



Tax card 2016



April 2016



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1. Personal Income Tax

1.1 Tax Rates

Chargeable Income €	Tax Rate %	Tax Amount €	Cumulative Tax €
0-19.500	0	–	–
19.501-28.000	20	1.700	1.700
28.001-36.300	25	2.075	3.775
36.301-60.000	30	7.110	10.885
Over 60.000	35		

Special Contribution of private sector employees, pensioners and self employed individuals

As of 1st January 2012 and for a period of five years (1 January 2012 to 31 December 2016) a special contribution is imposed on gross monthly emoluments, pensions and income of self-employed individuals and employees (50% contributed by the employer) in the private sector. The calculation of special contribution for years 2014 - 2016 is based on the rates below:

Gross Monthly Emoluments €	Contribution %	Total Special Contribution €
0 -1.500	0	0
1.501 - 2.500*	2,5	25
2.501 - 3.500	3,0	55
Over 3.500	3,5	

*Minimum amount of special contribution €10.

1.2 Tax Exemptions

Interest income.	100%
Dividend income.	100%
Profits from the sale of securities.	100%
Remuneration from salaried services rendered outside the Republic to a permanent establishment or to a foreign employer for more than 90 days in a tax year.	100%
Remuneration from any employment exercised in Cyprus commencing from 1.1.2012 by an individual who was not resident in the Republic before the commencement of employment (applicable for 5 years commencing from the 1st of January following the year of employment until the year 2020).	20% or €8.550 of remuneration (the lower)
Remuneration from any employment exercised in Cyprus commencing from 1.1.2012 by an individual who was not resident in the Republic before the commencement of employment (applicable for 10 years for emoluments exceeding €100.000 p.a.).*	50%
Rental Income from buildings in respect of which there is a Preservation Order.*	100%
Capital payments from life insurance plans* or approved provident funds.	100%
Foreign pension (special tax rate 5%).	€3.420
Widows pension up to €19.500. **	100%
Profits from permanent establishment abroad.*	100%

* Under certain conditions.

** Over €19.500 special tax rate 20%

1.3 Tax Deductions

Annual life insurance premiums (< 7% insured amount), Social insurance, Provident funds*, Pensions, contributions to the General Medical Fund** and contributions to foreign funds.*	Restricted to 1/6 of the taxable income	
Special contribution of private sector employees, pensioners and self employed individuals.	100%	
Subscriptions to trade unions and professional bodies.	100%	
Rental Income.	20% of income plus loan interest and wear and tear allowance	
Contributions and donations to approved charities (with receipts).	100%	
Losses of current and previous five years (only in cases of audited financial statements).	100%	
Expenditure for the acquisition of shares in an innovative company.	100%	
Expenditure for a building in respect of which there is in force a Preservation Order.	<u>EUR €</u>	<u>Per m²</u>
	1.200	1 - 120
	1.100	121 - 1.000
	700	1.001 - over

* Under certain conditions.

**Maximum 1.5% of remuneration

1.4 Tax Benefit on Directors' and Shareholders' Loans

Whenever a company grants a loan or other financial facility to its directors or shareholders (and up to their 2nd degree relatives) who are physical persons, the recipient is deemed to have a monthly benefit of 9% p.a. calculated on a monthly basis.

The tax on such benefit is assessed and collected via the PAYE system for emoluments.

1.5 Child Benefit for 2016

Family Income* €	Family with 1 child €	Family with 2 children (per child) €	Family with 3 children (per child) €	Family with 4 or more children (per child) €
0 - 19.500	475	570	1.045	1.675
19.501 - 39.000	425	520	995	1.525
39.001 - 49.000	380	380	760	1.260
49.001- 59.000	-	345	690	1.135

* Based on 2015 family income.

The child benefit will not be granted if the total value, at market values, of the family's assets (immovable property, shares, bonds, securities, deposits) exceeds €1.200.000.

