

Cyprus - Summary of Taxes

January 2019

Introduction

This publication aims to provide a general outline of the tax system in Cyprus. It is intended to be used as a first point of reference for general awareness purposes and cannot substitute proper professional advice. The information contained herein is accurate as at the date of its publication.

There are several types of taxes which are applicable to individuals and companies and these shall be read in conjunction with each other.

Table of contents

Introduction	1
PERSONAL INCOME TAX	2
Basis of taxation	2
Income tax rates	2
Foreign pensions	2
Exemptions by type of income	3
Deductions	3
Special emoluments contribution for employees, self-employed persons and pensioners	4
Non-deductible expenses	4
CORPORATE INCOME TAX	5
Basis of taxation	5
Corporate tax rate	5
Exemptions by type of income	5
Tax deductions	6
Non-deductible expenses	6
Tax losses	6
Group relief	6
Reorganisations	7
Annual wear and tear allowances on fixed assets	7
SPECIAL TYPES OF TAXATION	8
Shipping companies	8
Insurance companies	8
International Collective Investment Schemes (ICISs)	8
Cyprus International Trusts (CITs)	8
SOCIAL INSURANCE	8
GENERAL HEALTHCARE SYSTEM	9
SPECIAL CONTRIBUTION FOR DEFENCE	9
Type of income	9
Deemed dividend distribution	10
CAPITAL GAINS TAX	10
IMMOVABLE PROPERTY TAX	11
IMMOVABLE PROPERTY - LAND TRANSFER FEES	11
STAMP DUTY ON DOCUMENTS	11
CAPITAL DUTY ON SHARE CAPITAL	12
VALUE ADDED TAX (VAT)	12
INTRASTAT (INTRACOMMUNITY STATISTICS)	14
VIES (VAT INFORMATION EXCHANGE SYSTEM)	14
MINI ONE STOP SHOP ("MOSS")	14
VAT THRESHOLDS AND PENALTIES	15
IMPORTANT DATES FOR TAX PURPOSES	16

PERSONAL INCOME TAX

Basis of taxation

An individual who spends more than 183 days in Cyprus in any calendar year is considered to be tax resident in Cyprus. In addition, as from 1 January 2017, an individual who does not remain in any other country for one or more periods exceeding 183 days in total during any given tax year, and who is not a tax resident in any other country for that year, may be considered, for Cyprus tax purposes, to be a tax resident of Cyprus for the year in question, provided that he resides in Cyprus for at least 60 days in the year of assessment, subject to certain conditions being cumulatively met. Cyprus tax residents are taxed on their worldwide income (i.e. on all income accrued or derived from all sources in Cyprus and abroad).

Individuals who are not tax residents of Cyprus are taxed on income accrued or derived only from sources in Cyprus.

For the purpose of determining tax residency for individuals, days in and out of Cyprus are calculated 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 and departure from Cyprus in the same day counts as one day of residence in Cyprus
- Departure and arrival in Cyprus in the same day counts as one day of residence outside Cyprus

Income tax rates

The following personal income tax rates apply to individuals from year 2012 onwards:

Chargeable Income €	Tax Rate %	Cumulative Tax €
0 – 19.500	0	
19.501 – 28.000	20	1.700
28.001 – 36.300	25	3.775
36.301 – 60.000	30	10.885
Over 60.001	35	

Foreign pensions

Pensions received in Cyprus from abroad up to €3.420 are exempt from tax and any excess over €3.420 is taxed separately at a flat rate of 5%. The taxpayer has the option every year to elect to be taxed at the normal rates if more beneficial.

If any tax has been paid on the foreign pension then such tax is given as a credit against the Cyprus tax irrespective of whether the special mode or the normal method of taxation is applied.

