

Second instalment of amendments to tax laws enacted

January 15 2016 | Contributed by [Andreas Neocleous & Co LLC](#)

In July 2015 the government submitted to Parliament a number of draft laws to simplify the tax regime and make it more attractive, objective and effective, with the aim of stimulating economic activity and attracting direct investment, and to implement the new provisions of the EU Parent-Subsidiary Directive (90/435/EC) (for information please see "[Proposed amendments to tax laws](#)").

A number of proposals were enacted immediately, including:

- the introduction of a non-domiciled regime for the special contribution for defence tax;
- a notional interest deduction for new equity capital introduced into companies; and
- a capital gains tax exemption for the disposal of immovable property acquired between July 16 2015 and December 31 2016.

On December 10 2015 the remaining amendments were enacted by Parliament and will enter into force on their publication in the *Official Gazette*.

The changes include:

- new provisions to simplify the taxation of offshore hydrocarbon activities;
- alignment with the latest amendments to the EU Parent-Subsidiary Directive;
- extension of group relief to overseas companies;
- changes to arm's-length adjustments;
- the introduction of tax neutrality for foreign exchange gains and losses;
- the limitation of losses carried forward on IP activities;
- anti-abuse provisions for corporate reorganisations;
- the extension of the income tax exemption for new individual taxpayers; and
- changes to capital gains tax relating to shares in companies holding real estate in Cyprus.

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