizenship brings with it the considerable travel and visa benefits applicable to all EU citizens, the programme has proved very popular. Applicants must own a permanent residence in Cyprus with a value of €500,000 or more

excluding VAT and have no criminal record and no asset freezing orders outstanding against them. In addition they must invest at least €2 million in one or more of a range of specified investments or business activities in Cyprus.

The Cyprus economic citizenship scheme gives successful applicants citizenship of an EU member state, with the right to live, work and study in all 28 EU countries. Holders of a Cyprus passport enjoy visa-free travel to more than 150 countries around the world. There is no need to relinquish an existing nationality, as Cyprus allows dual nationality. Full citizenship and passports are granted to the applicant and his or her dependants. Furthermore, applicants are not required to make any form of donation; citizenship merely requires the acquisition of assets in Cyprus.



## Foreign investment

In preparation for EU membership, in order to attract inward investment and enhance economic prosperity the government liberalised foreign direct investment policy for both EU and non-EU nationals. In general, foreign investors may invest and do business in Cyprus on equal terms with local investors. In regulated sectors such as banking and financial services approvals may be required for customer protection purposes, but these apply equally to Cypriots, nationals of other EU member states and third-country nationals. Accordingly, in all but a very few strategic or regulated sectors of the economy foreign investors may now participate with no limits on equity holdings and without any prescribed minimum level of capital investment. To further facilitate inward investment the Ministry of Commerce, Industry and Tourism has recently established a Foreign Investors Service Centre tasked with co-ordinating and simplifying potential investors' dealings with the authorities.

### Investment by EU nationals

In line with the freedom of establishment there are no restrictions on investment by citizens of EU member states other than those applying to specifically regulated sectors, such as banking, where a "fit and proper" test is applied.

### Investment by third country nationals

#### *Direct*

Foreign direct investment in Cyprus from non-EU countries was fully liberalised with effect from 1 October 2004, and minimum investment amounts and maximum participation percentages were generally abolished, although licences may be still be required for certain specific investment activities. In the tourist sector the current policy, introduced in 1995, provides for participation up to 49% in projects such as hotels and tourist villages. For projects that enrich the tourist product, such as golf courses and theme parks, up to 100% participation is permitted.

Qualified investors may obtain Cypriot citizenship by naturalisation on a "fast-track" basis under Cyprus's economic citizenship programme, details of which are given at page 12.

#### *Portfolio*

Up to 100% of the share capital of a company listed on the Cyprus Stock Exchange may be acquired. The only exceptions are regulated sectors such as financial services and media.

### Restricted investments

For both EU and third country investors, restrictions remain on acquisitions in strategic sectors such as tertiary education, public utilities, media and airlines. Each application is considered on its merits.

### **Incentives**

Incentives for locating a business in Cyprus include:

- a favourable business environment, with well-educated human capital available at reasonable rates of pay, and world-class infrastructure and services;
- a low-tax environment;
- freedom from exchange controls, allowing profits, interest and dividends from approved investments, capital invested and any capital gains from the disposal of shares in such investments to be freely remitted overseas;
- EU membership, providing a base for the production and export of goods to the large EU market;
- industrial estates, bonded factories and warehouses and the Larnaca Free Zone ("LFZ"), close to the port and international airport, to which equipment and raw materials may be imported free of customs duty. Products manufactured in the LFZ may enter the domestic market on payment of the lowest preferential tariff;
- a framework of grants and other financial incentives.



## Business entities

The most common forms of business entity used by foreign investors to conduct business in Cyprus are a limited liability company, a branch of an overseas company, a partnership and a sole proprietorship.

### Limited liability company

The governing statute is the Companies Law (Cap.113) as amended. Under the Companies Law, a company may be limited by shares or by guarantee and may be private or public.

#### *Private company*

A private company is one which by its articles of association specifically:

- restricts the right to transfer its shares;
- limits the number of its members to 50, not including persons who are in the employment of the company and persons who, having been formerly in the employment of the company were, while in that employment and have continued after the determination of that employment to be, members of the company;
- prohibits any invitation to the public to subscribe for its shares or debentures; and;
- prohibits the issue of bearer shares.

#### *Public company*

The Companies Law defines a public company as one that is not private. It must fulfil the following criteria.

- It has at least seven members, with no maximum.
- It has at least two directors.
- Its articles of association must specify the number and the mode of appointment of directors.
- If directors are appointed by the company's articles, the consent of these directors must be filed on incorporation.
- It must obtain a trading certificate from the Registrar of Companies before it can commence business.
- It must have a statutory meeting and its directors must make a statutory report to its members.
- It must issue a prospectus or statement in lieu of prospectus before issuing any of its shares or debentures to the public.
- Only public companies may issue share warrants.

#### *European Public Limited Company or Societas Europaea (SE)*

Cyprus enacted legislation in 2006 to allow the formation of European Public Limited Companies (SEs).

For a company to re-form as an SE in Cyprus, it must be permitted to do so under the law of its existing registration, and must provide the Cyprus Registrar of Companies with documents similar to those required for re-registration within Cyprus. The legal framework within which business must be carried on in the Community will be based on Cyprus law. Furthermore, an SE that markets its securities to the public and to the investment market must comply with national regulations.

Because of the greater degree of separation between their management and their membership, which may number many thousands, public companies are subject to stricter governance, capital maintenance and reporting requirements than private companies.

#### *Registration formalities*

After approval of the company's name, a Memorandum and Articles of Association must be submitted to the Registrar of Companies, with details of the share capital, directors, secretary and registered office. A certificate of incorporation is usually issued within a month, but registration can be expedited by payment of an additional fee.

#### *Share capital*

There is no minimum share capital for a private company. For a public company the minimum is €25,630.

