

CYP-1 Political system

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part I General Law

Introduction

*Elias Neocleous*¹

Political system

CYP-1 Cyprus became an independent Republic in 1960, having formerly been a British colony. It has a written constitution which safeguards the rule of law, political stability, human rights and the ownership of private property. On 1 May 2004, Cyprus became a member of the EU.

The Head of State is the President of the Republic, elected by universal suffrage for a five-year term of office. The Council of Ministers, appointed by the President, is the principal executive body of the Republic.

Legislative power is vested in the House of Representatives, which has 80 seats filled through proportional representation for five-year terms.

Footnotes

¹ Elias Neocleous & Co LLC, Neocleous House, 195 Makarios Avenue, PO Box 50613, 3608 Limassol, Cyprus, Telephone: 357 25 110110, Facsimile: 357 25 110001, Email: info@neo.law.com, Website: <http://www.neo.law>.

CYP-2 Judiciary and statutes

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part I General Law

Introduction

Judiciary and statutes

CYP-2 The administration of justice is exercised by the island's separate and independent judiciary, with judicial power vested in the Supreme Court and inferior courts established by law. The judges of the Supreme Court of Cyprus are appointed by the President of the Republic. The legal system, modelled on the English common law system since independence in 1960, is harmonised with the *acquis communautaire* of the EU.

CYP-3 Currency

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part I General Law

Introduction

Currency

CYP-3 On 1 January 2008, Cyprus joined the Eurozone, adopting the euro as its national currency in place of the Cyprus pound. On adoption of the euro, fees and penalties included in existing laws were converted at the official rate, which accounts for the odd amounts of certain fees and fines.

CYP-4 Financial year

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part I General Law

Introduction

Financial year

CYP-4 The financial year in Cyprus runs from 1 January to 31 December. In the last quarter of each year, the Budgets of the Republic for the following year are submitted by the Council of Ministers to the House of Representatives for consideration and approval.

CYP-5 The Government's writ

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part I General Law

Introduction

The Government's writ

CYP-5 Cyprus was invaded in 1974 by the Turkish army and approximately 37% of the territory remains under Turkish occupation. The so-called Turkish Republic of North Cyprus is recognised only by Turkey, and all the references in this chapter are to the legitimate government of the Republic of Cyprus and the legislation enacted by it.

CYP-6

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part I General Law

Legal persons and organisations

CYP-6 Apart from sole traders, the most commonly-encountered forms of business enterprise are partnerships and limited liability companies. Cyprus law also allows for the formation of foundations and trusts.

CYP-7 Partnerships

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part I General Law

Legal persons and organisations

Partnerships

CYP-7 The Partnerships and Business Names Law Cap.116 is modelled on the corresponding English legislation. Partnerships may not exceed 100 members, who may be natural or legal persons. A partnership is not a legal entity distinct from the persons composing it.

Partnerships may be general or limited. A general partnership is one in which all partners are liable jointly and severally for all the debts and obligations of the partnership. If the assets of the firm are not sufficient to meet its liabilities the shortfall will be paid by the partners individually. The estate of a deceased partner estate is liable for his or her share of the debts, subject to prior payment of his separate debts. A limited partnership is one with at least one general partner and one or more limited partners. Limited partners are not liable for the debts and obligations of the partnership beyond the amount which they invest. However, they are not allowed to take part in the management of the business. In 2015 the partnerships law was amended to introduce partnerships limited by shares, subject to the same restrictions as other limited partnerships.

An application to register a partnership must be submitted to the Registrar of Partnerships within one month of formation giving the following particulars:

- name of the partnership;
- nature of its business;
- principal place of business;
- details of all partners, including full name, nationality and address;
- date of formation; and

- names of the partners responsible for managing the partnership and authorised to sign on its behalf.

If the partnership is a limited liability partnership there should also be a declaration to that effect and a statement of the amount contributed by each partner, and in what form.

End of Document

© 2024 SWEET & MAXWELL

CYP-8 Companies

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part I General Law

Legal persons and organisations

Companies

CYP-8 The Companies Law Cap.113 is based on the [UK Companies Act 1948](#). It provides for the formation of companies with perpetual succession that are distinct from their members, whose liability is limited to a specified amount in the event of the company's assets being insufficient to meet its liabilities. Companies may be limited by shares, in which case each member's liability is limited to the amount of the shares he or she has agreed to subscribe, or by guarantee, where the liability of members is limited to the amount which they have agreed to contribute. Companies limited by guarantee are uncommon, being generally used for non-commercial purposes, such as the promotion of charitable, cultural or educational objectives.

There are two types of companies limited by shares, namely private and public. For a company to be registered as a private company its articles of association must:

- restrict the right to transfer its shares;
- require the company to have at least one shareholder but limit the number of members to 50, excluding employees and former employees;
- prohibit any public offering of its shares or debentures; and
- prohibit the issue of bearer shares.

If any of these limitations are subsequently removed from the articles the company must comply with the obligations imposed on public companies.

The [Companies Law](#) does not define a public company, but states that any corporation which does not satisfy the conditions for registration as a private company is a public company. The main requirements that differentiate a public company from a private one are as follows:

- the minimum number of members is seven, with no upper limit;
- there must be at least two directors;
- if the directors are appointed by the articles their consent to act must be filed on incorporation;
- a trading certificate must be obtained from the Registrar of Companies before the company can commence business;
- a statutory meeting must be held at which the directors must make a statutory report to members;
- the company may issue share warrants if it is listed on a regulated market;
- the company must issue a prospectus or equivalent in a prescribed form before it can issue any of its shares or debentures to the public; and
- it must have a minimum authorised and paid up share capital of €25,629.

Companies may also be registered in Cyprus as European Public Companies or SEs. SEs may migrate from one jurisdiction to another, without the need for a takeover or a transfer of assets to a company already registered in the destination country. Companies incorporated outside Cyprus may establish a place of business in Cyprus upon complying with certain provisions of the law.

An annual levy of €350 is payable to the Registrar of Companies by all companies incorporated in Cyprus. The levy is payable before 30 June each year.

