

Cyprus Country Profile

EU Tax Centre

June 2018

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

EU Member State Yes

Double Tax Treaties With:

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

(a) not yet in force

(b) effective as of January 1, 2018

(c) in force as of January 1, 2017

Most important 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.

Corporate income 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 EUR 5,000, 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)

Yes, any artificial and/or fictitious transactions may be disregarded.

Specific Anti-Avoidance rules/Anti Treaty Shopping Provisions/Anti-Hybrid rules

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 2018.

Contact us

George Markides

KPMG in Cyprus

T +357 22 209 000

E George.Markides@kpmg.com.cy

Margarita Liasi

KPMG in Cyprus

T +357 22 209 000

E Margarita.Liasi@kpmg.com.cy

kpmg.com



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2018 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International.