#### *Capital duty*

On incorporation of a Cyprus registered company, capital duty of €103 plus 0.6% of the authorised capital is payable to the Registrar of Companies. Any subsequent increase in authorised share capital is liable to capital duty at 0.6%. No capital duty is payable on share premium and capital duty can be minimised by issuing a reduced nominal value of shares at a premium.

#### *Directors' liability*

A director's duties are owed to the company. Common law duties include fiduciary duties (to exercise powers for the benefit of the company, retain freedom of action and avoid conflicts of interest) and a duty of skill and care, not to act negligently in managing the company's affairs. There are also statutory duties, some imposing criminal penalties, and duties owed to creditors.

#### *Reporting requirements*

Company directors are responsible for maintaining appropriate books and records to present a true and fair view of the company's affairs, to explain its transactions and to allow the preparation of financial statements. The directors must present a full set of financial statements to the annual general meeting of the company; if a company has subsidiaries, consolidated financial statements are required. Under the Companies Law all limited liability companies must have their financial statements audited by an authorised independent auditor unless they satisfy

at least two of the following criteria:

- total assets, before deducting liabilities, do not exceed €3,417,200;
- annual turnover does not exceed €6,834,400; and
- average number of employees for the year does not exceed 50.

Notwithstanding this "small companies" exemption under the Companies Law, the Income Tax Law requires all companies to submit an annual tax return based on financial statements audited by authorised auditors. This effectively means that all companies are required to prepare audited financial statements.

An exemption from the obligation to prepare consolidated financial statements is available for "small sized groups" of companies, of which the companies that are being consolidated:

- are not public companies;
- are not required to prepare consolidated financial statements under any other legislation; and
- together fulfil at least two of the following criteria at balance sheet date of the holding company:
  - total assets (without deducting liabilities) no greater than €17.5 million;
  - net turnover no greater than €35 million;
  - average number of employees no greater than 250.

Companies are also required to notify the Registrar of Companies within specified time limits of any charges over their assets, changes in their Memorandum and Articles, registered office, directors, secretary, members and share capital.

#### *Annual levy on companies*

For annual levy of €350 is payable to the Registrar of Companies on or before 30 June each year by all companies incorporated in Cyprus. Penalties will be imposed in the event of late payment. Companies which have not paid after five months from the due date may be struck off the register. They can be restored to the register only by paying an increased levy of €500 per year if they are restored within two years or €750 per year if they are restored to the register after more than two years.

#### **Branch of an overseas company**

A branch of an overseas company may be registered under the Companies Law provided that satisfactory bank references are supplied and the following documents (translated into Greek) are filed with the Registrar of Companies within one month:

- certified copy of the charter, Memorandum and Articles or other instrument defining the constitution of the company;
- particulars of the directors and secretary of the company;
- name and address of at least one person resident in Cyprus authorised to accept service of any notice on behalf of the company.

**Partnership**

Partnerships in Cyprus are governed by the Partnership and Business Names Law (Cap.116). They may be either general (in which every partner is liable jointly and severally with the other partners for all the debts and obligations of the partnership incurred while a partner) or limited (in which limited partners contribute a stated amount to the capital and are not liable for the debts and obligations of the partnership beyond the amount stipulated). In addition to the conventional form of limited partnerships, partnerships limited by shares may be formed. In either form of limited partnership there must be at least one general partner, with unlimited liability for the debts and obligations of the partnership. Only general partners may participate in the management and operations of the partnership, and have authority to bind it.

Partnerships may not exceed 100 members. A company may be a general or limited partner.

Non-residents may become members of a Cyprus-registered partnership. Non-EU nationals require work permits, which are usually granted if the business of the partnership is export-orientated or is breaking new ground in terms of technical or commercial development.

Partnerships are required to keep proper books of account and make them available for inspection by the partners. Under the Assessment and Collection of Taxes Law, if annual turnover exceeds €70,000 per partner audited accounts must be produced.

Joint ventures are treated as a form of partnership.

**Sole proprietorship**

Cypriots and non-Cypriots may carry on business in their own name or under a business name registered under the Partnership and Business Names Law (Cap.116). Non-EU nationals must secure prior permission under the Aliens and Immigration Regulations. Under the Assessment and Collection of Taxes Law, if annual turnover exceeds €70,000 audited accounts must be produced.

## Taxation

The tax year for individuals and companies is the calendar year.

### Individuals

Cyprus residents are taxed on the basis of worldwide income, irrespective of whether it is remitted to Cyprus. Husband and wife are taxed separately.

Persons who are not resident in Cyprus are subject to income tax on income accruing or arising from sources in Cyprus in respect of:

- profits or other benefits from a permanent establishment situated in Cyprus or from any office or employment exercised in Cyprus;
- pensions in respect of past employment exercised in Cyprus;
- rent from property situated in Cyprus;
- consideration in respect of goodwill of a trade in Cyprus reduced by the cost of such goodwill;
- the gross income derived by an individual from the exercise in Cyprus of any profession or vocation, the remuneration of public entertainers, and the gross receipts of any theatrical, musical or other group of public entertainers.

Individuals are considered to be resident if they are present in Cyprus for more than 183 days in the relevant year. Days of departure and arrival are treated as follows:

- the day of departure from Cyprus counts as a day of residence outside Cyprus;
- the day of arrival in Cyprus counts as a day of residence in Cyprus;
- arrival in and departure from Cyprus in the same day counts as one day of residence in Cyprus;
- departure from and return to Cyprus in the same day counts as one day of residence outside Cyprus.