CYP-9 Foundations/Institutions

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part I General Law

Legal persons and organisations

Foundations/Institutions

CYP-9 Recognising that foundations/institutions may have attractive characteristics for clients from certain jurisdictions, the Government introduced a new, modern foundations law. An institution is established by registering it in the Registry of Institutions maintained by the Registrar and by issuing by the Registrar of the registration certificate of the institution. The registration of an institution is made upon written request from the founders or trustees or executors of the will. The request is submitted in the designated form and is accompanied by the founding act and the corresponding statutes, including information on how the institution operates, the names and addresses of its board members, their succession procedure, and the provision under which no remuneration of any kind shall be paid for services rendered by any founding member or officer of the board of directors thereof. The Registrar examines the application and, if satisfied that the purpose or operation of the institution is not unlawful, proceeds to register the institution in the Registry and issues a registration certificate by the designated form, bearing his signature, which is then published in the Official Gazette of the Republic.

CYP-10 Trusts

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part I General Law

Legal persons and organisations

Trusts

CYP-10 Cyprus's first trust law, the Trustee Law 1955 (Cap.193), closely follows the English Trustee Act 1925. At independence, the English doctrines of equity were formally introduced into the Cyprus legal order by s.29 of the Courts of Justice Law (14 of 1960), which requires the courts to follow English common law and equitable principles unless there are other provisions to the contrary under Cyprus law or unless such adherence would be inconsistent with the Constitution of Cyprus.

Trusts may be divided into two main types, according to whether their object is to benefit private individuals (private trusts) or philanthropic purposes (charitable trusts). Private trusts are enforceable at the instance of the beneficiaries. Charitable trusts are generally enforced at the suit of the Attorney General acting on behalf of the state.

A trust may be fixed or discretionary: in the case of a fixed trust the share or interest of the beneficiaries is specified in the trust instrument; in a discretionary trust the trustees hold the trust property on trust for such member or members of a class of beneficiaries as they shall in their absolute discretion determine.

The International Trusts Law of 1992 to 2012 (ITL) provides a framework for the establishment of trusts in Cyprus by non-residents. The ITL is not a self-contained statute, but rather a law built on the existing statutory base: the general principles of trust law apply to Cyprus international trusts unless and to the extent that they are overridden by a specific provision of the ITL. The ITL underwent substantial amendment in 2012 and the updated law gives Cyprus one of the most beneficial and effective international trust regimes in the world.

When the 1992 law was drafted, the availability of international trusts was restricted to non-resident settlors in order to prevent tax avoidance by Cyprus residents. It was not clear

whether settlors could relocate to Cyprus after establishing a Cyprus International Trust and the resultant uncertainty undoubtedly discouraged many of them from doing so. Following the 2012 amendments, the only condition for eligibility to establish a Cyprus International Trust is that the settlor may not be a Cyprus tax resident in the year preceding the year of creation of the trust. There is no longer any prohibition on resident beneficiaries or on ownership of immovable property in Cyprus, allowing the settlor or any beneficiary subsequently to take up residence in Cyprus.

The settlor of a trust may reserve powers to himself or herself, may retain a beneficial interest in trust property, and may act as the protector or enforcer of the trust, without affecting the validity of the trust. The powers that may be reserved are extensive and include the power to revoke, vary or amend the terms of the trust, to apply any income or capital of the trust property, to act as a director or officer of any corporation wholly or partly owned by the trust, to give binding directions to the trustee in connection with the trust property and to appoint or remove any trustee, enforcer, protector or beneficiary. The settlor may impose a general stipulation that the trustees' powers are exercisable only with the consent of the settlor or any other person specified in the terms of the trust. The settlor may also reserve the power to change the governing law of the trust.

At least one trustee must be resident in Cyprus at all times.

Trustees have the same investment powers as those of an absolute owner, in line with the powers of a trustee in England and Wales and other trust jurisdictions that have followed the English Trustee Act 2000. Trustees are explicitly empowered to invest in movable and immovable property both in Cyprus and overseas, including shares in companies incorporated in Cyprus.

Following the 2012 amendments, there is no limit on the duration of a trust. Subject to the terms of the trust, there will be no limit on the period for which a trust may continue to be valid and enforceable, and no rule against perpetuities or remoteness of vesting or any analogous rule will apply to a trust or to any advancement, appointment, payment or application of property from a trust. Except where the terms of a trust expressly provide to the contrary, no advancement, appointment, payment or application of income or capital from the trust to another trust is invalidated solely by reason of that other trust continuing to be valid and enforceable beyond the date on which the first trust must terminate.

From the outset the Cyprus international trust provided very powerful asset protection features, including a strong presumption against avoidance and a requirement that any action to set aside a transfer of property to the trust must be commenced within two years of the transfer. The ITL also provides that a Cyprus court will not enforce the inheritance rules of any country so as to upset the validity of a Cyprus international trust. Cyprus has a distinct advantage over many other Commonwealth countries, in particular the Caribbean islands and Bermuda, in that it is not a party to the arrangements set out in [s.426\(4\) and \(5\) of the Insolvency Act 1986](#), in terms of which British courts and the courts of certain other jurisdictions are required to assist each other in insolvency cases.

The 2012 amendments introduced an explicit provision that any question relating to the validity or administration of an international trust or a disposition to an international trust will be determined by the laws of Cyprus without reference to the law of any other jurisdiction, and that the law relating to inheritance or succession in force in Cyprus or any other country will not in any way affect the validity of the international trust or any transfer or disposition of property to it. It also makes clear that the powers and duties of trustees and of any protectors of the trusts are governed exclusively by Cyprus law. Furthermore, it provides that dispositions to a trust may not be challenged on the grounds that they are inconsistent with the laws of another jurisdiction, for example regarding family and succession issues or on the grounds that the other jurisdiction does not recognise the concept of trusts.

Jurisdictional protection is entrenched by the provision in the ITL that an international trust containing a choice of law clause in favour of Cyprus law is fully protected from unfounded foreign judicial claims as a matter of public policy and order.

Recent amendments to the Cyprus Criminal Code extend its application to actions performed in any foreign country by any person if the offence caused damage to a trust governed by Cyprus law or wrongfully alienated or withheld property situated anywhere in the world belonging to such a trust. These provisions further reinforce the already formidable asset protection features of the Cyprus International Trust.

Stamp duty of €430 is payable on the creation of an international trust.

In 2013 the Law Regulating Companies Providing Administrative Services and Related Matters of 2012 (the Fiduciaries Law 196(I)2012) and the International Trusts Law were amended so as to provide for the establishment of a register of trusts established in Cyprus. Each of the supervisory bodies for providers of trust services on a commercial basis (CySEC, the Cyprus Bar Association and the Institute of Certified Public Accountants of Cyprus (the Competent Authorities)) will maintain a register of trusts established by service providers they regulate containing the following information:

- the name of the trust;
- the name and full address of every trustee at all relevant times;
- the date of establishment of the trust;
- the date of any change in the law governing the trust to or from Cyprus law; and
- the date of termination of the trust.