Exemptions by type of income	Exemption
Profit from the sale of shares, bonds, debentures, founders shares and other securities of companies incorporated in Cyprus or abroad and options thereon	100%
Dividends	100%
Remuneration from salaried services rendered outside Cyprus for a total aggregate period of more than 90 days in the year of assessment to an employer not resident in Cyprus or to a foreign PE of a Cyprus tax resident employer	100%
Interest not arising from the ordinary business activities or closely related to the ordinary business activities of an individual (mainly bank deposit interest)	100%
Profits of a Permanent Establishment ("PE") abroad, unless the PE 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	100%
Remuneration from any office or employment in Cyprus by an individual who was resident outside Cyprus before the commencement of his employment. The exemption applies for a period of five years commencing from the 1 st January following the year of employment until the year 2020	20% up to a maximum of €8.550
Remuneration from any employment exercised in the Republic by a person who was resident outside Cyprus before the commencement of his employment. The exemption applies for ten years starting from the year of employment if such income exceeds €100.000 per year. The exemption will not be available to individuals that were Cyprus tax residents for a period of at least three out of five years preceding the year of employment, or who were Cyprus tax residents during the year preceding the year of commencement of employment	50%
Lump sum payment on retirement or commutation of pension or as gratuity on death	100%
Capital sums from life insurance or approved pensions or provident funds	100%
Income from scholarship or other educational endowment	100%

Deductions: The following are deductible from taxable income	Deductible Amount
Interest paid in respect of rented buildings	100%
Subscriptions to trade unions or professional bodies	100%
Rental income statutory deduction	20% of rental income
Loss of current year and previous years (for individuals required to prepare audited financial statements, only current year losses and losses of the previous five years may be deducted)	100%
Donations to approved charities with receipts	100%
Social insurance contributions, provident fund contributions, life insurance premiums (restricted to 7% of the insured amount) contributions paid to approved pension funds or medical funds	1/6 th of taxable income
Special contribution on emoluments (see below – abolished as of year 2017)	100%

Amounts invested in approved innovative small and medium sized enterprises (as from 1 January 2017)	Up to 50% of taxable income (subject to maximum of €150.000 per year)
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Special emoluments contribution for employees, self-employed persons and pensioners

A special contribution was applied on the gross emoluments of employees, self-employed and on pensions of the private sector until 31st December 2016 (now abolished) as follows:

2012 - 2013		2014 - 2016	
Gross emoluments	Special Contribution	Gross emoluments	Special Contribution
Up to €2.500	0%	Up to €1.500	0%
€2.501 to €3.500	2.5% *	€1.501 to €2.500	2.5% *
€3.501 to €4.500	3.0%	€2.501 to €3.500	3.0%
Over €4.501	3.5%	Over €3.501	3.5%

In case of an employee this contribution is shared equally between the employee and the employer and paid under the PAYE system. In case of self-employed persons, the whole contribution is paid on a self-assessment basis. The contribution is not applied on the emoluments earned by the crew of a Cypriot ship, distributions of provident funds and other emoluments.

* Minimum contribution of €10

Non-deductible expenses

The following are non-deductible expenses for tax purposes:

Business entertainment expenses including hospitality of any kind exceeding 1% of the gross income or €17.086, whichever is the lowest	100%
Expenses of a private motor vehicle	100%
Professional tax	100%
Immovable property tax	100%
Interest applicable to the cost of purchase of a private motor vehicle or other asset not used in the business. This provision does not apply after the lapse of 7 years from the date of purchase of the relevant asset.	100%

CORPORATE INCOME TAX

Basis of taxation

A company is tax resident of Cyprus if it is managed and controlled in Cyprus. Companies that are tax resident in Cyprus are subject to tax on their worldwide income whether these are remitted to Cyprus or not.

Companies that are non-tax resident in Cyprus are subject to tax only on Cyprus sourced income as well as on the profits of a permanent establishment in Cyprus.

The taxable income is based on income from all sources after taking into account expenses wholly and exclusively incurred in the production of taxable income. Certain allowances and tax exemptions on certain types of income are available.

The income tax year in Cyprus is the calendar year. An estimate of the tax due must be made by 31 July in the year of assessment and the estimated tax must be paid in two equal instalments by 31 July and 31 December.

The Cyprus tax legislation conforms to the requirements of the European Union in respect of its code of conduct for business taxation and of the OECD in its campaign against harmful tax competition.

