

DOING BUSINESS

IN CYPRUS



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1 – INTRODUCTION

UHY is an international organisation providing audit, accountancy, business management and consultancy services through financial business centres in around 90 countries worldwide.

Business partners work together throughout the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Cyprus has been provided by the office of UHY representatives:

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Information in the following pages has been updated so that it is effective at the date shown, but inevitably it is both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at February 2018.

We look forward to helping you do business in Cyprus.

2 – BUSINESS ENVIRONMENT

Cyprus is a small country at the meeting point of the three old continents, Europe, Asia and Africa. Its importance in doing business is mainly arising from its potential for beneficial international tax planning.

This is due to a combination of factors, including:

- The “user friendliness” and practically zero tax status of the Cyprus Holding Company
- Membership of the EU
- Wide network of Treaties for the Avoidance of Double Taxation, including some with large countries which have comparatively beneficial provisions
- Absence of withholding taxes on dividends, interest or royalties paid from Cyprus
- One of the lowest corporate income tax rates in the EU at 12.5%
- Exemption from tax of many types of income, including:
 - o gains on disposal of shares and other securities,
 - o capital gains,
 - o for non-domiciled individuals, dividend and interest.
- Tax incentives introduced, including:
 - o the special mode of taxation of income arising from IP rights;
 - o the deductibility of interest on loans to acquire 100% subsidiaries
 - o notional interest deduction for investments into Cyprus companies

Cyprus is not a tax haven. It has strict rules in relation to accounting, audit and tax compliance and is implementing rigorous anti-money laundering measures. International business prepared to accept and comply with these requirements may derive significant benefits in terms of overall reduction of the tax burden.

GEOGRAPHY AND POPULATION

Cyprus is situated in the eastern Mediterranean, lying at the hub of three continents and close to the busy trade routes linking Europe with the Arab World and the Far East.

Cyprus' total area is 9,251km sq. and it is the third largest island in the Mediterranean, after Sicily and Sardinia. The island enjoys an excellent climate with about 300 days of sunshine per year. The temperature varies from 6°C to 13°C in winter to 21°C to 36°C in summer.

Cyprus' population is estimated at approximately 1.2million. The official languages of the Republic are Greek and Turkish, but English is widely spoken and regularly used in business. Nicosia, with an estimated population of approximately 300,000, is the capital city and situated in the middle of the island. All other major cities are on the coast and all are popular holiday resorts, as well as business centres.

GOVERNMENT AND LEGAL SYSTEM

The structure of government is similar to other western democracies where human rights, political pluralism and private property are safeguarded.

The Republic's constitution is largely modelled on the American constitution. The Head of State is the President who is elected for a five-year term of office. The Council of Ministers, appointed by the President, is the executive organ of the Republic. Legislative power lies with the House of Representatives whose members hold office for five years. A multi-party system is in operation and the electoral system is based on proportional representation.

The island was under British administration from 1878 to 1960 when it became an independent republic. The legal system and all statutes regulating business matters are based essentially on English Law. Most laws are officially translated into English. English is widely used and anyone may correspond with government departments in this language. Cyprus became a member of the European Union on 1 May 2004 and joined the Euro Zone on 1 January 2008.

POLITICAL STABILITY

The Republic of Cyprus is a member of the European Union, the United Nations, the Council of Europe and the British Commonwealth. It has a very stable political system.

Part of the territory of Cyprus has been occupied since 1974 by Turkey. Efforts are being made to resolve the problem. It should be noted that since 1974, no serious military incidents have taken place on the island between the two sides.

EDUCATION AND HUMAN RESOURCES

Primary education is free and universal.

Most elementary and secondary schools are state-owned and of a high standard. In addition, there are numerous first-class private schools. These schools offer tuition in Greek, English, Russian, French, Italian, Armenian and Arabic and they offer specialised courses leading mainly towards entrance to British and American universities or to professional qualifications.

A high proportion of Cypriots have been to university, either in Cyprus or abroad. As a consequence, Cyprus ranks among the leading countries in the world in terms of its proportion of university graduates. Qualified technical, clerical and professional staffs with wide experience and fluency in English and other languages are available for employment at reasonable rates of remuneration.

TRANSPORT AND TELECOMMUNICATIONS

A wide network of air-routes connects Cyprus with Europe, Africa and Asia.

The island has two busy international airports, in Larnaca and Paphos, handling a large number of scheduled flights and served by many international and chartered airlines. Cyprus is an established international transit station for commercial air transportation with excellent connections within the entire region. Seaborne traffic is served by a fully renewed port system comprising the multi-purpose ports of Limassol and Larnaca, the industrial port of Vassiliko, and the three specialised oil terminals of Larnaca, Dhekelia and Moni.

A large number of shipping lines include Cyprus in their regular schedules to and from five continents, ensuring that thousands of ships call at Cypriot ports each year.

Cyprus has an advanced telecommunications system, based on the latest technology.

ECONOMY

The economy of Cyprus is based on free enterprise, with most economic activity taking place in the private sector.

The service sector, which dominates the Cypriot economy, accounts for about half of employment and almost two-thirds of its GDP.

In January 2018 the average rate of inflation was -0.7% and the unemployment rate in December 2017 was 11.1%. The standard of living is relatively very high with estimated annual income per capita for 2017 of US\$29,130. The Cyprus economy recorded real GDP growth of about 3.8% in 2017.

The economy of Cyprus is in a good state, with economic growth and improving public finances.

CURRENCY

Cyprus joined the Euro zone as of 1 January 2008. There are no exchange controls in Cyprus.

INTERNATIONAL BUSINESS

Cyprus is a developed and established international business centre, with many tax and other advantages for international business.

The extensive network of treaties which Cyprus has formed for the avoidance of double taxation makes the island very attractive to international investors.

There are a large number of International Business Companies (IBCs) i.e. companies incorporated in Cyprus whose beneficial ownership and business activities lie outside Cyprus. It is worth mentioning that Cyprus has amongst the lowest corporation tax rate in the EU at 12.5% on operating profits. Furthermore, as holding companies in Cyprus are in practice free of any tax both on their income from dividends and on their proceeds on disposal of their investments, without any restrictions in relation to the time for which the investment was held or in relation to thin capitalisation, the island has become a favourable location for establishing holding companies by international businesses.

EUROPEAN UNION AND OECD: TAX REFORMS

The tax system of Cyprus fully conforms to EU directives and codes of conduct and with the OECD to eliminate 'harmful tax practices'.

3 – FOREIGN INVESTMENT

FOREIGN DIRECT INVESTMENT (FDI) POLICY

In order to further enhance the foreign investment intensity, the Government of Cyprus has liberalised the Foreign Direct Investment (FDI) Policy not only for EU citizens but also for investors from third countries in most sectors of the economy as from 1 October 2004.

- Limitations related to the minimum level of investment and foreigners' participation percentage have been abolished, in most sectors of the economy, allowing for up to 100% equity participation in registering companies or acquiring shares in existing companies.
- Administrative procedures have been simplified and measures have been taken to streamline the infrastructure regarding foreign investment, thus reducing the level of bureaucratic intervention and fostering improved economic activity.
- Consequently, foreign companies now have the opportunity of investing and establishing business in Cyprus on equal terms with local investors.

THE CYPRUS INVESTMENT PROMOTION AGENCY (CIPA)

In 2008, the Cyprus Investment Promotion Agency was formed and fully funded by the Government of Cyprus.

Its role is to:

- Promote Cyprus as an attractive international investment centre in key priority growth sectors
- Advocate reform in Cyprus required to improve the regulatory and business environment and infrastructure
- Provide investor support with after care and further development services

Furthermore, CIPA promotes Cyprus as an attractive investment destination in various priority sectors of the economy, by developing leads and driving demand for investments into the country, while serving as the First Point of Contact to all foreign investors.

THE CYPRUS INVESTMENT FUNDS ASSOCIATION (CIFA)

The Cyprus Investment Funds Association (CIFA) was established in 2013 at the initiative of the CIPA as a natural development of the progress made thus far in promoting Cyprus as a competitive investment funds jurisdiction.

The mission of CIFA is to:

- Help its members capitalise on industry trends
- Shape regulation
- Encourage professionalism, integrity and quality
- Promote the Cyprus investment funds industry.

There are two main fund regimes in Cyprus:

- Alternative Investment Funds (AIF)
- Undertakings for Collective Investment in Transferrable Securities (UCITS)

To set up a fund in Cyprus you must obtain authorisation from the Cyprus Securities and Exchange Commission (CySEC).

