

Cyprus

Contacts

Limassol

EY
27-29 Spyros Kyprianou Avenue
Mesa Geitonia
Limassol
4003
Cyprus

Philippos Raptopoulos
Philippos.Raptopoulos@cy.ey.com
+35725209999

1. Types of tax

Cyprus generally does not impose inheritance taxes or wealth taxes.

1.1 Inheritance tax

There is no inheritance tax in Cyprus.

1.2 Gift tax

There is no gift tax in Cyprus.

1.3 Real estate transfer tax

There is a transfer tax payable to the Department of Land and Surveys for transfers of immovable property situated in Cyprus. See Section 2 below for the transfer tax rates.

Stamp duty on contracts for transfer of immovable property situated in Cyprus is charged at 0.15% on amounts from €5,001 up to €170,000 of the consideration and at 0.2% on any consideration above that sum up to a maximum of €20,000 per contract.

1.4 Endowment tax

There is no endowment tax in Cyprus. The income arising from a scholarship, exhibition or any other educational endowment held by an individual receiving full-time instruction at a university, college, school or other recognized establishment is exempt from income tax.



1.5 Transfer duty

There is no transfer duty in Cyprus, except for real estate transfer fees and stamp duty as explained in Section 1.3 above.

1.6 Net wealth tax

There is no net wealth tax in Cyprus.

1.7 Others

This is not applicable to Cyprus.

1.7.1 Personal income tax

Cyprus taxes the worldwide income of its residents, while nonresidents are only taxed on certain categories of income derived from sources within Cyprus. Income from employment exercised within Cyprus is considered as Cyprus-source income in this respect.

An individual is considered to be a tax resident of Cyprus if he or she is present in Cyprus for, in aggregate, more than 183 days in any calendar year. For the purpose of calculating the days of residence in Cyprus, the day of departure from Cyprus is considered to be a day out of Cyprus, the day of arrival into Cyprus is considered to be a day in Cyprus, the arrival in Cyprus and departure from Cyprus on the same day is considered to be a day in Cyprus, and the departure from Cyprus and return to Cyprus on the same day is considered to be a day out of Cyprus.

Personal income tax (PIT) rate for individuals is levied based on the so-called Pay As You Earn system (PAYE), in which the tax rate varies depending on the amount of the net annual taxable income earned per a tax year. See Section 2 below for PIT.

Employers are required by law to deduct PIT from all employees' salaries.

The Cypriot Income Tax Law allows for a number of exemptions, deductions, allowances and reliefs.

1.7.2 Immovable property tax

Tax is imposed on the owner (individuals and legal persons) of immovable property in Cyprus as at 1 January of every year. It is calculated on the market value of immovable property as of 1 January 1980 and is payable by 30 September in the year. See Section 2 below for Immovable property tax.

1.7.3 Capital gains tax

Capital gains tax (CGT) is imposed on profits from disposal of immovable property situated in Cyprus, or shares in companies, which have immovable property in Cyprus, and such shares are not listed in any recognized stock market. The tax is imposed on the net profit from disposal at the rate of 20%. The net profit is calculated as the disposal proceeds less the greater of the cost of market value on 1 January 1980 adjusted for inflation. Inflation is calculated using the official Retail Price Index. The index on 1 January 1980 was 35.40 (base year 2005).





PIT

Taxable income (€)	Tax rate %	Amount of tax (€)	Accumulated fees (€)
€0-€19,500	0	€0	€0
€19,500-€28,000	20	€1,700	€1,700
€28,000-€36,300	25	€2,075	€3,775
€36,300-€60,000	30	€7,110	€10,885
Over €60,000	35		

3. Exemptions and reliefs

3.1 Educational endowment

See Section 1.4.

3.2 Lump-sum payments

Any lump sum received by way of retiring gratuity, commutation of pension, death gratuity or as consolidated compensation for death or bodily injury is exempt from PIT and is not subject to any other taxes in Cyprus.

3.3 Inheritance

Income received from individuals by way of an inheritance is not subject to any taxation in Cyprus.

