

# **1. MAJOR ADVANTAGES OF CYPRUS AS AN INTERNATIONAL BUSINESS CENTER**

We outline below the major advantages of using Cyprus as an International Business Centre.

## **Corporate tax rate**

A uniform corporate tax rate of 12.5% for all companies. This is one of the lowest corporate tax rates in Europe.

## **A holding company jurisdiction**

Any dividend income is exempt from tax, irrespective of its source. This exemption does not apply if the non-resident company paying the dividend carries on more than 50% investment activities which give rise to investment income and the overseas tax burden on its income is significantly lower than the Cyprus tax burden (less than 6,25%)

## **Trading in securities**

Any profit from the disposal of securities, irrespective of whether this profit forms part of a company's trading activity or is of a capital nature, is exempt from Cyprus tax.

## **Permanent establishment abroad**

Any profits from a permanent establishment maintained abroad are exempt from taxation in Cyprus. This, in conjunction with the use of Cyprus' extensive double taxation treaty, can result in such profits escaping taxation altogether.

## **Non-resident companies**

Starting from 2023, a Cyprus incorporated company will by default be considered a tax resident of Cyprus, provided that it is not a tax resident in any other jurisdiction.

## **No withholding taxes**

Dividends paid to non-resident shareholders are not subject to any withholding tax in Cyprus, irrespective of the existence of a double tax treaty with their country of residence. Also, no withholding tax applies to interest derived from Cyprus as well as on royalties received from sources outside Cyprus. However, as from 31st December 2022, dividends, interest, and royalties paid out to residents in an EU blacklisted jurisdiction, or persons registered in an EU blacklisted jurisdiction that do not have a tax residency elsewhere, will be subject to withholding tax.

## **Exemption of capital gains**

No capital gains tax is payable, except on the disposal of immovable property, which is situated in Cyprus, or of shares in a company which owns immovable property situated in Cyprus. Therefore, Cyprus companies can be used to hold real estate outside Cyprus with no capital gains tax implications in Cyprus on their disposal.

## **Double taxation treaties**

What distinguishes Cyprus from most other international business centers is its extensive network of double taxation treaties (currently with 65 countries). Generally, most treaties provide for reduced rates of withholding tax on dividends, interest and royalties paid out of the treaty country, or the avoidance of double taxation in the case where a resident in one of the treaty countries derives income from the other treaty country.

## **Non-residents working in Cyprus**

Non-residents physically present in Cyprus for less than 183 days are taxable in Cyprus only on income derived from sources within the Republic of Cyprus.

## **Personal tax rates**

The personal tax rates are progressive and reach a maximum of 35% on income more than Euro 60.000.

## **Relief for overseas employment**

A Cypriot resident working abroad for an overseas employer is exempt from taxation on the salary attributed to overseas duties if these duties result in spending more than 90 days in any tax year abroad.

### **Relief for non-residents taking up employment in Cyprus**

A non-resident taking up employment and becoming resident in Cyprus will be given a 20% allowance on employment income for the five years following the year of becoming resident in Cyprus. The allowance cannot exceed Euro 8.550 each tax year.

Also, from 2012 for a non-resident who is employed in Cyprus and acquires income exceeding one hundred thousand euro (€100.000) per annum, an allowance of 50% of that income will be given. At the moment, the exception applies for ten years commencing from the first year of employment. Changes are expected in 2022 for this relief (see details in section 2 below).

### **Cyprus Tax Resident**

As from 1 January 2017, an individual can be a tax resident of the Republic even if he/she spends less than or equal to 183 days in the Republic if he/she satisfies all related conditions (60 days rule).

### **Cyprus non domiciled individuals**

Individuals are subject to special defence contribution if they are both Cyprus tax resident and Cyprus domiciled. An individual is domiciled in Cyprus for the purposes of special contribution for defence if he/she has a domicile of origin in Cyprus as per the Wills and Succession Law (with certain exceptions) or if he/she has been a tax resident in Cyprus for at least 17 out of the 20 tax years immediately prior to the tax year of assessment.

### **Income / profits from intellectual property rights**

80% of the net profits from exploitation of intellectual property rights, as well as the gain on sale of any intellectual property rights, are exempt from taxation (provided that they comply with the provisions/conditions of the relevant Law).

## **2. PERSONAL INCOME TAX**

### **Imposition of tax**

Where an individual is a tax resident in the Republic, tax is imposed on income accruing or arising from sources both within and outside the Republic.

Where an individual is not a tax resident in the Republic, tax is imposed on income accruing or arising only from sources within the Republic relating to

- a) profits or other benefits from permanent establishment in the Republic
- b) gains or other benefits from any office or employment exercised in the Republic

### **Cyprus Tax Resident**

A tax resident in the Republic is an individual who is present in the Republic for a period exceeding 183 days in a tax year.

As from 1 January 2017, an individual can be a tax resident of the Republic even if he/she spends less than or equal to 183 days in the Republic, if he/she satisfies all of the following conditions within the same tax year:

- i. does not spend more than a total of 183 days in any other country within a tax year
- ii. is not a tax resident of another country within the same tax year
- iii. remains in Cyprus for at least 60 days in the tax year
- iv. carries on a business in Cyprus or be employed in Cyprus or holds an office in a Cyprus tax resident person at any time during the tax year
- v. maintains a permanent home in Cyprus that is either owned or rented.

It should be noted that, if the employment/business or holding of an office is terminated, the individual will cease to be considered a Cyprus tax resident for that tax year under the new rules.

In relation to Covid-19, in accordance with the Directives issued in 2020 and 2021, the Cyprus tax authorities will generally follow the OECD non-binding guidance in relation to tax residency of individuals, provided that restrictions related to Covid-19 are still in place globally. The application of the Directives remains optional on the taxpayer. Furthermore, the Directives also mention that each case will be assessed on its own merits.

## Tax rates

| <u>Taxable Income</u> | <u>Tax Rate</u> | <u>Tax amount</u> | <u>Cumulative Tax</u> |
|-----------------------|-----------------|-------------------|-----------------------|
| €                     | %               | €                 | €                     |
| 0 – 19.500            | 0               | 0                 | 0                     |
| 19.501 – 28.000       | 20              | 1.700             | 1.700                 |
| 28.001 – 36.300       | 25              | 2.075             | 3.775                 |
| 36.301 – 60.000       | 30              | 7.110             | 10.885                |
| 60.001 and over       | 35              |                   |                       |

## Exemptions

The following are exempt from income tax:

- Gratuity or lump sum received on retirement, or commutation of pension, or compensation for death or injuries
- Lump sum repayment from life insurance schemes or from approved funds, e.g., provident funds.
- Gains from disposal of securities
- Dividend income
- Interest income. Interest income arising in the ordinary course of business, including interest closely connected with the carrying on of the business, is not considered as interest but trading profit and therefore the exemption is not applicable.
- Remuneration from rendering of salaried services outside the Republic to a non-resident employer or to a permanent establishment outside the Republic of a resident employer for a total aggregate period in the year of assessment of more than 90 days
- Profits from a permanent establishment maintained outside the republic Subject to a rule that the PE activities abroad do not lead to more than 50% in investment income and the foreign tax burden is not substantially less than the Cyprus Tax (i.e., not less than 5%)
- Profits from the production of films, tv series and other related audiovisual programs. The amount is restricted to the lower of the 35% of

the eligible expenditure and 50% of the taxable income. Any restriction may be carried forward for 5 years.

- Remuneration from any office or employment exercised in the Republic by an individual who was not a tax resident in Cyprus before the commencement of the employment. The exemption is applicable for 20% of the remuneration or €8.550 (whichever is the lower).

For employments commencing during or after 2012 the exemption applies for a period of 5 years starting from the tax year following the year of commencement of the employment with the last eligible tax year being 2030. This exemption may not be claimed in addition to the below 50% exemption for employment income.

- An allowance of 50% is given for remuneration of a non-resident who is employed in Cyprus and acquires income exceeding one hundred thousand euro (€100.000). The exception applies for 10 years for employments commencing as from 1 January 2012.

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.

As per the Ministry of Finance's announcements in late 2021, the government intends to introduce amendments to the 50% exemption from 2022 onwards. The main amendment will be to reduce the minimum salary to €55.000.

## **Tax Deductions**

The following are deducted from income:

- Interest relating to the acquisition of fixed assets used in the business
- Interest in respect to the acquisition of a building for rental purposes
- Subscriptions to trade unions or professional bodies
- Donations to approved charitable organisation (with receipts)
- Expenses for letting of buildings (20% of the rental income)

- Expenditure for the maintenance of buildings under preservation order  
Up to €700, €1.100 or €1.200 per sq. m. (depending on the size of the building)
- Business entertainment expenses including hospitality expenses of any kind which are incurred for the purpose of the business. (The lower of €17.086 or 1% of the gross income)
- Amount invested each year as from January 2017 in approved innovative small and medium sized enterprises, either directly or indirectly (applicable up to 30 June 2021). This amount is restricted up to 50% of the taxable income prior to this deduction (max €150.000 per year). Any unused deduction can be carried forward and claimed in the following 5 years, subject to the same conditions (50% of taxable profit restriction and max €150.000 per year).
- 20% of eligible infrastructure and technological equipment expenditure in the audio-visual industry.

### **Disallowable expenses**

The following expenses are not deducted from income:

- Private motor vehicle expenses
- Professional tax
- Interest payable or deemed to be payable in relation to the acquisition of a private motor vehicle, irrespective of whether it is used in the business or not, or other asset not used in the business. This restriction is lifted after 7 years from the date of purchase of the relevant asset.
- Wages and salaries relating to services offered within the tax year on which contributions to the Social Insurance Fund, Redundancy Fund, Human Resource Development Fund and Provident Fund have not been paid in the year in which they were due, will not be tax deductible for the calculation of taxable income

In case the above contributions (including any penalties and interest) are paid in full within two years following the due date, such wages and salaries will be tax deductible in the tax year in which they are paid.

## **Tax Losses**

### *Losses carried forward*

Individuals who have an obligation to prepare audited financial statements (i.e., those with turnover more than €70.000) may carry forward tax losses incurred during a tax year over the next five years, to be offset against taxable income.

Tax loss incurred during a year can be carried forward for the next five years from the end of the tax year in which it was incurred, to be offset against taxable income.

Where a person, including a partnership, converts his business into a limited liability company, any unrelieved losses can be transferred to the new company.

### **Loss from a permanent establishment abroad**

Losses arising from a permanent establishment maintained outside the Republic can be offset against profits arising in the Republic. However, when a profit arises from such a permanent establishment, an amount equal to the losses that have been utilised in the past against profits arising in the Republic, will be included in the taxable income.

### **Personal allowances**

The following are deducted from income:

|   |  |
|---|--|
| Social insurance contributions, contributions to approved provident and pension funds, the General Health Plan, contributions to medical or other approved funds, insurance premiums in respect of the life of the claimant | The whole amount up to 1/5 of the taxable income (before this allowance) |
|---|--|

- the total deduction for medical funds and medical insurance is restricted to 1,5% of gross income
- the annual life insurance premium is restricted to 7% of the insured amount
- life insurance policies, in respect to the life of the claimant's spouse, which were in existence up to the 31 December 2002 and for which the claimant was receiving a tax allowance, will continue to be deductible by the claimant



- in the event of cancellation of a life insurance contract within six years from the date it was created, part of the life insurance premiums already given as an allowance will be taxable as follows:
  - cancellation within 3 years  
30%
  - cancellation between 4 to 6 years  
20%

### **Notional income on drawings**

In case of granting a loan or financial facility including cash withdrawals from a company to physical persons, directors or shareholders or their spouses, or relatives up to second degree, it is deemed that the person has a monthly benefit equal to nine percent (9%) annually over the balance of the loan or any other financial facility at the end of each month.

The amount of tax of the monthly benefit of the person must be withheld from salary and paid to the Tax Department monthly under PAYE system.

### **3. CORPORATION TAX**

#### **Imposition of tax**

Where a company is resident in the Republic, tax is imposed on income accruing or arising both from sources in and outside the Republic.

Where a company is not a resident in the Republic, tax is imposed on income accruing or arising only from sources in the Republic.

Resident in the Republic is a company that is managed and controlled in the Republic.

Foreign taxes paid can be credited against the Cyprus corporation tax liability.

With effect as from 1st January 2019, Controlled Foreign Company (CFC) rules apply, i.e., non-distributed profit of CFCs directly or indirectly controlled by a Cyprus tax resident company, may become subject to tax in Cyprus (certain exceptions may apply).

In relation to Covid-19, in accordance with the Directives issued in 2020 and 2021, the Cyprus tax authorities will generally follow the OECD non-binding guidance in relation to tax residency of corporations and the existence of permanent establishments. The application of the Directives remains optional on the taxpayer. The Directives also state that each case will be assessed on its own merits.

Starting from 2023, a Cyprus incorporated company will by default be considered a tax resident of Cyprus, provided that it is not a tax resident in any other jurisdiction.

#### **Tax rates**

|                         |       |
|-------------------------|-------|
| Companies               | 12.5% |
| Public corporate bodies | 25%   |

#### **Exemptions**

The following are exempt from corporation tax:

- Dividend income (excluding, as from 1 January 2016, dividends which are tax deductible by the paying company)

- Profit from the disposal of securities

- Profits from a permanent establishment maintained outside the Republic subject to a rule that the activities abroad do not lead to more than 50% in investment income and the foreign tax burden is not substantially less than the Cyprus Tax, i.e., not less than 5%

- Interest income. Interest income arising in the ordinary course of business, including interest closely connected with the carrying on of the business, is not considered as interest but trading profit and therefore the exemption is not applicable.

- Income / profits from intellectual property rights

80% of the net profits from exploitation of intellectual property rights of qualifying assets, as calculated using the nexus approach, as well as the gain on sale of any intellectual property rights, are exempt from taxation (if they comply with the provisions/conditions of the relevant Law).

Under the new IP regime, a qualifying asset is:

1. an asset that was acquired, developed, or exploited in the course of carrying out a business, which is the result of research and development and includes intangible assets for which only economic ownership exists
2. any other IP asset that can be legally non-obvious, useful, and novel, which was exploited by a person (natural or legal) in the course of a business not earning more than €7.5 million per year in gross revenue or €50 million in case of a group of companies which are certified as such by an Appropriate Authority in Cyprus or abroad.
3. utility models, intellectual property assets which provide protection to plants and genetic material, orphan drug designations and extensions of protections for patents.

Business names (including brands), trademarks, image rights and other intellectual property rights used to market products and services are not considered as qualifying intangible assets anymore.

In case the IP activities are loss making for tax purposes, only 20% of the resulting net loss can be set-off and carried forward as per the relevant provisions of the law.

As of 1 January 2015, corporate entities (including permanent establishment of foreign companies) are entitled to a Notional Interest Deduction (NID) on equity. It should be noted that in case the NID relates to the acquisition / financing of an IP falling within the scope of the new IP

Box regime, the NID on equity should be regarded as a direct expense for the purpose of calculating the 80% deemed deduction mentioned above.