The following legal structures are available in Cyprus:

AIF with a limited number of investors:

- Variable Capital Investment Company (VCIC)
- Fixed Capital Investment Company (FCIC)
- Limited Partnership (LP)

AIF with no limitation as to the number of investors:

- Variable Capital Investment Company (VCIC)
- Fixed Capital Investment Company (FCIC)
- Limited Partnership (LP)
- Common Fund (CF)

UCITS can take the following legal forms:

- Common Fund
- Variable Capital Investment Company

INCENTIVES

Immigration by investment

Application can be made for an immigration permit (equivalent to a permanent residence permit in Cyprus and its holders are exempted from the time-consuming immigration formalities required from other categories of third country nationals arriving in Cyprus), in cases where certain conditions summarised below are met:

- Deposit of EUR30.000 pledged for minimum of 3 years
- Annual income of at least EUR30.000
- Acquisition of immovable property in Cyprus with minimum value of EUR300.000 plus VAT (& official receipts for payment of at least EUR200.000)

Cyprus Citizenship by Investment

In 2016 the procedure and related financial criteria of the “Scheme for Naturalisation by Exception of Investors in Cyprus”, was amended. Under the new procedure, the investors are given several options as to how they can invest in the Republic of Cyprus, providing greater flexibility.

Summary of key changes

- Level of investment reduced to a total of €2M - €2.5M, as opposed to €2.5M - €3M under the previous Criteria.
- Applications will be submitted on a standalone basis; criterion of Collective Investments abolished.
- Introduction of combination of all economic criteria.
- Parents of the investor can now obtain the Cyprus Citizenship with an additional permanent residence of €500.000.
- Abolishment of the criterion of bank deposits.
- Cap set on the investment in Cyprus Government bonds.

- A Permanent Residence Permit will be issued prior to Naturalisation (unless the applicant(s) is a Temporary Permit holder already)

REAL ESTATE

EU CITIZENS

EU citizens who are residents of Cyprus may acquire any property in Cyprus without restrictions.

NON-EU CITIZENS

Non-EU citizens are allowed to acquire title to immovable property in Cyprus provided they first obtain the approval of the Council of Ministers (delegated to the Local District Officer). When the real estate concerned exceeds an area of two donums (1 donum = 1,338 square metres), approval may only be granted for:

- A residence for own use (must not exceed 3 donums)
- Professional or commercial purposes
- Industrial use in sectors considered by the Council of Ministers as beneficial to the Cypriot economy provided the acquisition of the real estate is related to the production of goods or to industries using new technology or know-how.

Any gain made on disposal of the real estate situated in Cyprus is subject to capital gains tax at the rate of 20%. (See section 6, Taxation, below for more details).

4 – SETTING UP A BUSINESS

TYPES OF BUSINESS ENTITIES IN CYPRUS

Business entities in Cyprus can operate under the following forms:

- Limited company
- Sole proprietor or partnership
- Branch
- European Public Limited Companies, otherwise known as Societas Europaea (“SE”).

The redomiciliation of foreign companies to Cyprus, and vice versa, is possible. This means that companies may migrate from another jurisdiction to Cyprus (and vice versa) without the need for a takeover or a transfer of assets to another company already registered in the destination country.

REGISTRATION PROCEDURE OF A LIMITED LIABILITY COMPANY

Under the Companies Law, the procedure for the formation and registration of a company in Cyprus is quite simple and as follows:

APPROVAL OF NAME

Before any other steps are taken with regard to the incorporation of a company, the Registrar of Companies must be approached to ascertain whether the proposed name is acceptable.

FILING OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION

To effect registration of a company, the Memorandum and Articles of Association must be submitted for filing with the Registrar of Companies.

A Specimen Memorandum and Articles of Association can usually be made available but care should be taken to ensure that the first few main object clauses are tailored to the specific circumstances and main business objects (aims or activities) of the company.

SHARE CAPITAL REQUIREMENTS

There are no legal requirements as to the minimum or maximum share capital of the company. In the case of foreign direct investment, there are some indicative minimum levels of investment depending on the sector.

SHAREHOLDERS

Under the relevant legislation there must be at least one shareholder, for whom the following information is required to be disclosed to the Registrar of Companies:

- Full name & nationality
- Address & occupation
- Number of shares held.

DIRECTORS

How directors are appointed is usually laid down by Articles of Association, as well as how many constitute a quorum. However, it is usual for there to be at least two directors. The names of the directors are also required to be disclosed to the Registrar of Companies.

COMPANY SECRETARY

The appointment of the secretary is made by the directors in accordance with the Articles of Association. For practical purposes a body corporate may be appointed secretary.

REGISTERED OFFICE

Every company must have a registered office in Cyprus, which is determined by the directors.

5 – LABOUR

LABOUR AND EMPLOYMENT CONDITIONS

The labour force in Cyprus consists of hard-working and skilled people, working at relatively inexpensive rates.

There is a general consensus between management and unions and industrial peace safeguards exist for on-going production and a growing economy. The unemployment rate was at about 11.1 in December 2017 (14% in 2016, 17% in 2013).

Cyprus ranks amongst the leading countries in the world in terms of the proportion of university graduates, ensuring the availability of high-quality managerial and administrative personnel. (Cyprus is ranked top for graduates amongst EU countries, with 47% having tertiary education qualifications).

EMPLOYMENT LEGISLATION AND REGULATIONS

EU 'ACQUIS COMMUNAUTAIRE'

The Labour related legislation in Cyprus is in compliance with EU regulations.

EMPLOYER'S CONTRIBUTIONS

SOCIAL INSURANCE

From 1 April 2009, the employer's contribution to Social Insurance is 7.8% of the employee's salary, restricted to a maximum amount of salary which is increased annually. For 2018 (as with 2015, 2016 and 2017) this is EUR 54,396 (weekly EUR 1,046, monthly EUR 4,533) this contribution is used to pay unemployment and sickness benefits, payment for maternity leave, disability and old-age pensions.

REDUNDANCY FUND

The employer's contribution to the Redundancy Fund is 1.2% of the employee's salary. This contribution is used to pay some compensation to employees in case they are made redundant. This is restricted to the maximum level of emoluments as with social insurance contributions.

TRAINING DEVELOPMENT FUND

The employer's contribution to the Training Development Fund is 0.5% of the employee's salary. This contribution is used to pay for various government-sponsored training needs for industry. This is restricted to the maximum level of emoluments as with social insurance contributions.

SOCIAL COHESION FUND

The employer's contribution to the Social Cohesion Fund is 2% of the employee's salary.

FRINGE BENEFITS

In addition to the above compulsory contributions, many employers have provident or pension funds which offer payment to employees on retirement or voluntary termination of employment, as well as medical and other similar benefits.

EMPLOYEE'S CONTRIBUTIONS

SOCIAL INSURANCE

The employee's contribution to Social Insurance is 7.8% of the employee's salary.

The rate of 7.8% applies to both employer and employee up to 31 December 2018.

Note that the contributions of self-employed persons are 14.6% of their income. The amount of the contributions is subject to a lower and a maximum limit, depending on the profession or trade of the self – employed person. These limits are set on an annual basis.

INCOME TAX LAW

Under the Income Tax Law all employers are obliged to deduct from their employees' salaries the amount of income tax applicable to each employee and remit it to the Income Tax Authorities (Pay as You Earn system). For details of personal tax see Sections 6.

OTHER LABOUR RELATED REGULATIONS

ANNUAL HOLIDAYS WITH PAY LAW

Under this Law, an employer-sponsored Central Holiday Fund was established out of which employees obtain their holiday entitlement. All employees with at least 50 weeks' service are entitled to a minimum of 20 working days of paid holidays.

Employers have to contribute 8% of the employee's salary to this fund. They may, however, apply for exemption from having to contribute to the fund provided they offer better conditions to their employees.

OTHER LEAVE OF ABSENCE

There is no legislation yet in relation to sick leave entitlement or other leave of absence. Maternity leave is 18 weeks.

As of 1st August 2017, paternity leave is 15 days.

TERMINATION OF EMPLOYMENT LAW

The Termination of Employment Law provides for minimum periods of notice before dismissals (i.e. from one to six weeks' notice) and for payment of compensation in case of arbitrary dismissal or redundancy (i.e. two to four weeks' salary for each year of employment).

ALIENS AND IMMIGRATION LAW

Under this Law, foreigners wishing to take up employment in Cyprus must have either a 'business permit' or an 'employment permit'. Citizens of EU member states may be employed in Cyprus without restrictions. Other aliens require residence/employment permits.

6 – TAXATION

MAIN FOCUS OF INCOME TAX LEGISLATION

Residents of Cyprus are taxed on their worldwide income. Non-residents are taxed only on some specific income from sources in Cyprus.