Corporate tax rate

As from 1 January 2013, a 12.5% corporate income tax rate applies for all resident companies. (10% up to 31/12/2012)

Exemptions by type of income	Exemption
Profit from the sale of shares, bonds, debentures, founders shares and other securities of companies incorporated in Cyprus or abroad and options thereon.	100%
Dividends * <i>Note: As of 1st January 2016, dividends will only be exempt from income tax to the extent these are not tax deductible by the paying company. In case that the dividend is tax deductible by the paying company, then this will form part of the taxable income of the Cyprus resident company and be taxed under corporate income tax. In such case it will be exempt from Special Defence Contribution.</i>	100%
Profits of a permanent establishment abroad 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.	100%
Interest* not arising from the ordinary activities or closely related to the ordinary activities of the company (e.g. bank deposit interest)	100%
Qualifying profits relating to qualifying intangible assets, as per the new Cyprus intellectual property (IP) box regime, applicable as from 1 July 2016. In case of tax loss incurred, the amount of loss that can be offset and carried forward is restricted to 20% of the eligible loss.	80%
Foreign exchange gains, irrespective of whether they are realized or unrealized, with the exception of gains arising from trading in foreign currencies and related derivatives. Similarly, foreign exchange losses cannot be claimed as tax deductible. The new provision applies as of 1 st January 2015.	100%
* These types of income may be subject to Special Defence Contribution under circumstances (refer to page 9)	

Tax deductions	
All expenses incurred wholly and exclusively for the production of own taxable income are allowed as deductible expenses. The following expenses are also deducted from income:	
Interest paid for the acquisition of business asset used by the company in the business	100%
Interest paid for the direct or indirect acquisition of shares in a 100% subsidiary irrespective its tax residency. This tax deduction is proportionally not available on the cost of any assets owned by the subsidiary which are not used in the business	100%
Expenses incurred for the acquisition of shares in an innovative business (abolished as from 1 January 2017)	100%
Donations to approved Cyprus charities (with receipts)	100%
Repairs of premises, plant machinery and transport means	100%
Employer's contributions paid to social insurance and approved funds	100%
Notional interest deduction on new equity (i.e. fully paid up share capital and share premium) introduced in the business as of 1 st January 2015 and onwards. The notional interest deduction is calculated by applying on the new equity the interest rate of the ten-year government bond yield (as at 31 st December of the previous tax year) of the country in which the new equity is invested or of the Republic of Cyprus, whichever is the highest, increased by 3%. Certain anti-avoidance provisions apply.	Up to 80% of the taxable profit derived from assets financed by the new equity

Non-deductible expenses	
Expenses of a private motor vehicle	100%
Interest applicable to the cost of acquiring a private motor vehicle, irrespective of its use and to the cost of acquiring any other asset not used in the business	100% for 7 years
Professional tax	100%
Business entertainment expenses including hospitality of any kind, exceeding 1% of the gross income or €17.086, whichever is the lowest	100%
Immovable property tax	100%

Tax losses
The tax loss incurred during a tax year and which cannot be set off against other income may be carried forward for set off against the profits of the next five years.

Group relief
The loss of one company can be set-off against the same year profits of another company provided both companies are Cyprus tax resident and members of a group for group relief purposes. Conditions apply for eligibility of companies for group relief purposes (e.g. 75% direct or indirect participation). As of 1 st January 2015 onwards, the interposition of a non-Cyprus tax resident company will not affect the eligibility to group relief, provided that the interposing entity is tax resident in an EU Member State, or in a country with which Cyprus has a double tax treaty, or a bilateral/multilateral agreement for exchange of information.

In addition, as of 1st January 2015, group relief can also be claimed between a Cypriot tax resident entity and a group company which is tax resident in another EU member state, provided that such company has exhausted all available possibilities for utilization of its tax losses in its country of residence, or in the country of any intermediary EU holding company.

Reorganisations

The transfer of assets and liabilities between companies can be effected without any tax consequences within the framework of a reorganization which includes: mergers, de-mergers, exchange of shares, partial divisions, transfer of assets, and transfer of registered office.