3.4 Expatriate allowances

An individual who was resident outside Cyprus before the commencement of employment in Cyprus is entitled to an exemption of the lower of €8,550 or 20% of the remuneration from any office or employment exercised in Cyprus. This exemption applies for a period of three years commencing from 1 January following the year of commencement of employment.

In addition, an individual with income from employment that exceeds €100,000 per annum who was not tax resident of Cyprus prior to the commencement of employment is entitled to an exemption of 50% of the remuneration from any office or employment exercised in Cyprus. This exemption applies for the first five years of employment and for employments commencing as of 1 January 2012.

Note that it is the practice of the tax authorities to allow only one of the two above-mentioned allowances.

3.5 Gifts/donations of real estate property

The following are exempt from Cyprus CGT:

- Transfer by reason of death.
- Gifts to relatives within the third degree of kindred.



- ▶ Gift to a company of which the shareholders are and continue to be members of the disposer's family for five years after such gift.
- ▶ Gift by a company, of which all the shareholders are members of the same family, to any of its shareholders when the property gifted was also acquired by the company as a gift.
- ▶ Gift by a company, of which all the shareholders are members of the same family, to any of its shareholders when the property gifted had been acquired by the company as a gift. The property must remain in the hands of the donee for a period of at least three years.
- ▶ Gift to the Republic or to a local authority for educational or other charitable purposes or to approved charitable institutions.

4. Estate and inheritance tax-filing procedures

Although there is no estate tax, since 1 January 2000, the executor/administrator of the estate of the deceased is required by law to submit to the tax authorities a statement of assets and liabilities of the deceased person within six months from the date of death.

5. Estate and inheritance tax assessments and valuations

Not applicable.

6. Trusts, foundations and private purpose funds

6.1 Trusts

In 2012, the framework of the International Trust law has been modernized, with the approval by the island's House of Representatives. The new features introduced aim to adapt to the current and future needs of the investors. According to Cyprus International Trust Law 20(I)/2012 as amended, the settlor of the trust should not be resident for tax purposes of Cyprus during the year preceding the year in which the trust would be formed. In addition, at least one of the trustees must be resident for tax purposes in Cyprus. The beneficiaries of the trust can be either resident for tax purposes of Cyprus or not.

In principle, non-Cypriot tax resident beneficiaries of a trust should be subject to taxation in Cyprus only on income arising from sources in Cyprus. On the contrary, Cypriot tax resident beneficiaries should be subject to tax in Cyprus on their worldwide income.

6.2 Private collective investment schemes

Private Collective Investment Schemes are regulated in Cyprus by the Central Bank of Cyprus. The income derived by a collective investment scheme is taxable unless an exemption applies under the Law (e.g. dividend exemption for corporate (Income) tax purposes). The distribution of profits to Cyprus tax residents is subject to Special Defence Contribution tax at 17% (for the tax year 2014). Furthermore, no withholding tax applies in case of distribution of profits to non-resident investors.

7. Grants

The income arising from educational grants is exempt from income tax. Other grants should generally not be subject to PIT in Cyprus unless they relate to revenue nature trading activities in which case are treated as taxable.



8. Life insurance

Lump sum life insurance payouts are exempt from income tax and are not subject to any other taxes in Cyprus. However, in case of cancellation of a life insurance policy within six years from the day of its issue, a percentage of the premiums, which were previously allowed, is taxable as follows:

Cancellation within three years	30%
Cancellation from four to six years	20%

9. Civil law on succession

As explained above Cyprus does not levy any estates or inheritance taxes. Succession law issues have to be addressed by Cypriot legal counsel.

10. Estate tax treaties

As Cyprus does not levy any estate taxes and it has not entered into any estate tax treaties.

11. Double-taxation treaties

Cyprus has concluded double taxation treaties with over 40 jurisdictions (including EU jurisdictions such as Austria, Belgium, Germany, Greece, Malta and the UK, and jurisdictions outside the EU, such as China, India, the Russian Federation, Ukraine and the US).

More Treaties are under negotiation, or awaiting ratification.

All of the above double taxation treaties provide relief from double taxation.

The Cyprus tax authorities will also grant unilateral relief from Cyprus tax on income received from a foreign country with which Cyprus has no double taxation treaty. This relief applies up to the amount of tax paid in the foreign country, and is granted by exemption or credit.