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Investors are advised to ask for professional assistance, since this booklet is not intended to be comprehensive. Our Firm will be happy to assist you in any way.

Cyprus is established as an international business and financial center. Due to the incentives granted, the good infrastructure and the existence of double tax treaties with both Western and Eastern European countries, the establishment of Cyprus internationally has been growing rapidly.

Along with its double tax treaties, Cyprus maintains excellent relations with all Eastern European countries. As a result, Cyprus is considered as a unique place for basing a legal structure to do business in those countries and not only.

Cyprus became a full member of the E.U. on 1st May in 2004 and consequently it now benefits from the various E.U. Directives as well.

The recent changes in the Cyprus tax legislation (2002) have enabled Cyprus to become the country with the lowest corporation tax rate in the EU. The changes have also rendered the various double tax treaty anti-avoidance provisions inactive. Cyprus is now, therefore, in a unique position to be used as a stepping-stone for both European Investments in North America and Asia, as well as for in bound investments into Europe.

Euroglobal S.E.E Audit Ltd (ex. BKR Damianou & Partners Ltd) is a regional certified public accounting company specialised in assurance services. The firm's roots go back to 1978 where it began its operations under the name Damianou & Co, and continued with BKR Damianou & Partners Ltd for a number of years. Recently, the company has been renamed to Euroglobal S.E.E. Audit Ltd.

Its headquarters and management are based in the Republic of Cyprus. Euroglobal operates in South Eastern Europe through fully fledged offices in Greece, Bulgaria, Romania, Serbia, FYR Macedonia, Albania and Montenegro. A rigid system of quality control is in place covering the various subsidiaries, to ensure the highest level of quality personal client service and advice in such a multi-jurisdictional environment and culture.

Euroglobal delivers to its clients access to local expertise, knowledge and experience combined with the advantage of a global outlook. The Company is large enough to offer a full range of technical services, but small enough to deliver personal service and advice. The Company's philosophy is delivering distinctive service to its clients by going to extraordinary lengths to delight, not just satisfy.

Euroglobal S.E.E. Audit Ltd is a member of BKR International and BKR Mergers & Acquisitions LLC. BKR International is a worldwide association of business advisors. It comprises of independent accounting and business advisory firms with strong presence in more than 360 strategic locations in the six continents. BKR member firms are committed to delivering the highest levels of personal client service and advice throughout the world. Businesses using BKR International firms have access to local knowledge, local expertise, and local experience combined with the advantage of a global outlook.

Personal Tax

Resident individuals are subject to tax on their worldwide income. In order to be classified as a resident individual, one has to reside in the Republic of Cyprus for a period exceeding 183 days in a year. Tax is charged on income accruing in, derived from or received in Cyprus by any person in respect of gains or profits from any trade, business, profession or vocation or from any office or employment, including pensions or from dividends, interest, rents, annuities and royalties. In the case of salaried individuals “income” also includes benefits in kind. Expatriate employees of International Business enterprises are taxed only on income earned or generated in Cyprus, provided such employees meet the residency requirements as defined here above. Those expatriates living and working outside Cyprus are exempt from income tax if they are paid through a bank in Cyprus.

The personal tax rates applicable are as follows:

<i>Taxable Income</i>	<i>Tax Rate</i>
<i>CYP</i>	<i>%</i>
0 – 10000	0
10001 – 15000	20
15001 – 20000	25
20001 -	30

Corporation tax

Resident companies are taxed on their worldwide income at the rate of 10% on net profits. For a company to obtain the status of a resident company, its management and control has to be exercised in Cyprus. Public corporate bodies whose taxable income does not exceed 1,000,000 are taxed at the rate of 25%, while in cases where the taxable income exceeds 1,000,000 the tax rate imposed is 30%.