An individual is a tax resident in Cyprus if he/she stays in Cyprus for more than a total of 183 days in any calendar year.

As of 1st January 2017, an individual may also be considered as a Cyprus tax resident, if he/she satisfied the “60-day rule”, if the following conditions are satisfied:

- He/she does not spend more than a total of 183 days in any State within a tax year, and
- He/she is not a tax resident of another State within the same tax year, and
- He/she remains in Cyprus for at least 60 days in the tax year, and
- He/she carries on a business in Cyprus or is employed in Cyprus or holds an office in a Cyprus tax resident person at any time during the tax year, and
- He/she maintains a permanent home in Cyprus that is either owned or rented.

A company is resident in Cyprus if its business is centrally managed and controlled in Cyprus. (Incorporation is, by itself, insufficient to establish residence in Cyprus).

There are two main forms of direct taxation in Cyprus:

- Income Tax (see below)
- Special Contribution for Defence (see below)

All the sections below should be read to obtain a full understanding of the main forms of direct taxation affecting companies and individuals.

CORPORATION TAX

BASIC FEATURES

As stated above, a company is resident in Cyprus if its business is centrally managed and controlled in Cyprus.

- A Cyprus resident company is taxed on its worldwide income
- The rate of tax is 12.5% (see below for significant exemptions)

TAX EXEMPTIONS

Tax exemptions apply to the following income:

- Dividend income
- Profits from the sale of shares and other securities
- 100% of passive interest
- Profits of a permanent establishment (p.e.) abroad, provided the foreign tax is not significantly lower than Cyprus tax and the p.e. does not derive more than 50% of its total income from investments.

Note: With effect, as from 01 July 2016, taxpayers may elect to tax the profits earned by a foreign p.e. with a tax credit for foreign taxes incurred on those foreign p.e. profits. Transitional rules apply in certain cases on the granting of foreign tax credits where a foreign p.e. was previously exempt and subsequently a taxpayer elects to be subject to tax on the profits of the foreign p.e.

INTEREST EXPENSE FOR ACQUISITION OF 100% SUBSIDIARY

Interest expense incurred for the direct or indirect acquisition of 100% of the share capital of a subsidiary company will be treated as deductible for income tax purposes provided that the 100% subsidiary company does not own (directly or indirectly) any assets that are not used in the business. If the subsidiary owns (directly or indirectly) assets not used in the business the interest expense deduction is restricted to the amount which relates to assets used in the business. This applies for acquisitions of subsidiaries from 1 January 2012.

NOTIONAL INTEREST DEDUCTION (NID)

Equity introduced to a company as from 1 January 2015 (new equity) in the form of paid-up share capital or share premium is eligible for an annual notional interest deduction (NID). The annual NID deduction is calculated as an interest rate on the new equity. The relevant interest rate is the yield on 10-year government bonds (as at December 31 of the prior tax year) of the country where the funds are employed in the business of the company plus a 3% premium (subject to a minimum amount which is the yield on the 10 year Cyprus government bond as at the same date plus a 3% premium). For 2016 the minimum relevant interest rate is 6,685%. A taxpayer may elect not to claim all or part of the available NID for a particular tax year. Certain anti-avoidance provisions apply.

TAX LOSSES

The tax loss incurred during a tax year and which cannot be set off against other income, is carried forward subject to conditions and set off against the profits of the next five years.

- Group relief is available
- Losses for a p.e. abroad can be set off against other profit of the Company

Note:

1. As from 1 January 2015, interposition of a non-Cyprus tax resident company(ies) will not affect the eligibility for group relief as long as such company(ies) is tax resident of either an EU country or in a country with which Cyprus has a double tax treaty or an exchange of information agreement (bilateral or multilateral).
2. As from 1 January 2015, a Cyprus tax resident company may also claim the tax losses of a group company which is tax resident in another EU country, provided such EU Company firstly exhausts all possibilities available to utilise its losses in its country of residence or in the country of any intermediary EU holding company.

WITHHOLDING TAXES

No Cyprus withholding tax on dividends or interest is paid to non-residents

RELIEF FROM FOREIGN TAXES

Foreign taxes, both underlying and withholding, are deducted from taxes in Cyprus on the same income.

SPECIAL MODES OF TAXATION

SHIPPING COMPANIES

As of 1 January 2010 a Tonnage Tax System (TTS) was introduced, which covers the three main “Maritime Transport” Activities offered in international shipping today, namely ship-owning, ship-management (split into crew and/or technical management) and chartering. It also applies to fleets comprising of either EU flag or “mixed fleets” (EU & Non-EU Flag ships).

Under the new TTS, no tax is imposed on:

- Profits from shipping operations
- Dividends paid directly or indirectly out of such profits or from the sale of a ship
- Interest earned on funds used as working capital or for the financing, operation or maintenance of the ship
- Profits from the sale of a ship or the shares of the ship-owner company.

The same tax exemptions are offered with regard to the taxation of charterers and ship-management companies, respectively.

Furthermore, the remuneration of a Cypriot ship crew is tax exempt.

INTERNATIONAL TRUSTS

Trust Law in Cyprus is based on English legal principles and the legislation in force follows the English Trustees Act of 1925. In 1992, the International Trust Law was enacted in order to facilitate the use of the basic law by non-residents. The law was amended on 9 March 2012 to become more attractive.

A Cyprus international trust is a trust which has the following characteristics:

- The settlor and beneficiaries other than charitable institutions must not be Cypriot residents during the calendar year prior to the year of creation of the trust (may become Cypriot residents at any time following its creation)
- The trustees may vest the beneficiaries’ interests in movable and immovable property both in Cyprus and abroad and in shares in Cypriot companies
- The trust can have Cyprus sourced income
- A trust may continue to be valid and enforceable without time restriction.

Taxation of a trust in Cyprus:

- Transparent for Cyprus tax purposes which means that the income is only assessable on Cypriot resident beneficiaries
- No capital gains tax is charged on the disposal of assets held abroad.

INSURANCE COMPANIES

Insurance companies of general and life business are taxable in the same way as all other companies. In the case where there is no tax payable or where the tax payable on the taxable income of the life business is less than 1.5% of the gross amount of the insurance premiums then the insurance company pays the difference as additional tax.

PENSION INCOME FROM SERVICES RENDERED ABROAD

The pension income of any individual resident in the Republic, which arises from services rendered abroad, is taxed at a rate of 5% for amounts exceeding €3.420 per annum. The taxpayer has the right to choose to be taxed either under the special mode of taxation as stated above or at normal rates. If the latter is chosen the pension is added to the individual’s other income.

ROYALTY INCOME ARISING IN CYPRUS OF A NON-RESIDENT

The gross income arising from intellectual property rights, other exploitation rights, compensations or other similar income arising from sources within the Republic, of a person who is not resident in the Republic, is subject to withholding tax at a rate of 10%. Royalties received by a connected company registered in a European Union Member State are exempt from tax (subject to conditions). Rights granted for use outside the Republic are not subject to any withholding tax.

FILM ROYALTIES, ETC

The gross income derived by a non-resident person in respect of royalties arising from film projection in the Republic is subject to withholding tax at a rate of 5%. Royalties received by a connected company registered in a European Union Member State are exempt from tax (subject to conditions).

PROFITS OF PROFESSIONALS, ENTERTAINERS, ETC

The gross income derived by an individual not resident in the Republic from the exercise in the Republic of any profession or vocation, the remuneration of public entertainers not resident in the Republic, and the gross receipts of any theatrical or musical or other group of public entertainers, including football clubs and other athletic missions from abroad, derived from performances in the Republic is subject to a 10% withholding tax.

INTEREST AND ADDITIONAL PENALTY OF 5% FOR LATE PAYMENT OF TAX WITHHELD

Tax withheld on payments to non-Cypriot residents should be paid to the Inland Revenue department by the end of the following month. In case where the tax is not paid within the deadline, an additional penalty of 5% will be imposed on the tax withheld in addition to any interest that may be imposed.

THE CYPRUS ALTERNATIVE INVESTMENT FUNDS (AIFS) AND UNDERTAKINGS FOR COLLECTIVE INVESTMENT IN TRANSFERABLE SECURITIES (UCITS)

AIFs and UCITs are liable to tax or not depending on their legal status.

Under certain conditions, management fees and administration fees charged for AIFs and UCITs funds can be exempt from VAT.

INTELLECTUAL PROPERTY RIGHTS

Expenditure incurred for the development or acquisition of intangible assets as defined in the Patent Rights Law, the Intellectual Property Law and the Trademarks Law is tax deductible.