Any Cyprus-resident trustee of a trust governed by Cyprus law is obliged to notify the relevant Competent Authority of the relevant information within 15 days from the creation of the trust or the adoption of Cyprus law as the law governing the trust, as applicable. Subsequent changes in any relevant information, including termination of the trust or a change in the governing law from Cyprus law, must similarly be notified within 15 days. In the event of termination of the trust or

a change in the governing law from Cyprus law the register will indicate that the trust has been terminated and the information on the trust will be kept for five years.

Service providers establishing trusts are required to obtain documentary evidence of identity of the settlor, the trustees, the beneficiaries (or information on the class of beneficiaries including the beneficiaries to whom any distributions have been made pursuant to the trust) and others associated with the trust, as well as information on the activities of the trust, and keep this information available for inspection by the relevant Competent Authority on request.

A trustee who is a resident of Cyprus and responsible for the administration of the trust is liable for the assessment and payment of income tax on behalf of the beneficiaries. However, this does not prevent the Commissioner of Taxes from assessing the beneficiary directly.

The Cyprus international trust is transparent for tax purposes and the extent of liability to Cyprus tax is determined by the tax residence of the beneficiaries.

End of Document

© 2024 SWEET & MAXWELL

CYP-11

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part I General Law

Forms of ownership

CYP-11 Property of all types may be owned by individuals, companies or trusts (one of the 2012 amendments to the International Trusts Law was to make it clear that an international trust may own real estate in Cyprus). Cyprus law does not recognise the concept of joint tenancy. Property of all kinds is held either absolutely by one individual or entity, or by more than one individual or entity in undivided shares. On the death of one of the tenants in common, his or her share becomes part of his or her estate.

CYP-12

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part I General Law

Lifetime gifts

CYP-12 An owner of movable or immovable property may dispose of it as he wishes during his lifetime.

End of Document

© 2024 SWEET & MAXWELL

CYP-13 Wills and succession law

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part I General Law

Estates of deceased individuals

Wills and succession law

CYP-13 Succession to the estate of individuals domiciled in Cyprus and to real property situated in Cyprus, irrespective of the domicile of the deceased, is regulated by the Wills and Succession Law (Cap.195), and the Administration of Estates Law (Cap.189).

Regulation (EU) 650/2012 on jurisdiction and on the creation of a European Certificate of Succession also applies directly in Cyprus in relation to cross-border succession issues.

CYP-14 Formalities of a valid will

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part I General Law

Estates of deceased individuals

Testamentary dispositions

Formalities of a valid will

CYP-14 The requirements of the Wills and Succession Law regarding wills are similar to those contained in the English Wills Act 1837. Requisites of a valid will are as follows:

- The testator must have testamentary capacity.
- The will must be in writing.
- It must be signed by the testator or in certain circumstances by some other person on his behalf in his presence and by his direction.
- The testator's signature must be made or acknowledged by the testator in the presence of two or more witnesses present at the same time.
- The witnesses must attest and subscribe to the will in the presence of the testator and in the presence of each other. Failure to use precisely the prescribed form of attestation does not invalidate the will.
- If the will consists of more than one sheet of paper, each sheet must be signed or initialled by or on behalf of the testator and the witnesses.

A legacy to a witness is null and void.

A change of domicile does not invalidate the will. However, under s.38 of the Wills and Succession Law, a will is deemed to be revoked by marriage after execution of the will or by the birth of a child after execution of the will if the testator previously had no children, unless it appears on the face of the will that it was made in contemplation of marriage or parenthood.

The statutory and disposable portions

CYP-15 Under the Wills and Succession Law, part of the net estate (referred to as the statutory portion) must be reserved for close relatives who survive the deceased. The proportion of the net estate taken up by the statutory portion varies according to which relatives survive. If the deceased is survived by a spouse or a parent, but not by any children or their descendants, the statutory portion is half the value of the net estate. If he or she dies leaving a living child or a descendant of a child, the statutory portion amounts to three quarters of the net value of the estate.

The statutory portion is distributed according to the rules set out in the WSL (these also apply in the absence of a valid will or to any part of the estate that is not otherwise disposed of).

The remaining amount of the net estate (referred to as the disposable portion) can be disposed of by will. A will which attempts to dispose of more than the disposable portion of the testator's estate is not invalid. However, the disposition will be reduced proportionally so that it is limited to the disposable portion.

These “forced heirship” provisions apply to persons who die domiciled in Cyprus in respect of their entire estate, and to real property located in Cyprus and shares of companies incorporated in Cyprus regardless of the domicile of the deceased. However, under the European Succession Regulation (EU) 650/2012 testators can choose the law of their country of nationality to apply to their estate instead of Cyprus law, regardless of whether it is an EU country, so preventing the “forced heirship” regime from applying. Cyprus law does not recognise forced heirship claims against trust assets and as noted in para.[CYP-10](#), the International Trusts Law 1992 provides that the law relating to inheritance or succession in Cyprus or in any other country shall not in any way affect any transfer or disposition of assets to a Cyprus International Trust or the validity of the trust.

CYP-16 Distribution on intestacy

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part I General Law

Estates of deceased individuals

Distribution on intestacy

CYP-16 The rules of intestacy are set out in Pt III of the Wills and Succession Law. They apply not only if no valid will exists but also to any part of the estate not disposed of by will (including the statutory portion).

The rights of the surviving spouse

CYP-17 If there is a surviving spouse, his or her share of the estate varies according to the number and closeness of other relatives surviving the deceased, as follows:

- If no relative within the fourth degree of kindred or closer survives the deceased, the surviving spouse is entitled to the entire net estate.
- If the deceased is survived by an ancestor or a descendant of an ancestor of the fourth degree of kindred, but no closer relative, the surviving spouse is entitled to three-quarters of the net estate.
- If the deceased is survived by an ancestor or a descendant of an ancestor of the third degree of kindred, but no closer relative, the surviving spouse is entitled to half the net estate.
- If the deceased is survived by a child or a descendant of a child who predeceased him or her, the surviving spouse's share is equal to the share of each child. The share of a child who died before the deceased is divided equally between his or her descendants, per stirpes.

The surviving spouse is not required to bring into account any movable or immovable property received from the deceased under a marriage contract. Succession by will is no bar to succession by law.