Income tax is assessed in the year in which the income is earned or realized on a current year basis. All expenses incurred wholly and exclusively in the earning of the income, annual depreciation and other allowances, as well as allowances deriving from special tax incentives, are permitted as deductions. As far as depreciation allowances are concerned, they are calculated on a straight-line basis and the depreciation period depends on the type of the capital asset. Losses are in the first instance set off against the income from other sources and any balance left is carried forward for an indefinite period.

A company incorporated in Cyprus is taxed on its worldwide income. Nevertheless, if a bilateral tax agreement is in existence with the country from where the income is derived, double taxation is avoided. If there is no such agreement, then unilateral tax relief is provided.

Local partnerships are not subject to tax as separate entities. Instead, each partner (whether individual or company) is taxed separately on the profits of the entity apportioned to him.

Collection of taxes is made on the basis of estimated declarations and is paid in three instalments during the year concerned (August 1, September 30 and December 31).

Defence fund contribution is levied on the following types of income:

- ✓ 10% on interest received, unless the interest is derived or is closely connected with the ordinary course of business of the company.
- ✓ 3% on 75% of rental income from property.
- ✓ 15% on dividends received from abroad by the company, unless dividends are received from a company abroad, in which the recipient company holds at least 1% of the share capital and the paying company does not derive more than 50% of its profits from investment activities, or from a jurisdiction in which the company is taxed at substantially less than the Cypriot corporation tax rate.
- ✓ 15% on dividends paid. This does not apply to the payment of dividends to a Cypriot company or to a non-resident shareholder.
- ✓ 15% on deemed dividend distribution on 70% of distributable accounting profits of the company. This does not apply in case where the shareholders are non-residents.
- ✓ There is an obvious tax incentive here to attract multi-nationals and other international businesses to base their holding companies in Cyprus. This will enable them to pull out dividends, from their ventures across the continent using Cyprus's low withholding rates provided in the treaties it has signed and then re-distribute these profits to its shareholders with zero withholding tax. The only tax to be levied is the 10% corporation tax if not reduced or eliminated by the third country dividend tax withhold which is usually allowed as a credit in Cyprus.
- ✓ 3% on interest accruing to provident fund.
- ✓ 3% on profits earned by Public Corporate Bodies.
- ✓ 3% on interest received from stocks and bonds issued by the Company.

An individual with an annual income, including interest, of up to CYP 7,000 may request a refund of the tax withheld on interest in excess of 3%.

In cases where income subjected to special defence contribution has been subjected to a foreign tax, the foreign tax already paid shall be used as a tax credit and be credited against the amount payable as special defence contribution. The existence of a Double Taxation Treaty between the two countries in question is not a required.

Tax Savings Directive

This Directive came into force on 1 July 2005. Its object is to guarantee that savings income in the form of interest payments on debt claims, as encompassed in the taxable income of individuals who are tax residents in a Member State, are effectively taxed. This can be achieved through an automatic exchange of information. It is applicable to interest payments conducted through a paying agent throughout the EU, irrespective of where the issuer of the debt-claim generating the interest is established.

Accordingly, entities established in a Member State that either receive interest or secure interest for the benefit of the beneficial owners may be considered as paying agents given that they are legal entities, their profits are taxed under the general arrangements for business taxation or are undertakings for collective investment in transferable securities.

Organisations engaged in cross border interest payments to beneficial owners who are individual tax residents of another EU Member State, are obliged to provide the Income Tax Authorities with information on such interest payments or withhold tax.

Belgium, Luxembourg and Austria have opted to levy a withholding tax on such savings income rather than exchange information during a transitional period. The transitional provisions shall apply until the Swiss Confederation, the Principality of Andorra, the Principality of Liechtenstein, the Principality of Monaco and the Republic of San Marino incorporate fully the exchange of information provision when needed, with regard to payment of interest, and upon commitment of the United States of America to exchange of information as per the OECD Model Agreement.

These 3 Countries, however, are entitled to receive information from other Member States. The rates of withholding tax levied shall be 15% for the first 3 years, 20% for the subsequent 3 years and 35% from then on.