As per the “new” Cyprus IP box, (provision applies with effect from 1 July 2016), the tax amortisation of any expenditure of a capital nature for the acquisition or development of IP, is allocated over the lifetime of the IP (maximum of 20 years). An 80% deemed deduction applies on the net profit as calculated using the modified nexus fraction.

As per the “old” Cyprus IP box, any expenditure of a capital nature for the acquisition or development of IP is claimed a tax deduction in the year in which it was incurred and the immediate four following years on a straight-line, are tax deductible. An 80% deemed deduction applies to the net profit, from the exploitation or disposal of such intangible assets (net of any direct expenses incl. finance costs to acquire/ develop IP and annual tax amortisation). The “old” Cyprus IP box closed as from 31 June 2016, however subject to conditions, under transitional rules, its provisions remain applicable.

OTHER DEDUCTIONS

The whole amount of donations to approved charities (with receipts).

The whole amount of Employer's contributions to social insurance and approved funds on employees' salaries.

1% on employee's remuneration regarding the employer's contribution to medical fund for employees.

10% on employee's remuneration regarding the employer's contribution to Provident/Pension fund for employees.

PERSONAL INCOME TAX

BASIC FEATURES

Residents of Cyprus are taxed on their worldwide income. Non-residents are taxed only on some specific income from sources in Cyprus.

An individual is a tax resident in Cyprus if he/she stays in Cyprus for more than a total of 183 days in any calendar year.

As of 1st January 2017, an individual may also be considered as a Cyprus tax resident, if he/she satisfied the "60-day rule", if the following conditions are satisfied:

- He/she does not spend more than a total of 183 days in any State within a tax year, and
- He/she is not a tax resident of another State within the same tax year, and
- He/she remains in Cyprus for at least 60 days in the tax year, and
- He/she carries on a business in Cyprus or is employed in Cyprus or holds an office in a Cyprus tax resident person at any time during the tax year, and
- He/she maintains a permanent home in Cyprus that is either owned or rented.

Remuneration for salaried services rendered outside Cyprus to a non-Cyprus resident employer (or to a permanent establishment of an employer who is a resident of Cyprus) is exempt from Cyprus taxation provided that the period of these services in any calendar year is more than 90 days.

CYPRUS TAX RESIDENT NON-DOMICILED TAX STATUS

As of 16 July 2015, individuals who are not domiciled in Cyprus for tax purposes are not subject to SDC on dividend income, passive interest income, and rental income. Thus, dividend and interest income is exempt from all taxes in Cyprus for such individuals. Rental income remains subject to Personal Income Tax.

APPLICABLE RATES

The applicable rates of income tax are set out below.

TABLE 1

Rates of income tax

TAXABLE INCOME	TAX RATES	TAX AMOUNT	CUMULATIVE TAX
EUR	%	EUR	EUR
0-19.500	-		
19.501-28.000	20	1.700	1.700
28.001-36.300	25	2.075	3.775
36.301-60.000	30	7.100	10.885
Over 60.000	35		

Foreign pension is taxed at the flat rate of 5%, on amounts above EUR 3,420.

EXEMPTIONS

Certain types of income are exempt from income tax, however other taxes may apply (see section on Defence Fund Contribution, further below), including:

TABLE 2

Exemptions

Interest, except for interest arising from the ordinary business activities or closely related to the ordinary business activities of an individual The whole amount (Note 1)

Dividends	The whole amount (Note 1)
Remuneration from any employment exercised in Cyprus by an individual who was not a resident of Cyprus before the commencement of his employment, for a period of 10 years for employments commencing from 1 January 2012 if the annual remuneration exceeds €100.000. For employments commencing as from 1 January 2015 the exemption does not apply in case the said individual was a Cyprus tax resident for 3 (or more) tax years out of the 5 tax years immediately prior to the tax year of commencement of the employment nor in the preceding tax year. In certain cases it is possible to claim the exemption where income falls below €100.000 per annum.	50% of income
Remuneration from any employment exercised in Cyprus by an individual who was not a resident of Cyprus before the commencement of his employment, (for employments commencing during or after 2012) the exemption applies for a period of 5 years commencing from 1st January following the year of commencement of the employment with last eligible year being 2020. This exemption may not be claimed in addition to the immediately above mentioned 50% exemption for employment income.	20% of income with a maximum amount of €8.550 annually
Remuneration from salaried services rendered outside Cyprus for more than 90 days in a tax year to a non- Cyprus resident employer or to a foreign permanent establishment of a Cyprus resident employer	The whole amount
Profits from the sale of securities	The whole amount

Notes:

1. Such interest & dividend income is subject to Special Contribution for Defence

TAX DEDUCTIONS

TABLE 3

Tax Deductions

Contributions to trade unions or professional bodies	The whole amount
Loss of current year and previous years (up to the previous 5 years)	The whole amount
Rental income	20% of rental income
Donations to approved charities (with receipts)	The whole amount
Expenditure incurred for the maintenance of building in respect of which there is a preservation order	Up to €1.200, €1.100 or €700 per square meter (depending on the size of the building)
Social Insurance, provident fund, medical fund (maximum 1,5 % of remuneration), pension fund contributions (maximum 10% of remuneration) and life insurance premiums (maximum 7% of the insured amount)	Up to 1/6 of the chargeable income
Amount invested each tax year as from 1 January 2017 in approved innovative small and medium sized enterprises either directly or indirectly	Up to 50% of the taxable income as calculated prior to this deduction (subject to a maximum of €150.000 per year)

SPECIAL CONTRIBUTION FOR DEFENCE

All residents of the Republic are subject to special defence contribution on the sources of income indicated below. **Non-residents are not subject to special defence contribution.**

TABLE 4

	INDIVIDUALS %	LEGAL ENTITIES %
Dividend income from Cyprus tax resident companies	17 (1)	Nil (1)
Dividend income from non-Cyprus tax resident companies	17	Nil (2)
Interest income arising from the ordinary activities or closely related to the ordinary activities of the business	Nil (3)	Nil (3)
Other interest income	30 (4)	30 (4)
Rental income less 25%	3 (4 & 5)	3 (4 & 5)

A person whose total annual income, including interest, does not exceed €12.000 who receives interest which has been subject to special defence contribution has the right to a refund of the amount of defence contribution suffered in excess of 3%.	3%	
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Notes:

1. Dividends received by a Cyprus tax resident company from other Cyprus tax resident companies are excluded from all taxes, unless they are indirectly declared after the lapse of four years from the end of the year in which the profits were generated, in which case they may be subject to Special contribution for defence at 17%. Dividends which emanate directly or indirectly out of such dividends on which special contribution for defence was previously suffered are exempt.

2. 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 through a circular that "significantly lower" means an effective tax rate of less than 6, 25% on the profit distributed. When the exemption does not apply, the dividend income is subject to special contribution for defence at the rate of 17%.

3. Such interest income is subject to personal income tax / corporation tax.

4. The Special contribution for defence rate on interest income of 30% is effective for interest received or credited from 29 April 2013 onwards.

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%)

In the case where the total income of an individual (including interest) does not exceed €12.000 in a tax year, then the rate on interest income is reduced to 3% (instead of 30%).

For rental income where the tenant is a Cyprus company, partnership, the state or local authority Special contribution for defence on rental income is withheld at source and is payable at the end of the month following the month in which it was withheld. In all other cases the Special contribution for the defence on rental income is payable by the landlord in 6 monthly intervals on 30 June and 31 December each year.

For interest and dividends paid to Cyprus tax residents any Special contribution for defence due is withheld at source and is payable at the end of the month following the month in which they were paid.

However, Special contribution for defence due on dividends, interest and rental income from abroad is payable in 6 month intervals on 30 June and 31 December each year.

5. Rental income is also subject to personal income tax / corporation tax.

Foreign taxes paid can also be credited against the Special contribution for defence tax liability.

DEEMED DIVIDEND DISTRIBUTION

There is a 17% defence fund contribution on deemed dividend distributions to resident shareholders of a Cyprus resident company. A deemed dividend distribution is defined as 70% of distributable accounting profits of a company which have not been distributed within two years from the year end. This contribution does not apply when the shareholders (at the time of the deemed distribution i.e. two years from the year-end) are non-residents of Cyprus.

SPECIAL CONTRIBUTION

As from 1 January 2017, Special Contribution is abolished. The Special Contribution which applied in the period 2014-2016 is set out below.