Other relatives

CYP-18 After deduction of the surviving spouse's entitlement the balance is shared between the members of each of the following classes, in order of priority. Each class excludes all subsequent classes:

- The first class comprises the children of the deceased living at the time of his or her death and the surviving descendants of any of the deceased's children who died in his or her lifetime.
- The second class comprises the father, mother, brothers and sisters of the deceased, and the surviving descendants of siblings who died in his or her lifetime.
- The third class comprises the surviving ancestors of the deceased nearest in degree of kindred.
- The fourth class comprises the nearest relatives of the deceased living at the time of his or her death; up to the sixth degree of kindred (more remote relatives are excluded).

The heirs of each class generally succeed equally, but in the first and second classes the succession is per stirpes, whereas in the third and fourth classes it is per capita. In calculating individual entitlements, property received from the deceased by way of advancement, under a marriage contract, as dower or by way of gift made in contemplation of death must be brought into account unless the deceased has left a will making specific provision that such property should not be brought into account.

If an individual dies leaving no spouse and no relative within the sixth degree of kindred his or her estate will become the property of the Republic of Cyprus.

CYP-19 Executors

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part I General Law

Estates of deceased individuals

Executors

CYP-19 Except in the case of very small and straightforward estates Cyprus law does not recognise direct succession and the rights and liabilities attaching to the estate of the deceased are vested in his or her “personal representatives”, whose duty is to settle the liabilities and pass the net estate to the heirs. The personal representative may be appointed by the will, in which case he or she is termed “executor” of the estate. If there is no appointment under a will, the court will appoint an “administrator” of the estate. On the grant of probate or administration, the personal representative acquires all the rights and obligations of the deceased and may sue and be sued in all matters concerning the estate of the deceased.

CYP-20 Introduction

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part I General Law

International estate planning issues

Introduction

CYP-20 An estate consists of the whole of an individual’s property, movable or immovable, other than settled property. The Wills and Succession Law regulates both the succession to the estate of all persons domiciled in Cyprus, irrespective of their nationality or residence, and the succession to all immovable property located in Cyprus, irrespective of the owner’s domicile, nationality or residence.

Succession to an estate may be by will, by operation of law under the forced heirship or intestacy provisions (outlined in paras [CYP-15–CYP-18](#) above) or both.

The “forced heirship” provisions outlined in para.[CYP-15](#) apply to Cypriots in respect of their entire estate. For non-Cypriots they apply to any immovable property in Cyprus, unless the testator has opted for a different law to apply under the European Succession Regulation (EU) 650/2012.

However, freedom of testation can be readily regained by use of an appropriate local trust or Cyprus international trust. As noted in para.[CYP-15](#), Cyprus law does not recognise forced heirship claims against trust assets and the International Trusts Law 1992 rules out challenges to Cyprus international trusts arising from the law of inheritance or succession in Cyprus or any other country.

CYP-21 Applicable law

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part I General Law

International estate planning issues

Applicable law

CYP-21 The following principles apply:

- Cyprus law applies to immovable property situated in Cyprus.
- Succession to movable property in Cyprus is regulated by the law of the country of the deceased's final domicile.
- Succession to immovable property situated overseas is regulated by the law of the country in which the property is situated.
- Succession to movable property situated overseas is regulated by the law of the country of the deceased's final domicile.

CYP-22

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part II Taxation

Introduction

*Elias Neocleous*¹

CYP-22 The Cyprus tax regime was thoroughly reviewed and overhauled in preparation for accession to the EU in 2004. As a result, Cyprus benefits from a simple, modern tax system which completely conforms to EU and OECD norms whilst still having among the lowest rates of corporation tax and VAT in the EU.

Footnotes

- 1 Elias Neocleous & Co LLC, Neocleous House, 195 Makarios Avenue, PO Box 50613, 3608 Limassol, Cyprus, Telephone: 357 25 110110, Facsimile: 357 25 110001, Email: info@neo.law.com, Website: <http://www.neo.law>.

CYP-23 Principal taxes

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part II Taxation

Introduction

Principal taxes

CYP-23 The main direct taxes are income tax, special contribution for defence (SDC tax) and capital gains tax. The most relevant indirect taxes are VAT and stamp duty. An outline of each is given in the following paragraphs.

CYP-24 Liability for tax

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part II Taxation

Income tax

Liability for tax

CYP-24 The tax year for individuals and companies is the calendar year, and liability is based on residence in the year of assessment. For individuals, residence is a matter of physical presence and for companies it is primarily determined by the effective place of management and control. However, with effect from 31 December 2022 companies will also be automatically considered as tax resident if they are incorporated or registered in Cyprus and unless they can prove that they are tax resident in a different jurisdiction.

CYP-25 Income subject to tax

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part II Taxation

Income tax

Individuals

Income subject to tax

CYP-25 Resident individuals are subject to tax on their worldwide income, whether or not it is remitted to Cyprus. Husband and wife are taxed separately and each is entitled to allowances.

Non-residents are subject to income tax on income accruing or arising from sources in Cyprus in respect of:

- profits or other benefits from a permanent establishment in Cyprus or from any office or employment exercised in Cyprus;
- pensions in respect of past employment exercised in Cyprus;
- rent from property situated in Cyprus;
- consideration in respect of goodwill of a trade in Cyprus reduced by the cost of such goodwill; and
- the gross income derived by an individual from the exercise in Cyprus of any profession or vocation, the remuneration of public entertainers, and the gross receipts of any theatrical, musical or other group of public entertainers.

Individuals are deemed to be resident if they are physically present in Cyprus for more than 183 days in the relevant year.

In 2017 the “60 days” rule was introduced in addition to the “183 days” rule. It provides incentives to high profile individuals, professionals and executives to become Cyprus Tax residents.

The 60 days rule is effective as from tax year 2017. An individual can become a tax resident by either case.

The 60 day rule is relevant to the activities of an individual who in the relevant tax year:

- (a) does not reside in any other country for a time period of more than 183 days (aggregate);
- (b) is not a tax resident in any other country;
- (c) resides in Cyprus for at least 60 days;
- (d) has various other ties with Cyprus such as:
 - a contract of employment;
 - the carrying out of a business in Cyprus; and/or
 - holding an office in a Cyprus tax resident company.

The above must take place in a tax year and shall be considered not valid in case of termination of employment during the tax year. Moreover, the individual must maintain a residential property during the tax year which may be either owned or rented.