1.6 Submission of Tax Returns

Sole proprietors with an annual turnover of more than €70.000 are obliged to prepare audited financial statements.

2. Corporation Tax

2.1 Tax Rates

Companies and Semi Governmental Organizations.	12,5%
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2.2 Tax Deductions

Expenditure incurred wholly and exclusively for the production of income.	100%
Subscriptions and donations to approved charities (with receipts).	100%
Employer's contributions on salaries.*	100%
Expenses for business entertainment.	1% of gross income with a maximum amount of €17.086
Net royalty income and net profit from disposal of intellectual property.*	80%
Amortization of the cost of acquisition or development of intangible assets.	20%
Interest expense incurred for the acquisition, after 1.1.2012, of the share capital of a subsidiary company when the participation in the subsidiary is 100%, directly or indirectly, and provided that the subsidiary does not own any assets that are not used in the business.	100%
Notional interest deduction on new equity (fully paid share capital and share premium) introduced in the business on or after 1 st January 2015. Calculated by applying on the new equity the interest rate of the 10-year government bond yield of the country in which the new equity is invested, or of the Republic of Cyprus (as at 31st December of the previous year), whichever is the highest, increased by 3%.*	80% of taxable profit arising from new equity

* Under certain conditions.

2.3 Tax Exemptions

Interest income not accruing from or not closely connected with the ordinary activities of the business.	100%
Income from dividends.**	100%
Profits from sale of securities.	100%
Profits of a permanent establishment abroad.*	100%

* Under certain conditions.

**As of 1.1.2016, dividends will only be exempt to the extent that they are not tax deductible by the paying company.

2.4 Tax Incentives

Losses arising during a tax year can be carried forward, and be set-off against the profits of the next five years.
The current year loss of one company can be set-off against the profits of another within the same tax year provided that both companies are within the same group.*
Companies' reorganizations are allowable without any tax effect.*

*Under certain conditions.

3. Social Insurance

3.1. Rates

Employer contributions.	7,8%*
Employee contributions.	7,8%*
Self - employed contributions.	14,6%

* Restricted to the maximum level of annual income as per 3.2 below.

3.2 Maximum Level of Annual Income

	€	Per annum €
Weekly employees.	1.046	54.392
Monthly employees.	4.533	54.396

3.3 Other Employer's Contributions

	Employer's contribution
Social Cohesion Fund.	2,0%
Redundancy Fund.*	1,2%
Human Resource Development Fund.*	0,5%
Holiday Fund.*	8,0%

* Restricted to the maximum level of annual income as per 3.2 above.

4. Capital Gains Tax

4.1 Tax Rates

The gain arising after the deduction from sale proceeds, of the value of the property as at 1.1.1980 or the cost of acquisition after 1.1.1980 adjusted for inflation, is taxed at the rate of 20%.

Lifetime exemptions applicable to individuals for gains from the sale of immovable property are as follows:

	Gain up to €
Any disposal of immovable property.	17.086
Disposal of agricultural land.	25.629
Disposal of private residence.*	85.430

* Under certain conditions.

Note: Gains accruing from disposal of property held outside the Republic are exempt from capital gains tax.

5. Land Transfer Fees

5.1 Tax Rates

Value €	Tax rate %	Transfer fees €	Cumulative €
Up to 85.000	3	2.550	2.550
85.001 -170.000	5	4.250	6.800
Over 170.000	8		

Notes:

- No transfer fees apply in the case of companies' reorganizations.
- No transfer fees are paid in the event of an immovable property transferred that is subject to VAT. In the event where the transfer is not subject to VAT, land transfer fees are reduced by 50%. This exemption is applicable up to 31.12.2016.