TABLE 5*Special Contributions 2014-2016*

GROSS MONTHLY EMOLUMENTS FROM EMPLOYMENT/PENSION	GOVERNMENT & SEMI-GOVERNMENT EMPLOYEES AND PENSIONERS	PRIVATE SECTOR EMPLOYEES, SELF-EMPLOYED INDIVIDUALS AND PRIVATE SECTOR PENSIONERS (2)
0-1,500	nil	nil
1,501-2,500	2.5% (1)	2.5% (minimum EUR10)
2,501-3,500	3.0% (1)	3.00%
Over 3,500	3.5% (1)	3.50%

Notes:

1. The Special Contribution rate becomes 3%, 3.5% and 4% respectively for highly ranked civil service officials/employees within their respective scale.
2. In the case of private sector employed individuals and private sector pensions the Special Contribution relates to services rendered in Cyprus. In the case of self-employed individuals the Special Contribution relates to any business carried on in Cyprus.
3. For private sector employed individuals the Special Contribution does not apply, inter alia, on retirement gratuities, on payments from approved provident funds, on remuneration of the crew of qualifying ships and on reimbursements of business expenses.
4. In the case of private sector employed individuals the recipient of the remuneration is liable for half the Special Contribution and the employer for the other half.

CAPITAL GAINS TAX**RATE**

Capital Gains tax is imposed at the rate of 20% on capital gains arising from the disposal of immovable property (real estate) situated in Cyprus, including gains from the disposal of shares of companies not listed on a recognised stock exchange which own immovable property situated in Cyprus. The disposal of shares listed in recognised Stock Exchanges is exempt from Capital Gains Tax.

DISPOSAL

For the purpose of CGT, a disposal specifically includes exchange, leasing, gifting, abandoning use of rights, granting of right to purchase and any sums received upon cancellation of disposals of property.

TAXABLE GAIN

The taxable gain is the difference between the sale proceeds and the original cost of the property plus improvements as adjusted for inflation.

Confined to gains accruing since 1 January 1980.

LIFETIME EXEMPTIONS

Lifetime exemptions are available to individuals on gains, with an overall lifetime maximum EUR 85.430, as shown below.

TABLE 6
Lifetime exemptions

	LIMIT IN EUR
Disposal of private residence (subject to certain conditions)	85.430
Disposal of agricultural land by a farmer	25.629
Disposal of any other property	17.086

Note: Each individual is entitled to only one of the above three exemptions, whichever is the greater.

EXEMPT DISPOSALS

- Disposal of property situated outside Cyprus
- Profits from the disposal of securities quoted on any recognised stock exchange
- Profits from disposal of any securities (except for shares in non-listed companies owning real estate property in Cyprus)
- Transfers by reason of death
- Gifts between relatives up to the third degree of relation
- Gift to Republic/local authority/approved charitable institutions
- Exchange of properties, provided that the whole of the gain made on the exchange is used to acquire the other property. The gain that is not taxable is deducted from the cost of the new property
- Exchange or sale in accordance with the Agricultural Land (Consolidation Laws)
- Gifts to family companies of which all the shareholders are, and continue to be, members of the donor's family for at least five years
- Gifts from family companies to their shareholders provided the company originally acquired the property by way of gift. In cases where the shareholder disposes of the property gifted by the company before the expiration of three years from the date of the gift, he will not be entitled to the lifetime exemptions applicable to individuals set out under exempt gains above
- Expropriations
- Disposal of property, or shares of companies owning immovable property, as part of a reorganisation of companies
- Subject to conditions, land as well as land with buildings, acquired in the period 16 July 2015 up to 31 December 2016 will be exempt from CGT its disposal

VALUE ADDED TAX

IMPOSITION OF TAX

VAT is imposed on the supply of goods and service provision in Cyprus, as well as on the acquisition of goods from the European Union (EU) and the import of goods into Cyprus.

REGISTRATION - COMPULSORY AND VOLUNTARY

Registration is compulsory for businesses with (a) turnover subject to VAT in excess of €15,600 during the 12 preceding months or (b) expected turnover subject to VAT in excess of €15,600 within the next 30 days.

Businesses 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, have the option to register on a voluntary basis.

An obligation for registration also arises for businesses which make acquisition of goods from other EU Member States in excess of €10,251.61 during any calendar year. In addition, as from 1 January 2010 an obligation for VAT registration arises for businesses engaged in the supply of intra-community services for which the recipient must account for VAT under the reverse charge provisions. Furthermore, an obligation for VAT registration arises for businesses 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. No registration threshold exists for the provision of intra-community supplies of services.

Exempted products and services, and disposals of items of capital nature are not taken into account for determining annual turnover for registration purposes. Registration is carried out by completing the appropriate application form.

GROUP REGISTRATION

Single registration for a group of companies incorporated in Cyprus is now possible. For this purpose companies are considered a group if:

- One company controls each one of the other companies
- A person (legal or natural), controls all the other companies
- Two or more individuals carrying out a business as a partnership control all the other companies.

Group registration means that transactions between members of the group are disregarded for VAT purposes. Only one VAT return is required to be submitted for all the companies in the group, instead of one VAT return for each company.

RATE OF VAT

Cyprus' tax legislation provides for the following four tax rates:

- Zero rate 0%
- Reduced rate 5% and 9% (8% up to January 2014)
- Standard rate 19% (as from 13 January 2014)

Standard rate

The standard rate applies to the supplies of all goods and services in Cyprus which are not subject to the zero rates, the reduced rate or are not exempt.

Reduced rate 9%

The reduced rate of 9% applies to:

- All restaurant and 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.

Reduced rate 5%

The reduced rate of 5% applies to:

- The supply of foodstuff
- The supply of prepared or unprepared foodstuff and/or beverages (excluding alcoholic drinks, beer, wine and soft drinks) or both, irrespective of whether the goods are delivered from the supplier to the customer or taken away by the customer
- The supply of pharmaceutical products and vaccines that are used for health care, prevention of illnesses and as treatment for medical or veterinary purposes
- The supply of animals used for the preparation of food
- Books, newspapers and magazines
- Entry fees to theatres, circus, festivals, amusement parks, concerts, museums, etc.
- Entry fees to sports events and fees for using athletic centres
- Hairdressing services
- Renovation and repair of private households after three years of first residence
- Supply of catering services for school canteens
- Acquisition or construction of residence (subject to conditions)

Zero rate

The zero rate applies to:

- The exportation of goods
- Supply, modification, repair, maintenance, chartering and hiring of sea-going vessels, either 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 sea-going vessel or aircraft
- Supplies of gold to the Central Bank of the Republic etc.

Exemptions

Certain goods or services are exempt from VAT. They include:

- leasing of buildings used for residence
- Most banking and financial services and insurance services
- Most hospital, medical and dental care services
- Certain cultural, educational and sports activities
- Supplies of real estate (except supply of new buildings before their first use) including supplies of land and of second-hand buildings
- Postal services provided by the national postal authority
- Lottery tickets and betting coupons for football and horse racing
- Management services provided to mutual funds

VAT on immovable property

A number of recent amendments to Cyprus VAT Legislation concerning transactions in real estate were enacted during 2017, these amendments comprise of:

- (a) Imposition of VAT on leasing of immovable property (land and commercial buildings, other than residential buildings) when used by lessee in making taxable supplies. The lessor has the right to opt not to impose VAT on the specific property. The option is irrevocable.
- (b) As from 2nd January 2018, the imposition of 19% VAT on the sale of non- developed building land, (i.e. land intended for the construction of one or more structures in the course of carrying out a business activity). No VAT will be imposed on the purchase or sale of land located in a livestock zone or areas which are not intended for development such as zones/areas of environmental protection, archaeological and agricultural.
- (c) The application of reverse charge on transactions relating to transfers of immovable property during the process of loan restructuring and for compulsory transfer to the lender, as from 2 January 2018.

VAT returns and payment / refund of VAT

Any registered person has to submit to the Commissioner a VAT return not later than the 10th day following the end of the month at the end of each VAT period and pay the VAT due.

As from 19 February 2013 every taxable person making a claim for VAT refund will be entitled to repayment of the VAT amount with interest, in the event that the repayment is delayed for a period exceeding four months from the date of the submission of the claim.

In case a VAT audit regarding the claim is conducted by the Commissioner, the time period of four months is extended to eight months.

Administration of intra-community trading and intra-community services

Businesses that undertake intra-community trading, i.e. acquisitions and sales of goods and supply of services from/to EU member states need to complete the following forms:

Intra-Community Acquisitions

1. Intrastat - Arrivals of goods
2. Inclusion in the VAT return (on a total basis)

Intra-Community Supplies

1. Intrastat - Departures of goods
2. Recapitulative statement for supplies of goods and services (VIES form)
3. Inclusion in the VAT return on a total basis

Submissions

INTRASTAT forms are submitted to the Tax authorities within 10 days from the end of the related month, in electronic form only provided that the supplies of a taxable person exceed the registration threshold for intrastat purposes.