The rules for days of departure and arrival are as follows:

- the day of departure from Cyprus counts as a day of residence outside Cyprus;
- the day of arrival in Cyprus counts as a day of residence in Cyprus;
- arrival in and departure from Cyprus in the same day counts as one day of residence in Cyprus; and
- departure from and return to Cyprus in the same day counts as one day of residence outside Cyprus.

Tax rates

CYP-26 Personal income tax rates are as follows:

Income band	Tax rate
Below €19,500	0%
€19,501 to €28,000	20%
€28,001 to €36,300	25%
€36,301 to €60,000	30%

Above €60,000

35%

Allowances and reliefs

CYP-27 The following allowances and reliefs are available:

- Donations to approved charities, professional and trade union subscriptions, life insurance premiums and contributions to pension, social insurance and welfare funds are tax-deductible.
- For up to five calendar years following the start of their employment, individuals taking up residence and employment in Cyprus are entitled to an annual allowance of the lower of €8,550 or 20% of their remuneration. As of 26 July 2022, employees who were not resident in Cyprus for three consecutive years prior to commencement of their first employment and who were employed by a non-resident employer will be able to claim the 20% deduction for seven years, commencing from the year following the year of employment.
- If income from first employment in Cyprus exceeds €55,000 per annum, a 50% deduction is allowed for the first seventeen years starting from the tax year of employment instead. The employee must also meet the condition of not having been resident in Cyprus for a period of at least 10 consecutive years prior. The former regime is now only available for employments that began before 27 July 2022. In respect of the former regime, a 50% deduction is granted for employment exceeding €100,000 per annum for a period of 10 years. This deduction is only available to those who were not resident in Cyprus for any three out of the five years preceding the year of the start of employment as well as to an employee who was resident in Cyprus the year preceding the year in which employment began.
- A 20% deduction is allowed against rental income received to cover expenses. Interest paid on loans for the acquisition of the let property is fully deductible.
- Expenditure on maintaining buildings subject to a preservation order is deductible, subject to certain conditions.
- Annual writing down allowances are available against plant, machinery and other assets used in a trade or profession.

Disallowed expenditure

CYP-28 The following are not tax deductible:

- private motor vehicle expenses;
- interest paid in respect of the acquisition of non-business assets or of private motor vehicles (even if used for business purposes); and

- business entertainment costs in excess of €17,086 or 1% of gross income, whichever is less.

Loss relief

CYP-29 Losses incurred in a trade or profession may be deducted from other income and any unrelieved balance may be carried forward up to five years for relief against income of future years. If the business is subsequently converted into a limited liability company any unrelieved losses may be used by the company.

Exemptions and special cases

CYP-30 Categories of income exempt from income tax, include:

- dividends (for non-domiciled individuals);
- interest other than interest received in the ordinary course of business or closely connected to it (for non-domiciled individuals);
- lump sums received on retirement or commutation of pension or as a result of bodily injury or death;
- capital sums from approved life assurance policies and provident or pension funds;
- profit from the disposal of shares and other securities;
- certain pensions; and
- income from a qualifying scholarship, exhibition, bursary or similar educational endowment.

There is a separate tonnage tax system for qualifying shipping and ship management activities.

Income from interest, dividends and rents is subject to a special defence contribution (SDC tax) which is described in para.[CYP-39](#) Person qualifying as a Cyprus tax resident non-domiciled individual are exempt from SDC.

Payment of tax

CYP-31 Apart from employees paid entirely under PAYE, income tax is paid on a self-assessment basis. A provisional tax return for the current year must be submitted no later than 31 July accompanied by a remittance for half the estimated tax liability. The taxpayer may amend the provisional return at any time during the tax year. The remaining balance must be paid by 31 December.

Taxpayers whose annual turnover from a trade or profession is less than €70,000 and who are consequently exempt from the requirement to produce audited financial statements to support their tax return must submit their final tax return, accompanied by a remittance for any tax due, within six months after the end of the tax year. Taxpayers whose annual turnover from a trade or profession exceeds €70,000 are required to submit audited financial statements to support their tax return. They must pay their final tax liability no later than 1 August following the end of the tax year and submit a final tax return no later than the following 31 March.

Relief is generally available for tax paid abroad, either under a double tax treaty or by way of unilateral relief granted by the Cyprus revenue authorities.

End of Document

© 2024 SWEET & MAXWELL

CYP-32 Income subject to tax

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part II Taxation

Income tax

Companies

Income subject to tax

CYP-32 Liability to corporate income tax is based on residence. Cyprus resident companies are liable to tax on worldwide income and non-resident companies are liable to tax on any Cyprus-source income.

The test for residence is the place of effective management and control. Additionally, as of 31 December 2022, a company managed and controlled outside Cyprus; but incorporated or registered in Cyprus will be considered a Cyprus tax resident unless tax resident in a different jurisdiction. From the point of view of the Cyprus revenue authorities, a majority of resident directors on the board establishes a prima facie rebuttable presumption of management and control being exercised in Cyprus. The company should have economic substance in terms of staff, premises and equipment and sufficient competence in Cyprus to make necessary economic and business decisions. Finally, if it is a member of a group, it should provide a service that is genuinely required by the group. Otherwise it could be viewed as devoid of an economic purpose and any payment for its services could be viewed as an artificial transfer of profits from one company to another.

In October 2015 the Cyprus tax authorities published a circular setting out the considerations they take into account when determining whether to issue a tax residence certificate. It essentially comprises a questionnaire to be completed and signed by the directors of the applicant. The specific information that the Tax Department will consider is as follows:

- whether the company is incorporated in Cyprus;

- whether the company is tax resident only in Cyprus. If not, the applicant should specify any other jurisdiction in which it is tax resident and provide documentary evidence;
- whether the majority of meetings of the board of directors take place in Cyprus;
- whether the board of directors exercise control and make key management and commercial decisions necessary for the company's operations and general policies;
- whether minutes of directors' meetings are prepared and kept in Cyprus;
- whether the majority of the company's directors are tax resident in Cyprus. An up to date certificate of directors must be attached;
- whether shareholders' meetings take place in Cyprus;
- whether the company has issued any general powers of attorney;
- whether the corporate seal and all statutory books and records are kept in Cyprus;
- whether corporate filings and reporting functions are performed by representatives in Cyprus;
- whether agreements relating to the company's business or assets are executed or signed in Cyprus;
- whether all tax returns (T.D.4/I.R.4) due, have been filed; and
- whether all self-assessments for the tax years that are due have been paid.