- Profits from the production of films, tv series and other audiovisual programs. The exemption is restricted to the lower of 35% of the eligible expenditure and 50% of the taxable income. Any restriction may be carried forward for 5 years.

- Exchange differences

As from year 2015 any realized or unrealized foreign exchange difference, losses or gains will be tax neutral. In other words, FX gains will not be taxable and FX losses will not be tax deductible.

Exception to the amended Law applies for persons trading in foreign currencies (including trading in foreign currency derivatives). For persons trading in FX, the Law introduces an option to make an irrevocable election to be taxed only on realized FX differences provided that the 2015 Income Tax return is submitted within the statutory deadline. In case such election is made, any unrealized FX differences will be treated as taxable/tax deductible in the year they are realized.

## **Tax Deductions**

All expenses of a company incurred wholly and exclusively to produce income, are tax deductible. Such expenses are the following:

- Interest incurred for the acquisition of a fixed asset used in the business

- Donations to approved charities

- Expenditure for the maintenance of buildings under preservation order  
Up to €700, €1100 or €1200 per sq. m (depending on the size of the building)

- Business entertainment including hospitality expenses of any kind which are incurred for the business (the lower of €17.086 or 1% of the gross income)

- New equity introduced to a company as from 1 January 2015 in the form of paid-up share capital or share premium, is eligible for an annual notional interest deduction (NID). The annual NID is calculated using 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 5% premium. A taxpayer may elect not to claim all or part of the available NID for a particular year. Certain anti-avoidance provisions apply.

The NID cannot exceed 80% of the taxable profit derived from assets financed by new equity (as calculated prior to the NID).

- Interest expense incurred for the direct or indirect acquisition of 100% share capital of a subsidiary company, to the extent that the company does not own any assets not used for business purposes. As from 2019, an interest limitation rule also applies, in accordance with the EU Anti-tax Avoidance Directive.
- Eligible infrastructure and technological equipment expenditure in the audiovisual industry (20% for small and 10% for medium enterprises).

### **Disallowable expenses**

The following expenses are not deducted from income:

- Private motor vehicle expenses
- Professional tax
- Interest payable or deemed to be payable in relation to the acquisition of a private motor vehicle, irrespective of whether it is used in the business or not, or other asset not used in the business. This restriction is lifted after 7 years from the date of purchase of the relevant asset.
- Wages and salaries relating to services offered within the tax year on which contributions to the Social Insurance Fund, Redundancy Fund, Human Resource Development Fund and Provident Fund have not been paid in the year in which they were due, will not be tax deductible for the calculation of taxable income.

In case the above contributions (including any penalties and interest) are paid in full within two years following the due date, such wages and salaries will be tax deductible in the tax year in which they are paid.

## **Tax Losses**

### *Carry forward of losses*

Tax loss incurred during a year can be carried forward for the next five years from the end of the tax year in which it was incurred, to be offset against taxable income.

### *Group loss relief*

Losses for the current year only can be surrendered by a group company to another group company. Group relief will be given provided that both companies are members of the same group for the whole of a tax year.

Two companies are considered to be part of a group for group relief purposes, if:

- one is a 75% subsidiary of the other, or
- both are 75% subsidiaries of a third company.

From 1 January 2012, where a company has been incorporated by its parent company during the tax year, this company will be deemed to be a member of this group for group relief purposes for that tax year.

As from 1 January 2015 interposition of a non-Cyprus tax resident company will not affect the eligibility for group relief, if such company 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).

### *Loss of a permanent establishment abroad*

Losses arising from a permanent establishment outside the Republic can be offset against profits arising in the Republic. However, when a profit arises from such a permanent establishment, an amount equal to the losses that have been utilised in the past against profits arising in the Republic will be included in the taxable income.

### **Insurance companies**

- losses of the life business can be offset against profits of the general business
- losses of the life business can be offset against profits from other sources
- losses of the life business can be carried forward indefinitely.

## Company Re-organisations

In the event of a company re-organisation, unused losses brought forward will be transferred to the new company and the provisions dealing with the set off or transfer of losses will apply accordingly.

The term re-organisation includes

- merger /demerger
- dissolution
- transfer of activities
- exchange of shares
- transfer of registered office of a European company or a European cooperative company

#### 4. CAPITAL ALLOWANCES

Capital allowances for companies and individuals who prepare accounts are as follows:

##### **Plant and machinery (Note 1)**

|   |       |
|---|-------|
| Forklifts, excavators, loading vehicles, bulldozers and oil barrels   | 25%   |
| Motor vehicles of all types except from private saloon cars   | 20%   |
| Personal computers (hardware) and operating software  | 20%   |
| Operating software<br>up to €1.709  | 100%  |
| above €1.709  | 33,3% |
| Plant and machinery used in agriculture   | 15%   |
| Water drillings, industrial carpets, video recorders, televisions   | 10%   |
| Any other plant and machinery   | 10%   |
| Armored cars (used by companies which provide security services)  | 20%   |
| Specialised machinery for the laying of railroads (e.g. Locomotive engines, Ballast wagon, Container wagon and container sleeper wagon) | 20%   |
| Wind power generators   | 10%   |
| Photovoltaic systems  | 10%   |
| <b>Buildings</b>  |       |
| Metallic frame of greenhouses   | 10%   |
| Wooden frame of greenhouses   | 33,3% |



|   |    |
|---|----|
| Industrial, agricultural and hotel buildings (Note 2) | 4% |
| Commercial  | 3% |

### **Ships**

|  |   |
|--|---|
| Steamships, tugboats, and ships used in the fishing industry | 6%  |
| Sailing vessels  | 4,5%  |
| Ship launching machinery                                     | 12,5%   |
| Used ships   | in accordance with special agreements                                   |
| New commercial ships   | 8%  |
| New passenger ships  | 6%  |
| Used commercial and passenger ships and capital additions    | remaining useful economic life in accordance with the class certificate |

### **Airplanes**

|                               |    |
|-------------------------------|----|
| New airplanes and helicopters | 8% |
|-------------------------------|----|

|                                     |       |
|-------------------------------------|-------|
| <b>Tools</b> (All tools in general) | 33,3% |
|-------------------------------------|-------|

### **Intangible assets**

|  |         |
|--|---------|
| Intangible assets with some exemptions | 5%-100% |
|--|---------|

### **Notes**

1. Plant and machinery acquired during the tax years 2012 - 2018 are eligible to accelerated tax depreciation at the rate of 20% (excluding such assets which are already eligible for a higher annual tax rate of tax depreciation).

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2. In the case of industrial and hotel buildings which were acquired during the tax years 2012 - 2018, accelerated tax depreciation at the rate of 7% per annum may be claimed.

## **5. SPECIAL MODES OF TAXATION**

### **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 under the personal income tax rates.

### **Widow's pension**

The widow's pension is taxed at a fixed rate of 20% for amounts exceeding €19,500. The taxpayer can, however, on an annual basis, elect to be taxed at the normal tax rates.

### **Taxation of collective and horse racing bets**

Every recipient of collective bets as well as the Horse Racing Authority pay bet taxes to the Republic in relation to the bets that they undertake.

The amount of tax, in every accounting period, amounts to 10% on the net receipts from bets in the corresponding period.

Net receipts from bets means the balance of the total amounts paid or payable, in the corresponding accounting period, in relation to the bets undertaken, after the deduction of the total winnings paid out.

Each calendar month represents an accounting period.

In the event of non-payment of the tax due an additional tax of 10% is imposed on the amount due.

### **Intellectual property rights and other similar income**

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**

The gross income derived by 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 a non-resident individual from the exercise in the Republic of any profession, vocation or public entertainment services including football teams and other athletic missions, is subject to a 10% withholding tax.

## **Profits from betting's of OPAP and Government lottery**

Profits exceeding €5.000 from lucky ticket/lottery are taxed at the rate of 20%

## **Income from Oil & Gas related activities**

The gross amount or other income derived from sources within the Republic by any person who is not resident in the Republic, which does not arise from a permanent establishment in the Republic, as consideration for services carried out in the Republic with respect to the extraction, exploration or exploitation of the continental shelf, subsoil or natural resources, as well as the installation and exploitation of pipelines and other installations on the ground, the seabed or above the surface of the sea, is subject to tax at the rate of 5%.

## **Technical assistance**

The gross income arising from sources within the Republic, as consideration for technical assistance provided by any person who is not resident in the Republic, is subject to a 10% withholding tax. Such income is exempt from withholding tax if the services are provided by a permanent establishment in Cyprus.

## **Bank Levy Payable by Financial Institutions**

The special tax rate is 0.15%.

## **Fines and penalties**

Tax withheld on payments to non-Cyprus residents in relation to the below categories of income, should be paid to Tax 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.

- Copyrights for use within Cyprus
- Rights for cinematographic films
- Income of an individual for professional services, artists, and athletes' fees

## **6. PROFITS FROM SHIPPING ACTIVITIES**

The following are exempt from taxation in accordance with the provisions of the Merchant Shipping (Fees and Taxing Provisions) Law:

- The income of a ship-owner of a Cyprus ship from the operation of such ship in any shipping activity between Cyprus and ports abroad or between ports abroad.
- The income of a person from the provisions of ship management services.
- Dividends paid to the shareholders of a company if these are paid out of profits earned from the operation of a Cyprus ship in shipping activities or from the provision of ship management services.
- Salaries and other benefits paid to the master, the officers, and the crew of a Cyprus ship.

For the purpose of the above-mentioned act, the term "ship owner" includes bareboat chartered, while the term "operation of ship" includes chartering of any form.

## **7. SPECIAL CONTRIBUTION FOR DEFENCE**

All residents of the Republic are subject to defence contribution on the sources of income indicated below. Non-residents are not subject to the defence contribution (note 2).

### **Rates**

|   |     |
|---|-----|
| Dividends (note 1)  | 17% |
| Interest income (from "passive" activities)   | 30% |
| Interest received by an individual from Government Savings Certificates and from Government Bonds | 3%  |
| Interest earned by an approved provident fund   | 3%  |
| Rental income less 25%  | 3%  |
| Profits earned by public corporate bodies   | 3%  |

### **Notes**

#### **1. Dividends – Exemptions:**

- dividends paid by a company resident in the Republic to another company resident in the Republic, but excluding dividends paid indirectly after four years from the end of the year in which such dividends are derived.
- dividends received by a company resident in the Republic or a company not resident in the Republic which maintains a permanent establishment in the Republic from a company which is non-resident in the Republic. The exemption does not apply if the company paying the dividends engages more than 50%, in activities which lead to investment income and the foreign tax burden on the income of the company paying the dividends is substantially lower than the tax burden of the company in Cyprus. (i.e., 6,25%)
- dividends paid out of dividend income which has suffered income tax at source and are paid within a period of six years from the date of receiving such dividend income.

- dividends derived directly or indirectly from profits arising from operating a Cyprus flag ship, in the course of shipping activities, or from ship management services

## **2. Individuals Cyprus tax residents and Cyprus domiciled**

As from 16 July 2015 individuals are subject to Special Contribution for defence if they are both Cyprus tax resident and Cyprus domiciled. An individual is domiciled in Cyprus for the purposes of Special Contribution for Defence if he/she has a domicile of origin in Cyprus per the Wills and Succession Law (with certain exceptions) or if he/she has been a tax resident in Cyprus for at least 17 out of the 20 tax years immediately prior to the tax year of assessment. Anti-avoidance provisions apply.

### **Deemed distribution**

A company resident in the Republic is deemed to have made a distribution of 70% of its profits in the form of dividends after deducting corporation tax, special defence contribution, capital gains tax and any tax paid abroad that has not been credited against any tax payable for the relevant year, at the end of the two years from the end of the tax year in which the profits relate. This deemed distribution is subject to 17% defence contribution to the extent the company's shareholders are Cyprus tax residents, companies or physical persons, as well as 2.65% General Healthcare (GHS) Contribution in the case where the shareholders are physical persons which are also Cyprus tax residents.

In arriving at the amount of the deemed distribution, any actual dividend which is distributed during the two-year period from the end of the tax year in which the profits relate is deducted.

In cases where an actual dividend is paid after the two-year period, any deemed distribution reduces the actual dividend on which the defence contribution is withheld.

For calculating the amount of the deemed distribution, "profits" mean the accounting profits arrived at using generally acceptable accounting principles, but after the deduction of any transfers to reserves, as required by any law. Any offset of group losses, as well as any amounts, including any additional depreciation, which emanate or are the result of revaluation of movable and immovable property, are ignored.



The deemed distribution provisions for special defence contribution do not apply to profits which relate to non-resident or non-domiciled shareholders.

In case where an individual non-resident in the Republic who receives dividend from a company resident in the Republic arising from profits that have suffered deemed distribution, the defence contribution paid due to deemed distribution that relates to dividend received by such person, is refunded.

### **Deemed distribution from disposal of an asset**

In the case where a company disposes an asset to its shareholder (individual) or to his or her relative of up to second degree relationship, or his or her spouse, without consideration, or for consideration which is below the market value of the asset disposed, it is deemed that the company has distributed dividends to its shareholder, equal to the difference between the market value of the asset and the amount of the consideration.

The above will not apply in case the asset was received by the company by way of gift from its shareholder (individual) or from his or her relative of up to second degree relationship or from his or her spouse.

The above is applicable for transactions made from 2011 onwards and whichever asset is disposed and not only for immovable property.

### **Company dissolution**

The aggregate amount of profits in the five years prior to the company dissolution, which have not been distributed or be deemed to be distributed, will be considered as distributed on dissolution and will be subject to defence contribution at 17%.

Companies that are under voluntary dissolution or liquidation are obliged to submit within one month from the date of the approval of the resolution, a deemed dividend declaration and pay any special defence contribution in relation to the profits of the specific tax year and the two preceding years.

The deemed dividend distribution provisions do not apply on any accounting profits arising during the dissolution or liquidation, if the assets of the company are not sufficient for the repayment of its creditors and no amount is available to be distributed to its shareholders.

These provisions do not apply in the case of dissolution under re-organization, in accordance with certain prerequisites set out in Regulations and where the shareholders are non-residents in the Republic.

### **Reduction of capital**

In the case of a reduction of capital of a company, any amounts due or paid to the shareholders up to the amount of the undistributed taxable income of any tax year calculated before the deduction of losses from prior years, will be considered as distributed dividends subject to special defence contribution at 17% (after deducting any amounts which have been deemed as distributable profits).

In the case of a company's capital reduction, any amounts paid to individual shareholders in excess of the amount of the share capital that was actually paid by the shareholder, will be treated as deemed dividend.

These provisions do not apply where the shareholders are non-residents in the Republic.

### **Interest income**

Interest that is received as a result of the carrying on of a business activity, including interest closely connected to the ordinary activities of the business, is not considered interest for special defence contribution purposes.

A person whose total annual income, including interest, does not exceed €12.000, who receives interest which has been subject to defence contribution at 17%, has the right to a refund of the amount of defence contribution suffered in excess of 3%.

### **Rents**

Companies, partnerships, the Government, and any local authority that pay rent, have the obligation to withhold special defence contribution on 75% of rental income and pay 3% special defence contribution which is payable by the end of the following month.