6. Immovable Property Tax

6.1 Tax Rates

Value of property 1.1. 1980 €	Rate %	Cumulative Tax €
Up to 40.000*	0,6	240
40.001 –120.000	0,8	880
120.001 – 170.000	0,9	1.330
170.001 – 300.000	1,1	2.760
300.001 – 500.000	1,3	5.360
500.001 – 800.000	1,5	9.860
800.000 – 3.000.000	1,7	47.260
Over 3.000.000	1,9	

* Property owners whose total property value does not exceed €12.500 are exempt from Immovable Property Tax.

A change in the basis of taxing the value of property is expected, as well as a change in the immovable property tax rate for the year 2016.

7. Tax Calendar

The most important dates of 2016 for tax purposes are as follows:

	31/1	31/3	30/4	30/6	31/7	1/8	30/9	31/12
Payment of Special Contribution for Defence for deemed distribution purposes 2013.	√							
Electronic submission of the 2014 corporate tax returns.		√						
Submission of 2015 personal tax return for employees not preparing accounts* and payment of outstanding tax.			√					
Submission of personal income tax return and payment of final tax for year 2015 of self-employed individuals not preparing audited accounts.*				√				
Payment of special contribution for the first/second semester of 2016.				√				√
Electronic submission by employers of the total payroll of the previous year (I.R. 7 Form for year 2015).					√			
Submission of provisional tax declaration and payment of first/second installment of 2016.					√			√
Payment of final tax of 2015 with self-assessment for individuals and companies that prepare audited accounts.						√		
Payment of immovable property tax for the year 2016.							√	
Last day for submission of revised provisional tax declaration of 2016.								√
Payment of tax deducted from employee's salary (PAYE).	End of the following month.							
Payment of Special Contribution for Defence withheld on payments of dividend, interest and rents made by companies, partnerships, the State or local authorities, to Cypriot tax residents.	End of the following month.							
Payment of tax withheld on payments made to non-Cypriot tax residents.	End of the following month.							
Charges: If the above mentioned deadlines are not adhered to, an annual interest of 4% per annum as well as a penalty is imposed depending on the circumstances.								

*Deadline extended by 3 months in the event of electronic submission.

8. Special Contribution for the Defence Fund*

Type of income:	Rates
Interest income earned by a tax resident in Cyprus from sources within and outside Cyprus.	30%
Rental income minus 25% (tax residents only).	3%
Interest received by provident funds.	3%
Foreign dividend income (under certain conditions).	17%
Additionally for individuals only:	Rates
Interest income from Government development bonds and Government saving bonds.	3%
Interest when income does not exceed €12.000.	3%
Dividends received by individuals resident in Cyprus.	17%

*No Special Defence Contribution for individuals who are Cyprus Tax Residents but are not domiciled in Cyprus

9. Value Added Tax (VAT)

9.1 VAT Rates

Standard VAT rate (Effective up to 29 February 2012).	15%
Standard VAT rate (Effective from 1 March 2012 up to 13 January 2013).	17%
Standard VAT rate (Effective from 14 January 2013 up to 12 January 2014).	18%
Standard VAT rate (Effective from 13 January 2014 onwards).	19%
Reduced VAT rate (catering services, restaurant services, etc). Effective from 13 January 2014 onwards.	8% 9%
Reduced VAT rate (medicine, books, supplies of liquid gas (LPG) in cylinders, renovation and repair services of private residencies under conditions, etc).	5%
Sale or construction of new residential properties (subject to conditions) to EU beneficiaries since 1/10/2011 and to non EU beneficiaries since 8/6/2012.	5%
Zero VAT rate (export of goods, leasing of vessels and aircraft, etc).	0%

9.2 Special VAT Concessions / Reliefs

VAT relief on the importation of certain categories of aircraft (covering small aircraft for business use).
New regime covering the imposition of reduced VAT rates on the lease of pleasure boats and private aircraft in Cyprus.