The introduction of detailed, explicit substance considerations for the issuance of tax residency certificates was a significant change in practice on the part of the Tax Department. Previously, all that was required for the issue of a tax residency certificate was a written confirmation from the applicant company's directors that the company is managed and controlled in Cyprus. The Tax Department will no longer rely on unsupported statements, but will now conduct its own investigation (based on the information and documentation provided by the company itself), into the company's affairs before issuing a certificate of tax residence.

Under the OECD model double taxation treaty, the definition of a *permanent establishment* includes a place of management, a branch, an office, a factory, a workshop, a mine and a building site or construction or installation project that lasts for more than a specified period. The retention of a law firm or similar service provider in Cyprus for management, domiciliation, legal or other services and the opening of an account with a bank in Cyprus are not sufficient to comprise a permanent establishment.

A company resident in Cyprus is taxable on its worldwide income derived or accruing from:

- gains or profits from any trade or business;
- interest received in the ordinary course of business or closely connected to it, or discount;
- rents, royalties, premiums or other profits arising from property; and
- any other income such as profit on sale of goodwill.

Rate of tax

- CYP-33 Tax is charged at 12.5% on business profits and gains on trading in immovable property in Cyprus.

Allowable and disallowable expenditure

- CYP-34 The general principle is that all expenses wholly and exclusively incurred in producing the relevant taxable income are deductible in computing taxable profit. The same exceptions apply as for personal income tax. These are listed in para.CYP-28.

Where the income consists of both taxable and non-taxable income, expenses directly incurred in earning the non-taxable income are not allowed and indirect expenses are apportioned on the basis of the income earned.

Loss relief

- CYP-35 Losses may be carried forward for up to five years for relief against income of future years.

Trading losses incurred by members of a group of companies may be set off against trading profits of another group company by way of group relief, provided that the losses and profits accrued in the same year of assessment and both companies were resident in an EU member state and members of the same group for the whole of the tax year concerned. A subsidiary incorporated during a tax year (but not an existing company acquired during a tax year) is deemed to have been a subsidiary for the whole of the year concerned.

Companies are deemed to be members of a group if one is the 75% subsidiary of the other or both are 75% subsidiaries of a third company. Note that 75% *subsidiary* means holding at least 75% of the voting shares with beneficial entitlement to at least 75% of the income and 75% of the assets on liquidation.

Exemptions and special cases

- CYP-36 The following are exempt from corporate income tax:
- profit from the sale of securities;

- dividends;
- interest other than interest received in the ordinary course of business or closely connected to it;
- income of any company formed exclusively for the purpose of promoting art, science or sport, and of certain educational and charitable companies;
- income of any approved pension or provident fund; and
- profits from a permanent establishment situated entirely outside Cyprus, unless the permanent establishment directly or indirectly engages more than 50% in activities that lead to investment income and the foreign tax burden is substantially lower than the tax burden in Cyprus (less than 6,25%).

The following special arrangements apply to certain categories of income:

- Royalties or any other payments to a non-resident for intellectual or industrial property rights are liable to a 10% withholding tax, subject to relief under any applicable double taxation treaty. No tax need be withheld if the rights are used exclusively outside Cyprus unless if payment is made to a non-resident company in a jurisdiction included in the EU list of non-cooperative jurisdictions for tax purposes.
- Royalty payments made to a person not resident in Cyprus in respect of films shown in Cyprus are subject to withholding tax at 5% of the gross amount.
- There is a separate tonnage tax system for qualifying shipping and ship management activities.
- There is an “intellectual property box” compliant with OECD “modified nexus” principles providing 80% exemption of income from and gains on disposal of intellectual qualified assets, giving a potential effective tax rate of 2.5%.

Reorganisations

CYP-37 Cyprus has fully implemented the EU Mergers Directive, which means that transfers of assets and liabilities can be made without giving rise to a tax liability within the framework of an approved reorganisation (including mergers, demergers, partial divisions, share exchanges and transfers of seat) and any tax losses can be carried forward by the receiving entity.

The exemption applies to all Cyprus taxes, including SDC tax, capital gains tax, stamp duty and land transfer fees.

Payment of tax

CYP-38 No later than 31 July each year, companies must submit a provisional tax return for the year, accompanied by a remittance for half of the estimated tax liability. The remaining balance must

be paid by 31 December. The final tax liability must be paid no later than 1 August following the end of the tax year and a final tax return, accompanied by audited financial statements, must be submitted no later than the following 31 December. A further three months are allowed if the return is submitted online.

Relief or credit may be available under a double taxation treaty for tax paid abroad. Where no double tax treaty is in place, the Cyprus tax authorities normally allow unilateral relief for foreign tax paid.

End of Document

© 2024 SWEET & MAXWELL

CYP-39 Liability for SDC tax

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part II Taxation

Special contribution for defence (SDC tax)

Liability for SDC tax

CYP-39 SDC tax is payable by Cyprus resident companies and by individuals who are both resident and domiciled in Cyprus on dividends, passive interest and rentals received. For the purposes of determining liability to SDC tax, the principles set out in the Wills and Succession Law regarding domicile, which follow the principles of English common law, apply. An individual will be deemed to be domiciled in Cyprus if he or she has been a tax resident for 17 or more of the 20 tax years immediately preceding the year of assessment.

The rates of SDC on the various categories of income are as follows:

Dividends	17%
Interest	30%
Rentals	3% (on 75% of the income i.e. effective rate of 2.25%)

* 3% for dividends paid by collective investment schemes

Dividends

CYP-40 Dividends received by a resident company or a permanent establishment of a non-resident company from a non-resident company are exempt from SDC tax in accordance with the EU Parent-Subsidiary Directive and domestic law.

Dividends paid by a resident company to foreign shareholders, whether individual or corporate, are generally exempt from SDC tax. Dividends paid to certain nonresident corporations may be subject to a withholding tax of 17% if they are incorporated or resident in a jurisdiction included in the list of EU non-cooperative jurisdictions for tax purposes. Exemptions may be available upon meeting certain conditions.

In 2019, the controlled foreign companies (CFC) rule was introduced in the Cyprus legal framework. The effect of this rule is the re-attribution of the income of a low-taxed controlled foreign subsidiary to its parent and controlling company. The aim is to prevent revenue diversion to subsidiaries which are tax resident in jurisdictions with tax regimes of preferential nature.