## **Tax credit for foreign tax paid**

Any tax suffered abroad on income which is subject to special defence contribution will be credited against any defence contribution payable on such income irrespective of the existence of a double taxation treaty.

## **8. MAINTENANCE OF ACCOUNTING BOOKS AND RECORDS**

Every person (individual, company, or partnership) deriving income (including dividends and interest) from commercial or industrial business, profession or vocation, or any other occupation or from property (such as leasing or rental) must:

- issue invoices in relation to transactions and receipts, as specified by Regulations issued by the Council of Ministers and published in the Cyprus Gazette and
- Issue invoices within 30 days from the date of the transaction
- Maintain accounting books and records and prepare accounts in accordance with acceptable accounting standards, that are audited in accordance with acceptable auditing standards, by a person that is eligible to act as an auditor of a company in accordance with the Companies Law.
- An individual is exempt from the obligation to prepare financial statements where the annual turnover does not exceed the amount of €70.000.
- Update books and records within four months from the date of the transaction
- Carry out a stock take during the year end and the results of the stock take should be made available to the commissioner if requested

### **Administrative penalties**

1. For taxable person that do not meet the specific deadlines of the Law €100
2. For taxable person that do not meet the specific deadlines of the Law and the Director issues notice of assessment with due date €200.
3. If the assessment is not settled by the due date, then additional penalty is imposed without due date €200.
4. Representative person that does not meet the specific deadlines of the law and the Director issues notice of assessment with due date €200.
5. In the case of late payment of tax due, a 5% penalty will be imposed on the unpaid tax amount.

6. For corporation tax due, in the case the late payment is done beyond the deadline of the related tax return, then an additional 5% penalty is imposed on the unpaid tax amount.

## 9. CAPITAL GAINS TAX

Capital Gains Tax is imposed on gains from disposal of immovable property situated in the Republic including shares of companies not listed on a recognized Stock Exchange which own immovable property situated in the Republic, at the rate of 20%.

In computing the capital gain the value of the immovable property as at 1 January 1980 (or cost if the date of acquisition is later), the cost of any additions after 1 January 1980 or the date of acquisition if later, any expenditure incurred for the production of the gain and the indexation allowance, are deducted from the sale proceeds.

### Exemptions

The following disposals of immovable property are exempt from capital gains tax:

- Subject to conditions, land as well as land with buildings, acquired in the period from 16 July 2015 up to 31 December 2016 will be exempted from Capital Gains Tax upon its disposal
- transfer on death
- gifts between spouses, parents and children and relatives up to third degree
- gift to a company whose shareholders are members of the donor's family and continue to be members of the family for a period of five years from the date of the gift
- gift by a family company to its shareholders, if the company had also acquired the property in question via donation and provided the property remains in the possession of the shareholder for at least three years.
- gifts to charitable organisations or the Republic
- exchange or disposal under the Agricultural land (Consolidation) Laws
- exchange provided the gain is used for the acquisition of new property. The gain derived from the exchange reduces the cost of the new property and the tax is paid when the latter is disposed
- expropriations
- transfer of ownership or share transfers in the event of company re-organisations.
- principal residence (the exemption applies up to 31 December 2017 (subject to conditions))
- transfer under a qualifying loan «Restructuring»

## Deductions

|  |        |
|--|--------|
| Individuals are entitled to deduct from gains the following lifetime deductions: | €      |
| Disposal of principal private residence (subject to conditions)                  | 85.430 |
| Disposal of agricultural land by a farmer  | 25.629 |
| Other disposals  | 17.086 |

The above deductions are given only once and not for every disposal. An individual claiming a combination of the above, is allowed to a maximum exemption up to €85.430.

From 1 July 2011 new administrative penalties amounting to €100 or €200 depending on the specific case will be imposed, for late submission of declarations or late submission of supporting documentation requested by the Commissioner.

In the case of late payment of the tax due, an additional 5% penalty will be imposed on the unpaid tax.

## 10. DOUBLE TAX TREATIES

The following tables show the rates of withholding tax deducted from income, with countries that have signed a double taxation treaty with Cyprus.

| <u>Countries</u> | <u>Received in Cyprus</u> |                 |                  |
|------------------|---------------------------|-----------------|------------------|
|                  | <u>Dividends</u>          | <u>Interest</u> | <u>Royalties</u> |
|                  | <u>%</u>                  | <u>%</u>        | <u>%</u>         |
| Andorra          | 0                         | 0               | 0                |
| Armenia          | 0 (32)                    | 5 (33)          | 5                |
| Austria          | 10                        | 0               | 0                |
| Azerbaijan (27)  | 0                         | 0               | 0                |
| Bahrain          | 0                         | 0               | 0                |
| Barbados         | 0                         | 0               | 0                |
| Belarus          | 5 (4)                     | 5               | 5                |
| Belgium          | 10 (1)                    | 10 (16)         | 0                |
| Bosnia (28)      | 10                        | 10              | 10               |
| Bulgaria         | 5 (19)                    | 7 (25)          | 10 (20)          |
| Canada           | 15                        | 15 (8)          | 10 (11)          |
| China            | 10                        | 10              | 10               |
| Czech Republic   | 0 (30)                    | 0               | 10               |
| Denmark          | 0 (34)                    | 0               | 0                |
| Egypt            | 10 (48)                   | 10              | 10               |
| Ethiopia         | 5                         | 5               | 5                |
| Estonia          | 0                         | 0               | 0                |
| Finland          | 5 (37)                    | 0               | 0                |
| France           | 10 (7)                    | 10 (9)          | 0 (26)           |
| Georgia          | 0                         | 0               | 0                |
| Germany          | 5 (2)                     | 0               | 0                |
| Greece           | 25                        | 10              | 0 (12)           |
| Guernsey         | 0                         | 0               | 0                |
| Hungary          | 5 (1)                     | 10 (8)          | 0                |
| Iceland          | 5 (39)                    | 0               | 5                |
| India            | 10                        | 10 (8)          | 10               |
| Iran             | 5 (19)                    | 5               | 6                |
| Ireland          | 0                         | 0               | 0 (12)           |
| Italy            | 15                        | 10              | 0                |
| Jersey           | 0                         | 0               | 0                |
| Kazakhstan       | 5 (46)                    | 10 (47)         | 10               |
| Kuwait           | 0                         | 0               | 5 (14)           |
| Kyrgyzstan (27)  | 0                         | 0               | 0                |
| Latvia           | 0 (42)                    | 0 (42)          | 0 (43)           |
| Lebanon          | 5                         | 5 (16)          | 0                |



**Received in Cyprus**

| <b><u>Countries</u></b> | <b><u>Dividends</u></b> | <b><u>Interest</u></b> | <b><u>Royalties</u></b> |
|-------------------------|-------------------------|------------------------|-------------------------|
|                         | <b><u>%</u></b>         | <b><u>%</u></b>        | <b><u>%</u></b>         |
| Lithuania               | 0 (40)                  | 0                      | 5                       |
| Luxembourg              | 0 (35)                  | 0                      | 0                       |
| Malta                   | 0 (22)                  | 10 (8)                 | 10                      |
| Mauritius               | 0                       | 0                      | 0                       |
| Moldova                 | 5 (19)                  | 5                      | 5                       |
| Montenegro (28)         | 10                      | 10                     | 10                      |
| Norway                  | 0 (3)                   | 0                      | 0                       |
| Poland                  | 0 (36)                  | 5 (8)                  | 5                       |
| Portugal                | 10                      | 10                     | 10                      |
| Qatar                   | 0                       | 0                      | 5                       |
| Romania                 | 10                      | 10 (8)                 | 5 (14)                  |
| Russia (31)             | 15 (49)                 | 15 (50)                | 0                       |
| San Marino              | 0                       | 0                      | 0                       |
| Saudi Arabia            | 0 (44)                  | 0                      | 5 (45)                  |
| Serbia (28)             | 10                      | 10                     | 10                      |
| Seychelles              | 0                       | 0                      | 5                       |
| Singapore               | 0                       | 10 (23)                | 10                      |
| Slovakia (29)           | 10                      | 10 (8)                 | 5 (14)                  |
| Slovenia                | 5                       | 5 (33)                 | 5                       |
| South Africa            | 10 (41)                 | 0                      | 0                       |
| Spain                   | 0 (35)                  | 0                      | 0                       |
| Sweden                  | 5 (1)                   | 10 (8)                 | 0                       |
| Switzerland             | 0 (38)                  | 0                      | 0                       |
| Syria                   | 0 (1)                   | 10 (8)                 | 15 (13)                 |
| Thailand                | 10                      | 15 (17)                | 5 (18)                  |
| Ukraine                 | 5 (21)                  | 5                      | 5 (15)                  |
| United Arab Emirates    | 0                       | 0                      | 0                       |
| United Kingdom(26)      | 0 (24)                  | 0                      | 0                       |
| USA                     | 5 (5)                   | 10 (10)                | 0                       |
| Uzbekistan (27)         | 0                       | 0                      | 0                       |

**Paid from Cyprus\***

| <b><u>Countries</u></b> | <b><u>Dividends</u></b> | <b><u>Interest</u></b> | <b><u>Royalties</u></b> |
|-------------------------|-------------------------|------------------------|-------------------------|
|                         | <b><u>%</u></b>         | <b><u>%</u></b>        | <b><u>%</u></b>         |
| Non-treaty countries    | 0                       | 0                      | 0 **                    |
| Andorra                 | 0                       | 0                      | 0                       |
| Armenia                 | 0 (32)                  | 5 (33)                 | 5                       |
| Austria                 | 0                       | 0                      | 0                       |
| Azerbaijan (27)         | 0                       | 0                      | 0                       |
| Bahrain                 | 0                       | 0                      | 0                       |
| Barbados                | 0                       | 0                      | 0                       |
| Belarus                 | 5 (4)                   | 5                      | 5                       |
| Belgium                 | 10 (1)                  | 10                     | 0                       |
| Bosnia (28)             | 10                      | 10                     | 10                      |
| Bulgaria                | 5 (19)                  | 7 (25)                 | 10                      |
| Canada                  | 15                      | 15 (8)                 | 10 (11)                 |
| China                   | 10                      | 10                     | 10                      |
| Czech Republic          | 0 (30)                  | 0                      | 10                      |
| Denmark                 | 0 (34)                  | 0                      | 0                       |
| Egypt                   | 15                      | 15                     | 10                      |
| Ethiopia                | 5                       | 5                      | 5                       |
| Estonia                 | 0                       | 0                      | 0                       |
| Finland                 | 5 (37)                  | 0                      | 0                       |
| France                  | 10 (7)                  | 10 (9)                 | 0 (26)                  |
| Georgia                 | 0                       | 0                      | 0                       |
| Germany                 | 5 (2)                   | 0                      | 0                       |
| Greece                  | 25                      | 10                     | 0 (12)                  |
| Guernsey                | 0                       | 0                      | 0                       |
| Hungary                 | 0                       | 10 (8)                 | 0                       |
| Iceland                 | 5 (39)                  | 0                      | 5                       |
| India                   | 10                      | 10 (8)                 | 10                      |
| Iran                    | 5 (19)                  | 5                      | 6                       |
| Ireland                 | 0                       | 0                      | 0 (12)                  |
| Italy                   | 0                       | 10                     | 0                       |
| Jersey                  | 0                       | 0                      | 0                       |
| Kazakhstan              | 5 (46)                  | 10 (47)                | 10                      |
| Kuwait                  | 0                       | 0                      | 5 (14)                  |
| Kyrgyzstan (27)         | 0                       | 0                      | 0                       |
| Latvia                  | 0 (42)                  | 0 (42)                 | 0 (43)                  |
| Lebanon                 | 5                       | 5 (16)                 | 0                       |
| Lithuania               | 0 (40)                  | 0                      | 5                       |
| Luxembourg              | 0 (35)                  | 0                      | 0                       |
| Malta                   | 15                      | 10 (8)                 | 10                      |

| <u>Countries</u>     | <u>Paid from Cyprus*</u> |                 |                  |
|----------------------|--------------------------|-----------------|------------------|
|                      | <u>Dividends</u>         | <u>Interest</u> | <u>Royalties</u> |
|                      | <u>%</u>                 | <u>%</u>        | <u>%</u>         |
| Mauritius            | 0                        | 0               | 0                |
| Moldova              | 5 (19)                   | 5               | 5                |
| Montenegro (28)      | 10                       | 10              | 10               |
| Norway               | 0 (3)                    | 0               | 0                |
| Poland               | 0 (36)                   | 5 (8)           | 5                |
| Portugal             | 10                       | 10              | 10               |
| Qatar                | 0                        | 0               | 5                |
| Romania              | 10                       | 10 (8)          | 5 (14)           |
| Russia (31)          | 15 (49)                  | 15 (50)         | 0                |
| San Marino           | 0                        | 0               | 0                |
| Saudi Arabia         | 0 (44)                   | 0               | 5 (45)           |
| Serbia (28)          | 10                       | 10              | 10               |
| Seychelles           | 0                        | 0               | 5                |
| Singapore            | 0                        | 10 (23)         | 10               |
| Slovakia (29)        | 10                       | 10 (8)          | 5 (14)           |
| Slovenia             | 5                        | 5 (33)          | 5                |
| South Africa         | 10 (41)                  | 0               | 0                |
| Spain                | 0                        | 0               | 0                |
| Sweden               | 5 (1)                    | 10 (8)          | 0                |
| Switzerland          | 0 (38)                   | 0               | 0                |
| Syria                | 0 (1)                    | 10 (8)          | 15 (13)          |
| Thailand             | 10                       | 15 (17)         | 5 (18)           |
| Ukraine              | 5 (21)                   | 5               | 5 (15)           |
| United Arab Emirates | 0                        | 0               | 0                |
| United Kingdom(26)   | 0 (24)                   | 0               | 0                |
| USA                  | 0                        | 10 (10)         | 0                |
| Uzbekistan (27)      | 0                        | 0               | 0                |

## Notes

\* Payments of dividends and interest to non-residents are exempt from withholding tax in Cyprus. Royalties granted for use outside of Cyprus are also free of withholding tax in Cyprus.

\*\* 10% in the case of royalties granted for use within the Republic. 5% on film and TV rights.

1. 15% if received by a company controlling less than 25% of the voting power.
2. 5% if received by a company controlling more than or equal to 10% of the capital. 15% in all other cases.