Annual wear and tear allowances on fixed assets

The following allowances on fixed assets are given as a percentage on the cost of acquisition and are deducted from the chargeable income:

Plant and machinery	%	Buildings	%
Plant and machinery *	10	Commercial buildings	3
Furniture and fittings *	10	Industrial and hotel buildings*	4
Industrial carpets *	10	Flats	3
Boreholes *	10	Metallic greenhouse structures	10
Machinery and tools used in an agricultural business *	15	Wooden greenhouse structures	33 ^{1/3}
Vehicles and Means of transportation			
Commercial motor vehicles	20	New Airplanes	8
Motor cycles	20	New Helicopters	8
Excavators, tractors, bulldozers, self-propelled loaders and drums for petrol companies	25	Sailing vessels	4,5
Armored Motor Vehicles (e.g. used by Security Services)	20	Motor Yachts	6
Specialized Machinery for the laying of Railroads (e.g. Locomotive engines, Ballast wagons, Container wagons and Container Sleeper Wagons)	20	Used cargo/passenger vessels	Over their useful lives
New passenger vessels	6	Ship motor launches	12,5
Steamers, tugs and fishing boats	6	New cargo vessels	8
Other			
Televisions and videos *	10	Photovoltaic Systems *	10
Computer hardware and operating systems	20	Wind Power Generators *	10
Application software	33 ^{1/3}	Expenditure on application software less than €1.709, is written off in the year of acquisition	-

Tools in general	33 ^{1/3}	Capital expenditure for acquisition or development of intangible assets (new Cyprus IP box regime, applicable as from 1 July 2016)	5 - 100
<p>* The capital allowances for assets acquired during 2012 to 2018 have increased as follows:</p> <ul style="list-style-type: none"> - For all machinery and plant: 20% per annum (previously being 10%) - For industrial and hotel buildings: 7% per annum (previously being 4%) 			

SPECIAL TYPES OF TAXATION

Shipping companies

The tax law provides full exemption from all direct taxes to **qualifying** ship owners, charterers and ship managers that perform **qualifying** activities and imposes a tonnage tax on the net tonnage of the qualifying vessels.

Insurance companies

Profits of insurance companies are liable to corporation tax except in the case where the corporation tax payable on taxable profit of life insurance business is less than 1,5% of the gross premium. In this case the difference is paid as additional corporation tax.

Cyprus Alternative Investment Funds (AIFs) and undertakings for Collective Investment in Transferable Securities (UCITs)

AIFs and UCITs are liable to tax in same manner as other Cyprus tax residents of the same legal status (e.g. companies or partnerships).

Cyprus International Trusts (CITs)

CITs are not taxed in Cyprus to the extent that there are no Cyprus resident beneficiaries and no Cyprus sourced income.

SOCIAL INSURANCE

Every individual who has his ordinary residence in Cyprus and is carrying on an occupation in Cyprus, whether as an employee or self-employed, should be insured under the Social Insurance Law. The contributions on insurable emoluments are as follows:

	2013	2014-2018	2019-2023
Employee	6.8%	7.8%	8.3%
Employer	6.8%	7.8%	8.3%
Self-employed persons	12.6%	14.6%	15.6%

Other contributions paid by the employer based on the employee's emoluments

Redundancy fund	1.2%
Industrial training fund	0.5%
Holiday fund (if applicable)	8.0%
Social cohesion fund	2.0%

The amount of all the contributions (except in the case of social cohesion fund) is subject to a lower and a maximum limit, depending on the profession or trade of the self-employed person. For

employees the maximum amount on which social contributions are calculated is €54.648 for year 2019 (€54.396 for years 2014 to 2019).

GENERAL HEALTHCARE SYSTEM

A General Healthcare System (GHS) will be implemented in Cyprus as from 1 June 2019, covering the entire population of the country. Contributions to the GHS will commence on 1 March 2019 and will increase on 1 March 2020, as follows:

Category	Contributions	
	1 March 2019	1 March 2020
Employees (public and private sector), persons holding office, persons earning rental/ interest/ dividend/ other income	1,70%	2,65%
Pensioners		
Income earners (e.g. rent, interest, dividends)		
Government officials	1,85%	2,90%
Employers (including the State as an employer)		
Persons responsible for the payment of remuneration to government officials	2,55%	4,00%
Self-employed		
State	1,65%	4,70%

The maximum annual income on which contributions are calculated is capped at €180.000.