The Recapitulative statement is submitted to the Tax authorities within 15 days from the end of the related month in electronic form only.

Imposition of the reduced rate of 5% on the acquisition and/or construction of residences for use as primary and permanent place of residence

As from 8 June 2012 the reduced rate of 5% applies to the acquisition and/or construction of residences to be used by eligible persons (residents of the Republic or/and other EU member states or other non EU member states) as the primary and permanent place of residence, only after obtaining a certified confirmation from the Commissioner.

The statutory declaration may be filed at any stage at the time of construction of the residence or in case of supply prior to the eligible person obtaining possession.

Following a legislative amendment, the restriction that existed for the imposition of the reduced rate of VAT on the first 200 square meters for private residences up to 275 square meters, no longer applies.

As per the amendment, the reduced rate of 5% applies on the first 200 square meters, whereas the remaining square meters as determined based on the building coefficient, is subject to the standard VAT Rate.

Summary of Thresholds and penalties

THRESHOLDS AND PENALTIES	AMOUNT IN EUROS (€)
1. Registration threshold (taxable supplies in Cyprus)	15,600
2. 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
3. Registration threshold for acquisition of goods in Cyprus from suppliers resident in another EU Member States	10,251.61
4. Registration threshold for intra-community supply of services	No threshold
5. Registration threshold for receipt of services from abroad for which the recipient must account for VAT under the reverse charge provisions	15,600
6. Penalty for late submission of VAT return	51 for each return
7. Penalty for omission to keep books and records for a period of 6 years	341
8. Penalty for late submission of VIES return	50 for each return
9. Penalty for late submission of corrective VIES return	15 for each return return
10. Omission to submit the VIES return constitutes a criminal offence with a maximum penalty of	850
11. Penalty for late registration with the VAT authorities	85 per month of delay

ESTATE DUTY

There is no estate duty (inheritance tax) in Cyprus.

STAMP DUTY

Stamp duty is payable on various legal documents.

This generally involves small amounts, except only in the case of contracts involving a fixed amount of money. In this case the stamp duty, as from 1 March 2013 is as follows:

Up to the first EUR 5,000	0
EUR 5,001 – EUR 170,000	1.5%
Over EUR 170,000	2‰ (capped at a maximum of EUR 20,000)

CAPITAL DUTY

Upon incorporation of a Cyprus Company, there is capital duty on the authorised share capital. There is no capital duty if the shares are issued at their nominal value. There is EUR 20 flat duty if the shares are issued at a premium.

Upon subsequent increases of the authorised share capital, there is capital duty on the additional share capital, and flat duty of EUR 20, on every issue whether the shares are issued at nominal value or at a premium.

IMMOVABLE PROPERTY TAX

The Immovable Property tax is abolished as from 1 January 2017.

Until tax year 2016, the owner of immovable property situated in Cyprus was liable to pay an annual IPT calculated on the market values of the immovable property as at 1 January 1980. Both legal entities and individuals were liable to Immovable Property Tax.

2017 TAX DIARY

See Appendix II at the end of this section

DOUBLE TAXATION TREATIES (DTTS)

Cyprus has a wide double taxation treaty network which serves as a strong incentive for foreign investment.

Irrespective of the existence of DTTs, Cyprus has unilaterally abolished withholding taxes on payments from Cyprus for dividends, interest or royalties (with a minor exception in the case of certain royalties for use in Cyprus).

Furthermore, as Cyprus is a full member of the EU, the EU Parent-Subsidiary Directive is applicable, eliminating the withholding taxes from payments between EU member states. In such cases, the DTT rates referred to in the specific treaties with other EU member states do not apply.

For a Table showing a list of the countries with which double taxation treaties have been concluded, as well as a summary of the rates of withholding taxes provided by the treaties, see Appendix I at the end of this section.

APPENDIX I

TABLE 7

Table of countries with which Cyprus has a Double Tax Treaty

	RECEIVED IN CYPRUS		
	DIVIDENDS %	INTEREST %	ROYALTIES %
Armenia	0/5 (1)	5	5
Austria	10	Nil	Nil
Bahrain	Nil	Nil	Nil
Belarus	5/10/15 (2)	5	5
Belgium	10/15 (3)	0/10 (4, 5)	Nil
Bosnia (6)	10	10	10
Bulgaria	5/10 (7)	0/7 (4, 8)	10 (8)
Canada	15	0/15 (9)	0/10 (10)
China, P.R.	10	10	10
Czech Republic	0/5 (11)	Nil	0/10 (12)
Denmark	0/15 (4, 13)	Nil	Nil
Egypt	15	15	10
Ethiopia (46)	5	5	5
Estonia	Nil	Nil	Nil
Finland	5/15 (14)	Nil	Nil
France	10/15 (15)	0/10 (16)	0/5 (17)
Georgia (38)	Nil	Nil	Nil
Germany	5/15 (18)	Nil	Nil
Greece	25	10	0/5 (19)
Guernsey (43)	Nil	Nil	Nil
Hungary	5/15 (3)	0/10 (4)	Nil
Iceland	5/10 (39)	Nil	5
India	10 (20)	0/10 (46)	10 (21)
Iran (45)	5/10	5	6
Ireland, Rep. Of	Nil	Nil	0/5 (19)
Italy	15	10	Nil
Jersey (45)	Nil	Nil	Nil
Kuwait	0	0	5
Latvia	0/10 (42)	0/10 (42)	0/5 (43)
Lebanon	5	5	Nil
Lithuania	0/5 (22)	Nil	5
Malta	Nil	10	10
Mauritius	Nil	Nil	Nil
Moldova	5/10 (24)	5	5
Montenegro (6)	10	10	10
Norway	0/15 (36)	Nil	Nil
Poland	0/5 (23)	0/5 (4)	5
Portugal	10	10	10
Qatar	Nil	Nil	5
Romania	10	0/10 (4)	0/5 (25)
Russia	5/10 (26)	Nil	Nil

San Marino	Nil	Nil	Nil
Serbia (6)	10	10	10
Seychelles	Nil	Nil	5
Singapore	Nil	0/7/10 (4, 27)	10
Slovak Republic (37)	0/5/10 (28)	0/10 (28)	0/5 (25)
Slovenia	5	5	5
South Africa	5/10 (41)	Nil	Nil
Spain	0/5 (28)	Nil	Nil
Sweden	5/15 (3)	0/10 (4)	Nil
Switzerland (43)	0/15 (40)	Nil	Nil
Syria	0/15 (29)	0/10 (9)	10/15 (38)
Thailand	10	10/15 (30)	5/10/15 (31)
Ukraine	5/15 (32)	2	5/10 (33)
United Arab Emirates	Nil	Nil	Nil
United Kingdom	0/15 (34)	10	0/5 (17)
United States	5/15 (35)	0/10 (16)	Nil

Notes:

Notes- Table B- inbound payments to Cyprus

1. The WHT rate of 5% applies where a dividend is paid by a company in which the beneficial owner has invested less than EUR 150.000.
2. A WHT rate of 5% applies where the investment is not less than EUR 200.000 in the share capital of the company paying the dividend. If such investment is less than EUR 200000, dividends are subject to 15% WHT which is reduced to 10% if the recipient company controls 25% or more of the paying company.
3. A WHT rate of 15% applies if received by a company holding less than 25% of the share capital of the paying company and in all cases if received by an individual.
4. No WHT if paid to the government/Central Bank/ Public Authority of the other state.
5. No WHT for interest on deposits with banking institutions.
6. Serbia, Montenegro and Bosnia apply the Yugoslavia/Cyprus treaty.
7. The WHT 5% rate applies to companies holding directly at least 25% of the share capital of the company paying the dividend. In all other cases the WHT is 10%.
8. The treaty rates do not apply if the payment is made to a Cyprus entity by a resident of Bulgaria owning directly or indirectly at least 25% of the share capital of the Cyprus entity and the Cyprus entity pays tax in Cyprus at a tax rate lower than the usual tax rate.
9. Nil if paid to a government/Central Bank/ Public Authority or for export guarantee.
10. Nil on literary, dramatic, musical, or artistic work (but not including royalties in respect of motion picture films and works on film or videotape for use in connection with television).
11. Nil applies if received by a company (excluding partnership) which holds directly at least 10% of the share capital of the paying company for an uninterrupted period of no less than one year. A WHT rate of 5% applies in all other cases.
12. 10% WHT applies for patent, trademark, design or model, plan, secret formula or process, computer software or industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience.
13. A WHT rate of 15% if received by a company controlling less than 10% of the share capital of the paying company or the duration of any holding is less than one uninterrupted year. A WHT rate of 15% also applies if received by an individual.

