

## Corporate Tax - Cyprus

### Capital Gains Tax Law amended

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Most capital gains are exempt from tax in Cyprus; the only gains that are subject to tax are those relating to real estate located in Cyprus. The Capital Gains Tax Law provides for capital gains tax at a rate of 20% to be charged on gains arising from the sale or transfer of real estate in Cyprus, including gains from the sale of shares in unlisted companies that own real estate in Cyprus, to the extent that the gain derives from the company's real estate assets.

Law 119(I)/2013 and Law 120(I)/2013 have made detailed amendments to the Capital Gains Tax Law.

Law 119(I)/2013 extends the definition of gains subject to capital gains tax to include gains accruing on disposal of rights derived from a contract for sale of immovable property in Cyprus, including the assignment of rights derived from such a contract. This amendment addresses the situation where an initial purchaser of property disposes of its interest in the property by assigning its contract to buy the property to a new purchaser before the title has formally been transferred.

For example, A enters into an agreement to buy a property from B at a price of €100,000. It pays the purchase price and the contract is deposited with the Department of Land and Surveys. However, the property is not transferred because title deeds are not available. One year later, the property has appreciated in value and A agrees to assign the contract to a new purchaser, C, for €150,000 – meaning that C takes over A's rights under the original contract. The new amendment clarifies that A's gain of €50,000 is subject to capital gains tax.

Gains are generally calculated by reference to the value of the property on January 1 1980. Law 120(I)/2013 amends the Capital Gains Tax Law to provide that the value is to be determined in accordance not only with the general valuation of property at that date carried out under the Immovable Property (Tenure, Registration and Valuation) Law, but also with other relevant provisions of that law. Provision is also made for the director of the Department of Land and Surveys to determine property values in certain cases, including where the property in question was created following a division into building plots to which no property title was issued. Furthermore, provision is made to deal with cases where property is sold at public auction by or on behalf of the Department of Lands and Surveys.

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