Personal income tax rates are as follows:

Income band from	to	Tax rate	Cumulative tax at top of band
0	€19,500	0	0
€19,500	€28,000	20%	€1,700
€28,000	€36,300	25%	€3,775
€36,300	€60,000	30%	€10,885
€60,000	and above	35%	

Relief is given for donations to approved charities, professional and trade union subscriptions, life insurance premiums and contributions to pension, social insurance and welfare funds. Relief may also be available under a double taxation treaty.

Resident expatriate employees or secondees are subject to income tax on their worldwide income at the rates shown above. For all tax years up to 2020 individuals taking up residence and employment in Cyprus will be entitled to an annual allowance of the lower of €3,543 or 20% of their remuneration. Alternatively, if income from employment exceeds €100,000 per annum, a 50% deduction is allowed for the first 10 years of employment. The exemption is not available to anyone who was resident in Cyprus in any three of the five tax years preceding the year in which the employment in Cyprus began, or to anyone who was resident in Cyprus in the year preceding the year in which the employment began.

The exemption is available in respect of any tax year in which income from employment exceeds €100,000, irrespective of whether the income falls below that amount in any intermediate year, provided that when the employment started the income exceeded €100,000 and the tax authorities are satisfied that the variations in the annual income are not made for the purpose of obtaining this tax benefit.

The two exemptions are mutually exclusive, and only one of them can be claimed by a particular taxpayer.

#### *Exemptions and special cases*

A number of exemptions are available, namely:

- interest and dividends receivable by individuals;
- lump sums received on retirement;
- capital sums from approved life assurance policies and provident or pension funds;
- income from employment services provided abroad to a non-resident employer or an overseas permanent establishment of a resident employer for a period exceeding 90 days in the tax year;
- profit from the sale of securities;
- certain pensions;
- salaries of officers and crew of ships owned by a Cyprus shipping company that sail under the Cyprus flag and operate in international waters;
- income from a qualifying scholarship, exhibition, bursary or similar educational endowment.

For income tax purposes a 20% deduction is allowed from rental income received.

At the taxpayer's option, pensions received from overseas in respect of overseas employment may be taxed on the standard basis along with other income or as a separate income stream, of which the first €3,420 per annum is free of tax and the excess over that amount is taxed at 5%. The option is exercisable from year to year.

The Merchant Shipping (Fees and Taxing Provisions) Law of 2010 makes available an alternative tax system, based on tonnage of vessels, to owners, charterers and managers of ships engaged in qualifying international maritime transport activities.

Investment income of resident individuals is subject to the special defence contribution (see page 25) which is deducted at source.

### **Special Contribution by Private Sector Employees and Pensioners and the Self-employed**

With effect from 1 January 2012 a “special contribution” has been levied on remuneration and pensions paid to employees in the private sector in Cyprus and the self-employed. The levy was originally intended to be limited to two years’ duration, but was extended for a further three years, until the end of 2016. Special contribution is borne by the employer and the employee in equal shares. The rates to be applied to successive tranches of monthly earnings are as follows:

Monthly earnings	First €1,500	Next €1,000	Next €1,000	Above €3,500
Rate	0	2.5%	3%	3.5%

### **Social Insurance**

Under the Social Insurance Scheme, the employer and employee each contribute 7.8% of the employee’s earnings up to a current maximum of €4,533 per month, a total of 15.6%, and the government pays a further 4.6%, making an aggregate of 20.2%. A self-employed person contributes 14.6% and the government pays 4.6% on income within a lower and upper earnings threshold that varies according to the nature of the trade. Voluntary contributions may be paid on insurable income; the contributor pays 13% and the government pays 4.1%. An individual who is ordinarily resident in Cyprus but who is working abroad for a Cyprus-resident employer may pay voluntary contributions of 15.6%. In this case the government contributes 4.6%.

Employers must also pay 1.7% of their employees’ earnings up to a maximum of €4,004 per month to the Industrial Training Fund and Redundancy Fund and 2% (with no upper earnings limit) to the Social Cohesion Fund, which is used to make social grants.

Contribution rates are reviewed every five years, with the next revision due as from 1 January 2019.

### **Companies**

The Income Tax Law of 2002 completely changed the system of company taxation and abolished the separate taxation system that had been available to offshore companies (companies incorporated in Cyprus owned by non-Cypriots and trading exclusively outside Cyprus). There is now:

- a single corporation tax rate of 12.5% for all companies registered in Cyprus;
- no geographical limitation on the exercise of a company’s activities: income may be derived from any source, including a Cyprus-based source;

- no restriction on the ownership of a company's shares.

As with personal taxes, liability to corporate income tax is based on residence. Cyprus resident companies are liable to tax on worldwide income and non-resident companies are liable to tax on any Cyprus-source income.

For companies, the test for residence is the locus of management and control. A company is regarded as resident in Cyprus if it is managed and controlled in Cyprus. Mere registration or incorporation in Cyprus will not be enough to render a company liable to tax in Cyprus.

The main criteria used by the tax authorities in order to determine whether or not the management and control of a company are exercised in Cyprus are as follows:

- Are a majority of the directors resident in Cyprus?
- Are all the strategic decisions affecting the company demonstrably made in Cyprus by the board of directors?
- Does the company maintain its headquarters in Cyprus?
- Does the company operate an account with a bank in Cyprus?

A company should have economic substance in terms of staff, premises and equipment and sufficient competence in Cyprus to make necessary business decisions. Finally, it should provide a service that is genuinely required by the group and not "devoid of an economic purpose". Otherwise, payment for such services could be viewed as an artificial transfer of profits from one company to another.

A company resident in Cyprus is taxable on its worldwide income derived or accruing from:

- gains or profits from any trade or business;
- interest or discount (subject to exemptions – see below);
- rents, royalties, premiums or other profits arising from property;
- any other income, such as gain on sale of goodwill.