3. NIL if the beneficial owner is a company (other than a partnership) holding at least 10% of the capital of the company paying the dividend. 15% in all other cases.
4. 5% if the amount invested by the beneficial owner is over €200.000 irrespective of the % of voting power acquired. 10% is imposed if received by a holder of at least 25% of the share capital of the paying company. Otherwise the rate is 15%.
5. 5% if received by a company controlling at least 10% of the voting power. 15% in all other cases.
6. 10% if received by company, which has invested less than €100.000.
7. 10% if received by a company controlling more than or equal to 10% of the capital. 15% in all other cases.
8. NIL if paid to the Government of the other State.
9. NIL if paid to the Government of the other State or in connection with the sale on credit of any industrial, commercial or scientific equipment or any merchandise by one enterprise to another or in relation to any form of loan granted by a bank or is guaranteed from government or other governmental organisation.
10. NIL if paid to the Government of the other State, to a bank or a financial institution or in respect to debt obligations arising in connection with sale of property or the provision of services.
11. NIL on literary, dramatic, musical or artistic work with the exception of films used for television programs.
12. 5% on film royalties (except films shown on TV).
13. 10% on literary, musical, artistic work, films and TV royalties.
14. NIL on literary, artistic or scientific work including films.
15. 5% on royalty payments in respect of any copyright of scientific work any patent, trademark, secret formula, process or information concerning industrial, commercial or scientific experience. 10% in all other cases.
16. NIL if paid to the Government of the other State, a political subdivision or a local authority, the National Bank or any institution the capital of which is wholly owned by the State or a political subdivision or a local authority or in the form of interest income from bank deposits.
17. 10% on interest received by financial institutions, on interest paid in connection with industrial, commercial, scientific equipment or the sale or merchandise between two companies.
18. 10% on right to use industrial, commercial or scientific equipment or for information concerning industrial, commercial or scientific experience and 15% for patents, trademarks, designs, models, plans, secret formulas or processes.
19. 5% if the dividend is received by a company owning directly at least 25% of the capital of the company paying the dividend. 10% in all other cases.
20. This rate does not apply, where 25% or more of the capital of the Cypriot resident is owned directly or indirectly by the Bulgarian resident paying the royalties and the Cyprus company pays less than the normal rate of tax.

21. 5% is applicable if the dividend is received by a company owning at least 20% of the capital of the dividend paying company or has invested in the acquisition of shares or other rights of the dividend paying company of at least €100.000. 15% in all other cases.
22. The treaty provides that the tax on the gross amount of the dividends shall not exceed that chargeable on the profits out of which the dividends are paid.
23. 7% if paid to a bank or similar financial institution. NIL if paid to the government.
24. 15% if dividends are paid out of income derived from immovable property or certain investment vehicles.
25. NIL if paid to or is guaranteed by the government, statutory body, the Central Bank.
26. A withholding rate of 5% on cinematographic film royalties, including films and video tapes for television.
27. The treaty between the Republic of Cyprus and the United Soviet Socialist Republic still applies.
28. The treaty between the Republic of Cyprus and the Socialist Federal Republic of Yugoslavia still applies.
29. The treaty between the Republic of Cyprus and the Czechoslovak Socialist Republic still applies.
30. Nil 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 where such holding is being possessed for an uninterrupted period of not less than one year. 5% in all other cases.
31. The new treaty is effected on the 15 of January 2021.
32. 5% if the beneficial owner has invested in the capital of the company less than the equivalent of €150.000 at the time of the investment.
33. Nil if paid to the Government or to a local authority, or to the Central Bank.
34. Nil 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, where such holding is being possessed for an uninterrupted period of not less than 12 months.

Nil if the beneficial owner is the other Contracting State or the Central Bank of that other State, or any national agency or any other agency (including a financial institution) owned or controlled by the Government of that other State.

Nil if the beneficial owner is a pension fund or other similar institution providing pension schemes in which individuals may participate in order to secure retirement benefits, where such pension fund or other similar institution is established, recognized for tax purposes and controlled in accordance with the laws of that other State. 15% in all other cases.

35. Nil if the dividend is received by a company (other than a partnership) holding at least 10% of the capital of the dividend paying company. 5% in all other cases.
36. Nil 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, where such holding is being possessed for an uninterrupted period of no less than 24 months. 5% in all other cases.
37. 5% if the dividend is received by a company (other than a partnership) which controls directly at least 10% of the voting power in the company paying the dividend. 15% in all other cases.
38. NIL if the beneficial owner is:
  - a company (other than a partnership) the capital of which is wholly or partly divided into shares and which holds directly at least 10% of the capital of the company paying the dividend for an uninterrupted period of at least one year.
  - a pension fund or other similar institution recognized as such for tax purposes, or
  - the Government, a political subdivision, local Authority or Central Bank of one of the two contracting states. 15% in all other cases.
39. 5% 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. 10% at all other cases.
40. NIL 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. 5% at all other cases.
41. 5% if the dividend is received by a company which holds at least 10% of the capital of the company paying the dividend. 10% in all other cases.
42. NIL if the beneficial owner is a company (other than a partnership). 10% in all other cases.
43. NIL if the beneficial owner is a company (other than a partnership). 5% in all other cases.
44. NIL if the beneficial owner is a company which holds directly or indirectly at least 25% of the capital of the company paying the dividends. 5% in all other cases.
45. 5% on royalties for the use of, or the right to use, industrial, commercial or scientific equipment. 8% in all other cases.
46. 5% of the gross amount of the dividends 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. 15% in all other cases.
47. NIL if the beneficial owner of the interest is the Government of the other contracting state or a political subdivision, a central or local authority, the Central Bank or any other financial institution wholly owned by the Government of the other contracting state.
48. A withholding rate of 5% if the beneficial owner is a company (other than a partnership) which holds directly at least 20% of the capital of the company

paying the dividends throughout a 365 day period that includes the day of the payment of the dividend. 10% in all other cases.

49. A withholding rate of 5% applies if the beneficial owner of the company is an insurance undertaking or pension fund, or a company whose shares are listed in a registered stock exchange, provided no less than 15% of the voting shares of that company are in free float, and which holds directly at least 15% of the capital of the company paying the dividends throughout a 365 day period, including the day of the dividend payment, or if the beneficial owner is the government of the contracting state or a political subdivision or local authority.
50. A withholding rate of 0% applies on interest if the beneficial owner is an insurance undertaking or a pension fund, the Government of the contracting state, a political subdivision, a local authority, the Central Bank of the contracting site or a bank. A withholding rate of 0% also applies on interest paid in respect of securities that are listed on a recognized stock exchange (government bonds, corporate bonds, Eurobonds). 15% applies in all other cases.

## 11. TAX DIARY

Please note that the deadlines below might change due to the current economic circumstances. Taxpayers are recommended to monitor developments.

|  |  |
|--|--|
| End of each month                          | P.A.Y.E. deducted from employees' salaries for the previous month  |
|  | Payment of tax withheld on payments made to non-Cyprus tax residents during the previous month   |
|  | Social Insurance and GHS contributions relating to salaries of the previous month.   |
|  | Payment of defence contribution and GHS contribution deducted from dividends, interest, and rent (Companies, partnerships, the Government, or any local authority that pay rent have an obligation to withhold special defence contribution on the amount of the rent paid) relating to previous month |
|  | Submission of forms T.D.602 – Declaration of withheld Special Defence Contribution and GHS Contribution from interest, and T.D.603 – Declaration of withheld Special Defence Contribution and GHS Contribution from dividends, relating to previous month.   |
| Within 30 days of the agreement            | Payment of stamp duty  |
| Within 60 days from the date of the change | Notification to the Tax Department of any changes to the information submitted upon tax registration   |
| 31 January                                 | DAC6 Reporting deadline (through Ariadni portal) for Reportable Cross Border Arrangements (RCBAs) undertaken between 1/7/2020 and 31/12/2021   |
|  | Submission of the deemed distribution declaration TD 623 for the year ended 31 December 2019 and payment of related special defence and/or GHS amounts.  |
| 28 February                                | Submission of objections relating to tax assessments issued during December 2021   |



|             |   |
|-------------|---|
| 31 March    | Electronic submission of 2020 income tax return for individuals (T.D.1) and companies (T.D.4) preparing audited financial statements  |
| 30 April    | Payment of the first installment of the premium tax for life insurance companies for 2022 (T.D.199)   |
| 31 May      | Electronic submission of employer's return and employees' details for 2021 (T.D. 7)   |
| 30 June     | Payment of special defence contribution in relation to rents, dividends and interest under self-assessment, for the first half of 2022  |
|             | Payment of the GHS contribution in relation to rents, dividends and interest under self-assessment, for the first half of 2022  |
|             | Payment of the Annual Levy of €350 for 2022   |
| 31 July     | Electronic submission of personal tax return for 2021 (T.D.1) and payment of personal income tax under the self-assessment by employees, pensioners and self-employed people, who are not obliged to prepare audited financial statements<br>Submission of provisional tax assessment for the current year and payment of the first installment, by both companies and individuals (T.D.5, T.D.6) |
| 1 August    | Payment of previous year's tax through self-assessment by individuals and companies preparing audited financial statements  |
| 31 August   | Payment of the second instalment of the premium tax for life insurance companies for 2022   |
| 31 December | Payment of second and final installment of provisional tax for the current year 2022  |
|             | Submission of the 2022 revised provisional tax return (T.D.5, T.D.6)  |
|             | Payment of special defence contribution in relation to rents, dividends and interest under self-assessment for the second half of 2022  |
|             | Payment of GHS contribution in relation to rents, dividends and interest under self-assessment, for the second half of  |

2022

Payment of the third and last instalment of the premium tax for life insurance companies for 2022

### **Electronic submission of tax returns**

Every person (individual or company) who has an obligation to submit a tax return in accordance with the provisions of the Assessment and Collection of Taxes law must do so electronically, except in cases of revised income tax returns.

Revised income tax returns must be submitted within three years from the submission deadline of the relevant tax return and only using the form T.D.001AN2020 for personal tax returns and T.D.004AN2020 for companies.

### **Administrative penalties**

An administrative penalty of €100 or €200 (depending on the specific case), is imposed for the late submission of a tax return or late submission of supporting documentation requested by the Commissioner. In the case of late payment of the tax due, a penalty of 5% is imposed on the unpaid tax. An additional penalty of 5% is imposed if the tax remains unpaid 2 months after the payment deadline.

### **Public interest rate**

The annual interest rate as from 1 January 2020 is 1,75%. This is applicable for year 2022, as well.

## 12. VALUE ADDED TAX

Value Added Tax is imposed on the provision of goods and services in Cyprus and on the importation of goods from third countries.

### Rates

|               |     |
|---------------|-----|
| Standard rate | 19% |
| Reduced rate  | 9%  |
| Reduced rate  | 5%  |
| Zero rate     | 0%  |

### Standard rate 19%

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

### Reduced rate 9%

- All restaurant catering services (including the supply of alcoholic drinks, beer and wine and soft drink).
- Accommodation in hotels, tourist lodgments and any other similar lodgments including the provision of holiday lodgments.
- Transportation of passengers and their accompanying luggage within the Republic using urban, intercity and rural taxis and by tourist and intercity buses.
- Movement of passengers in inland waters and their accompanying luggage.
- Provision of services and supply of goods by nursing homes, which are not exempt transactions.

### Reduced rate 5%

- 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 theaters, circus, festivals, luna parks, concerts, museums etc.
- Entry fees at sports events and fees for using athletic centers
- Hairdressing services
- Supply of catering services from school canteens
- Renovation and repair of private households after three years of first residence (see details below)
- Acquisition or construction of residence, subject to conditions (see details below)

## **Zero rate 0%**

- Exportation of goods
- Supply, modification, repair, maintenance, chartering and hiring of sea-going vessels which are used for navigation on the high seas and carrying passengers for reward or used for the purpose of commercial, industrial or other activities
- Supply, modification, repair, maintenance, chartering and hiring of aircrafts, used by airlines operating for reward mainly on international routes
- Supply of services to meet the direct needs of sea going vessels and aircrafts
- Transportation of passengers from the Republic to a place outside the Republic and vice versa using a sea going vessel or aircraft
- Supplies of gold to the Central Bank of the Republic etc
- International passenger transportation to the extent it takes place within Cyprus territory

## **Exemptions**

Exempt supplies include:

- Rental of immovable property for private residence
- Financial services
- Hospital and medical caring services
- Postal services
- Insurance services
- Disposal of immovable property where the application for building permission has been submitted prior to 1 May 2004.
- Education at all levels.

## **Irrecoverable input VAT**

As an exception to the general rule, input VAT cannot be recovered in a number of cases which include the following:

- acquisitions used for making exempt supplies;
- purchase, import or hire of saloon cars;
- entertainment and hospitality expenses (except those relating to employees and directors).

## **Imposition of 19% VAT on leasing and / or letting of immovable property for business purposes**

As from 13 November 2017, VAT at 19% is imposed on the leasing and/or letting of immovable property to a taxable person for the purposes of carrying on taxable activities, commencing on/or after 13 November 2017.

The leasing of buildings used as residences remains an exempt transaction for VAT purposes.

The lessor has the right to notify the Tax Commissioner by submitting a relevant form, to opt for the non-imposition of VAT to the lessee of the immovable property, subject to the terms and conditions specified in the relevant Notification of the Tax Commissioner.

The initial decision of the lessor, to opt for the non-imposition of VAT of the immovable property is irrevocable.

## **Repossession of immovable property by financial institutions**

VAT must be accounted under the reverse charge provisions 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. As from 5 December 2019, the definition of the term 'lender' includes licensed credit and financial institutions, credit acquiring companies, including their subsidiaries, as well as a public body or any licensed company which acquired/received from a credit institution any non-performing/overdue loans. This provision is effective until 31 December 2020.

## **Leases of immovable property which effectively transfer the risks and rewards of ownership of immovable property**

As from 1 January 2019 leases of immovable property which effectively transfer the risks and rewards of ownership of immovable property are considered to be supplies of goods. They also become subject to VAT at the standard rate.

## **Imposition of 19% VAT on non-developed building land**

As from 2 January 2018, VAT at 19% is imposed on the transfer of non-developed building land. Specifically, VAT is imposed on the transfer of ownership, transfer of indivisible land portion, transfer of ownership under a sale agreement or an agreement which specifically provides that the ownership will be transferred on a future date or by virtue of a leasing agreement with the right to buy non-developed building land which is intended for the construction of one or more structures in the course of carrying out a business activity.

Non-developed building land includes all non-developed land plots that are intended for the construction of one or more structures. In the above definition is included non-developed building land that is either covered or not from the water supply and cover land plots of all sorts as listed below:

- Land plots under development
- Finished land plots
- Land plots with a final approval certificate or,
- Land plots with land title

Other types of land plots are also included in the list of non-developed building.

## **Reduced rate 5% for purchase / construction of permanent residence**

From 1 October 2011 a new reduced VAT rate applies, of 5 percent (5%) for the purchase / construction of permanent residence.

Residences bought or constructed prior 1 October 2011 are still regulated by the Law of Sponsorships.

The follow conditions apply for the imposition of the reduced VAT rate:

- The application of Town Planning permission / building permit should be submitted to the relevant Authorities after 1.5.2004.
- The residence must be used as primary / permanent place of residence.
- Total area of the residence must not exceed 275 sq. m. The reduced 5% VAT rate is imposed only on the first 200 sq. m.

As from 18 November 2016 the reduced rate of 5% applies for the first 200 square meters of the residence's buildable area as determined by the building coefficient and not on the first 200 square meters of a residence which does not exceed 275 square meters as was the case up until 17 November 2016.

In case of families with more than 3 children the allowable total covered area increases respectively.

