

Corporate Tax - Cyprus

Tax must now be deducted at source from rental payments

Contributed by **Andreas Neocleous & Co LLC**

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Since July 1 2011, companies, partnerships and national or local government bodies that pay rent to Cyprus-resident landlords have been required to deduct a special defence contribution tax from their rental payments and remit it to the tax authorities. The amount to be deducted and paid over to the tax authorities is 3% of 75% (ie, 2.25%) of the gross rental amount.

The tenant must remit the amount deducted to the tax authorities before the end of the month following that in which the deduction was made, using Form IR601A. In the event of non-payment or a delay in payment, penalties and interest may be imposed.

On June 30 and December 31 of each year, tenants must provide their landlord with a statement of withheld tax, on Form IR614A REC. Tenants must also submit a list of the landlords from which the special defence contribution was withheld with their annual tax return.

Persons or companies receiving rents are responsible for ensuring that the special defence contribution withheld and detailed on Form IR614A REC is correct. They must pay any further special defence contribution due (eg, in the event of under-deduction or on rents paid by individuals) by self-assessment on June 30 and December 31 of each year. A copy of Form IR614A REC must be attached to each year's tax return.

There is no requirement to withhold and account for the special defence contribution on rents paid to non-residents, as long as the landlord provides the tenant with the necessary confirmation of non-residence on Forms IR614A Q and IR 614A DECL.

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