

# Cyprus Country Profile

EU Tax Centre

June 2017

## Key tax factors for efficient cross-border business and investment involving Cyprus

**EU Member State** Yes

**Double Tax  
Treaties**

With:

Armenia	Estonia	Rep. of Ireland	Poland	Spain
Austria	Ethiopia <sup>(a)</sup>	Italy	Portugal	Sweden
Bahrain	Finland	Jersey <sup>(b)</sup>	Qatar	Switzerland
Belarus	France	Kuwait	Romania	Syria
Belgium	Georgia	Latvia <sup>(a)</sup>	Russia	Thailand
Bulgaria	Germany	Lebanon	San Marino	UAE
Canada	Greece	Lithuania	Serbia	UK
China	Guernsey	Luxembourg <sup>(a)</sup>	Seychelles	Ukraine
Czech Rep.	Hungary	Malta	Singapore	US
Denmark	Iceland	Mauritius	Slovakia	
Egypt	India	Moldova	Slovenia	
	Iran	Montenegro	South Africa	
		Norway		

Note: (a) Treaty initialed but not yet in force.  
(b) In force – effective as of January 1, 2018

**Forms of doing  
business**

Limited Liability company with share capital and Partnerships

**Legal entity  
capital  
requirements**

No

**Residence and tax  
system**

A company is resident if its management and control are exercised in Cyprus. Registration in Cyprus is not decisive.

Resident companies are taxed on their worldwide income. Non-resident companies are taxed only on their Cypriot source income, unless they have a permanent establishment in Cyprus and have opted to be treated as a resident

company (to benefit from a worldwide loss set-off).

**Compliance  
requirements for  
CIT purposes**

Companies are required to file annual tax returns prepared based on audited financial statements. The filing deadline is 12 months after the financial year ending December 31. For electronic filings the deadline for submission is extended by three calendar months. Companies are also required to prepare accounts and pay tax on a temporary and self-assessment basis. Corporate entities must also submit a provisional tax return prior to August 1st of each year, based on the estimated income for the current year. Provisional tax payments must be made on estimated current's year income in two equal installments, on July 31 and December 31. If the income declared for provisional tax purposes is less than three-fourths of the income as finally determined, the taxpayer must pay, in addition to the normal tax, an amount equal to one-tenth (10 percent) of the difference between the final and the provisional tax. Estimated income can be revised (upwards/downwards) any time before December 31, the date the last provisional payment is due.

A final payment must be made on August 1st of the following year of assessment, in order to bring the total installment payments to the level of the actual liability due according to the actual tax liability determined.

**Tax rate**

The standard corporate income tax rate is 12.5 percent.

**Withholding tax  
rates**

**On dividends paid to non-resident companies**

No

**On interest paid to non-resident companies**

No

**On patent royalties and certain copyright royalties paid to non-resident companies**

No withholding tax is levied on royalties paid to non-residents who are not engaged in any business in Cyprus and the intellectual property right is granted for use outside Cyprus. Otherwise, a withholding tax of 10 percent (or 5 percent for film royalties) applies, subject to reduction by double tax treaties.

**On fees for technical services**

No

**On other payments**

No

**Branch withholding taxes**

No

**Holding rules**

**Dividend received from resident/non-resident subsidiaries**

Exemption method (100 percent) subject to conditions:



- Minimum participation requirement: No (as of tax year 2009);
- Minimum holding period: No;
- Taxation requirement: Profits in the subsidiary taxed at more than 5 percent, or the distributing company produces more than 50 percent of its total income from non-passive sources.
- Anti-avoidance: dividends will not be exempt if they are allowed as a tax deduction in the jurisdiction of the foreign paying company. Credit in the event of taxation will be refused in the case of an arrangement, which having been put into place with the main purpose of obtaining a tax advantage, is not genuine, having regard to all relevant facts and circumstances. An arrangement will be regarded as not genuine to the extent that it is not put into place for valid commercial reasons which reflect economic reality.

#### Capital gains obtained from resident/non-resident subsidiaries

Only on immovable property situated in Cyprus.

#### Tax losses

Yes. Tax losses may be set-off against income from other sources in the same year, and unused losses may be carried forward for 5 subsequent years. No carry-back is available.

#### Tax consolidation rules/Group relief rules

Yes, for companies in a 75 percent group, provided that both companies are tax resident in Cyprus for the entire year including the year of incorporation.

#### Registration duties

EUR 102.52 plus 0.6 percent on nominal value of authorized capital. No capital duty is levied on share premium.

#### Transfer duties

##### On the transfer of shares

No transfer duty on transfer of shares.

Small administrative fee (EUR 17) on filing of the form for the issue and allotment of shares.

Stamp duty on a share purchase agreement based on the amount stipulated in the agreement: No stamp duty is imposed on sums not exceeding EUR5.000, a 0.15 percent for sums not exceeding EUR 170,000, 0.2 percent plus EUR 247.5 for sums exceeding EUR 170,000, with a maximum duty of EUR 20.000

##### On the transfer of land and buildings

Yes, if situated in Cyprus land transfer fees may apply depending on the value of the property.

##### Stamp duties

Yes, if situated in Cyprus land transfer fees may apply depending on the value of the property. Also, stamp duty based on the amount stipulated in the agreement: No stamp duty is imposed on sums not exceeding EUR5.000, a



0.15 percent for sums not exceeding EUR 170,000, 0.2 percent plus EUR 247.5 for sums exceeding EUR 170,000, with a maximum duty of EUR 20.000.

#### [Real Estate Taxes](#)

Yes depending on the total value of the taxpayer's property. Rates range from 6 percent to 19 percent.

#### **Controlled Foreign Company rules**

No, but arm's length principle applies.

#### **Transfer pricing rules**

##### [General transfer pricing rules](#)

No, but arm's length principle applies.

##### [Documentation requirement?](#)

No, but recommended as a matter of practice.

#### **Thin capitalization rules**

No

#### **General Anti-Avoidance rules (GAAR)**

No

#### **Specific Anti-Avoidance rules/Anti Treaty Shopping Provisions**

The Director of Inland Revenue maintains the right to ignore/examine artificial transactions.

#### **Advance Ruling system**

Yes

#### **IP / R&D incentives**

IP Incentive of 80 percent notional deduction from qualifying IP income in line with the modified nexus approach as provided in BEPS Action 5.

#### **Other incentives**

Incentive for individuals to invest in innovative SMEs in the form of a deduction from taxable income of the amount invested (up to 50% of the individual's taxable income or EUR 150,000, whichever is lower). Any surplus shall be carried forward for a period of 5 years subject to the threshold limitations.

#### **VAT**

The standard rate is 19 percent and the reduced rates are 0, 5 and 9 percent.

#### **Other relevant points of attention**

No

Source: Cypriot tax law and local tax administration guidelines, updated 2017.



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