### **Imposition of the reduced rate of 5% on the renovation and repair of private residential homes**

The reduced rate of 5% on the renovation and repair of private residential homes applies to all the residential homes (and not only to the main and permanent place of residence applied as of 3/12/2015). The renovation and repair consist of plumbing, electrical, carpentry, painting, building, and construction work excluding the value of the materials exceeding the total value of the services provided.

As from 20 August 2020, the reduced rate of 5% also applies to such services provided for the purposes of making additions to private residences. It applies in cases where at least three years have passed since the first use of the private residence. In cases that the value of the materials exceeds the total value of the supply by more than 50%, the value of the materials is subject to the standard rate of VAT.

### **VAT treatment of vouchers**

A voucher is an instrument (whether in physical or in electronic form) which contains an obligation to accept it as consideration, or partial consideration, for a supply of goods or services. It does not include discount vouchers, an instrument functioning as ticket or postage stamps. As per the legislative provisions, two types of vouchers exist, namely

"single-purpose" and "multi-purpose" vouchers and the timing at which VAT is accounted for differs.

"Single-purpose" vouchers

A "single-purpose" voucher is a voucher with respect to which the place of supply of the goods or services to which the voucher relates, and the VAT due on those goods or services, are known at the time of issue of the voucher. The VAT due on the underlying goods and services is due at the time of issue of the voucher, as well as at the point in time of any future transfer of the voucher if that transfer is effected for consideration.

"Multi-purpose" vouchers

A "multi-purpose" voucher is a "voucher other than a single-purpose voucher".

The VAT due on the underlying goods and services is accounted for at the time of redemption of the voucher while at the time of issue or during any subsequent transfer of the voucher prior to its redemption, there is no supply from a VAT perspective.

## **Registration to VAT**

Every individual or company is obliged to register:

- (a) at the end of any month, if the value of taxable supplies recorded in the last 12 months exceeds €15.600 or
- (b) at any point in time the value of taxable supplies is expected to exceed €15.600 in the next 30 days or
- (c) provides services to a VAT registered person within European Union with nil registration threshold or
- (d) is involved in the acquisition of goods from other EU Member States (relates to persons who offer exempt supplies of goods and services or are not profitable organizations with registration threshold of €10.250) or
- (e) offers distant sales with registration threshold of €35.000 or
- (f) offers zero rated supplies of goods or services or
- (g) receives services for which applies the reverse charge by the recipient (registration threshold for services received €15.600)
- (h) acquires a business on a going concern basis
- (i) as from 1st August 2020, non-established in Cyprus persons (legal entities or individuals), who are engaged in taxable activities in Cyprus, are obliged to register for VAT purposes (no threshold exists)



### Right for registration

Persons who trade outside the Republic, in goods and services which would have been taxable if they were provided within the Republic, groups of companies and divisions of companies.

### **VAT returns and payment of VAT**

Any registered person must submit to the VAT Commissioner a VAT return within 40 days from the end of any tax period and pay the VAT due.

As from 2 May 2017 all taxable persons have to submit their quarterly VAT returns online, via the Taxisnet system.

Claim for a VAT refund is made electronically by completing form 4B via the Taxisnet system as from the 2nd of May 2017.

Every taxable person who makes 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.

From 2018, VAT refunds are made via bank transfer.

Payment of the VAT due can be made through the till of any commercial bank, by bank transfer to the Central Bank, as well as via the «Internet Banking» platform of selected banking institutions.

The VAT liability for the periods ending 29 February 2020, 31 March 2020, 30 April 2020, 31 May 2020 and 30 June 2020, where an initial payment extension was granted until 10 November 2020, as a COVID-19 relief measure to taxpayers, may be settled in six equal monthly instalments without the imposition of penalties and interest. The instalments are payable by the 10<sup>th</sup> of each month commencing from November 2020 and end on the 10<sup>th</sup> of April 2021.

As from 20 August 2020, the following also apply regarding VAT refunds:

- Refunds will be suspended where income tax returns have not been submitted by the submission date of the VAT refund claim. In addition, no interest will be payable on a VAT refund for the period during which the refund is suspended.

- VAT refund applications cannot be submitted after six years from the end of the relevant tax period.

### **Obligation for customer to account for VAT for the acquisition of certain high value goods**

As from October 2020, taxable persons who purchase the following goods for business purposes must account for VAT in Cyprus based on the reverse charge provisions, as per Article 11E of the VAT Law.

- Mobile phones
- Integrated circuit mechanisms, such as microprocessors and central processing units, prior to their integration into end-user products
- Game consoles, computer tablets and laptops

The supplier must, therefore, not charge the customer VAT on its invoice while also including the VAT number of the customer on the invoice.

### **Administration of intra-community trading**

Business that undertakes intra-community trading i.e. purchases and sales of goods and provision of services from /to European Union member States need to complete the following forms:

#### *Intra-Community Acquisitions (Imports)*

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

#### *Intra-Community Supplies (Exports)*

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

### **Submissions of the forms**

INTRASTAT forms are submitted to Tax Authorities no later than the 10<sup>th</sup> day which follows the end of the month stated on the INTRASTAT form. The recapitulative statement is submitted to the Tax Authorities within 15 days from the end of the related month in an electronic form only.

### **Legal receipts**

From 16 January 2012 all taxable persons making taxable supplies of goods or services to non-taxable persons are obliged to issue and deliver "legal receipts".

The legal receipts must contain the following information

- Issue date
- ID number
- Name, address and registration number of the taxable person
- Description of the goods or services offered
- Total amount payable, including VAT
- For each VAT rate, the total amount payable (including VAT) and the applicable rate.
- Indication of whether the transaction involves deposit payment, part payment, cash payment or otherwise.

Any person failing to comply with this regulation will be subject to a penalty equal to 20% of the value of the transaction for which the legal receipt relates to.

Any person failing to issue and deliver a legal receipt at the time of the transaction shall be subject to a fine of €1700 or imprisonment up to three years or both.

It should be noted that in case of cash invoice, the issue of legal receipt is not required as the cash invoice may also be used as a receipt.

## **VAT rules for Services in the EU**

### **Introduction**

As from 1 January 2010, new rules were introduced across the EU, affecting all businesses that trade internationally in services, whether as a supplier or a purchaser, and whether externally or on an intra-group basis.

### **Vat changes**

VAT on almost all B2B (business-to-business) services will be chargeable in the Member State of the customer, and not in the country/Member State of the supplier. The customer will then account for the VAT due under the "reverse charge" procedure. Many more services will be subject to the reverse charge, including all management fees.

Cross-border VAT charges will be minimized but when VAT is still charged, there will be faster, more efficient refund procedures – the "Eighth

Directive” VAT refund procedure is applied and electronic filing is introduced.

Exempt and partly exempt businesses, such as banks and insurance companies, currently receiving VAT-free services from abroad may face extra VAT costs on, for example, management fees, outsourced services, etc.

New “time of supply” rules governing when a reverse charge liability is accounted for and when a transaction is to be included on VIES (VAT Information Exchange System) forms.

Businesses will be required to file VIES forms for services.

## **Rules regarding the place of supply of services**

### **General rule**

The general rule with respect to the supply of services to a taxable person shall be the place where the taxable person (i.e. the recipient) has established its business and not the place where the supplier is established.

The place of supply of services to a non-taxable person shall be the place where the supplier is established.

### **Exception rules**

Exception rules shall be applied to the following services:

- Services connected to immovable property – The place of supply shall be where the immovable property is located.
- Passenger transport – the place of supply shall be where the transport takes place.
- Cultural, artistic, sporting, scientific, educational and similar services – The place of supply shall be where those activities are physically performed.
- Restaurant and catering services – The place of supply shall be where the services are physically carried out.
- Restaurant and catering services for consumption on board ships, aircraft or trains during the section of a transport operation effected within the Community – The place of supply shall be at the point of departure of the passenger transportation.
- Short-term hiring of means of transport – The place of supply shall be the place where the means of transport is put at the disposal of the customer.

## **Refund of vat paid**

The existing procedure for the refund of VAT paid by a taxable person in another Member State for business expenses incurred in that Member State, were replaced by a new electronic procedure as of 1 January 2010.

The purpose of the new electronic procedure is the equal treatment of the businesses within the EU and the faster refund of the VAT to the claimants.

As of 1 January 2010, when a taxable person who is established in one Member State (Member State of Establishment) pays VAT in another Member State of the EU (Member State of Refund), this person will be allowed to submit an electronic application for the refund of VAT in the Member State of Establishment.

The deadline for filing an application for VAT refund is newly set at 30 September of the following calendar year. The claimants will no longer be required to present the original copies of documents. The VAT authorities will be required to process claims within a stipulated time period.

## **Reporting requirements**

As of 1 January 2010, businesses will be required to file VIES forms for services, similar to those already required for goods. Only taxable (not exempt) services subject to the reverse charge and supplied to a VAT-registered customer in another Member State will need to be reported. Businesses will not be required to report services supplied to the customers in the same Member State or to customers outside the EU. The VIES form must include the following information:

- The VAT number of the customer
- Total amount of services provided, or goods sold in each Member State (separate sections for each Member State)
- The Member State of the customer

In Cyprus, the VIES forms for goods / services are submitted monthly, on the 15<sup>th</sup> day of the month following the month to which the VIES form relates.

## **Harmonisation of VAT legislation with directive 2010/45/EU**

As from 20 December 2013 the following changes have been implemented in order to comply with European directive:

- Maintenance of records with analytical data about goods transferring temporarily between Member States
- Chargeability of VAT on intra-community supplies of goods and intra-community acquisitions
- Introduction of optional cash accounting scheme for Member States
- Amendments about invoicing system
- Removal of special provisions regarding the time of service by lawyers and in construction industry
- Currency conversion for acquisitions from other Member States

### **Penalties and interest**

|   |  |
|---|--|
| Late registration   | €85 for every month of delay                                     |
| Late submission of VAT return   | €100 for every return  |
| Late payment of VAT   | 10% of amount due plus 1.75 interest                             |
| Late de-registration  | €85 once-off   |
| Failure to comply with the reverse charge provisions for transactions falling under Articles 11, 11A-11E and 12A of the Cyprus VAT Law (applies from 1 July 2021) | €200 for each return.<br>The total penalty may not exceed €4000. |
| Late submission of VIES form  | €50 for each return  |
| Correction of VIES form   | €15 for each return  |
| Late submission of Intrastat form   | €15 for each return  |
| Failure to issue a lawful receipt   | 20% of the value of the supply                                   |

### **13. INTERNATIONAL TRUSTS**

An international trust may be described as a trust created by a non-resident settlor for the benefit of non-resident beneficiaries.

For a trust to be classified as an International Trust it must satisfy the following conditions:

- (a) The settlor is not permanent resident of the Republic.
- (b) The trust property does not include any immovable property situated in Cyprus.
- (c) At least one of the Trustees is resident in the Republic during the Trust period.
- (d) None of the beneficiaries are residents except when the Trust is charitable.

There are various types of trusts that can be set up in Cyprus. The choice depends on the circumstances of the settlor and the objectives of the trust. The most common types of trust are the following:

- Discretionary trusts
- Fixed trusts

International trusts enjoy the following tax advantages in Cyprus:

- the income of the trust is exempt from tax both in the hands of the trustees and the beneficiaries
- no capital gains tax is charged on the disposal of assets held by international trusts
- interest on foreign currency trust funds deposited with any bank in Cyprus is tax exempt

## 14. SOCIAL SECURITY CONTRIBUTIONS

### Contributions

|               | <b>Social Insurance</b> | <b>Redundancy Fund</b> | <b>Industrial Training</b> | <b>Social Cohesion Fund</b> |
|---------------|-------------------------|------------------------|----------------------------|-----------------------------|
|               | <b>%</b>                | <b>%</b>               | <b>%</b>                   | <b>%</b>                    |
| Employer      | 8,3(1)                  | 1,2                    | 0,5                        | 2                           |
| Employee      | 8,3(1)                  | -                      | -                          | -                           |
| Self employed | 15,6(1)                 | -                      | -                          | -                           |

### Note

(1) Social insurance contributions were increased by 1% for the years 2019 – 2023 (employer 0,5%, employee 0,5%). Specifically, the percentage contribution to the Social Insurance Fund by employers and employees increased from 7,8% to 8,3% and the contribution of self-employed from 14,6% to 15,6%. The rates will increase every five years until they reach 10,7% for employees/employers and 19,6% for self-employed, in January 2039.

### **Upper limits for employees for 2022**

|                   | <b><u>Per week</u></b> | <b><u>Per month</u></b> | <b><u>Per annum</u></b> |
|-------------------|------------------------|-------------------------|-------------------------|
|                   | <b>€</b>               | <b>€</b>                | <b>€</b>                |
| Weekly employees  | 1.117                  | -                       | 58.080                  |
| Monthly employees | -                      | 4.840                   | 58.080                  |

### **Lower limits for self employed**

| <b>Occupational Category</b>  | <b><u>Week</u></b> | <b><u>Annual</u></b> |
|---|--------------------|----------------------|
|   | <b>€</b>           | <b>€</b>             |
| 1. Medical Doctors, Pharmacists, Health professionals, Accountants, Economists, Lawyers and other professionals |                    |                      |
| a. Persons with up to 10 years practice   | 405                | 21.045               |
| b. Persons with more than 10 years practice   | 819                | 42.568               |



|  | <b><u>Week</u></b><br>€ | <b><u>Annual</u></b><br>€ |
|--|-------------------------|---------------------------|
| 2. Managers (Businessmen), Estate Agents, Wholesalers  | 819                     | 42.568                    |
| 3. Teaching Professionals (University, Secondary education, Primary and pre-primary education, Teaching Associates, Special education teaching professionals)    |                         |                           |
| a. Persons with up to 10 years practice  | 396                     | 20.567                    |
| b. Persons with more than 10 years practice  | 791                     | 41.134                    |
| 4. Builders and related occupations  | 497                     | 25.828                    |
| 5. Farmers, Dairy and Livestock producers, Poultry producers, Fishermen and related occupations  | 276                     | 14.349                    |
| 6. Drivers, Excavator operators and related occupations  | 396                     | 20.567                    |
| 7. Technicians, Mass Media Associates, Stationary – Plant (not related to building occupations) and Metal, Rubber, Plastic, Wood and related products assemblers | 396                     | 20.567                    |
| 8. Clerks, Typists, Cashiers, Secretaries  | 396                     | 20.567                    |
| 9. Artisans not falling under any other occupational category  | 396                     | 20.567                    |
| 10. Shopkeepers  | 377                     | 19.610                    |
| 11. Butchers, Bakers, Pastry – Cooks, Meat, Milk, Fruit, Tobacco product makers/preservers and related occupations   | 303                     | 15.784                    |
| 12. Street vendors, mail carriers, garbage collectors, miners and quarry workers, riggers and cable splicers, sweepers, Service providers and salesmen           | 276                     | 14.349                    |

|   |     |        |
|---|-----|--------|
| 13. Cleaners, Messengers, Watchpersons, Dry Cleaning Owners   | 377 | 19.610 |
| 14. Designers, computer equipment operators, ships' engineers, Agents and related occupations, Musicians, Magicians | 405 | 21.045 |
| 15. Persons not falling under any other occupational category   | 405 | 21.045 |

## Notes

Employers are obliged to pay the monthly contributions by the end of the subsequent month.