A company or a permanent establishment, having profits not subject to tax or exempt from tax in Cyprus, is deemed a CFC when the below conditions are met:

- (a) a Cyprus tax resident company, by itself or together with its *associated enterprises* holds a direct or indirect participation of more than 50% of the voting rights or of capital, or is entitled to receive more than 50% of the profits of that company; and
- (b) the actual corporate tax paid on the profits of the company or permanent establishment is lower than 50% of the tax that would be paid in Cyprus.

For the purposes of (b), the permanent establishment of a CFC which is not subject to tax or is exempt from tax in the jurisdiction of the CFC, shall not be taken into account.

The non-distributed income of a CFC which is derived from non-genuine arrangements that have been put in place for the purpose of obtaining a tax advantage and which are controlled by the controlling Cyprus tax resident company, is added to the taxable income of the Cyprus tax resident company.

Non-distributed income is considered the accounting profit after tax which has not been distributed to the controlling Cyprus tax resident company during the tax year in which the profit is derived, as well as the next seven months from the end of the tax period.

The CFC rule is not applied where the company or the foreign permanent establishment has: (a) accounting profits of no more than €750.000, and non-trading income of no more than €75.000 or (b) accounting profits of no more than 10% of its operating costs for the tax period.

The income or loss to be included in the tax base of the controlling Cyprus tax resident company shall be calculated in proportion to the company's effective participation in the CFC.

Interest

CYP-41 Interest received in the ordinary course of business or closely connected to it is exempt from SDC tax unless received by a company in a jurisdiction listed in the EU list of non-cooperative

jurisdictions for tax purposes. In the latter case a 30% withholding tax is imposed. Any other interest is subject to SDC tax at 30% on the gross amount received.

Rent

- CYP-42** Rental income is subject to SDC tax at 3% on 75% of the gross rent, giving an effective rate of 2.25%. No deduction for expenses is allowed.

Deemed dividend distribution

- CYP-43** If a Cyprus resident company does not distribute a dividend within two years after the end of a tax year, a “deemed dividend distribution” is calculated, being 70% of post-tax profits for that tax year, reduced by any dividends already paid out of those profits. SDC tax is payable on the proportion of the deemed dividend distribution applicable to Cyprus-resident shareholders.

When an actual dividend is paid after the deemed dividend distribution, SDC tax is payable only on any amount paid over and above the deemed dividend distribution.

Deemed dividend on liquidation

- CYP-44** On liquidation of a company other than as part of a reorganisation qualifying for tax exemption (see para.[CYP-37](#)), all the profits of the last five years that have not been distributed are deemed to be distributed on dissolution and will be subject to SDC tax at the applicable rate.

Payment of SDC tax

- CYP-45** Any company or individual paying a dividend to non-corporate shareholders who are resident and domiciled in Cyprus or non-exempt interest to a Cyprus-resident company or an individual who is resident and domiciled in Cyprus is required to deduct SDC tax and pay it to the revenue authorities within one month, accompanied by a statement of tax deducted.

SDC tax on deemed distributions must be paid within two years and one month after the end of the accounting year. Companies are generally required to submit an annual return on form IR 623 for the purpose of calculating deemed dividends. In cases where the entire share capital of a Cyprus resident company is ultimately owned by non-residents, the directors of the company may make a declaration to this effect, have it certified by the company’s auditors or lawyers and forward it to the tax authorities. When the declaration has been accepted by the tax authorities,

the company will no longer be required to make returns for deemed distribution purposes. If part of the share capital is ultimately owned by Cyprus residents, an annual return must still be submitted, but the profits ultimately attributable to non-resident shareholders will be excluded.

SDC tax on rentals received and on interest and dividends received without deduction of SDC tax is payable on 30 June for the first six months of the year and on 31 December for the second six months.

Relief or credit will be allowed in respect of any foreign tax paid, either under a double taxation treaty or by way of unilateral relief.

End of Document

© 2024 SWEET & MAXWELL

CYP-46

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part II Taxation

Capital gains tax

CYP-46 Capital gains tax is charged only on gains derived from the disposal of immovable property in Cyprus and of shares of unlisted companies to the extent that the gains arise from immovable property in Cyprus. All other gains are exempt from tax.

Subject to the exemptions and reliefs set out below, chargeable net gains are taxable at 20%.

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

- transfers due to qualifying reorganisations;
- transfers by reason of death;
- gifts between relatives up to the third degree of kindred;
- gifts to family companies (limited companies whose only shareholders at the time of the gift and for the entire period of five years thereafter are members of the family of the donor);
- gifts by family companies to their shareholders, but only in cases where the property given was originally acquired by the company as a gift;
- gifts to charitable institutions or to the Republic of Cyprus;
- exchanges of immovable properties; and
- compulsory acquisitions.

In computing the taxable gain, the following are deductible from the consideration received:

- the market value of the property at 1 January 1980, or, if it was acquired after that date, the price paid or the consideration given for the acquisition of the property;
- the cost of any major improvements;
- the subsequent increase in the value of the property due to inflation, calculated by reference to the Retail Price Index issued each month by the Department of Statistics;

- unrelieved capital losses on previous disposals; and
- expenses related to the acquisition and disposal of the property such as transfer fees and legal costs.

Individuals may deduct from the resultant gain the following lifetime exemptions:

- in the case of sales of agricultural land by farmers, the first €25,629 of the sale price, provided that the farmer was residing in the same area at the time of the sale;
- in the case of sales of property used as a residence by the vendor, the first €85,430 of the sale price, provided that the property has been used as the vendor's residence for at least five years prior to the sale or ten years in the case of subsequent sale; and
- in the case of any other disposal, the first €17,086 of the sale price.

The consideration is generally the amount declared by the parties to the transaction, but there are provisions for a fair value to be imposed if the revenue authorities suspect an undervaluation or if no price has been agreed.

Losses from disposal of chargeable assets may be carried forward without any time limitation to be offset against gains arising in the future.

There is a further exemption from capital gains tax on disposals of immovable property acquired between 16 July 2015 and 31 December 2016. Provided the property was acquired at arm's length and not under the foreclosure provisions of the Transfer and Mortgage of Immovable Properties Law, any gain on the first disposal of the property, whenever it takes place, is exempt from capital gains tax.