Profits of permanent establishments overseas are exempt.

Corporation tax is charged at 12.5% on the profits of a company's business and gains on trading in immovable property in Cyprus.

Cyprus branches of foreign companies are subject to tax at 12.5% on worldwide income if the locus of management and control of the branch is in Cyprus. If the locus of management and control is overseas, all the branch income is exempt from tax in Cyprus.

Non-resident companies are liable to corporation tax on profits accruing or arising in Cyprus from a permanent establishment in Cyprus.

A subsidiary, wherever incorporated, will be subject to Cyprus tax on its worldwide



income if it is managed and controlled in Cyprus, or if profits accrue or arise in Cyprus from a permanent establishment in Cyprus.

Under the OECD model double taxation treaty, the definition of a permanent establishment includes a place of management, a branch, an office, a factory, a workshop, a mine and a building site or construction or installation project if it lasts for more than three months. The retention of a law firm or similar service provider in Cyprus for management, domiciliation, legal or other services and the opening of an account with a bank in Cyprus do not constitute a permanent establishment.

Losses may be carried forward for up to five years for relief against future taxable profits.

Trading losses incurred by one group company may be set off against trading profits of another group company to give group relief, provided that the losses and profits accrued in the same year of assessment and both companies were resident in the European Economic Area and members of the same group for the whole of that year.

Two companies are deemed to be members of a group if one is the 75% subsidiary of the other or both are 75% subsidiaries of a third company. "75% subsidiary" means holding at least 75% of the voting shares with beneficial entitlement to at least 75% of the income and 75% of the assets on liquidation.

Companies are entitled to a notional interest deduction ("NID") on new equity capital (paid-up share capital and share premium) introduced after January 1 2015 into companies and permanent establishments of foreign companies in order to finance business assets. The NID will be deductible for the purpose of calculating taxable profit.

The NID is limited to 80% of the taxable profit before deducting the NID, and no NID will be allowed in the event of losses. Unutilised NID cannot be carried forward to be offset against future years' profits.

#### *Special bases of taxation*

Interest received by companies in the ordinary course of their business or closely connected to the ordinary course of business, net of costs incurred in earning the interest, is subject to corporation tax at the standard rate of 12 %. Interest not satisfying these criteria is subject to SDC at the rate of 30% on the gross amount without any deduction for costs.

Royalties or any other payments to a non-resident for intellectual or industrial property rights are liable to a 10% withholding tax, subject to relief under any applicable double taxation treaty. No tax need be withheld if the rights are used exclusively outside Cyprus.

Rental payments made to a person not resident in Cyprus in respect of films shown in Cyprus are subject to withholding tax at 5% of the gross amount.

The Merchant Shipping (Fees and Taxing Provisions) Law of 2010 makes available an alternative tax system, based on tonnage of vessels, to owners, charterers and managers of ships engaged in qualifying international maritime transport activities. Further details are given at page 29.

In 2012 Cyprus introduced an "intellectual property box" regime which exempts four-fifths of income from intellectual property assets from tax and results in an effective tax rate of less than 2.5% on such income. Gains on disposal of intellectual property assets can be fully sheltered from tax. Following adoption by the OECD of the "modified nexus" approach to intellectual property taxation schemes the Cyprus government has announced that the current scheme is to be changed, but at the time of writing the details of the changes had not been announced.

### *Exemptions*

In addition, the following types of income are exempt from corporate income tax:

- profit from the sale of securities;
- dividends (subject to anti-avoidance rules);
- income of any approved pension or provident fund;
- profits from a permanent establishment situated entirely outside Cyprus, unless the permanent establishment directly or indirectly engages more than 50% in activities which lead to investment income and the foreign tax burden is substantially lower than the tax burden in Cyprus
- income of any company formed exclusively for the purpose of promoting art, science or sport, and of certain educational and charitable companies;
- profits earned or dividends paid by a Cyprus shipping company which owns ships under the Cyprus flag and operates in international waters, for which the tonnage tax scheme is mandatory.

### **Special Defence Contribution**

Special contribution for defence ("SDC tax") is payable by individuals who are both resident and domiciled in Cyprus and by Cyprus resident companies on interest, dividend and rentals received at the following rates. Relief or credit for tax paid abroad may be available either under the terms of a double tax treaty or by way of unilateral relief.

<b>Type of income</b>	<b>SDC rate</b>
Dividends	17%
Interest not earned in the ordinary course of business	30%
Rents	3% of 75% of the rent

### *Dividends*

Dividends received by one resident company from another are exempt from SDC tax as long as the dividend is paid direct no later than four years after the end of the year in which the underlying profit was earned. Dividends received by a foreign shareholder (individual or company) from a resident company are also exempt, and this gives Cyprus a real advantage over other European holding company regimes which generally impose a withholding tax, even when reduced by a double taxation treaty, of at least 5%.

Dividends received by a resident company (or a permanent establishment of a non-resident company) from overseas are exempt from SDC tax in accordance with the EU Parent-Subsidiary Directive and domestic law. There are no Controlled Foreign Company (CFC) provisions under Cyprus law and the only limitation to the exemption for overseas dividends is where both limbs of the following test ("Passive Dividend Rules") apply, namely where:

- the investment income is more than 50% of the paying company's activities; and
- the foreign tax burden on the income of the paying company is substantially lower than the Cyprus tax burden.

A special rate of 3% applies to dividends received from collective investment schemes.

### *Interest*

Interest received in or closely related to, the normal course of business, is not subject to SDC. Other interest is liable to SDC at 30% on the gross amount received, without any deduction for the costs of earning it.

### *Rents*

Rents are subject to SDC at 3% on 75% of the gross rent. No deduction for expenses is allowed. Companies, partnerships, and central and local government bodies paying rents are required to withhold SDC at source and pay it to the tax authorities.