14. A WHT rate of 15% applies if received by a company controlling less than 10% of the voting power in the paying company and in all cases if received by an individual.
15. A WHT rate of 15% if received by a company (partnership is excluded) holding less than 10% of the capital of the paying company and in all cases if received by an individual.
16. Nil if paid to a government, bank, or financial institution.
17. A WHT rate of 5% on royalties for cinematographic films including films and video tapes for television.
18. A WHT rate of 15% if received by a company holding less than 10% of the capital of the paying company and in all cases if received by an individual.
19. A WHT rate of 5% on cinematographic film royalties (other than films shown on television).
20. Prior to 1 April 2017, the applicable WHT rate is 15% if received by a company holding less than 10% of the shares of the paying company and in all cases if received by an individual.
21. A WHT rate of 10% is also applicable for payments of a technical, managerial, or consulting nature. Prior to 1 April 2017, a rate of 15% applies on royalties.
22. A WHT rate of 5% if received by a company (other than partnership) holding less than 10% of the capital of the company paying the dividend and in all cases if received by an individual.
23. Nil rate applies if the recipient company (partnership is excluded) holds directly 10% of the share capital of the paying company for an uninterrupted period of at least 2 years. 5% in all other cases.
24. A WHT rate of 5% applies if the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the capital of the company paying the dividends. 10% in all other cases.
25. 5% WHT rate applies for patents, trademarks, designs or models, plans, secret formulas, or processes, or any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience.
26. A WHT rate of 10% on dividend if paid by a company in which the beneficial owner has invested less than EUR 100.000 in the share capital of the company paying the dividend.
27. A WHT rate of 7% if paid to a bank or financial institution.
28. A WHT rate of 5% if received by a company holding less than 10% of the capital of the paying company and in all cases if received by an individual or a company not limited at least partly by shares.
29. A WHT rate of 15% if received by a company holding less than 25% of the share capital of the paying company and in all cases if received by an individual or a company not limited at least partly by shares.
30. A WHT rate of 10% on interest received by a financial institution or when it relates to sale on credit of any industrial, commercial, or scientific equipment or of merchandise.
31. A WHT rate of 5% applies for any copyright of literary, dramatic, musical, artistic, or scientific work. A WHT 10% rate applies for industrial, commercial, or scientific equipment. A 15% rate applies for patents, trademarks, designs or models, plans, secret formulas, or processes.
32. A WHT rate of 15% if a dividend is paid by a company in which the beneficial owner holds less than 20% of the share capital of the paying company and the beneficial owner has invested less than EUR 100.000.
33. A WHT 5% WHT will be levied on payment of royalties in respect of any copyright of scientific work, any patent, trade mark, secret formula, process or information concerning industrial, commercial or scientific experience. 10% WHT will be levied in all other cases.

34. A WHT rate of 15% applies to individual shareholders regardless of their percentage of shareholding. Companies controlling less than 10% of the voting shares are also entitled to a rate of 15%. Companies controlling at least 10% of the voting shares are entitled to nil WHT.

35. A WHT rate of 15% if received by a company controlling less than 10% of the voting power of the paying company and in all cases if received by an individual. If a company controls at least 10% of the voting power of the paying company in order to benefit from the WHT rate of 5% other conditions relating to the income of the paying company need to be satisfied, otherwise a WHT rate of 15%.

36. Nil rate applies if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends or if the beneficial owner of the shares is the Government of Cyprus or Norway. A WHT rate of 15% in all other cases.

37. The Cyprus - Czechoslovakia treaty applies with the Slovak Republic.

38. 10% WHT rate applies on payment of royalties of any copyright of literary, artistic or scientific work including cinematograph films, and films or tapes for television or radio broadcasting. A rate of 15% applies on payments of royalties of any patent, trade mark, design or model, plan, secret formula or process, or any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience.

39. A WHT rate of 5% if received by company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividend. 10% in all other cases.

40. Nil rate applies if the beneficial owner is a company (other than a partnership) which holds directly at least 10 per cent of the capital of the company paying the dividends during an uninterrupted period of at least one year (the holding period condition may be satisfied post the date of the dividend payment). Nil rate also applies if the beneficial owner is a pension fund or other similar institution or relates to the Government of Cyprus or Switzerland. 15% in all other cases.

41. A protocol to the treaty entered into force on 18 September 2015 but may apply retrospectively. 5% WHT rate applies if the beneficial owner is a company which holds at least 10% of the capital of the company paying the dividend. 10% in all other cases.

42. Nil applies if the payer is a company that is a resident in Latvia and the beneficial owner of the income is a company (other than partnership) that is a resident in Cyprus. 10% rate applies for all other cases (except for certain governmental interest).

43. Nil applies if the payer is a company that is a resident in Latvia and the beneficial owner of the income is a company (other than partnership) that is a resident in Cyprus. 5% rate applies for all other cases.

44. Nil if paid to a government or any other institution agreed upon between the two States. Prior to 1 April 2017, nil rate also applies if paid to a bank or financial institution.

45. The treaty is effective as from 1 January 2018.

46. The treaty is effective as from 8 July 2018 for Ethiopia.

47. The WHT rate of 5% applies if the beneficial owner of the dividends holds directly at least 25% of the capital of the company paying the dividends.

APPENDIX II**TAX DIARY FOR 2018****END OF EACH MONTH**

- Payment of tax deducted from employees salary (PAYE) in the preceding month.
- Payment of special contribution for defence withheld on payments of dividends, interest or rents (when the tenant is a company, partnership, the state or local authority) made to Cyprus tax residents in the preceding month.
- Payment of tax withheld in the preceding month on payments to non- Cyprus residents.

31 JANUARY

- Submission of declaration of deemed dividend distribution (TD623) for the year ended 31 December 2015.

31 MARCH

- Electronic submission of the 2016 corporation tax return (TD4) for accounting periods ending on 31 December 2016 (IR4).
- Electronic submission of the 2016 income tax return of physical persons preparing audited financial statements (2).

30 APRIL

- Payment of premium tax for life insurance companies - first instalment for 2018.

30 JUNE

- Payment of special contribution for defence for the first six months of 2018 on rents if such tax is not withheld at source by the tenant and on dividends or interest from sources outside Cyprus.
- Payment of 2017 personal income tax under the self-assessment method by individuals not preparing audited financial statements (2).

31 JULY

- Electronic submission by employers of the total 2017 payroll (Form TD7).
- Submission of the 2018 provisional tax return and payment of the first instalment.
- Electronic submission of 2017 personal tax returns of individuals whose incomes do not include income from a trade/business, rents, dividends, interest, royalties nor income relating to trading goodwill (1).

1 AUGUST

- Payment of 2017 final corporation tax under the self-assessment method.
- Payment of 2017 personal income tax under the self-assessment method by individuals preparing audited financial statements (2).

31 AUGUST

- Payment of premium tax for life insurance companies – second instalment for 2018.

30 SEPTEMBER

- Electronic submission of 2017 personal tax returns of individuals not required to prepare audited financial statements but whose incomes include income from a

trade/business, rents, dividends, interest, royalties or income relating to trading goodwill (1) (2) and payment of tax via the self-assessment method.

31 DECEMBER

- Payment of provisional tax - second and last instalment for 2018.
- Payment of special contribution for defence for the last six months of 2018 on rents if such tax is not withheld at source by the tenant and on dividends or interest from sources outside Cyprus.
- Payment of premium tax for life insurance companies - third and last instalment for 2018.

INTEREST AND PENALTIES

The official interest rate, as set by the Finance Minister, for all amounts due after 1 January 2017 was 3.5% (4% for 2015-2016, 4.5% for 2014, 4.5% for 2014, 4.75% for 2013, 5% for years 2012 and 2011, 5.35% for the year 2010, 8% for the years 2007-2009 and 9% up to 31 December 2006).

In addition to the interest, penalties are also charged depending on the circumstances.

Notes:

1. Physical persons are required to submit personal tax returns only when their gross income exceeds €19,500.
2. A physical person is obliged to submit audited financial statements if his/her turnover exceeds €70,000 annually

7 – ACCOUNTING & REPORTING

BOOKS AND RECORDS

Companies incorporated in Cyprus are required to keep proper books of accounts either at the company's registered office or at any place designated by the directors.

The books and records of a company are not open to inspection by anyone other than the directors and auditors. The Inland Revenue, as well as the VAT authorities can, however, request the production of any records while examining accounts for tax or VAT purposes.

The accounting records must show all sums of money received and expended all sales and purchases, assets and liabilities.

Other books required to be kept are:

- Register of members
- Register of directors and secretary
- Register of directors' interests (in shares of the company)
- Register of debentures and charges
- Minutes of directors' and shareholders' meetings.