The paying agent is obliged to report to and provide the authorities of the Member State in which he is established, his name and address, the identity, place of residence and the account number of the beneficial owner or, where possible or available, name the debt claim generating the interest, and give any interest payment information.

Interest and Royalties Directive

It abolishes withholding taxes on interest and royalty payments in a Member State. The benefits of the Interest and Royalties Directive are only available to companies which are subject to corporation tax in the EU, are tax resident in an EU Member State and are in the acceptable form as included in the Annex to the Directive.

It imposes a requirement of a direct minimum holding of 25% and Member States are given the option not to apply the directive in cases where this requirement has not been maintained for an uninterrupted period of at least two years.

Parent Subsidiary Directive

The EU Parent Subsidiary Directive, attempts to eliminate tax obstacles on profit distributions in the EU. It provides for an exemption on withholding taxes on dividends distributed by the subsidiary, given that a holding of at least 15% (to be reduced to 10% on 01/01/2009) exists. It provides as an option to Member States the requirement of a 2 year holding in order to be applicable.

Accordingly, as a means of avoiding double taxation, the Member State of the parent company must either impose no tax on profits distributed by a subsidiary, or accredit tax paid in the Member State of the subsidiary against any tax imposed.

Cyprus adopted and fully implemented the Directive. According to the national law provisions, an exemption on withholding taxes on dividends is granted given that a parent company holds at least 1% of the shares of its subsidiary. Cyprus has opted not to apply the minimum holding requirement of at least 2 years.

Merger Directive

The Merger Directive applies to mergers, divisions, partial divisions, transfers of assets and exchanges of shares between Member States.

According to the provisions of the Directive, a capital gains exemption is granted on the difference between the real values of assets and liabilities transferred and their actual values for tax purposes. Accordingly, it is essential that Member States take all measures needed as to guarantee that such tax exemptions are carried over upon the transferring of a company.

Additionally, a capital gains exemption is granted where the receiving company holds shares in the transferring company. Gains due to the receiving company shall not be taxed on the cancellation of its holding. A minimum holding percentage of 15% applies that shall be reduced to 10% by 1 January 2009.

The shareholder shall not be liable to income, profits, or capital gains tax relating to an allotment of securities corresponding to the capital of the receiving or acquiring company to a shareholder of the transferring or acquired company.

Capital gains resulting from cross-border company restructuring carried out in the forms covered by this Directive are not liable to tax at the time but instead at a later disposal of the assets.

It also applies to European Companies as well as European Co-operative Societies and provides that in the case of a transfer of the registered address of an SE, a tax deferral on capital gains shall be available where a linkage of the assets and the former permanent establishment still exists. The shareholders should not be subject to tax.

Immovable property is also taxed on an annual basis on the market value of the property as at January 1, 1980.

The rates applicable are as follows:

- Nil rate for property amounting up to CYP 100,000;
- 0,25% for property between CYP 100,001 - 250,000, amounting to CYP 375;
- 0.35% for property between CYP 250,001 - 500.000, amounting to CYP 875;
- 0.40% thereafter.

An exemption from immovable property tax is granted to religious buildings (such as churches, etc) and public cemeteries, schools and public hospitals, property owned by foreign embassies, consulates, or the Republic or that is located in depressed areas, agricultural land used by a farmer for agricultural purposes, buildings owned by charitable organisations or that are under preservation, property under the name of a missing person.

A transfer of real estate is subject to a transfer fee based on the sale price or on current market value of the property. These rates range from 3% to 8%.

The rate of 3% is imposed on the first CYP 50,000 of the sale price or market value, which is then increase to 5% regarding amounts from CYP 50,001 to CYP 100,000 and finally to 8% on any price above CYP 100,000.

Where transfer fees are paid in relation to the transferring of property to a group company, these are refunded after five years provided that certain requirements are met. These requirements are the following:

- ❖ the company remains the owner of the property; and
- ❖ the shareholders of the company remain the same.