### *Deemed dividend distribution for SDC*

If a Cyprus resident company does not distribute a dividend within two years after the end of a tax year, a "deemed dividend distribution" is calculated, being 70% of after-tax accounting profits for that tax year, less any dividends that have been paid out of those profits. SDC tax is charged on the proportion of the deemed dividend distribution that is applicable to Cyprus-resident shareholders.

When an actual dividend is paid after the deemed dividend distribution, then SDC tax is payable only on any amount dividend paid over and above the deemed dividend distribution.

If a company is liquidated and funds or assets are returned to shareholders, the profits for the final three years which have not been distributed or deemed to have been distributed, are deemed to have been distributed and the shareholders are deemed to have received the dividends, which will be subject to SDC tax at 17%. The deemed dividend distribution may not exceed the sum (or the value of the assets) paid to the shareholders.

This deemed distribution does not apply to the liquidation of a company for the purpose of a qualifying reorganisation, nor to companies in insolvent liquidation.

Collective Investment Schemes pay SDC tax at a reduced rate of 3% on deemed distributions, whether in respect of income or on liquidation (redemptions of units in Collective Investment Schemes do not constitute a distribution for the purposes of SDC tax and so are exempt).

### **Capital Gains Tax**

The only gains subject to capital gains tax in Cyprus are gains from the disposal of immovable property in Cyprus and from the disposal of shares in unlisted companies to the extent that they are derived from immovable property in Cyprus. All other gains are exempt.

#### *Exempt transfers*

The following categories of disposals of real estate are exempt from Capital Gains Tax:

- transfers by reason of death;
- gifts between relatives up to the third degree of kindred;
- gifts to family companies (limited companies whose only shareholders at the time of the gift and for the entire period of five years thereafter are members of the family of the donor);
- gifts by family companies to their shareholders, but only in cases where the property given was originally acquired by the company as a gift;
- gifts to charitable institutions or to the Republic of Cyprus;
- exchanges of immovable properties; and
- compulsory acquisitions.

#### *Computation of tax payable*

In assessing the gain the following will be deducted from the price received:

- the market value of the property at 1 January 1980, or, if it was acquired after that date, the price paid or the consideration given for the acquisition of the property;
- the cost of any major improvements;
- the subsequent increase in the value of the property due to inflation, calculated by reference to the Retail Price Index issued every month by the Department of Statistics;

- expenses related to the acquisition and disposal of the property such as transfer fees and legal costs.

Individuals may deduct from the resultant gain the following lifetime exemptions:

- in the case of sales of agricultural land by farmers, the first €25,629 of the sale price, provided that the farmer was residing in the same area at the time of the sale;
- in the case of sales of property used as a residence by the vendor, the first €5,430 of the sale price, provided that the property has been used as the vendor's residence for at least 5 years prior to the sale; and
- in the case of any other disposal, the first €17,086 of the sale price.

The rate of tax is 20% and the tax is payable within one month from the date of disposal. Interest at 9% per annum is payable on any tax remaining unpaid after one month from the date of the disposal. If the sale proceeds are payable by instalments, the tax also may be paid by instalments with interest. Interest at 4% per annum is payable when excess tax is refunded.

Many of Cyprus's double taxation treaties tax capital gains only in the country of residence of the disponor of the asset. The exemption from capital gains tax in Cyprus could therefore completely eliminate any tax liability, for example in the case of a capital gain made by a Cyprus-resident company from a sale of the shares of its foreign subsidiary. Such a gain will be exempt from tax both in Cyprus and in the country where the subsidiary and the shares are based.

In order to stimulate the real estate market a further exemption was introduced in 2015 for immovable property acquired between July 16, 2015 and December 31, 2016, provided that the property was acquired on an arm's length basis and not under the foreclosure provisions of the Transfer and Mortgage of Immovable Properties Law. Any gain on the disposal of the property will be exempt from capital gains tax, irrespective of the date of disposal.

### **Disposal of goodwill**

As the gain from a sale of goodwill as such is taxable at the standard corporate tax rate, it is usually beneficial to transfer goodwill to a newly-formed company and sell the shares of that company. Any capital gain on the sale of the shares (which will include the value of the goodwill) will be exempt from tax.

### **Advance rulings**

The Tax Rulings Division of the tax department will, on application by or on behalf of a taxpayer, issue advance tax rulings regarding actual transactions (for brevity this should be understood as including a series of transactions) relating to tax years for which the due date for filing a tax return has not yet passed, and transactions proposed to be undertaken by existing or new entities. By way of example, ruling requests in respect of transactions concluded in the year 2015 will be accepted up to

31 March 2017, the statutory deadline for filing the 2015 tax return. Requests for tax rulings are required to be in writing, addressed to the Commissioner of Taxation and must include full information regarding the proposed transaction. Rulings will be binding only with regard to the taxpayers specifically mentioned in the ruling request, and only to the extent that the facts and circumstances presented in the ruling request continue to be applicable and provided that there is no subsequent change in the tax law which renders the ruling inapplicable.

### **Value Added Tax**

The VAT registration threshold is €15,600 per annum. Cyprus's standard rate of 19% is among the lowest in the EU and reduced rates of 5% and 9% apply to certain goods and services. Companies that do not have trading activities within the EU need not register for VAT but of course they will be unable to recover input tax.

### **Stamp duty**

Stamp duty is payable on contracts relating to property or business in Cyprus. The rates of stamp duty are as follows:

- No stamp duty is payable on the first €5,000 of consideration;
- On the tranche of consideration between €5,000 and €170,000, stamp duty is payable at the rate of €1.50 for every €1,000 or part thereof;
- On any consideration above €170,000 stamp duty of €2.00 is payable for every €1,000 or part thereof.