Self-employed persons are obliged to pay the contributions within 40 days from the end of the quarter.

Late payment results in the imposition of a penalty of 3% for each month of delay, as long as the delay continues. The total amount of the penalty cannot exceed 27% of the amount due.

## Social Cohesion Fund

Every employer has an obligation to contribute 2% of the amount of salaries paid to employees, to the social cohesion fund.

The amount contributed to the social cohesion fund, is calculated on the aggregate emoluments without restriction or any upper limit.

"Emoluments" do not include the emoluments of a non-Cypriot who is employed by an overseas government or an international organisation or a company that owns a Cyprus ship or ship management company.

## General Healthcare System (GHS)

The contributions to the GHS medical fund are calculated and paid as a percentage on the gross emoluments / pensions as follows:

| <u>Contributors categories</u>  | <u>Contributions from<br/>01/03/2020</u> | <u>Explanations</u>   |
|---|--|---|
|   |  |   |
| Employees   | 2,65%                                    | On their salaries   |
| Employers (including the state as an employer)                              | 2,90%                                    | On their employees' emoluments  |
| State   | 4,70%                                    | On the salaries of the employees, the remuneration of the self-employed and officials and on pensions |
| Self-employed   | 4,00%                                    | On their income   |
| Pensioners  | 2,65%                                    | On their pension  |
| Income earners (e.g. rent, interest, dividends)                             | 2,65%                                    | On their income   |
| Government Officials  | 2,65%                                    | On their remuneration   |
| Persons responsible for the payment of remuneration to Government Officials | 2,90%                                    | On the remuneration of the Government Official  |

For every physical person, the total maximum annual amount on which contributions will be paid is €180,000.

In case that the physical person is not a tax resident of Cyprus, he/she will pay contributions only for the income, earnings and pensions that derive from the Republic of Cyprus, excluding dividends and interest.

## 15. STAMP DUTY

| Type of document   | Duty                     |
|--|--------------------------|
| Letters of guarantee   | €4                       |
| Letters of credit  | €2                       |
| Receipts for amounts over €4   | €0.07                    |
| Customs documents  | €18/€35                  |
| Bills of lading  | €4                       |
| Bills of exchange (payable at sight on first demand or within 3 days from demand or sight) | €1                       |
| Charter hire document  | €18                      |
| General power of attorney  | €6                       |
| Special power of attorney  | €2                       |
| Certified copies of contracts and documents  | €2                       |
| Will   | €18                      |
| Estate administration document   | €9                       |
| Tax residence certificate  | € 80,00                  |
| Contracts  |                          |
| - up to €5.000   | Nil                      |
| - from €5.001 up to €170.000   | 1,5‰                     |
| - over €170.001  | 2‰ (maximum fee €20.000) |
| - without fixed amount   | €35                      |

### Company reorganization

Transactions that take place in relation to company reorganization are exempt from stamp duty.

## 16. COMPANIES' REGISTRAR RIGHTS AND FEES

|  |      |
|--|------|
| Registration of a limited company by shares or guarantee, with share capital   | €105 |
| Registration of a company without share capital  | €175 |
| Registration of an increase in the company's share capital   | €40  |
| Change of name of company  | €40  |
| Reduction of capital   | €80  |
| Application for registration of a general or a limited partnership   | €120 |
| Application for registration of a business name  | €80  |
| Filing with the Registrar of the following documents:  |      |
| Annual Report  | €20  |
| Annual Report which is overdue   | €40  |
| Notification of a registered mortgage on immovable property in the Republic of Cyprus irrespective of the sum of money | €20  |
| Registration of a charge apart from a mortgage on immovable property within the Republic of Cyprus:                    |      |
| - on the form of notification of the charge  | €40  |
| - on the charge document securing maximum amount   |      |
| • for a sum of money up to €17.086   | €100 |
| • for a sum of money exceeding €17.086 but not over €34.172  | €200 |
| • or a sum of money exceeding €34.172 but not over €85.430   | €340 |
| • for a sum of money exceeding €85.430 but not over €170.860   | €500 |
| • for a sum of money over €170.860 where no amount is mentioned  | €600 |

For the delayed filing of certain applications at the Companies Registrar, additional charges and penalties are imposed, as follows:

| <b>FROM<br/>18/12/2020</b>   | <b>Company</b>  | <b>Partnership</b>   | <b>Trade Name</b>  | <b>Foreign Companies</b>  |
|--|---|--|--|---|
| <ul style="list-style-type: none"> <li>• <b>Fifty euro (€50)</b> lump sum and</li> <li>• <b>one euro (€1) for every day of delay, up to the maximum amount of two hundred fifty euro (€250).</b></li> </ul>  | Change of registered office address ( <b>HE2</b> )  | Change of work address ( <b>Σ2</b> )   | Change of the work address of a legal or natural person ( <b>EE2</b> )                           | Change of work address ( <b>AE8</b> )   |
|  | Change of directors or their information ( <b>HE4</b> )                                       |  |  | Appointment or withdrawal of an official or change in their information ( <b>AE5</b> )          |
|  | Share concession report ( <b>HE12</b> )<br>Transfer of private company shares ( <b>HE57</b> ) | Appointment of a new partner, withdrawal of a partner or change in their information ( <b>Σ2</b> ) | Change in the information of the owner of the trade name ( <b>EE2</b> ), legal or natural person | Appointment or withdrawal of an authorized person or change in their information ( <b>AE6</b> ) |
| <b>FROM<br/>1/4/2021</b>   |   |  |  |   |
| <ul style="list-style-type: none"> <li>• <b>Fifty euro (€50)</b> lump sum and</li> <li>• <b>one euro (€1) for every day of delay for the first six (6) months, and two euro (€2) for every additional day of delay, up to the maximum amount of five hundred euro (€500).</b></li> </ul> | Filing of the <b>Annual Report</b> ( <b>HE32</b> )  | Filing of the <b>Annual Report</b> ( <b>Σ5</b> )   |  |   |

## **Annual levy**

The annual levy of three hundred fifty euro (€350) is imposed to all Cyprus companies. For group of companies the total amount of fees cannot exceed the amount of twenty thousand euro (€20,000).

The payment of the fee for the year 2022 must be made by 30 June 2022. The annual fee is payable from the year of registration of the company.

In case of non-compliance with the obligation to pay the fee the company is subject to a penalty of 10% if the fee is paid within two months from the due date and to a penalty of 30% if the fee is paid within a period of five months from the due date.

If the fee is not paid within five months the Registrar will remove the company from the Registry. The company can return to the Registry within a period of two years from the removal with the payment of €500 and thereafter with the payment of €750.

## 17. IMMOVABLE PROPERTY TRANSFER FEES

These are paid on transfers of immovable property and are calculated on the market value of the property as estimated by the Land Registry Department.

| <b>Market Value</b><br>€ | <b>Percentage</b><br>% | <b>Fees</b><br>€ | <b>Cumulative Fees</b><br>€ |
|--------------------------|------------------------|------------------|-----------------------------|
| 0 – 85.000               | 3                      | 2.550            | 2.550                       |
| 85.00 – 170.000          | 5                      | 4.250            | 6.800                       |
| 170.001 and over         | 8                      |                  |                             |

The following rates are applicable in the case of free transfers

|  |      |
|--|------|
| From parents to children                   | 0%   |
| Between spouses and third-degree relatives | 0,1% |
| To trustees                                | €50  |

### Exemptions from transfer fees

- Transfers of immovable property by a company to another company for the purpose of a company re-organisation are exempt from transfer fees.
- under a qualifying loan restructuring (note 10)
- in the context of bankruptcy, liquidation, disposal of mortgaged immovable property by the lender
- transfers of immovable property on which VAT was paid

### 50% transfer fees

If no VAT was charged for the transfer of an immovable property, the transfer fees are reduced by 50%.

The reduced transfer fees are applicable only for contracts submitted to Land Registry after 2 December 2011.



## **18. STOCK EXCHANGE TRANSACTION FEES**

A special fee is imposed in relation to transactions that take place in the Cyprus Stock Exchange or are announced to the Cyprus Stock Exchange at the following rates:

|                                |       |
|--------------------------------|-------|
| Individuals and legal entities | 0.15% |
|--------------------------------|-------|















The fee is suffered by the seller or the person who announces the transaction.

















### **Exempt transactions**

















The following transactions are exempt:













- share issue and share redemption by the issuer
- transactions in non-convertible company bonds
- transactions in non-convertible company promissory notes
- transactions in bonds, development bonds and government bills of exchange
- gifts of securities by parent to child, either single or married, between spouses or relatives up to third degree.













## 19. Global Tax Rates

















| Country  | <a href="#">Corporate tax</a><br>(excl. dividend taxes)                                   | <a href="#">Income tax</a><br>(lowest marginal rate) | Income tax<br>(highest marginal rate)      | <a href="#">VAT or GST</a> or <a href="#">sales tax</a>                           |
|--|---|--|--|---|
|  <a href="#">Afghanistan</a>    | 20%   | 0%   | 20%  | 0%  |
|  <a href="#">Albania</a>        | 20%   | 0%   | 23%  | 20% (standard rate)<br>6% (tourism services)                                      |
|  <a href="#">Algeria</a>        | 26% (highest rate)<br>19% (lowest rate)   | 0%   | 35%  | 19% (standard rate)<br>9% (basic items)   |
|  <a href="#">American Samoa</a> | 44% (highest rate)<br>15% (lowest rate)   | 4%   | 6%   | 0%  |
|  <a href="#">Andorra</a>        | 10%   | 0%   | 10%  | 4.5% (standard rate)<br>9.5% (banking services)<br>2.5%, 1% or 0% (reduced rates) |
|  <a href="#">Angola</a>         | 30%   | 0%   | 17%  | 10%   |
|  <a href="#">Anguilla</a>       | 0%  | 0%   | 0%   | 0%  |
|  <a href="#">Argentina</a>      | 30% for residents and<br>15% for non residents since 2021                                 | 9%   | 35%  | 21%   |
|  <a href="#">Armenia</a>        | 20%   | 24.4%  | 36%  | 20%   |
|  <a href="#">Aruba</a>        | 25%   | 7%   | 58.95%                                     | 1.5% (turnover tax)   |
|  <a href="#">Australia</a>    | 30% (standard rate)<br>28.5% (reduced rate)   | 0%   | 45%  | 10% (standard rate)<br>0% (essential items)                                       |
|  <a href="#">Austria</a>      | 25%   | 0%   | 55%  | 20% (standard rate)<br>13% (tourism services)<br>10% (basic items)                |
|  <a href="#">Azerbaijan</a>   | 20%   | 14%  | 25%  | 18%   |
|  <a href="#">Azores</a>       | 13.6% (available to <a href="#">SMEs</a> and applicable up to a taxable profit of €15000) | 0.0% (for monthly salaries up to                     | 36.2% (for monthly salaries above €25,200) | 4% (reduced rate)<br>9% (intermediate rate)                                       |








|  |   |                                 |                               |   |
|--|---|---------------------------------|-------------------------------|---|
|  | 16.8% (general rate)  | €654) + social security charges | + social security charges     | 18% (standard rate)   |
|  <a href="#">Bahamas</a>                                    | 0%  | 0%                              | 0% + 8.8% social security tax | 12% (standard rate)   |
|  <a href="#">Bahrain</a>                                    | 0%  | 0%                              | 0%                            | 5%  |
|  <a href="#">Bangladesh</a>                                 | 35%   | 0%                              | 25%                           | 15%   |
|  <a href="#">Barbados</a> <a href="#">[citation needed]</a> | 5.5% (on profits not over <a href="#">Bds\$1 million</a> )<br>3.0% (over <a href="#">Bds\$1 million</a> but not over <a href="#">Bds\$20 million</a> )<br>2.5% (over <a href="#">Bds\$20 million</a> but not over <a href="#">Bds\$30 million</a> )<br>1.0% (over <a href="#">Bds\$30 million</a> ) | 25%                             | 38%                           | 17.5% (standard rate)<br>7.5% (hotel services)                                |
|  <a href="#">Belarus</a>                                    | 18%   | 13%                             | 17%                           | 20% (standard rate)<br>10% (reduced rate)                                     |
|  <a href="#">Belgium</a>                                    | 25%   | 25%                             | 50%                           | 21% (standard rate)<br>12% (restaurants)<br>6% (essential and selected goods) |
|  <a href="#">Belize</a>                                     | N/A   | 0%                              | 25%                           | 12.5%   |
|  <a href="#">Benin</a> <a href="#">[citation needed]</a>  | 35%   | 10%                             | 35%                           | 18%   |
|  <a href="#">Bermuda</a>                                  | 0%  | 0%                              | 0%                            | 0%  |
|  <a href="#">Bhutan</a>                                   | 26%   | 0%                              | 25%                           | N/A   |
|  <a href="#">Bolivia</a>                                  | 29%   | 0%                              | 25%                           | 13%   |
|  <a href="#">Bosnia and Herzegovina</a>                   | 10%   | 10%                             | 10%                           | 17%   |
|  <a href="#">Botswana</a>                                 | 22%   | 0%                              | 25%                           | 12%   |
|  <a href="#">Brazil</a>                                   | 34%   | 0%                              | 27.5%                         | 25% (highest rate)<br>17% (lowest rate)                                       |
|  <a href="#">Brunei</a>                                   | 20%   | 0%                              | 0%                            | N/A   |
|  <a href="#">Bulgaria</a>                                 | 10% (+ 5% on distribution of  | 10%                             | 10% + 18% social security     | 20%   |

|  | profit)  |  | fund tax   |  |
|--|--|--|--|--|
|  <a href="#">Burkina Faso</a>             | 27.5%  | 0%   | 25%  | 18%  |
|  <a href="#">Burundi</a>                  | 35%  | 0%   | 35%  | 18%  |
|  <a href="#">Cambodia</a>                 | 20%  | 0%   | 20%  | 10%  |
|  <a href="#">Cameroon</a>                 | 31.5%  | 10%  | 35%  | 19.25%   |
|  <a href="#">Canada</a>                   | 26.5-31% (higher rate)<br>9-13% (lower rate)                         | 19% (15% federal + 4% in <a href="#">Nunavut</a> ) to 27.53% (12.53% federal + 15% in <a href="#">Quebec</a> ) | 44.5% (33% federal + 11.5% in <a href="#">Nunavut</a> ) to 54% (33% federal + 21% in <a href="#">Nova Scotia</a> ) | 15% in <a href="#">New Brunswick</a> (5% federal tax + 10% provincial tax)   |
|  <a href="#">Cape Verde</a>               | 25%  | 16.5%  | 27.5%  | 15%  |
|  <a href="#">Cayman Islands</a>           | 0%   | 0%   | 0%   | 0%   |
|  <a href="#">Central African Republic</a> | 30%  | N/A  | 50%  | 19%  |
|  <a href="#">Chad</a>                     | N/A  | N/A  | N/A  | N/A  |
|  <a href="#">Chile</a>                    | 27%  | 0% (for monthly taxable incomes not over US\$950)  | 35% (for monthly taxable incomes over US\$8400)  | 19%  |
|  <a href="#">China</a>                    | 25% (standard rate)<br>15% (concession rate for high-tech companies) | 0%   | 45%  | 13% (standard rate)<br>9% (energy, books, transportation, etc.)<br>6% (other services)<br>0% (goods and services for export) |
|  <a href="#">Colombia</a>               | 31%  | 0%   | 35% (non-labor income)<br>39% (labor income)   | 19% (standard rate)<br>5% or 0% (reduced rates)  |
|  <a href="#">Comoros</a>                | N/A  | N/A  | N/A  | N/A  |
|  <a href="#">Cook Islands</a>           | 30% (highest rate)<br>20% (lowest rate)                              | 18.5%  | 30%  | 15%  |
|  <a href="#">DR Congo</a>               | 35%  | 0%   | 40%  | 20% (highest rate)<br>5% (lowest rate)   |
|  <a href="#">Congo</a>                  | 30%  | N/A  | N/A  | 18.9%  |
