Companies and individuals are liable to a 20% tax on gains from the disposal of immovable property in Cyprus or from the disposal of shares in companies the assets of which consist mainly of immovable property in Cyprus.

Non-residents in Cyprus are also liable to pay this tax.

The gain is the difference between the sale proceeds and the original cost of the property, adjusted for inflation.

No capital gains tax is payable on gains from the disposal of any property outside Cyprus.

The imposition of Capital Gains Tax on transfers of immovable property is subject to some exceptions, namely:

- transfer of immovable property due to death;
- gifts among relatives up to the third degree;
- gifts to companies by members of the family of the shareholders (it is obligatory that the such relationship is present for at least 5 years);
- gift by a family owned company to its members, given that the donated property was also acquired by the company in terms of a gift (it is a requirement that the property remains in the possession of the shareholders for at least 3 years);
- donation for charity, to charitable organisations or to the Republic;
- sale or exchange of property consistent with the provisions of the Agricultural Land (Consolidation) Laws;
- exchange of properties of equal value;
- profit on the sale of shares listed on the Stock Exchange
- expropriation of property;
- profit from the transfer of ownership of property or shares where a company reorganisation has taken place.

Additionally, individuals may be granted lifetime exemptions on the following amounts relating to the sale of immovable property:

- | | |
|---|------------|
| □ sale of private residence | CYP 50,000 |
| □ sale of land used by a farmer for agricultural purposes | CYP 15,000 |
| □ other sales | CYP 10,000 |

This tax was first introduced on the 1st of July 1992. Every legal or physical person who supplies goods or provides services which are subject to VAT must be registered for VAT purposes if its turnover exceeds CY£9000 per annum. The tax is levied on the supply of goods varies from 0% to 15%.

Businesses with lower turnover can be registered to the VAT voluntarily.

Applicable rates

Exempted items, goods or services, include medical services, postal services, financial services, insurance services, education, rent and disposal of immovable property, etc.

Zero-rated goods or services include exports, food, medicine, etc.

Goods or services rated at 5% include animal food, fertilizers, newspapers, books, products intended to be used by disabled people, ice-creams, bus fares for urban and rural areas, water which is not bottled, gas, crisps and salted nuts, etc.

Goods or services rated at 8% include restaurant and catering services, excluding alcoholic drinks, hotel and holiday accommodation, taxi services, etc.

The standard rate of 15% applies to all other goods or services not covered by any of the above.

As from 1st January 2006 it is obligatory that every person (legal or physical) obtaining income from business activities, profession or occupation and from property and whose turnover exceeds CYP 40,000, complies with the Council of Ministers' Regulation as published in the Official Gazette of the Republic of Cyprus and issue invoices and receipts for all transactions undertaken and performed.

Additionally, it is required that accounting books and records are kept and maintained which are further audited in accordance with the International Financial Reporting Standards. The auditor should be authorised to act as such in accordance with the relevant provisions of the Companies Law (CAP 113).

Cyprus has concluded a great number of Double Tax Treaties. The main purpose of these treaties is the avoidance of double taxation on income earned in any of the countries that Cyprus has entered into agreement with.

Double Tax Treaties, in conjunction with the other tax advantages, prevent double taxation and tax payable can be reduced to a minimum.

Under these agreements, a tax credit is usually allowed against the tax paid to the country the taxpayer has his permanent residence. Normally, the effect of these arrangements is that the taxpayer pays no more than the higher of the two rates. However the existence of these treaties combined with the low Corporation Tax of Cyprus offer tremendous possibilities for tax planning through Cyprus.

Format of Cyprus' tax treaties and important articles

The majority of Cyprus' tax treaties follow closely the treaty developed by the Organization of Economic Cooperation and Development (OECD). Changes are made only to reflect the different tax systems of Cyprus and each treaty partner individually.