The wording of the law indicates that the rate of stamp duty is determined by the aggregate value of the contract and applies to the entire consideration, whereas previously the appropriate rate was applied to each tranche of the consideration. Our discussions with the relevant authorities indicate that they intend to continue to apply the old method of calculation in practice. In any event, the difference is less than €300.

The maximum stamp duty payable on a contract is capped at €20,000. Where no amount of consideration is specified in the contract the stamp duty is €34. For a transaction which is evidenced by several documents stamp duty is payable on the main contract and ancillary documents are charged at a flat rate of €2. A number of categories of documents are exempt from stamp duty, including documents relating to corporate reorganisations (which are exempt from all forms of taxation) and ship mortgage deeds or other security documents.

Stamp duty must be paid within 30 days from the date of execution of the relevant documents or, if they are executed abroad, within 30 days after they are received in Cyprus. If stamp duty is paid late, a surcharge of approximately 10% of the unpaid amount is payable if payment is made within six months after the due date; otherwise the surcharge is twice the unpaid amount.

### **Taxation of international shipping activities**

Since Cyprus joined the EU in 2004, Cyprus resident shipping and ship management companies had enjoyed the most benevolent shipping taxation regime in Europe, with significant exemptions and the option for ship management companies to elect between a preferential corporate income tax rate of 4.25% or a tonnage tax regime. The Merchant Shipping (Fees and Taxing Provisions) Law of 2010 ("the Tonnage Tax Law"), which was enacted on 29 April 2010 and has retroactive effect from 1 January 2010, abolishes the old preferential corporate income tax rate but significantly extends the availability of the tonnage tax basis for Cyprus resident shipping and ship management companies, simplifying and reducing the tax burden. It extends the benefits of the tonnage tax regime and exemptions from income tax, which were previously restricted to owners, operators and managers of Cyprus-flag ships, to owners and charterers of non-Cyprus flag vessels and widens the range of exempt gains to include profits on the disposal of vessels, interest earned on funds and dividends paid directly or indirectly from shipping-related profits, in addition to profits from shipping operations.

#### *Qualifying persons, activities and vessels*

In order to be eligible for the tonnage tax regime, a "qualifying person" must be carrying out "qualifying activities" in relation to "qualifying vessels".

Qualifying persons are tax-resident owners or charterers (bareboat, demise, time and voyage) of Cyprus ships, of Community ships or of fleets of ships comprising Community and non-Community ships, and ship managers providing technical or crewing services or both. Ship managers are required to maintain a functioning office in Cyprus staffed by a sufficient number of appropriately qualified personnel. At least 51% of onshore personnel must be citizens of the European Economic Area ("EEA") (comprising the EU together with Iceland, Liechtenstein and Norway) and at least two-thirds of the total tonnage under management must be managed within the EEA.

For owners or charterers of Cyprus ships the tonnage tax scheme is mandatory. Other owners or charterers and ship managers may opt for taxation based on profits or tonnage tax, but, having opted for the tonnage tax scheme, they must remain within it for ten years unless the vessel is sold, or a charter or management agreement is terminated. For a fleet to qualify for the scheme, at least 60% of its tonnage should comprise Community ships. If this requirement is not met, the non-Community vessels may still qualify if certain criteria are met, but surcharges may be payable.

For owners and charterers, qualifying activities are maritime transport of goods or people between Cyprus ports and foreign ports or offshore installations, or between foreign ports or offshore installations, including towage, dredging and cable laying. For ship managers, qualifying activities are the provision of services under a written agreement to a ship owner or bareboat charterer in relation to crew management, technical management or both. A qualifying vessel is a sea-going vessel that has

been certified in accordance with international principles and legislation of the flag country and is registered in the register of a member country of the International Maritime Organisation and International Labour Organisation. Vessels which transport humanitarian aid are included in the definition, but the following vessels are excluded:

- fishing and fish factory vessels;
- vessels used primarily for sport or recreation;
- vessels constructed exclusively for inland waterway navigation;
- harbour, estuary and river ferries and tug boats;
- fixed offshore installations which are not used for maritime transport;
- non self-propelled floating cranes;
- non-ocean going tug boats;
- stationary vessels employed for hotel and/or catering operations (floating hotels or restaurants);
- vessels employed mainly as casinos or gambling facilities.

#### *Tax exemption*

The Tonnage Tax Law replaces taxes based on profits with a tax calculated on the net tonnage of the vessels concerned.

For owners and charterers the tax exemption covers profits from the use of a qualifying vessel, dividends paid out of those profits at all levels of distribution and interest income relating to the financing, maintenance or use of a qualifying vessel and the related working capital, excluding interest on capital used for investments. Profits from the disposal of a qualifying vessel or any share or interest in it and profits from the disposal of shares in a shipowning company are also exempt from tax. In order to qualify for the exemption at least 25% of the net tonnage of vessels subject to tonnage tax must be owned or bareboat chartered. The percentage can be reduced but not for more than 3 consecutive years. The qualifying percentage is reduced to 10% if all the vessels of the charterer are registered or managed in the EEA.

Ship managers may elect to pay tonnage tax at one-quarter of the rates applicable to shipowners and charterers, in which case profits earned from the provision of technical and crewing services are exempt from tax in respect of qualifying vessels, together with dividends paid out of those profits at all levels of distribution.

Profits from commercial management are not covered by the tonnage tax scheme and remain taxable under corporation tax.

Section 46 of the Tonnage Tax law contains an "all or nothing" provision. Qualifying owners, charterers and ship managers opting to enter the tonnage tax system must include all qualifying ships. If a company which is part of a Cyprus tax resident group of companies enters the tonnage tax scheme, then all other qualifying members of the group must simultaneously enter the scheme.



