

Cyprus

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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 tax residents, while non-tax residents are taxed only 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 (PAYE) system, 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 withhold PIT from all employees' salaries under the PAYE system.

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

1.7.2 Immovable property tax

Immovable property tax is calculated by reference to the market value of immovable property on 1 January 1980 and is payable by 30 September of the relevant year.

Tax is imposed on the owner (individuals and legal persons) who as at 1 January of every year:

- Owns immovable property in Cyprus which is registered in their names
- Has acquired immovable property but the property was not registered in their names as at 1 January 2016
- Possess property under a lease agreement which was filed with the Cypriot Department of Lands and Surveys

Tax is imposed on the owner (individuals and legal persons) of immovable property in Cyprus as of 1 January of every year and is payable by 30 September of that year. See Section 3 below for Immovable property tax rates.

1.7.3 Capital gains tax

Capital gains tax (CGT) is imposed on profits from the disposal of:

- Immovable property situated in Cyprus
- Shares of companies whose property consists of, *inter alia*, immovable property situated in Cyprus
- Shares of companies that either directly or indirectly participate in a company or companies that own immovable property situated in Cyprus and at least 50% of the market value of such shares is derived from the relevant property



Available exemptions:

- ▶ The disposal of shares listed on any recognized stock exchange is exempt from CGT.
- ▶ It is noted that, in case the investment scheme relates to real estate, an exemption from CGT is granted on gains from disposal of immovable property acquired between 17 July 2015 and 31 December 2016 provided that:
 - ▶ The property consists of land, building or land and building
 - ▶ It is acquired from an independent third party
 - ▶ It is not acquired through an exchange of property or donation/gift

The rest of the exemptions can be found in Section 4.5.

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 or 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 34.96 (base year 2005).

2. Who is liable?

This is not applicable.

3. Rates

Transfer fees

Transfer fees paid to the Department of Land and Surveys are as follow:

Value per property (€)	%	Fees (€)	Accumulated fees (€)
0-85,000	3%	2,550	2,550
85,001-170,000	5%	4,250	6,800
Over 170,001	8%		

For the period from 2 December 2011 to 31 December 2016, no transfer fees are payable when the immovable property being transferred is subject to value added tax (VAT).

In case the immovable property is not subject to VAT, transfer fees are reduced by 50% (subject to conditions), for any immovable property if:

- ▶ The purchase agreement was signed and submitted to the Department of Land and Surveys between the period 2 December 2011 and 31 December 2016, irrespective of the transfer dated.
- or
- ▶ The actual transfer of the immovable property takes place by 31 December 2016 irrespective of the date of the signing of the contract or its submission to the Department of Land and Surveys.

Stamp duty

Stamp duty on contracts is charged as follows:

- ▶ 0.15% for amounts between €5,001 and €170,000
- ▶ 0.2% plus €247.50 for amounts in excess of €170,000, up to a total maximum levy of €20,000 per contract
- ▶ Unspecified contract amount imposes a stamp fee of €35



Immovable property tax

Property value (€)	Rate %	Accumulated tax (€)
Up to 40,000	0.6	240
40,001-120,000	0.8	880
120,001-170,000	0.9	1,330
170,001-300,000	1.1	2,760
300,001-500,000	1.3	5,360
500,001-800,000	1.5	9,860
800,001-3,000,001	1.7	47,260
Over 3,000,001	1.9	

No immovable property tax is payable when the value of the total property is less than €12,500. It is likely that the above rates will change in 2016.

PIT

Taxable income (€)	Tax rate %	Amount of tax (€)	Accumulated fees (€)
€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
Over €60,001	35		

4. Exemptions and reliefs

4.1 Educational endowment

See Section 1.4.