SPECIAL CONTRIBUTION FOR DEFENCE

Special contribution for defence is a tax imposed on certain types of income earned from Cyprus tax residents (individuals and entities). Non-residents, and resident individuals who are not domiciled in Cyprus⁽⁶⁾ are exempt from special contribution for defence.

Type of income	Individuals	Companies
Dividend income from Cyprus resident companies	17% ⁽³⁾ ⁽⁶⁾	Nil ⁽⁴⁾
Dividend income from non-Cyprus resident companies	17% ⁽³⁾ ⁽⁶⁾	Nil ⁽¹⁾
Interest income arising from the ordinary activities or closely related to the ordinary activities of the business	Nil	Nil
Other interest income ⁽²⁾	30% ⁽⁵⁾ ⁽⁶⁾	30% ⁽⁵⁾
Rental income (reduced by 25%)	3% ⁽⁶⁾	3%

Notes:

- 1) Dividend income from abroad is exempt from defence fund contribution. This exemption does not apply if:
- More than 50% of the paying company's activities result directly or indirectly in investment income **and**
 - The foreign tax is significantly lower than the tax burden in Cyprus. The tax authorities have clarified that "significantly lower" means a tax burden rate below 6.25%
- When the exemption does not apply, the dividend income is subject to special Contribution for defence tax at the rate of 15% / 17% / 20%⁽³⁾.

- 2) Interest income from Cyprus government savings bonds and development bonds and all interest earned by a provident fund is subject to special contribution for defence at the rate 3% (instead of 30%). Also, in the case where the total income of an individual (including interest) does not exceed €12.000 in a tax year, then the applicable rate is 3%.
For interest and dividends received gross any defence due is payable at the end of the month following the month in which they were received. With effect from June 2011, special contribution for defence on dividends from abroad and interest income from abroad is payable in 6 month intervals on 30 June and 31 December each year.
- 3) The tax rates applicable for dividend income are as follows: From 01/01/2003 to 30/08/2011 @ 15%, from 31/08/2011 to 31/12/2011 @ 17%, from 01/01/2012 to 31/12/2013 @ 20%, and then reduced to 17% thereafter.
- 4) Defence contribution is levied on dividends which are paid after four years from the year the profits were generated, in cases where the ultimate shareholder is tax resident of Cyprus, irrespective of whether the shareholder is a company or individual.
- 5) As from 31/08/2011 the defence tax on other interest (i.e. bank deposit interest) has been raised from 10% to 15% and as from 29/04/2013 to 30%.
- 6) Cyprus tax resident individuals who are considered as **non-domiciled** in Cyprus for tax purposes are exempt from the defence tax. As such, dividends, interest and rents earned by such individuals, irrespective of the origin of the relevant income (i.e. from sources within Cyprus or abroad) will be exempt from defence tax. Note that dividends and interest are also generally exempt from income tax. As from 2015, an individual is deemed to be domiciled in Cyprus if he has a domicile of origin in Cyprus as per the Wills and Succession Law (with certain exceptions), or if he has been a tax resident in Cyprus for at least 17 out of the 20 years prior to the tax year of assessment. Anti-avoidance provisions apply.

Deemed dividend distribution

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 15%/17%/20% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

CAPITAL GAINS TAX

Lifetime exemptions for <u>individuals</u> on Capital Gains Tax	€
Disposal of private residence (used as such for at least 5 years)	85.430
Disposal of Agricultural land by a farmer	25.629
Any other disposal	17.086

Capital gains tax is payable by the seller and is imposed at the rate of 20% on companies and individuals on gains arising from the disposal of immovable property situated in Cyprus, including gains from the sale of shares in a company which owns immovable property situated in Cyprus (excluding shares listed on any recognised stock exchange). The chargeable gain is the sale price less the greater of the cost or the market value on 1st January 1980 as adjusted for indexation allowance and after allowing for certain expenses.