All double tax treaties that Cyprus has entered into include articles that explain the right of a contracting state to tax dividends, interest received and royalties. The rates of those taxes are shown on the following table.

Tax withholding rate (%)						
	Received in Cyprus			Paid from Cyprus		
Country	Dividends	Interest	Royalties	Dividends **	Interest	Royalties
Armenia***	Nil	Nil	Nil	Nil	Nil	Nil
Austria	10	Nil	Nil	10	Nil	Nil
Belarus	5 ⁽¹⁾	5	5	5 ⁽¹⁾	5	5
Belgium	10 ⁽²⁾	10 ⁽³⁾	Nil	10 ⁽²⁾	10 ⁽³⁾	Nil
Bulgaria	5 ⁽⁴⁾	7 ⁽⁵⁾⁽⁶⁾	10 ⁽⁶⁾	5 ⁽⁴⁾	7 ⁽⁵⁾	10
Canada	15	15 ⁽³⁾	10 ⁽⁷⁾	Nil	15 ⁽³⁾	10 ⁽⁷⁾
China	10	10	10	10	10	10
Czech Republic****	10	10 ⁽³⁾	5 ⁽⁸⁾	Nil	10 ⁽³⁾	5 ⁽⁸⁾
Denmark	10 ⁽²⁾	10 ⁽³⁾	Nil	10 ⁽²⁾	10 ⁽³⁾	Nil
Egypt	15	15	10	15	15	10
France	10 ⁽⁹⁾	10 ⁽³⁾	Nil ⁽¹⁰⁾	Nil	10 ⁽³⁾	Nil ⁽¹⁰⁾
Germany	15 ⁽¹¹⁾	10 ⁽³⁾	Nil ⁽¹⁰⁾	Nil	10 ⁽³⁾	Nil ⁽¹⁰⁾
Greece	25	10	Nil ⁽¹²⁾	25	10	Nil ⁽¹²⁾
Hungary	5 ⁽¹³⁾	10 ⁽³⁾	Nil	Nil	10 ⁽³⁾	Nil
India	10 ⁽⁹⁾	10 ⁽³⁾	15	10 ⁽⁹⁾	10 ⁽³⁾	15
Ireland	Nil	Nil	Nil ⁽¹²⁾	Nil	Nil	Nil ⁽¹²⁾
Italy	15	10	Nil	Nil	10	Nil
Kuwait	10	10 ⁽³⁾	5 ⁽⁸⁾	Nil	10 ⁽³⁾	5 ⁽⁸⁾
Kyrgystan***	Nil	Nil	Nil	Nil	Nil	Nil
Lebanon	5	5	Nil	5	5	Nil
Malta	Nil	10 ⁽³⁾	10	15	10 ⁽³⁾	10
Mauritius	Nil	Nil	Nil	Nil	Nil	Nil
Norway	5 ⁽¹⁴⁾	Nil ⁽¹⁵⁾	Nil	Nil	25 ⁽¹⁶⁾	Nil
Poland	10	10 ⁽³⁾	5	10	10 ⁽³⁾	5
Romania	10	10 ⁽³⁾	5 ⁽⁸⁾	10	10 ⁽³⁾	5 ⁽⁸⁾
Russia	5 ⁽¹⁷⁾	Nil	Nil	5 ⁽¹⁷⁾	Nil	Nil
Serbia-Montenegro****	10	10	10	10	10	10
Seychelles *****	Nil	Nil	5	Nil	Nil	5
Singapore	Nil	7 ⁽¹⁸⁾	10	Nil	7 ⁽¹⁸⁾	10
Slovakia****	10	10 ⁽³⁾	5 ⁽⁸⁾	Nil	10 ⁽³⁾	5 ⁽⁸⁾
Slovenia*****	10	10	10	Nil	10	10
South Africa	Nil	Nil	Nil	Nil	Nil	Nil
Sweden	5 ⁽¹³⁾	10 ⁽³⁾	Nil	5 ⁽¹³⁾	10 ⁽³⁾	Nil
Syria	15 ⁽¹⁹⁾	10 ⁽³⁾	10 ⁽²⁰⁾	15 ⁽¹⁹⁾	10 ⁽³⁾	10 ⁽²⁰⁾
Tajikistan***	Nil	Nil	Nil	Nil	Nil	Nil
Thailand	10	10 ⁽²¹⁾	5 ⁽²²⁾	10	10 ⁽²¹⁾	5 ⁽²²⁾
Ukraine***	Nil	Nil	Nil	Nil	Nil	Nil
United Kingdom	15 ⁽²³⁾	10	Nil ⁽¹⁰⁾	Nil	10	Nil ⁽¹⁰⁾
USA	5 ⁽²⁴⁾	10 ⁽³⁾	Nil	Nil	10 ⁽³⁾	Nil
Uzbekistan***	Nil	Nil	Nil	Nil	Nil	Nil
All other countries	(16)	(16)	(16)	0-40 ⁽¹⁶⁾	0-40 ⁽¹⁶⁾	10 ⁽²⁵⁾