9.3 Compulsory registration with the Cyprus VAT Register

Cases of compulsory registration	Registration threshold
Supply of goods and services within the Republic.	€15.600
Supply of goods and services to persons established in other Member States, where they do not hold a valid VAT number.	€15.600
Dispatch of goods and provision of services to persons established in other Member States, where they hold a valid VAT number. Immediate liability to register with the VIES system.	N/A
Acquisition of services from non Cypriot suppliers – Also applies for holding companies when involved in economic activities, i.e. provision of loans.	€15.600
Acquisition of goods in the Republic from VAT registered entities established in other Member States by Cypriot taxable persons or organizations, including those involved in exempt activities, such as educational institutions, hospitals, etc.	€10.000
Distance sales of goods from persons established in other Member States to individuals or non-VAT registered persons within the Republic.	€35.000
Supply of telecommunication, television, radio broadcasting and electronically supplied services to non-taxable persons established in other Member States. (Mini One Stop Scheme effective since 1/1/2015).	N/A
Accountability of VAT under the reverse charge procedure by the customer regarding the supply in the Republic of services or services with goods in the building industry (Article 11B).	€15.600
Accountability of VAT under the reverse charge procedure by the customer regarding the supply of used and/or scrap metals in the Republic (Article 11C).	€15.600

9.4 Liabilities after registration with the Cyprus VAT Register

Type of liability	Clarifying comments
Submission of VAT Returns.	Per month or per quarter.
Issue of VAT invoices.	In relation to taxable supplies of goods or services to taxable persons in the Republic and/or to any EU established persons.
Issue of legal receipts.	To individuals or non-VAT registered persons for the taxable supply of goods or the provision of services with effect from 16/1/2012.
VIES statement (monthly).	For dispatches of goods with destination to other Member States, for the provision of services to persons established in other Member States and for triangular trade, provided that the counterparty holds a valid VAT number. No registration threshold exists.
INTRASTAT statement for dispatches (monthly).	For dispatch of goods to other Member States. The registration threshold for 2016 is €55.000.
INTRASTAT statement for arrivals (monthly).	For acquisition of goods from other Member States. The registration threshold for 2016 is €100.000.
Deregistration from the Cyprus VAT Register.	Within 60 days from termination of trading operations.

9.5 Penalties for non-compliance

Non-compliance cases	Fine/Penalty
Failure to register with the Cyprus VAT Register.	€85/month
Delayed VAT return submission.	€51/VAT return
Delayed payment of output VAT.	10% one-off penalty
Delayed payment of output VAT.	4% annual interest
Delayed registration with the VIES system.	€50/VIES statement
Delayed submission of VIES statement.	€50/VIES statement
Delayed correction of VIES statement.	€15/VIES statement
Failure to submit VIES statements - Criminal offence.	€850/VIES statement
Delayed registration with the INTRASTAT system.	€15/INTRASTAT declaration
Delayed submission of INTRASTAT declarations.	€15/INTRASTAT declaration
Delayed correction of INTRASTAT declarations.	€15/INTRASTAT declaration
Failure to submit INTRASTAT declarations - Criminal offence.	Fine up to €2.562
Delayed deregistration from the Cyprus VAT Register.	€85 one-off penalty

10. Annual Wear and Tear Allowance

Buildings	%
Commercial buildings and apartments.	3
Industrial, agricultural and hotel buildings.	4 *
Plant and machinery	%
Machinery.	10 **
Furniture and fittings.	10 **
Computer hardware and operating systems.	20
Application software.	33 1/3
Application software up to a cost of EUR €1.708.	100
Commercial vehicles.	20
Tools.	33 1/3
Boreholes.	10 **
Agricultural machinery.	15 **
Boats	%
New cargo vessels.	8
New passenger vessels.	6
Sailing vessels.	4 1/2
Motor launches.	12 1/2
Used vessels.	useful life

* 7% for the period 2012 - 2016.

** 20% for the period 2012 - 2016.

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KPMG delivers market leading, world-class professional services that are aligned with the changing needs of our clients and global markets.

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- **Tax Services**
- **Advisory Services**

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