*Tonnage tax rates*

Tonnage tax is charged on a sliding scale on net tonnage. The standard rates for owners and charterers are as follows:

<b>Tonnage tax rate per tonne</b>	
First 1,000 tonnes	€0.3650
Next 9,000 tonnes	€0.3103
Next 15,000 tonnes	€0.2008
Next 15,000 tonnes	€0.1278
Each tonne above 40,000	€0.0730

By way of example, the annual tonnage tax on a ship of 50,000 tonnes would be €8,816.70.

Cyprus-flag ships are also subject to an annual registry maintenance fee of €300.

For ship managers and ship management companies the rates are one-quarter of those set out in the table above.

*Other provisions*

The Tonnage Tax law contains "ring-fencing" provisions to prevent exemption being gained in respect of ineligible activities. Separate accounts must be maintained in respect of qualifying and non-qualifying activities, and transactions with related parties who are not in the tonnage tax system must be made at arm's length.

The tonnage tax system is administered by the Department of Merchant Shipping and taxpayers within its scope will receive an annual certificate, a copy of which will be sent to the income tax authorities.

The Department of Merchant Shipping maintains records of all Cyprus flag vessels and their owners which are not deemed to carry out a qualifying activity, and of all ship managers, shipowners or charterers of foreign flag vessels who do not carry out a qualifying activity or have not opted for the tonnage tax system.

Following enactment of the Tonnage Tax law, section 19 of the Income Tax Laws of 2002 – 2010, which gave ship managers the option on a year by year basis of paying corporate income tax at a reduced rate of 4.25% on net earnings instead of tonnage tax, has been repealed by the Income Tax (Amendment) Law of 2010 (Law 41 (I) of 2010).



## Double taxation treaties

Cyprus's double taxation treaties provide relief from double taxation by providing that income may only be taxed in one country, or, in the case of income taxable in both countries, by applying the credit method. Cyprus residents' liability for Cyprus income tax and SDC is reduced by tax suffered in the other country, so that the taxpayer pays only the higher of the two rates and is not taxed twice on the same income.

Even where there is no double tax treaty in place the Cyprus tax authorities will allow unilateral relief in the form of a credit against Cyprus tax up to the amount of tax in the country of origin on the income concerned.

### Agreements in force

Cyprus has double taxation treaties in force covering the following countries:

Armenia	Egypt	Italy	Qatar	Switzerland
Austria	Estonia	Kuwait	Romania	Syria
Azerbaijan	Finland	Kyrgyzstan	Russian Federation	Tajikistan
Bahrain	France	Lebanon	San Marino	Thailand
Belarus	Georgia	Lithuania	Serbia	Ukraine
Belgium	Germany	Malta	Seychelles	United Arab Emirates
Bosnia	Greece	Mauritius	Singapore	United Kingdom
Bulgaria	Guernsey	Moldova	Slovakia	United States
Canada	Hungary	Montenegro	Slovenia	Uzbekistan
China	Iceland	Norway	South Africa	
Czech Republic	India	Poland	Spain	
Denmark	Ireland	Portugal	Sweden	

Further details may be found at pages 37 and 38.

### Pending agreements

In addition, treaties are under negotiation, or awaiting ratification, with a number of other countries.

### Benefits

Cyprus's double taxation treaty network allows international transactions to be structured in a number of tax-efficient ways, particularly when combined with a Cyprus holding company.

A Cyprus corporate structure may beneficially be used:

- as an intermediary for joint venture or other participations to avoid or reduce withholding taxes;
- to finance joint venture or other acquisitions so as to reduce or eliminate withholding taxes and extract profits that would otherwise be subject to significant foreign taxation;
- as a holding company whose income may be exempt, subject to the passive dividend rules;
- as an operating company able to claim treaty protection to avoid the creation of a permanent establishment in a foreign country, with the facility of having an office in that country to perform limited functions;
- as a Cyprus international trust entitled to benefit from treaty protection in some circumstances;
- to operate shipping companies from Cyprus with treaty protection.

Where tax has been suffered on income from a foreign country with which there is no double taxation treaty, unilateral relief from Cyprus tax will be allowed by way of exemption, credit or deduction up to the amount of tax suffered in the foreign country.