|  |  |  |   |  |
|--|--|--|---|--|
|  <a href="#">Costa Rica</a>           | 30%  | 0%   | 25%   | 13% (standard rate)<br>4% (private healthcare and plane tickets)<br>2% (medicines and private education)<br>1% (essential foods and agriculture) |
|  <a href="#">Croatia</a>              | 18% (for profits over 3 million kn)<br>12% (for profits not over 3 million kn) | 12%  | 40%   | 25% (standard rate)<br>13% (certain essential groceries)   |
|  <a href="#">Cuba</a>                 | 30%  | 15%  | 50%   | 20% (highest rate)<br>2.5% (lowest rate)   |
|  <a href="#">Curaçao</a>              | 22%  | 9.75%  | 46.5%   | 6%, 7% or 9%   |
|  <a href="#">Cyprus</a>               | 12.5%  | 0%   | 35%   | 19% (standard rate)<br>5% or 0% (reduced rates)  |
|  <a href="#">Czech Republic</a>       | 19%  | 20.1% (15% deductible tax + 45% medicare and social security if an employee, 22.5% if self-employed) | 45.7% (peaks for employee real raw year income \$90,000)<br>39% (for real raw year income of \$450,000) | 21% (standard rate)<br>15% or 10% (reduced rates)  |
|  <a href="#">Denmark</a>            | 22-25% (depending on business)   | 39.8596% (34.63% for unemployed; first DKK46,000 / US\$7,245 / €6,172 per year is deductible)        | 55.8584%  | 25%  |
|  <a href="#">Djibouti</a>           | N/A  | N/A  | N/A   | N/A  |
|  <a href="#">Dominica</a>           | 25%  | 0%   | 35%   | 15%  |
|  <a href="#">Dominican Republic</a> | 27%  | 0%   | 25%   | 18%  |
|  <a href="#">East Timor</a>         | N/A  | N/A  | N/A   | N/A  |
|  <a href="#">Ecuador</a>            | 25%  | 0%   | 35%   | 12% (standard  |














|  |   |   |   |   |
|--|---|---|---|---|
|  |   |   |   | rate)<br>15% (luxury goods)<br>0% (exports)   |
|  <a href="#">Egypt</a>                | 22.5% (on taxable corporate profits)<br>(+ 5% on distribution of profit)                    | 0%  | 22.5%   | 14% (standard rate)<br>10% (professional services)<br>0% (exports)                                |
|  <a href="#">El Salvador</a>          | 30%   | 0%  | 30%   | 13%   |
|  <a href="#">Equatorial Guinea</a>    | N/A   | N/A   | N/A   | N/A   |
|  <a href="#">Eritrea</a>              | N/A   | N/A   | N/A   | N/A   |
|  <a href="#">Estonia</a>              | 0%<br>(20% on dividends)<br>(14% on regular dividends)                                      | 20%<br>(+ 33% social tax)<br>(0% on dividends)<br>(7% on regular dividends) | 20%<br>(+ 33% social tax)<br>(0% on dividends)<br>(7% on regular dividends)   | 20% (standard rate)<br>9% (reduced rate)  |
|  <a href="#">Eswatini (Swaziland)</a> | 27.5%   | 33%   | 33%   | 15%   |
|  <a href="#">Ethiopia</a>             | N/A   | N/A   | N/A   | N/A   |
|  <a href="#">Falkland Islands</a>     | 26%   | 0%  | 26%   | 0%  |
|  <a href="#">F.S. Micronesia</a>      | N/A   | N/A   | N/A   | N/A   |
|  <a href="#">Fiji</a>                 | 20%   | 0%  | 20%   | 9%  |
|  <a href="#">Finland</a>            | 20%   | 0% + 8.40% social security tax  | 66.75% in <a href="#">Halsua</a> for the members of the <a href="#">Orthodox Church of Finland</a><br>(31.25% national tax rate + 23.5% municipal tax + 9.9% social security tax + 2.1% church tax) | 24% (standard rate)<br>14% (food and fodder)<br>10% (medicines and public transport)              |
|  <a href="#">France</a>             | 31% (on profits over €500,000)<br>28% (over €38,120 but not over €500,000)<br>15% (not over | 0%  | 45% (+ 4% tax on high incomes, or incomes over €500,000)  | 20% (standard rate)<br>10% (restaurants, transportation and tourism services)<br>5.5% (utilities) |
















|   |   |   |  |   |
|---|---|---|--|---|
|   | €38,120)  |   |  | 2.1% (press)  |
|  <a href="#">Gabon</a>           | 35%   | 5%  | 35%  | 18%   |
|  <a href="#">Gambia</a>          | 31%   | 0%  | 30%  | N/A   |
|  <a href="#">Germany</a>         | 29.65%  | 14% (€9,169 are free of income tax)                     | 47.475% (45% income tax + 5.5% solidarity surcharge based on the total tax bill) | 19% (standard rate)<br>7% (reduced rate)  |
|  <a href="#">Georgia</a>         | 0% (15% on distribution of profit)  | 20% (5% on dividend, interest and royalty)              | 20% (5% on dividend, interest and royalty)                                       | 18%   |
|  <a href="#">Ghana</a>           | N/A   | N/A   | N/A  | 3%  |
|  <a href="#">Gibraltar</a>       | 10%   | 17%   | 40%  | 0%  |
|  <a href="#">Greece</a>          | 28% (+ 28% paid in advance & returned after 1 year + 10% on distribution of profit) | 22% (€1,900 tax deducted if income is not over €21,000) | 45%  | 24% (standard rate)<br>13% (health and tourism services)<br>6% (theater tickets, books and medicine)<br>For some islands away from the mainland the rates are 17%, 9% and 4%, respectively. |
|  <a href="#">Grenada</a>         | N/A   | N/A   | N/A  | N/A   |
|  <a href="#">Guatemala</a>      | 25%   | 5%  | 7%   | 12%   |
|  <a href="#">Guinea</a>        | N/A   | N/A   | N/A  | N/A   |
|  <a href="#">Guinea-Bissau</a> | N/A   | N/A   | N/A  | N/A   |
|  <a href="#">Guyana</a>        | 30%   | N/A   | 33 $\frac{1}{3}$ %   | 16% (standard rate)<br>0% (reduced rate)  |
|  <a href="#">Guernsey</a>      | 0%  | 0%  | 20%  | 0%  |
|  <a href="#">Haiti</a>         | 30%   | 0%  | 30%  | 10%   |
|  <a href="#">Honduras</a>      | N/A   | N/A   | N/A  | N/A   |
|  <a href="#">Hong Kong</a>     | 16.5% (on profits over HK\$2 million)<br>8.25% (on profits not over HK\$2 million)  | 0%  | 15%  | 0%  |
















|   |  |  |  |   |
|---|--|--|--|---|
|  <a href="#">Hungary</a>     | 9%   | 15%  | 15%  | 27% (standard rate)<br>18% (reduced rate)<br>5% (milk, egg, pork, chicken meat, internet service, restaurant services, medicines and books) |
|  <a href="#">Iceland</a>     | 20%  | 0% (On income up to 152.807 ISK)   | 46%  | 24% (standard rate)<br>11% (reduced rate)   |
|  <a href="#">India</a>       | 25.17% (highest)<br>17.01% (lowest)<br>[inclusive of surcharge & cess] | 0% ₹ 0,00,000 - 2,50,000<br>5% ₹ 2,50,001 - 5,00,000<br>20% ₹ 5,00,001 - 10,00,000<br>Scheme I (with deductions)<br>0% ₹ 0 - 500,000<br>10% ₹ 500,001 - 750,000<br>15% ₹ 750,001 - 1,000,000<br>20% ₹ 1,000,001 - 1,250,000<br>25% ₹ 1,250,001 - 1,500,000<br>Scheme II (without deductions) | 30% ₹ 1,000,001 & +<br>Scheme I (with deductions)<br>30% ₹ 1,500,001 & +<br>Scheme II (without deductions) | 28%, 18%, 12%, 5%, 0% (varies by commodity; see <a href="#">GST rates in India</a> )  |
|  <a href="#">Indonesia</a> | 25%  | 5%   | 30%  | 10%   |
|  <a href="#">Iran</a>      | 25%  | 0%   | 35%  | 9% (highest rate)<br>0% (reduced rate)  |
|  <a href="#">Iraq</a>      | 15%  | 3%   | 15%  | 0-300%  |
|  <a href="#">Ireland</a>   | 12.5%  | 20% (first €1,650 per year is deductible)  | 52% (40% income tax + 12% social insurance contributions on incomes above €70,000)                         | 23% (goods)<br>9%–13.5% (services)<br>0% (certain items of food)  |
























|   |   |   |  |   |
|---|---|---|--|---|
|  <a href="#">Isle of Man</a>   | 0%  | 10%   | 20%  | 20% (standard rate)<br>5% (home renovations)                        |
|  <a href="#">Israel</a>        | 23%   | 11.5%   | 50%  | 17% (standard rate)<br>0% (fruits, vegetables and public transport) |
|  <a href="#">Italy</a>         | 27.9% (24% + 3.9% (municipal))                                  | from 23% (first €8,500 per year is deductible) to 43% | 47% (43% income tax + 4% special added tax)    | 22% (standard rate)<br>10% (reduced rate)<br>4% (food and books)    |
|  <a href="#">Ivory Coast</a>   | N/A   | N/A   | N/A  | N/A   |
|  <a href="#">Jamaica</a>       | 33.3% (standard rate)<br>25% (reduced rate for small companies) | 0%  | 25% (on income over J\$1,500,000)              | 20% (services)<br>16.5% (goods)                                     |
|  <a href="#">Japan</a>         | 29.74%  | 15.105% (5.105% national + 10% local)                 | 55.945% (45.945% national + 10% local)         | 10% (standard rate)<br>8% (groceries and takeout food)              |
|  <a href="#">Jersey</a>        | 0%  | 0%  | 20%  | 5%  |
|  <a href="#">Jordan</a>        | 20%   | 0%  | 25%  | 16%   |
|  <a href="#">Kazakhstan</a>    | 20%   | 10%   | 10% (for residents)<br>15% (for non-residents) | 13%   |
|  <a href="#">Kenya</a>       | 30%   | 10%   | 30% (for citizens)<br>35% (for non-citizens)   | 16% (standard rate)<br>12% (electricity and fuel)<br>0% (food)      |
|  <a href="#">Kiribati</a>    | N/A   | N/A   | N/A  | N/A   |
|  <a href="#">Kosovo[a]</a>   | 10% (highest rate)<br>0% (lowest rate)                          | 0%  | 10%  | 18% (standard rate)<br>8% (basic items)                             |
|  <a href="#">Kuwait</a>      | 0%  | 0%  | 0%   | 0%  |
|  <a href="#">North Korea</a> | 25%   | 0%  | 20%  | 4% (highest rate)<br>2% (lowest rate)                               |
|  <a href="#">South Korea</a> | 24.2%   | 6% + 1.8%   | 42% + 11.4%                                    | 10%   |















|   |   |  |  |  |
|---|---|--|--|--|
|  <a href="#">Kyrgyzstan</a>                  | 10%   | 10%  | 10%  | 12% (standard rate)<br>5% (highest rate)<br>1% (lowest rate)           |
|  <a href="#">Laos</a>                        | N/A   | N/A  | N/A  | N/A  |
|  <a href="#">Latvia</a>                      | 0% (20% on distribution of profit)  | 20%  | 31.4%  | 21%  |
|  <a href="#">Lebanon</a>                     | 17%   | 2%   | 25%  | 11%  |
|  <a href="#">Lesotho</a>                     | N/A   | N/A  | N/A  | N/A  |
|  <a href="#">Liberia</a>                     | 25%   | N/A  | N/A  | N/A  |
|  <a href="#">Libya</a>                       | N/A   | N/A  | N/A  | N/A  |
|  <a href="#">Liechtenstein</a>               | 12.5%   | 3%   | 24%  | 7.7% (standard rate)<br>3.8% (lodging services)<br>2.5% (reduced rate) |
|  <a href="#">Lithuania</a> [citation needed] | 15%   | 31.2%  | 42.77%   | 21%  |
|  <a href="#">Luxembourg</a>                  | 28.69% (17% income tax + 1.19% unemployment fund contribution + 6.0-10.5% municipal trade tax)  | 8%   | 45.78% (42% + 3.78% unemployment fund surcharge)                     | 17% (standard rate)<br>3% (reduced rate)                               |
|  <a href="#">Macau</a>                     | 12%   | 0%   | 12%  | 0%   |
|  <a href="#">Madagascar</a>                | N/A   | N/A  | N/A  | N/A  |
|  <a href="#">Madeira</a>                   | 5% (available to licensed companies in the <a href="#">International Business Centre of Madeira</a> ).<br>13% (available to <a href="#">SMEs</a> and applicable up to a taxable profit of €15000)<br>20% (general rate) | 0,0% (for monthly salaries up to €659) + social security charges | 45.1% (for monthly salaries above €25,275) + social security charges | 5% (reduced rate)<br>12% (intermediate rate)<br>22% (standard rate)    |






















|  |   |                 |  |   |
|--|---|-----------------|--|---|
|  <a href="#">Malawi</a>           | N/A                                     | N/A             | N/A  | N/A   |
|  <a href="#">Malaysia</a>         | 24% (highest rate)<br>18% (lowest rate) | 0%              | 28% + 11% for <a href="#">EPF</a> + 1.2% for <a href="#">SOCSO</a> | 10% (standard rate for goods)<br>7% (services)<br>5% (reduced rate for goods)   |
|  <a href="#">Maldives</a>         | 15% (highest rate)<br>8% (lowest rate)  | 0%              | 15% (0% for expatriates)   | 6%  |
|  <a href="#">Mali</a>             | N/A                                     | N/A             | N/A  | N/A   |
|  <a href="#">Malta</a>            | 35% (unless eligible for 30% rebate)    | N/A             | N/A  | 18% (7% and 5% for certain goods and services)  |
|  <a href="#">Marshall Islands</a> | N/A                                     | 0%              | 12%  | 4% (highest rate)<br>2% (lowest rate)   |
|  <a href="#">Mauritania</a>       | N/A                                     | N/A             | N/A  | N/A   |
|  <a href="#">Mauritius</a>        | 15%                                     | 15%             | 15%  | 15%   |
|  <a href="#">Mexico</a>           | 30%                                     | 1.92%           | 35% + reduction of deductions (topes)                              | 16%   |
|  <a href="#">Moldova</a>          | 12%                                     | 12%             | 12% (+ 24% for social security)                                    | 20% (standard rate)<br>10% ( <a href="#">HoReCa</a> )   |
|  <a href="#">Monaco</a>           | 28%                                     | 0%              | 0%   | 19.6% (highest rate)<br>5.5% (lowest rate)  |
|  <a href="#">Mongolia</a>       | 10%                                     | 10%             | 10%  | 10%   |
|  <a href="#">Montenegro</a>     | 9%                                      | 9% (first €720) | 12.65% (11% national tax + 15% municipality surtax on income tax)  | 21%<br>7% (essential goods - basic foodstuffs, water, pharmaceuticals, books, tourism services, etc.)<br>0% (postal services, education, social security services, healthcare, insurance, etc.) |
|  <a href="#">Montserrat</a>     | N/A                                     | N/A             | N/A  | N/A   |
|  <a href="#">Morocco</a>        | 31% (highest rate)                      | 0%              | 38%  | 20% (standard rate)   |