The above exemptions are given once only and not for every disposal. There is a maximum of €85.430 if an individual claims a combination of the above.

Exemption from CGT: Profit on the sale of Cyprus property acquired between 17 July 2015 and 31 December 2016 is exempt from CGT provided certain conditions are met.

IMMOVABLE PROPERTY TAX

Immovable Property Tax ("IPT") has been abolished as of year 2017. Prior to that, IPT was payable on the 30th September each year and was imposed on the market value of the immovable property as at 1st January 1980 held by the tax payer on 1st January each year. Both physical and legal persons were liable to this tax and there were penalties and interest for non-compliance and payment of the relevant tax on the due date. Certain properties prescribed in the legislation were not subject to IPT.

Market Value as at 1 st January 1980 €	Rate %	Tax €	Accumulated Tax €
* 0 - 40.000	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 3.000.001	1,9	-	-

* If the total value of Cyprus immovable property held by the owner is less than € 12.500, no tax liability arises.

IMMOVABLE PROPERTY - LAND TRANSFER FEES

The purchaser is liable to the payment of transfer fees based on the market value of the property as assessed by the District Land valuers. Different rates are applied in family and free transfers. Transfers of immovable property are exempt from transfer fees if the transfer relates to a transaction that is subject to VAT. In cases of transactions that are not subject to VAT, the legislation provides for an exemption of 50% of the transfer fees.

Value of Property €	Transfer fees rate %	Accumulated Fees €
0 – 85.000	3	2.550
85.000 – 170.000	5	6.800
Over 170.000	8	

STAMP DUTY ON DOCUMENTS

Cyprus stamp duty is levied on 'documents' (i.e. written agreements/contracts) relating to assets located in Cyprus and/or matters or things taking place in Cyprus.

In general, agreements that relate to international transactions not involving assets situated in Cyprus are exempt from stamp duty. Transactions involved in a qualifying reorganization of companies are exempt from stamp duty. The stamp duty charge is based on the value of the contract as follows:

Value of contract	Stamp duty
0 - €5.000	0
€5.001 - €170.000	0,15%
Over €170.000 *	0,20%

* Stamp Duty capped at a maximum of €20.000 per stampable document / Contracts without fixed sum: €35

CAPITAL DUTY ON SHARE CAPITAL

Upon incorporation of the company:

A fixed amount of €105 is payable on the registration of a company irrespective of the amount of the share capital.

There is no capital duty payable if the shares are issued at their nominal value. There is a €20 flat duty if the shares are issued at a premium.

Upon subsequent increases:

There is a €20 flat duty on every issue, whether the shares issued at their nominal value or at premium.

VALUE ADDED TAX (VAT)

VAT was introduced in Cyprus on 1st July 1992 and is imposed on the provision of goods and services in Cyprus, as well as on the acquisition of goods from the European Union (EU) and the importation of goods into Cyprus.

Taxable persons charge VAT on their taxable supplies (output tax) and are charged with VAT on goods or services which they receive (input tax).

VAT Rates

- Zero rate (0%)
- Reduced rate (5%)
- Reduced rate of 9% as from 13 January 2014
- Standard rate of 19% as from 13 January 2014

Registration

Compulsory for businesses:

If the value of their taxable supplies was in excess of €15.600 during the 12 preceding months. At any time, if the expected turnover is in excess of €15.600 in a period of 30 days which make acquisition of goods from other EU Member States in excess of €10.251,61 during any calendar year Engaged in the supply of intra-Community services for which the recipient must account for VAT under the reverse charge provisions.

Carrying out economic activities from the receipt of services from abroad for which an obligation to account for Cyprus VAT under the reverse charge provision exists subject to the registration threshold of €15.600 per any consecutive 12 month period.

Voluntary:

Option to register voluntarily for business with turnover of less than €15.600 or with supplies that are outside the scope of VAT but for which the right to claim the amount of the related input VAT is granted.

VAT returns and payment/return of VAT

VAT returns must be submitted quarterly and the payment of the VAT must be made by the 10th day of the second month that follows the month in which the tax period ends.