CYP-47

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part II Taxation

Value added tax

CYP-47 The standard rate of VAT is 19%. Reduced rates of 0%, 5% and 9% apply to certain goods and services. The registration threshold is €15,600 per annum. Traders are required to submit quarterly returns and pay any tax due by the 10th day of the second month following the quarter-end date. If input tax is greater than output tax, the difference may be refunded or carried forward to the next return. Companies which do not have trading activities within the EU need not register for VAT but will be unable to recover input tax.

End of Document

© 2024 SWEET & MAXWELL

CYP-48

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part II Taxation

Stamp Duty

CYP-48 Stamp duty is payable on contracts relating to property or business in Cyprus as follows:

- For transactions with a consideration up to €5,000 no stamp duty is payable.
- For transactions with a consideration in excess of €5,000 but not exceeding €170,000, stamp duty of €1.50 for every €1,000 or part thereof is payable.
- For transactions with a consideration in excess of €170,000, stamp duty of €2.00 for every €1,000 or part thereof is payable.
- The maximum stamp duty payable on a contract is capped at €20,000.
- Where no amount of consideration is specified in the contract, the stamp duty is €35.
- For a transaction which is evidenced by several documents, stamp duty is payable on the main contract and ancillary documents are charged at a flat rate of €2.
- Stamp duty of €430 is payable on the creation of a Cyprus international trust.

Stamp duty must be paid within 30 days from the date of execution of the relevant documents or, if they are executed abroad, within 30 days after they are received in Cyprus. The absence of the revenue stamp does not render a contract void but an unstamped contract cannot be used in court proceedings or for the transfer of ownership of property in the Land Registry. A previously unstamped contract may be used in proceedings or to transfer ownership provided it is properly stamped at the time of such use. In this event a surcharge of approximately 10% of the unpaid amount is imposed if payment is made within six months after the due date; otherwise, the surcharge is twice the unpaid amount.

CYP-49 General powers of the Director of Inland Revenue

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part II Taxation

Anti-avoidance measures

General powers of the Director of Inland Revenue

CYP-49 The Director of Inland Revenue has extensive powers to require persons to submit returns of income and gains, and to inspect and investigate the underlying records and transactions. The revenue authorities may apply to the court for a warrant to enter any premises to make a search and to seize anything found in the building.

CYP-50 Artificial transactions

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part II Taxation

Anti-avoidance measures

Artificial transactions

CYP-50 Section 33 of the Assessment and Collection of Taxes Law provides that if the Director of Inland Revenue is of the opinion that in respect of any year of assessment the object of the tax of any person is reduced by any transaction that, in his opinion, was artificial or fictitious, he may disregard any such transaction and assess the persons concerned on the proper object of the tax.

The income from any assets transferred to a minor is assessable on the donor of the asset during the time that the donee is a minor.

Cyprus's double taxation treaties generally contain anti-avoidance, exchange of information and, in some cases, limitation of benefits provisions. Cyprus has signed the Multilateral Convention on Tax Treaty Related Measures to Prevent BEPS (MLI), which will automatically amend all existing double tax treaties with countries which have also signed the MLI, so as to introduce measures to prevent base erosion and profit shifting, including anti-abuse and anti-avoidance clauses.

CYP-51 Double taxation agreements

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part II Taxation

Double taxation relief

Double taxation agreements

CYP-51 Cyprus has an extensive network of agreements for the avoidance of double taxation (DTA) providing either for exemption or for the grant of a tax credit where income is subject to tax in both countries. Where there is no agreement in place, Cyprus grants unilateral relief for any foreign tax paid or suffered, up to the amount of Cyprus tax payable in respect of the doubly taxed income.

The countries with which DTAs are in effect are as follows:

Andr Armenia	Hung San Marino	Saudi Arabia
Aust Iceland	Serb	
Azer India	Iran Seychelles	
Bahr Barbados	Irela Singapore	
Bela Italy	Slov	
Belg Kazakhstan	Kuw Slovenia	
Bosn Kyrgyzstan	Sout	
	Afric	
Bulg Latvia	Spain	
Can Lebanon	Swec	
Chin Lithuania	Luxe Switzerland	
Czec Malta	Syria	
Repu		
Denr Mauritius		
Egyr Moldova	Thai	
Estoa Montenegro	UK	
Ethio Netherlands		
Finla Norway	Ukra	
Fran Poland	Unit	
	Arab	
	Emir	
Geor Portugal	USA	
Gern Qatar	Uzbe	
Gree Romania		

Guer Russia

The DTA between Cyprus and the Socialist Federal Republic of Yugoslavia, the Czechoslovak Socialist Republic and the Union of Soviet Socialist Republics are still in force.

Double taxation agreements with several other countries are either awaiting ratification or are under negotiation.

All the recent DTAs are based on the OECD model. Their objectives are to clarify and determine the taxing rights of each contracting state, to reduce or avoid the impact of international double taxation and to introduce anti-avoidance provisions and mechanisms to prevent tax evasion. As noted above, Cyprus has signed the Multilateral Convention on Tax Treaty Related Measures to Prevent BEPS (MLI), which will automatically amend all existing double tax treaties with countries which have also signed the MLI, so as to introduce measures to prevent base erosion and profit shifting, including anti-abuse and anti-avoidance clauses.

Most DTAs provide the benefit of eliminating or substantially reducing withholding tax on interest, dividends and other payments between the countries concerned.

End of Document

© 2024 SWEET & MAXWELL

CYP-52 Information exchange

European Cross-Border Estate Planning

EU States

Republic of Cyprus

The Republic of Cyprus

Part II Taxation

Double taxation relief

Information exchange

CYP-52 Cyprus complies fully with all information exchange standards and is a signatory to the Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Account Information. Cyprus was also an early adopter of the Common Reporting Standard (CRS), which was implemented in the beginning of 2016.

Cyprus is a signatory to the Multilateral Competent Authority Agreement on the Automatic Exchange regarding CRS Avoidance Arrangements and Opaque Offshore Structures (MDR-MCAA) and is bound by Directive 2014/107/EU (DAC2) on the mandatory automatic exchange of information in the field of taxation.

Cyprus is also a signatory to the Multilateral Competent Authority Agreement on the Automatic Exchange of Country-by-Country (CbC) Reports and the Multilateral Competent Authority Agreement on Automatic Exchange of Information on Income derived through Digital Platforms (DPI-MCAA).

In addition, Cyprus signed an intergovernmental agreement with the USA to facilitate the implementation of FATCA provisions.

There are nevertheless robust safeguards in the Assessment and Collection of Taxes Law against inappropriate disclosure of taxpayer information with an aim to rule out “fishing expeditions”.