



CYPRUS CORPORATE TAX

12.5 % tax rate
exemptions
non-deductible expenses
losses carried forward



Cyprus tax regime is attractive for enterprises operating locally but around the world as well. The advantages and deductions offered place Cyprus's Tax regime as one of the most attractive and competitive in the world.

A big advantage of Cyprus is the fact that is an EU member, operating under a secure legal framework and protecting entrepreneurship while promoting organic growth.

12.5%

The corporate tax rate of 12.5% is a huge advantage for any international entrepreneur. Enterprises that and use Cyprus as a base for their operations and have a registered office in the country, are considered tax residents of Cyprus. In addition to the attractive corporate tax rate, companies enjoy many other deductions and exemptions on expenses and tax losses relief.

EXEMPTIONS - CORPORATE TAX

TYPE OF INCOME

EXEMPTIONS

Dividends

Whole amount

Profit from the sale of securities

Whole amount

Interest not arising from the usual activities or closely related to the ordinary activities of the company

Whole amount

Gains related to foreign exchange differences (forex) with the exception of forex arising from trading in foreign currencies and related derivatives

Whole amount

Profits of a foreign permanent establishment, under certain conditions

Whole amount

Benefits, profits or redundant obtained from restructuring

Whole amount

CORPORATE EXPENSE TAX DEDUCTIONS

Expenses incurred wholly and exclusively in earning taxable income are deducted for corporate tax purposes.

TYPE OF EXPENSE

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

Equity introduced to a company as from 1 of January 2015 (new equity) in the form of paid up share capital or share premium is eligible for an annual notional interest deduction (NID).

The annual NID deduction is calculated as an interest rate on the new equity. The relevant interest rate is the yield on 10 year government bonds (as at December 31 of the prior tax year) of the country where funds are employed in the business of the company plus a 3% premium (subject to a minimum amount which is the yield on the 10 year Cyprus government bond as the same date plus a 3% premium)

DEDUCTION

Whole amount

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

Donations to approved charities (with receipts)

Whole amount

Royalty income, embedded income and other qualifying intangible assets according to the "new" Cyprus regime (1 July 2016)

80% of the net profit as calculated in accordance with the "new" regime

Royalty income, embedded income and other qualifying income derived from qualifying intangible assets according to the "old" Cyprus IP box.

80% of the net profit

Expenses for scientific researches including research for development that is carried out from small-middle size enterprises.

Whole amount

Employer's contributions to social insurance and approved funds on employees's salaries.

Whole amount

TYPE OF EXPENSE

DEDUCTION

| | |
|--|---|
| Employer's contributions to medical funds for employees. | 1% on employee's remuneration |
| Employer's contributions to Provident/Pension funds for employees. | Up to 10% on employee's remuneration |
| Entertainment expenses for business purposes. | The lower amount of €17.086 or 1% on the gross company income |



NON-DEDUCTIBLE CORPORATE EXPENSES

TYPE OF EXPENSE

NO DEDUCTION

Expenses the purpose of which was not the acquiring of income

Whole amount

Private car expenses

Whole amount

Interest applicable to the cost of acquiring a private vehicle regardless the use and on other assets that were not used for establishment purposes.

Whole amount for 7 years since the day of acquiring the relevant asset.

Salaries provided within a tax year, and of which the contributions to social insurance or other approved funds were not paid within the same year.

Whole amount



LOSSES CARRIED FORWARD

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

LOSSES CARRIED FORWARD - GROUP OF COMPANIES

The losses carried forward rule can be applied with the profits of another company (for the same year) of the group of companies - provided the companies are tax residents.

When is a company considered as a part of a Group of companies?

- One Cyprus tax resident company holding directly or indirectly at least 75% of the voting shares of another Cyprus tax resident company.
- Both of the companies are at least 75% (voting shares) held, directly or indirectly, by a third company.

As from 1 January 2015 interposition of a non- Cyprus tax resident companies will not affect the eligibility for group relief as long as such companies are tax resident of either an EU country or a country with which Cyprus has a double tax treaty or an exchange of information agreement (bilateral or multilateral).

A Cyprus tax resident company may also claim the tax losses of a group company which is tax resident in another EU country, provided such EU company firstly tries the all possibilities available to utilize its losses in its country of residence or in the country of any intermediary EU holding company.

A partnership or a sole trader transferring a business into a company can carry forward tax losses into the company for future utilization.

LOSSES FROM PERMANENT ABROAD ESTABLISHMENTS

Losses from permanent establishments abroad can be set off with profits of the company in Cyprus. Subsequent profits of an exempt permanent establishment abroad are taxable up to the amount of losses allowed.