Where in a quarter input tax is higher than output tax the difference is refunded or is transferred to the next VAT quarters.

Goods or services which are exempt

Examples include:

- The leasing of immovable property for residential purposes.
However, as of 13 November 2017, the leasing of immovable property to a taxable person for the carrying out of taxable business activities is subject to VAT at the standard rate (19%)
- Most banking and financial services and insurance services
- Most hospital, medical and dental care services
- Certain cultural educational and sports activities
- Supplies of land (in limited cases) and of second-hand buildings. As of 2 January 2018, the sale of undeveloped building land by a person, intended for the erection of one or more fixed structures, is subject to VAT at the standard rate (19%) when the supply is carried out as part of that person's economic activities
- Postal services provided by the national postal authority
- Lottery tickets and betting coupons for football and horse racing
- Management services provided to mutual funds

Zero rated taxable supplies (0%)

Transactions include:

- The exportation of goods
- Supply, modification, repair, maintenance, chartering and hiring of sea-going vessels, which are used for navigation on the high seas and carrying passengers for reward or used for the purpose of commercial, industrial or other activities
- Supply, modification, repair, maintenance, chartering and hiring of aircrafts, used by airlines operating for reward mainly on international routes
- Supply of services to meet the direct needs of sea going vessels and aircrafts

Transportation of passengers from the Republic to a place outside the Republic and vice versa using a seagoing vessel or aircraft

Difference between rated and exempt supplies

The difference between rated (i.e. 0%, 5%, 9%, 19%) and exempt supplies is that businesses that make exempt supplies are not entitled to recover the VAT charged on purchases, expenses or imports (or the VAT output they have self-imposed through the reverse charge mechanism by claiming the same amount as VAT input).

The right to claim the VAT input depends from the supplies of the taxable person (whether are taxable or not) and the utilizing of the goods or services received (e.g. whether received for business purposes or not).

Reduced rate taxable supplies (5%)

Examples include:

- Supplies of animal feeding stuffs
- Supplies of liquefied petroleum gas, newspapers, books, magazines and similar items
- Supplies of vaccines for medicine and veterinary medicine
- Purchase or construction of a flat or house to be used as private main residence (applies on the first 200 square meters; for the remaining square meters, the standard rate of 19% applies)

Reduced rate taxable supplies (9%)

Examples include:

- All restaurant catering services (including the supply of alcoholic drinks, beer, wine and soft drink).
- Accommodation in hotels, tourist lodgements and any other similar lodgements including the provision of holiday lodgements.
- Transportation of passengers and their accompanying luggage within the Republic using urban, intercity and rural taxis and tourist and intercity buses
- Movement of passengers in inland waters and their accompanying luggage

Non recoverable VAT

These include:

- Acquisitions used for making exempt supplies
- Purchase, import or hire of saloon cars
- Entertainment and hospitality expenses (except those relating to employees and directors)
- Housing expenses of directors

INTRASTAT (INTRACOMMUNITY STATISTICS)

Intrastat is the system for the provision of statistical information on dispatches and arrivals of Community goods. The main purpose of Intrastat is to gather statistical information that were once gathered by the customs.

All companies that have intra-community acquisitions exceeding €100.000 per annum and Intra-community supplies exceeding €55.000 per annum are liable and must complete the Intrastat form.

Intrastat must be completed monthly, within 10 days after the end of the month following the filing period. Administrative fines for late or non-filing will be imposed.

VIES (VAT Information Exchange System)

The VIES is an electronic mean of transmitting information relating to VAT-registration (validity of VAT-numbers) of companies registered in EU. Furthermore, information relating to tax exempt intra-Community supplies between Member States' administrations is also transmitted via VIES.

VIES declaration must be completed for intra-community supplies by taxable persons making supplies within the EU. The Cyprus VIES declaration must be filed monthly, 15 days following the end of the relevant month.

In the cases where the VIES form has been completed wrongly, the VIES 3 form can be used to correct both numerical and personal data.