4.2 Lump-sum payments

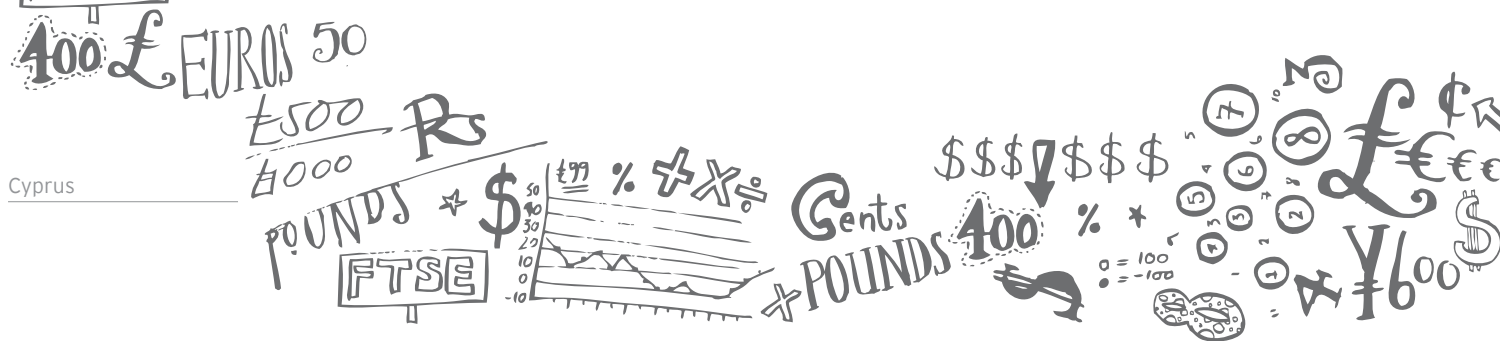
Any lump sum received by way of retiring gratuity, commutation of pension, death gratuity or as consolidated compensation for death or bodily injury is exempt from PIT and is not subject to any other taxes in Cyprus.

4.3 Inheritance

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

4.4 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 five years commencing from 1 January following the year of commencement of employment (provided the employment started during or after 2012). This exemption applies for tax years up to 2020.



Furthermore, 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 10 years of employment and for employment commencing as of 1 January 2012. The 50% exemption is not available to individuals whose employment commenced on or after 1 January 2015 if such individual were:

- ▶ Tax residents of Cyprus for a period of three out of five years preceding the year of employment
- ▶ Tax residents of Cyprus in the year preceding the year of commencement of employment

In case the 50% exemption is claimed, the 20% exemption cannot be claimed.

4.5 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 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
- ▶ Exchange or sale in accordance with the Agricultural Land (Consolidation) Laws
- ▶ Exchange of properties when the values of the immovable properties being exchanged are equal
- ▶ Gain on disposal of shares that are listed on any recognized stock exchange
- ▶ Gains from transfer of property or shares in the course of an approved company reorganization

5. 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.

6. Assessments and valuations

Not applicable.

7. Trusts, foundations and private purpose funds

7.1 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 aim to adapt to the current and future needs of investors. According to Cyprus International Trust Law 20(I)/2012 as amended, the settlor of the trust shall not be resident for tax purposes of Cyprus during the year preceding the year in which the trust is 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 shall be subject to taxation in Cyprus only on income arising from sources in Cyprus. On the contrary, Cypriot tax resident beneficiaries shall be subject to tax in Cyprus on their worldwide income.



7.2 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 and domiciled individuals is subject to Special Defence Contribution tax at 17% (for the tax year 2016). Furthermore, no withholding tax applies in case of distribution of profits to nonresident investors or investors who, although tax residents, are not domiciled in Cyprus.

8. 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 they are treated as taxable.

9. 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%

10. Civil law on succession

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

11. Estate tax treaties

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

11.1 Double-taxation treaties

Cyprus has concluded double-taxation treaties with over 50 jurisdictions (including EU jurisdictions such as Austria, Belgium, Germany, Greece, Malta and the United Kingdom, and jurisdictions outside the EU, such as China, India, the Russian Federation, Ukraine and the United States).

More treaties are under negotiation or awaiting ratification.

Both in accordance with the domestic tax law (unilateral relief) as well as based on the provisions of a double-tax treaty (bilateral relief), it is possible to claim double-tax relief for any foreign tax suffered on income that is taxable in Cyprus, provided that the relevant documentation supporting the incurrence of foreign tax is available. Therefore, any foreign tax incurred is creditable against the resulting tax liability arising in Cyprus on the taxation of income (on which foreign tax was suffered). However, the foreign tax relief cannot exceed the resulting Cypriot tax liability. Any excess foreign tax credits are wasted (cannot be set off against other sources of income) and cannot be carried forward to future periods.