The Income Tax Law requires that all transactions of a company must be entered in the company's accounting records within 4 months from the date of the transaction.

VAT laws require that the VAT returns be prepared on a quarterly basis (the quarters are decided by the VAT office and are not necessarily on a calendar basis). Furthermore, VIES Returns (an EU system of reporting cross-border business-to-business transactions within the EU) are required to be filed on a monthly basis.

In practice, therefore, in order to ensure full compliance, companies should update their bookkeeping records in maximum of monthly cycles.

ANNUAL RETURNS

All companies must file an annual return giving details of the company's capital structure, mortgage particulars, and particulars of registered shareholders, directors and secretary.

A copy of the annual financial statements must be attached to the annual return, with an auditors' report (now required for all companies), and a Management Report (previously referred to as Report of Board of Directors) where this is required (see further below). The documents filed with the Registrar of Companies must be in Greek (or Turkish) and are open to public inspection. By concession, the financial statements filed with the Annual Return may be in English.

FINANCIAL STATEMENTS

Financial Statements must be prepared by all Cyprus incorporated companies once a year and presented at the shareholders' annual general meeting.

They may be in any language, but a Greek or English translation is required to be filed with the Registrar of Companies as an attachment to the company's Annual Return. The accounting period should be for twelve months ending on any date decided upon by the directors. Financial Statements should be prepared in accordance with International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards as issued by the IASB and should comply with the Companies Law, Cap. 113. The Accounting year-end is deemed to be 31 December, unless notice of another date is given.

Categories of Companies

In September 2016, the Cyprus Companies Law was amended, and *inter alia*, introduced new definitions of Small, Medium and Large sized Companies, summarised in the below table:

Category	Criteria			Condition
	<i>Total Gross Assets</i>	<i>Net Turnover</i>	<i>Average No of employees during the financial year</i>	
<i>Small Companies</i>	Less than €4.000.000	Less than €8.000.000	Less than 50	As at their balance sheet dates do not exceed the limits of at least two of the three criteria.
<i>Medium- sized Companies</i>	Less than €20.000.000	Less than €40.000.000	Less than 250	Are not small companies and which as at their balance sheet dates do not exceed the limits of at least two of the three criteria.
<i>Large Companies</i>	More than €20.000.000	More than €40.000.000	More than 250	As at their balance sheet dates exceed at least two of the three criteria.

An important change arising from the amendments was that small/dormant companies are from now on subject to statutory audit, as the exception that existed in the Law has been abolished.

Small companies are, subject to certain conditions, exempt from the obligation to prepare management report.

STAND-ALONE AND CONSOLIDATED FINANCIAL STATEMENTS

SMALL/MEDIUM SIZED GROUPS OF COMPANIES

Categories of Groups

In September 2016, the Cyprus Companies Law was amended, and *inter alia*, introduced new definitions of Small, Medium and Large sized Groups of Companies, summarised in the below table:

Category	Criteria			Condition
	Total Gross Assets	Net Turnover	Average No of employees during the year	
Small Groups	Less than €4.000.000	Less than €8.000.000	Less than 50	On a consolidated basis, do not exceed the limits of at least two of the three criteria as at the balance sheet date of the parent company
Medium-Sized Groups	Less than €20.000.000	Less than €40.000.000	Less than 250	Groups which are not small groups, and which, on a consolidated basis, do not exceed the limits of at least two of the three criteria as at the balance sheet date of the parent company
Large Group	More than €20.000.000	More than €40.000.000	More than 250	Groups which on a consolidated basis, exceed the limits of at least two of the criteria as at the balance sheet date of the parent company

If a Cyprus company is holding subsidiaries, it is required to prepare consolidated financial statements. The following exemptions apply:

- Small and medium sized groups (see definition above) may be exempt from the obligations to draw up consolidated financial accounts (Note: The exemptions from consolidation in the cases of (i) severe and long-term restrictions, (ii) disproportionate cost or undue delay and (iii) held exclusively with the view to subsequent sell, as these were provided by the previous Law have been abolished.
- Groups of companies, the holding or mother companies of which publish consolidated financial accounts on the basis of Generally Accepted Accounting Principles, shall be exempt from the obligation to draw up consolidated financial accounts.

Under the Companies Law, the term 'small/medium-sized group' shall mean a group of companies, of which the companies being consolidated:

- Are non-publicly-traded companies
- The drawing up of their consolidated financial accounts is not subject to other legislation

- Fully comply with two out of the three criteria referred to above at the date of closure of the balance sheet of the holding company

AUDIT OF FINANCIAL STATEMENTS

The Financial Statements of all Cyprus companies have to be audited by an independent auditor or auditors

Note: From September 2016, small/dormant companies are subject to statutory audit, as the exception that existed in the Law was abolished.

See also the below requirements of Income Tax law which effectively obliges all Cyprus companies to prepare audited financial statements.

The auditors are required to express an opinion on the financial statements and state the following in the auditors' report:

- Whether they have obtained all the information and explanations which, in their opinion, were necessary for the purpose of their audit
- Whether, in their opinion, proper books of account have been kept by the company
- Whether the financial statements (balance sheet and profit and loss account) are in agreement with the books of account
- Whether, in their opinion, the financial statements give the information required by law, and give a true and fair view of the state of the company's affairs as at the date of the balance sheet and the profit or loss for the financial year ended on the balance sheet date
- Whether, in their opinion, the information given in the Management Report (previously referred to as "report of the Board of Directors") is consistent with the financial statements.

Furthermore, auditors in Cyprus have to follow International Standards on Auditing and report as to whether the financial statements comply with International Financial Reporting Standards.

ANNUAL INCOME TAX RETURN

Every company resident in Cyprus for tax purposes is required to complete and submit an annual Income Tax Return (IR4) to the Department of Inland Revenue (Cyprus Income Tax Office, CITO).

The annual Tax Return for all Cyprus companies (including small companies) should be based on the Company's standalone financial statements.

Cyprus Tax Laws require the IR4 to be based on the Company's audited financial statements and be accompanied by an Auditor's Confirmation of compliance.

8 – UHY REPRESENTATION IN CYPRUS

CONTACT DETAILS

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Year established: 1991
 Number of partners: 3
 Total staff: 6

CONTACTS

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Liaison contact: Sharon Shelley
 Position: Senior Manager (Accounting
 & Non Assurance Service
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BRIEF DESCRIPTION OF FIRM

The company is a medium-sized firm of accountants, auditors and business consultants based in Nicosia, Cyprus. The company was established in 1991 and provides a wide range of services in audit, taxation, accounting and management consultancy. Our specialist areas include international and offshore business consultancy, specialising in providing the whole package of services required by international businesses.

Our clients vary in size and in type of activity. Some of our clients operate exclusively from Cyprus, while others are international. We focus particularly on family or owner-managed businesses, as well as listed companies, which are seeking professional, business and financial advice for their domestic and foreign operations. We also work with international groups, professional partnerships, quoted companies and high net worth individuals needing international tax planning and business consultancy.

UHY Antonis Kassapis Limited has an associate company, CosmoServe, an international business consultancy and corporate services provider. Over the years CosmoServe has developed a wide network of associates and international consultants throughout many countries and jurisdictions and through which they are able to offer the following services:

- International tax consultants
- Lawyers
- Bankers
- Business and management consultants
- Company and trust formation agents
- Investment marketing consultants
- Marketing and market research consultants
- IT consultants

SERVICE AREAS

Audit and accountancy
 Taxation services
 Management consultancy

SPECIALIST SERVICE AREAS

Specialist services are available through our partner CosmoServe (a firm of international business consultants), which include, but are not restricted to the following:

- International business company formation

- International tax planning advice
- Management and administration of companies
- Provision of directors and managers
- Legal compliance and company secretarial services
- Formation of trusts and trustee services
- Ship registration and ship management
- Investment advice
- Banking service

PRINCIPAL OPERATING SECTORS

Aerospace & Defence

LANGUAGES

Written level: English, Greek and Russian.

Other spoken languages: Ukrainian, Serbian, Urdu, Armenian.

CURRENT PRINCIPAL CLIENTS

Confidentiality precludes disclosure in this document.

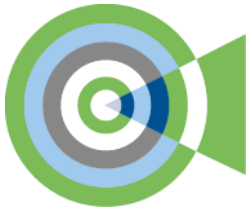
OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

Czech Republic, Hungary, UK, US, Spain, Slovak Republic.

BRIEF HISTORY OF FIRM

The company was founded in 1991 for the purpose of providing a comprehensive range of services to international business clients.

The firm joined UHY in 1992, re-branding to add the 'UHY' initials in 2005



LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

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