MINI ONE STOP SHOP ("MOSS")

As of 1 January 2015, electronically supplied services, radio and television broadcasting services and telecommunication services provided to non-taxable customers within the EU ("B2C") will be treated as supplied in the EU Member State where the recipient of the service is situated.

To this end, every taxable person supplying such services will either have to register for VAT purposes in each Member State where its customers are located or register under the MOSS scheme in the Member State where the business is situated.

A business which is registered under the MOSS scheme in Cyprus will need to submit quarterly VAT returns detailing its sales of the above mentioned services to non-taxable persons in other Member States, along with the VAT due. The returns will be filed in Cyprus by the 20th day following the end of

the VAT quarter. These returns and the VAT payable will then be transmitted to the relevant Member State of consumption via a secure communications network by the Cypriot authorities.

VAT THRESHOLDS AND PENALTIES	Amount in Euro
Registration threshold (taxable supplies in Cyprus)	15.600
Registration threshold for distance sales (sale of goods to persons not subject to VAT registration in Cyprus, by suppliers resident in another EU Member State)	35.000
Registration threshold for acquisition of goods in Cyprus from suppliers resident in another EU MS	10.252
Registration threshold for intra – Community supply of services	no threshold
Registration threshold for receipt of services from abroad for which the recipient must account for VAT under the reverse charge provisions	15.600
Penalty for late submission of VAT return	51 for each return
Penalty for omission to keep books and records for a period of 6 years	341
Penalty for late submission of VIES return	50 for each return
Penalty for late submission of corrective VIES return	15 for each return
Omission to submit the VIES return for a period of over 3 months constitutes a criminal offence with a maximum penalty of	850
Penalty for late registration with the VAT authorities	85 per month of delay

IMPORTANT DATES FOR TAX PURPOSES		
Dates	Details	Form
End of following month	Payment of tax deducted from employees emoluments (PAYE) in the preceding month	T.D.61
	Payment of social insurance and General Healthcare System contributions deducted from employees emoluments	Y.K.A. 2-002
	Payment of tax withheld on payments to non-Cyprus residents	
31 st January	Payment of corporation tax based on the tax return of the penultimate year, if not paid on 1 August of previous year otherwise there is a 5% penalty on the outstanding amount of the tax payable	
	Submission of declaration of deemed dividend distribution for the year ended 31 December two years ago	T.D.623
31 st March	Submission of accounts and tax returns for the previous year (mandatory electronic submission).	T.D.4
30 th June	Payment of special contribution for defence for the first six months of the current year	T.D.601
	Payment of tax balance for the previous year by individuals not preparing audited accounts but are obliged to issue invoices, receipts etc.	
31 st July	Submission of personal income tax return for an individual whose gross income exceeds €19.500 (mandatory electronic submission)	T.D.1
	Submission of the provisional tax return and payment of the first instalment of the temporary tax for the current year	T.D.6
	Electronic submission of employers return	T.D.7
1 st August	Payment of the final tax liability for the previous year using the self-assessment method.	T.D.158
30 th September	Submission of personal tax returns of self-employed individuals not preparing audited accounts but are obliged to issue invoices, receipts etc. (mandatory electronic submission)	T.D.1
31 st December	Payment of the second and last instalment of the temporary tax for the current year	
	Payment of second instalment of special contribution for defence for the last six months of the current year	T.D.601
	Submission of revised temporary tax assessment for the current year, if considered necessary	T.D.6
31 st December	Payment of the second and last instalment of the temporary tax for the current year	
	Payment of second instalment of special contribution for defence for the last six months of the current year	T.D.601
	Submission of revised temporary tax assessment for the current year, if considered necessary	T.D.6

Interest and Penalties: The official interest rate for late payments is 2% per annum for all amounts due after 1 January 2019 (3,5% for 2017 and 2018, 4% for 2015 and 2016, 4,5% for 2014, 4,75% for 2013, 5% for 2011 and 2012, 5,35% for the year 2010, 8% for the years 2007-2009). In addition to the interest, a penalty is also charged depending on the circumstances.

NOTES:

The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained. Totalserve Management Ltd will be glad to assist you in this respect. Do not hesitate to contact us.