*(All the treaties refer to those, which have been ratified. There are 32 treaties covering 40 countries. The numbers in the brackets refer to the explanatory notes herebelow.

**Under Cyprus tax law, dividends paid to non-resident companies are not subject to withholding tax.

*** Application of the Treaty between the Republic of Cyprus and the USSR.

**** Application of the Treaty between the Republic of Cyprus and Czechoslovakia.

***** Application of the Treaty between the Republic of Cyprus and Yugoslavia.

***** It came into force on 01/01/2007.

Explanatory Notes

1. 5% of the gross amount if the beneficial owner has a holding in the share capital of the paying company of at least Euros 200.000; 10% if the beneficial owner holds directly at least 25% of the share capital of the paying company; 15% in all other cases.
2. 10% of the gross amount if recipient is a company with at least 25% direct (also indirect in the case of Belgium) share interest; 15% in all other cases.
3. Subject to certain exemptions.
4. 5% if beneficial owner is a company which holds directly at least 25% of the capital of the company paying the dividends; 10% in all other cases.
5. Nil if interest is paid or guaranteed by the government of the other state or a statutory body thereof or to the central bank of the other state.
6. These rates shall not apply if at least 25% of the capital of the Cypriot resident is owned directly or indirectly by the Bulgarian resident (either alone or with other related persons) that is paying the interest of royalties, except when the resident of Cyprus is not liable to tax which is lower than the usual tax rate.
7. Nil if royalties are copyright and other literary, dramatic, musical or artistic work not including film or videotape royalties.
8. Nil if royalties are on literary, artistic or scientific work including cinematography films and films or tapes for television or radio broadcasting.
9. 10% if recipient is a company with at least 10% direct share interest; 15% in all other cases.
10. 5% on cinematography films including television films.
11. 10% if recipient is a company with at least 25% direct share interest; 27% if recipient is a company with more than 25% direct or indirect share interest as long as the German corporate tax on distributed profits is lower than that on undistributed profits and the difference between the two rates is 15% or more; 15% in all other cases.
12. 5% on cinematography films not including television films.
13. 5% if recipient is a company with at least 25% direct share interest; 15% in all other cases.
14. Nil if received by a company which controls, directly or indirectly, at least 50% of the voting power.
15. At the rate applicable in accordance with domestic law.
16. There is a withholding tax of 20% on dividends and 25% on interest. The final tax liability is determined as follows:
 - a) Companies: in respect of dividends, no withholding tax, subject to Director's

approval. For interest, on corporate tax rates.

- b) Individuals: on objection, in accordance with personal tax rates. In both cases any excess tax withheld is refunded.

N.B. The agents or recipients of interest or dividends are liable for the payment of the due amount of tax on such income.