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|---|---|---|---|---|
|   | 10% (lowest rate)   |   |   | 14%, 10%, 7% (reduced rates)                          |
|  <a href="#">Mozambique</a>        | N/A   | N/A   | N/A   | N/A   |
|  <a href="#">Myanmar</a>           | N/A   | N/A   | N/A   | N/A   |
|  <a href="#">Namibia</a>           | 32%   | 0%  | 37%   | 15%   |
|  <a href="#">Nauru</a>             | N/A   | N/A   | N/A   | N/A   |
|  <a href="#">Nepal</a>             | 30% (higher rate for financial companies) / 25% (standard rate) / 20% (reduced rate for manufacturing companies) (+ 5% on profit distribution + 10% mandatory bonus to employees) | 0% + 1% social security tax                   | 36% (Including 20% additional tax)                                    | 13% (standard rate) 288% (for imported vehicles)      |
|  <a href="#">Netherlands</a>       | 25% (on profits over €250,001) 20% (not over €250,000)  | 36.55% (first €21,103 per year is deductible) | 49.50% + reduction of deductions (arbeidskorting and general korting) | 21% (standard rate) 9% (essential and selected goods) |
|  <a href="#">New Zealand</a>       | 28%   | 10.5%   | 33%   | 15%   |
|  <a href="#">New Caledonia</a>    | 30%   | 0%  | 40% 25% (on local income of non-residents)                            | N/A   |
|  <a href="#">Nicaragua</a>       | N/A   | N/A   | N/A   | N/A   |
|  <a href="#">Niger</a>           | N/A   | N/A   | N/A   | N/A   |
|  <a href="#">Nigeria</a>         | 30%   | 7%  | 24%   | 7.5%  |
|  <a href="#">Niue</a>            | N/A   | N/A   | N/A   | 12.5%   |
|  <a href="#">Norfolk Island</a>  | N/A   | N/A   | N/A   | N/A   |
|  <a href="#">North Macedonia</a> | 10%   | 10%   | 18%   | 18% (standard rate) 5% (reduced rate)                 |
|  <a href="#">Norway</a>          | 23%   | 0%  | 23% + 8.2% social security + top tax (from 1.4% to 15.4%) minus       | 25% (standard rate) 15% (food and drink in shops) 10% |










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|--|--|-------------------------------|---|---|
|  |  |                               | deductions  | (transportation, cinema and hotel services)   |
|  <a href="#">Oman</a>               | 15%  | 0%                            | 0%  | 0%  |
|  <a href="#">Pakistan</a>           | 31%  | 5%                            | 31%   | 17% (standard rate)<br>0% (basic food items)  |
|  <a href="#">Palau</a>              | N/A  | N/A                           | N/A   | N/A   |
|  <a href="#">Palestine</a>          | 15%  | 5%                            | 15%   | 14.5%   |
|  <a href="#">Panama</a>             | 25%  | 0%                            | 27%   | 7% (standard rate)<br>15% (tobacco)<br>10% (alcohol and hotels)<br>5% (essential goods)                                       |
|  <a href="#">Papua New Guinea</a>   | N/A  | N/A                           | N/A   | N/A   |
|  <a href="#">Paraguay</a>           | 10%  | 8%                            | 10%   | 10%   |
|  <a href="#">Peru</a>               | 30%  | 0%                            | 30%   | 16% (standard rate) +<br>2% (municipal promotional tax) +<br>0–118% (impuesto selectivo al consumo: liquor, cigarettes, etc.) |
|  <a href="#">Philippines</a>        | 30%  | 0%                            | 35%   | 12% (standard rate)<br>0% (reduced rate)  |
|  <a href="#">Pitcairn Islands</a> | N/A  | 0%                            | 0%  | N/A   |
|  <a href="#">Poland</a>           | 19% (9% for small taxpayer, those with revenue in a given tax year not exceeding the equivalent of €1.2 million and that have "small taxpayer" status) | 17% (minus varying deduction) | 32% (or optional 19% flat rate for self-employed) | 23% (standard rate)<br>8% or 5% (reduced rates)   |
|  <a href="#">Portugal</a>         | 21% (in mainland)  | 14.5%                         | 48% + 11% social security                         | 23% (standard rate)<br>13% or 6% (standard rate)  |











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|  <a href="#">Puerto Rico</a>                        | 20%  | 0% (16% proposed) | 33.34%  | 11.5%   |
|  <a href="#">Qatar</a>                              | 10%  | 0%                | 0%  | 0%  |
|  <a href="#">Romania</a>                            | 16% (or 1% revenue for micro-entities with at least one employee, or 3% for micro-enterprises with no employees) | 10%               | 45% (10% income tax + 25% CAS (social security) + 10% CASS (health insurance) for employed persons or only 10% income tax + 10% CASS calculated from the minimum wage if you earn more than the monthly minimum wage × 12 months for the self-employed persons, ex you pay a maximum of 2280 RON as CASS contribution in 2018 if you earn over <a href="#">RON</a> 22,800 for the whole year) | 19% (standard rate)<br>9% ((food, medicines, books, newspapers and hotel services)<br>5% (reduced rate) |
|  <a href="#">Russia</a>                           | 20%  | 13%               | 15% (for those earning more than 5 mil. roubles a year)<br>35% for non-residents  | 20% (standard rate)<br>10% (books, certain items of food and children goods)<br>0% (house or flat)      |
|  <a href="#">Rwanda</a>                           | 30%  | 0%                | 30%   | 18%   |
|  <a href="#">Saint Kitts and Nevis</a>            | 0%   | 0%                | 0%  | N/A   |
|  <a href="#">Saint Lucia</a>                      | N/A  | N/A               | N/A   | N/A   |
|  <a href="#">Saint Pierre and Miquelon</a>        | N/A  | N/A               | N/A   | N/A   |
|  <a href="#">Saint Vincent and the Grenadines</a> | N/A  | N/A               | N/A   | N/A   |

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|  <a href="#">Samoa</a>                 | N/A                                     | N/A   | N/A   | N/A   |
|  <a href="#">San Marino</a>            | 17%                                     | 12%   | 50%   | 0% (standard rate)<br>17% (imported goods)  |
|  <a href="#">São Tomé and Príncipe</a> | N/A                                     | N/A   | N/A   | N/A   |
|  <a href="#">Sark</a>                  | 0%                                      | 0%  | 0% (Note: There are taxes on property and personal capital, maximum at £6,500.) | 0%  |
|  <a href="#">Saudi Arabia</a>          | 15%                                     | 2.5% (capital assets of natives/ <a href="#">Zakat</a> )<br>0% (foreigners) | 2.5% (capital assets of natives/ <a href="#">Zakat</a> )<br>0% (foreigners)     | 15%   |
|  <a href="#">Senegal</a>               | 25%                                     | 0%  | 50%   | 20%   |
|  <a href="#">Serbia</a>                | 15%                                     | 10%   | 25% (additional contributions for state health, pension and unemployment funds) | 20% (standard rate)<br>10% or 0% (reduced rates)  |
|  <a href="#">Seychelles</a>            | 40% (highest rate)<br>33% (lowest rate) | 15%   | 15%   | 15%   |
|  <a href="#">Sierra Leone</a>          | N/A                                     | N/A   | N/A   | N/A   |
|  <a href="#">Singapore</a>            | 17%                                     | 0%  | 22% (+ 20% tax on pension)  | 7%  |
|  <a href="#">Sint Maarten</a>        | N/A                                     | N/A   | N/A   | N/A   |
|  <a href="#">Slovakia</a>            | 22%                                     | 0%  | 25%   | 20% (standard rate)[ <a href="#">citation needed</a> ]<br>10% (books and medicines)                             |
|  <a href="#">Slovenia</a>            | 19%                                     | 16%   | 50%   | 22% (standard rate) or 9.5% (food, building and renovation, transport, tickets, media) or 5% (books, newspaper) |
|  <a href="#">Solomon Islands</a>     | N/A                                     | N/A   | N/A   | N/A   |

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|  <a href="#">Somalia</a>               | N/A  | N/A  | N/A  | N/A  |
|  <a href="#">South Africa</a>          | 28%  | 0% (below threshold)                         | 45%  | 15%  |
|  <a href="#">South Sudan</a>           | N/A  | N/A  | N/A  | N/A  |
|  <a href="#">Spain</a>                 | 25% (in mainland)<br>4% (in  <a href="#">Canary Islands</a> ) | 19%  | 52% (in  <a href="#">Navarre</a> )<br>45% (in mainland) | 21% (standard rate)<br>10% or 4% (reduced rates)     |
|  <a href="#">Sri Lanka</a>             | 30% (highest rate)<br>15% (lowest rate)  | 0%   | 15% (if annual income is more than <a href="#">LKR</a> 2.5 million)  | 12% (standard rate)<br>8% or 0% (reduced rates)      |
|  <a href="#">Sudan</a>                 | N/A  | N/A  | N/A  | N/A  |
|  <a href="#">Suriname</a>              | 36%  | 8% (first SRD2,646 per year is deductible)   | 38%  | N/A  |
|  <a href="#">Sweden</a>                | 20.6%  | 32% (first US\$1,930 per year is deductible) | 52% (32% average municipality income tax + 20% state income tax)   | 25% (standard rate)<br>12% or 6% (reduced rate)      |
|  <a href="#">Switzerland</a>           | 17.92%   | 0%   | 11.5% (federal) + 37.2% (canton) + ~0-15% (municipal)  | 7.7% (standard rate)<br>3.8% or 2.5% (reduced rates) |
|  <a href="#">Syria</a>                 | 22%  | 5%   | 15%  | N/A  |
|  <a href="#">Taiwan</a>              | 20%  | 5%   | 40%  | 5%   |
|  <a href="#">Tajikistan</a>          | 13%<br>25% (non-residents)   | 5%   | 13%<br>25% (non-residents)   | 18%  |
|  <a href="#">Tanzania</a>            | 30%  | 15%  | 30%  | 18%  |
|  <a href="#">Thailand</a>            | 20%  | 0%   | 35%  | 7%   |
|  <a href="#">Togo</a>                | N/A  | N/A  | N/A  | N/A  |
|  <a href="#">Tokelau</a>             | N/A  | N/A  | N/A  | N/A  |
|  <a href="#">Tonga</a>               | N/A  | N/A  | N/A  | N/A  |
|  <a href="#">Trinidad and Tobago</a> | 25%  | 0%   | 25%  | 12.5%  |
|  <a href="#">Tunisia</a>             | 30%  | 0%   | 35%  | 18% (standard  |



|  |                           |  |  |  |
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|  |                           |  |  | rate)<br>12% or 6%<br>(reduced rate)   |
|  <a href="#">Turkey</a>                   | 22%                       | 15%  | 40%  | 18% (standard rate)<br>8% (clothing)<br>1% (certain food items)  |
|  <a href="#">Turkmenistan</a>             | N/A                       | N/A  | N/A  | N/A  |
|  <a href="#">Turks and Caicos Islands</a> | N/A                       | N/A  | N/A  | N/A  |
|  <a href="#">Tuvalu</a>                   | N/A                       | N/A  | N/A  | N/A  |
|  <a href="#">Uganda</a>                   | 30%                       | N/A  | N/A  | 18%  |
|  <a href="#">Ukraine</a>                  | 18%                       | 0%   | 18% (common rate)<br>20% (some activities)   | 20% (standard rate)<br>7% or 0% (reduced rates)  |
|  <a href="#">United Arab Emirates</a>     | 0%                        | 0%   | 0%   | 5%   |
|  <a href="#">United Kingdom</a>           | 19%                       | 0% (on incomes not over £12,500)   | 47% on incomes over £150,000 (45% income tax + 2% for NI)  | 20% (standard rate)<br>5% (home energy and renovations)<br>5% (tourism and hospitality sector for 6 months from the 8th of July 2020)<br>0% (life necessities: groceries, water, prescription medications, medical equipment and supplies; public transport; children's clothing; books and periodicals) |
|  <a href="#">United States</a>          | 21% + 0–12% (state/local) | 10% (federal) + 0% (state) + 0%–3% (local) (federal standard deduction of 12,000 USD for most) | 51.8% in <a href="#">San Francisco, California</a> (37% federal tax + 13.3% state tax + 1.5% city tax) | 11.725% (highest prevailing marginal state and local sales tax rate)<br>0% (lowest prevailing marginal rate)   |

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|  <a href="#">Uruguay</a>                | 25%   | 0%   | 30% | 22% (standard rate)<br>11% (lowest rate)<br>0% (extent) |
|  <a href="#">Uzbekistan</a>             | 12% (standard rate)<br>20% (banks and mobile communication operators) | 12%  | 12% | 20% (highest rate)<br>0% (lowest rate)                  |
|  <a href="#">Vanuatu</a>                | N/A   | N/A  | N/A | N/A   |
|  <a href="#">Venezuela</a>              | 34%   | 6% (0% under certain income, defined every year) | 34% | 16% (standard rate)<br>8% (reduced rate)                |
|  <a href="#">Vietnam</a>                | 20%   | 5%   | 35% | 10%   |
|  <a href="#">British Virgin Islands</a> | 0%  | 0%   | 0%  | N/A   |
|  <a href="#">U.S. Virgin Islands</a>    | 10%   | N/A  | N/A | N/A   |
|  <a href="#">Yemen</a>                  | 20%   | 10%  | 15% | 2%  |
|  <a href="#">Zambia</a>                 | 35%   | 10%  | 30% | 16%   |
|  <a href="#">Zimbabwe</a>               | 25%   | 0%   | 45% | 15% (standard rate)<br>0% (on selected items)           |