**Table of treaty tax rates** (see notes on next page)

<b>Paid from</b>	<b>Dividends</b>	<b>Interest</b>	<b>Royalties</b>
Armenia	nil	nil	nil
Austria	10	nil	nil
Azerbaijan	nil	nil	nil
Bahrain	nil	nil	nil
Belarus	5 <sup>1</sup>	5	5
Belgium	10 <sup>2</sup>	10 <sup>3</sup>	nil
Bosnia	10	10	10
Bulgaria	5 <sup>4</sup>	7 <sup>5,6</sup>	10 <sup>6</sup>
Canada	15	15 <sup>3</sup>	10 <sup>7</sup>
China	10	10	10
Czech Republic	10	10 <sup>3</sup>	5 <sup>8</sup>
Denmark	10 <sup>2</sup>	10 <sup>3</sup>	nil
Egypt	15	15	10
Estonia	nil	nil	nil
Finland	5 <sup>24</sup>	nil	nil
France	10 <sup>9</sup>	10 <sup>3</sup>	nil <sup>10</sup>
Georgia	nil	nil	nil
Germany	15 <sup>11</sup>	10 <sup>3</sup>	nil <sup>10</sup>
Greece	25	10	nil <sup>12</sup>
Guernsey	nil	nil	nil
Hungary	5 <sup>13</sup>	10 <sup>3</sup>	nil
Iceland	5 <sup>26</sup>	nil	5
India	10 <sup>9</sup>	10 <sup>3</sup>	15
Ireland	nil	nil	nil <sup>12</sup>
Italy	15	10	nil
Kuwait	10	10 <sup>3</sup>	5 <sup>8</sup>
Kyrgyzstan	nil	nil	nil
Lebanon	5	5	nil
Lithuania	0 <sup>25</sup>	nil	5
Malta	nil	10 <sup>3</sup>	10
Mauritius	nil	nil	nil
Moldova	nil	nil	nil
Montenegro	10	10	10
Norway	5 <sup>14</sup>	nil <sup>15</sup>	nil
Poland	10	10 <sup>3</sup>	5
Portugal	10	10	10
Qatar	nil	nil	5
Romania	10	10 <sup>3</sup>	5 <sup>8</sup>
Russia	5 <sup>17</sup>	nil	nil
San Marino	nil	nil	nil
Serbia	10	10	10
Seychelles	nil	nil	5
Singapore	nil	7 <sup>18</sup>	10
Slovakia	10	10 <sup>3</sup>	5 <sup>8</sup>
Slovenia	10	10	10
South Africa	nil	nil	nil
Spain	nil <sup>25</sup>	nil	nil
Sweden	5 <sup>13</sup>	10 <sup>3</sup>	nil
Syria	15 <sup>19</sup>	10 <sup>3</sup>	10 <sup>20</sup>
Switzerland	nil <sup>27</sup>	nil	nil
Tajikistan	nil	nil	nil
Thailand	10	10 <sup>21</sup>	5 <sup>22</sup>
Ukraine	nil	nil	nil
UAE	nil	nil	nil
UK	15 <sup>23</sup>	10	nil <sup>10</sup>
USA	5 <sup>24</sup>	10 <sup>3</sup>	nil
Uzbekistan	nil	nil	nil

**Notes**

1. 5% if the beneficial owner has a holding in the share capital of the paying company of €200,000 or more. 10% if the beneficial owner holds directly at least 25% of the share capital. 15% in all other cases
2. 10% if the recipient is a company with at least 25% direct (also indirect for Belgium) share interest. 15% in all other cases
3. Subject to certain exemptions
4. 5% if the beneficial owner is a company which holds directly at least 25% of the capital of the paying company. 10% in all other cases
5. Nil if interest is paid or guaranteed by the government or a statutory body of the other state.
6. Not applicable if at least 25% of the capital of the Cyprus resident is owned directly or indirectly by the Bulgarian resident (either alone or with other related persons) that is paying the interest or royalties, subject to certain conditions
7. Nil if from copyright and other literary, dramatic, musical or artistic work excluding film or videotape royalties
8. Nil if from literary, artistic or scientific work including cinematographic films and films or tapes for television or radio broadcasting
9. 10% if recipient is a company with at least 10% direct share interest. 15% in all other cases
10. 5% on cinema and television films
11. 10% if recipient is a company with at least 25% direct share interest. 27% if recipient is a company with more than 25% direct or indirect share interest as long as the German corporate tax on distributed profits is lower than that on undistributed profits and the difference between the two rates is 15% or more. 15% in all other cases
12. 5% on cinematographic films excluding television films
13. 5% if recipient is a company with at least 25% direct share interest. 15% in all other cases
14. Nil if received by a company which controls, directly or indirectly, at least 50% of the voting power
15. At the rate applicable in accordance with domestic law
16. There is a withholding tax of 20% on dividends and 25% on interest. The final tax liability is determined as follows:
  - Companies: In respect of dividends, no withholding tax, subject to directors' approval. For interest, on application, in accordance with corporate tax rates
  - Individuals: On objection, in accordance with personal tax ratesIn both cases any excess tax withheld is refunded
17. 5% if the beneficial owner has directly invested no less than the equivalent of US\$100,000 in the capital of the company. 10% in all other cases
18. 7% if received by a bank or similar financial institution. 10% in all other cases. Interest paid to the government of the other state, as defined, is exempt from tax
19. Nil if shareholder is a company that holds directly at least 25% of the capital of the company paying the dividends. 15% in all other cases
20. 15% for any patent, trade mark, design or model, plan, secret formula or process or any industrial, commercial or scientific equipment or for information concerning industrial, commercial or scientific experience
21. 10% if received by any financial institution (including an insurance company) or in connection with the sale on credit of any industrial, commercial or scientific equipment or merchandise. 15% in all other cases. Interest paid to the government of the other state is exempt from tax
22. 5% for the use of or the right to use any copyright of literary, dramatic, musical, artistic or scientific work, including software, cinematographic films or films or tapes used for television or radio broadcasting. 10% for the use of, or the right to use, industrial, commercial or scientific equipment or for information concerning industrial, commercial or scientific experience. 15% for the use of, or the right to use, any patent, trade mark, design or model, plan, secret formula or process
23. A resident of Cyprus, other than a company which either alone or together with one or more associated companies controls directly or indirectly at least 10% of the voting power, is entitled to a tax credit in respect of the dividend. Where a resident of Cyprus is entitled to a tax credit, tax may also be charged on the aggregate of the cash dividend and the tax credit at a rate not exceeding 15%. In this case any excess tax credit is repayable. Where the recipient is not entitled to a tax credit, the cash dividend is exempt from any tax
24. 5% if recipient is a company with at least 10% direct share interest. 15% otherwise.
25. Nil if recipient is beneficial owner with at least 10% share interest. 5% otherwise.
26. 5% if recipient is a company with at least 10% direct share interest. 10% otherwise.
27. Nil if recipient is beneficial owner with at least 10% share interest held continuously for at least one year, or a pension fund or a government department. 15% otherwise.