17. 5% if the beneficial owner has directly invested in the capital of the company more than the equivalent of US\$100,000; 10% in all other cases.
18. 7% if it is received by a bank or a similar financial institution; 10% in all other cases. Interest paid to the government of the other state, as defined, is exempt from tax.
19. Nil if shareholder is a company that holds directly at least 25% of the capital of the company paying the dividends; 15% in all other cases.
20. 15% for any patent trade mark, design or model, plan, secret formula or process or any industrial, commercial, or scientific equipment or for information concerning industrial, commercial or scientific experience.
21. 10% of the gross amount if it is received by any financial institution (including an insurance company) or in connection with the sale on credit of any industrial, commercial or scientific equipment, merchandise; 15% in all other cases. Interest paid to the government of the other state is exempt from tax.
22. 5% of the gross amount of the royalties for the use of or the right to use any copyright of literary, dramatic, musical, artistic or scientific work, including software, cinematography films, or films or tapes used for television or radio broadcasting; 10% of the gross amount of the royalties received as consideration for the use of, or the right to use industrial, commercial or scientific equipment or for information concerning industrial, commercial or scientific experience; 15% of the gross amount of the royalties received as consideration for the use of, or the right to use, any patent, trade mark, design or model, plan, secret formula or process.
23. A resident of Cyprus, other than a company which either alone or together with one or more associated companies controls directly or indirectly at least 10% of the voting power, is entitled to a tax credit in respect of the dividend. Where a resident of Cyprus is entitled to a tax credit, tax may also be charged on the aggregate of the cash dividend and the tax credit, tax may also be charged on the aggregate of the cash dividend and tax credit at a rate not exceeding 15%. In this case any excess tax credit is repayable. Where the recipient is not entitled to a tax credit, the cash dividend is exempt from any tax.
24. 5% if recipient is a company with at least 10% direct share interest; 15% in all other cases.
25. 5% on cinematography films

The Social Insurance Contribution is compulsory in Cyprus and covers all those working in the Republic.

The applicable rates are as follows:

	Social Insurance Contribution	Contribution to the Redundancy Fund	Contribution to the Industrial Training Fund
Self-Employed	11.6%	-	-
Employee	6.3%	-	-
Employer	6.3%	1.2%	0.5%

Maximum limit of emoluments in relation to employees

	Weekly	Monthly	Yearly
Weekly employees	CYP 496		CYP 24,908
Monthly employees		CYP 2,076	CYP 24,912

Minimum limit of emoluments in relation to self-employed according to their occupational category

	Weekly	Yearly
Practicing professionals		
- up to 10 years of experience	CYP 182	CYP 9,464
- over 10 years of experience	CYP 366	CYP 19,032
Managers, wholesalers, estate and insurance agents, etc.	CYP 366	CYP 19,032
Teaching professionals		
- up to 10 years of experience	CYP 177	CYP 9,204
- over 10 years of experience	CYP 354	CYP 18,408
Builders and others practicing similar occupations	CYP 222	CYP 11,544
Farmers, fishers and others practicing similar occupations	CYP 123	CYP 6,369
Drivers of means of transportation and others practicing similar occupations	CYP 177	CYP 9,204
Technicians and others practicing similar occupations	CYP 177	CYP 9,204
Secretaries, typists, cashiers	CYP 177	CYP 9,204
Other specialised workers excluded from any other occupational category	CYP 177	CYP 9,204
Retailers, merchants, storekeepers	CYP 168	CYP 8,736
Butchers, bakers, product makers and others practicing similar occupations	CYP 135	CYP 7,020
Musicians, agents, ship engineers, computer operators and others practicing similar occupations	CYP 182	CYP 9,464
Cleaners, messengers and others practicing similar occupations	CYP 168	CYP 8,736
Mailmen, garbage collectors, salesmen, service providers and others practicing similar occupations	CYP 123	CYP 6,396
People not included under any occupational category	CYP 182	CYP 9,464

As from 1st January 2003 every employer is liable to pay a 2% contribution to a special fund called “cohesion fund”, on salaries of all employees, both locals and expatriates.

However, an exemption from the contribution to the social cohesion fund is granted in cases of foreign employees employed by an International Business Company, a foreign government, a ship management company or a company owning a Cyprus ship.

This contribution replaces the 2% contribution to the defence fund, which is abolished as from 1/1/2003.

Stamp duty at nominal rates is payable on a variety of legal documents.

The applicable rates that are payable on contracts are 0.15% on sums up to CYP 100.000 and 0.2 % on sums exceeding CYP 100.000. In cases where the amount involved is unspecified, the stamp duty payable amounts to CYP 20.

Further to recent amendments to the law, contracts with a consideration of over CYP 25,000,000 (approx. EUR 43,000,000) are subject to a special treatment and are thus subject to a stamp duty of CYP 10,000 (approx. EUR 17,000).

Transactions relating to the reorganization of a company may be granted an exemption.

Cyprus today is considered as an ideal centre for the establishment of ship owning and ship management companies primarily due to the favourable tax regime it has to offer. Cyprus ranks among the top ten countries in the world and has been appointed third within the European Union in this field.

Maritime activities are governed by the Merchant Shipping laws which are based on English law. The taxability of such activities is governed by the Merchant Shipping (Fees and Taxing Provisions) Law and accordingly, the following exemptions are being granted:

- Income obtained by the ship owner of a Cyprus ship which resulted from the maritime activities and operations of the ship is not liable to pay income tax.
- The salaries of the crew, the officers and other members, as well as the income paid in relation to the ship management services are exempt from tax.
- The profits, distribution of the profit to the shareholders as dividends, sale of the vessel or other capital gains relating to the vessel are exempt from tax.

Additionally,

- Shipping companies which are owned by non-residents are completely exempt from exchange control restrictions.
- No stamp duties are levied on mortgage documents.
- Ship management service providers may choose to pay tax either at the rate of 25% based on the tonnage of the ships they manage, or at the rate of 4.25% on their taxable income.
- Cyprus has concluded numerous Double tax agreements with major countries in the world.

Stock exchange transactions are subject to a 0,15% special fee which is imposed on both individuals and legal entities and is payable by the seller to the Cyprus Stock Exchange. The Cyprus Stock Exchange is the required to pay the said fee to the State.

Certain exemptions apply:

- ✘ issue and redemption of shares by the issuer
- ✘ transactions which relate to non-convertible corporate bonds, debentures, promissory notes
- ✘ transactions which relate to bonds, debentures and government securities
- ✘ gifts of securities between relatives up to the third degree
- ✘ transfer of securities by reason of death.

30 April	Submission of Tax Returns by individuals, with a gross income over CYP 10,000 for the previous year.
	Submission of Employers' Return
	Provisional Tax for life insurance companies (first instalment)
30 June	Payment of Special Contribution to the Defence Fund for the first six months of the year
	Tax Returns of individuals with an income of over CYP 10,000 who do not prepare and submit audited accounts
	Payment of Tax Balance by individuals who did not prepare and submit audited accounts for the previous year
1 August	Provisional Tax (submission of provisional tax assessment and payment of first instalment)
	Payment of Tax Balance by individuals and companies who did not prepare and submit audited accounts for the previous year
31 August	Provisional Tax for life insurance companies (second instalment)
30 September	Provisional Tax (second instalment)
	Immovable Property Tax
31 December	Payment to the Special Contribution to the Defence Fund for the last six months of the year
	Submission of Tax Returns for individuals and companies for the previous year
	Provisional Tax (third instalment)
	Provisional Tax for life insurance companies (final instalment)
End of the following month	Payment of tax deducted from employees' salary
	Social Insurance deducted from employees' salary
	Tax withheld from interest and dividends as defence contribution

Various penalties and interest may be imposed in case of non compliance with the abovementioned deadlines.

The rate for 2007, as determined by the Ministry of Finance, is 8%.

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