



# Tax Information 2008

## Personal Income Tax

Income €	%	Tax €	Cumulative Income €	Cumulative Tax €
0- 19.500	0	-----	19.500	-----
19.501-28.000	20	1.700	28.000	1.700
28.001-36.300	25	2.075	36.300	3.775
Over 36.301	30			

## Personal Allowances

1. Interest Income	100%
2. Dividends	100%
3. Profits from sale of shares	100%
4. Widow pensions	100%
5. Amounts deposited under an approved scheme of the Housing Finance Corporation (with restrictions)	40%
6. Rental income from a preserved building	100%
7. Overseas pensions (tax rate of 5 %)	€3.417,20
8. Emoluments from the provision of services to a permanent establishment abroad for a total period of at least 90 days in aggregate	100%
9. Emoluments of an individual in Cyprus in the case that prior to the employment in Cyprus he/she was a non-Cyprus resident (valid for 3 years starting the 1 <sup>st</sup> of January following the year of his/hers employment)	The lower of 20% of the emoluments and €8.543,01
10. Profits from a permanent establishment overseas	100%

## Deductions

1. Social insurance deductions, pensions , contributions of a general medical fund, annual life assurances (up to 7% of the insurable amount), provident fund (with restrictions)	Restricted to 1/6 of the taxable income
2. Donations & subscriptions (with receipts) to approved charitable foundations	100%
3. Subscriptions to trade unions and professional associations	100%
4. Tax losses of current and prior years in the case where audited financial statements are prepared	100%
5. Rental income	20% on gross rental income, wear & tear allowances and loan interest



## Social Benefits

- Annual Grant of €3.075,48 to each blind person.
- Annual Grant of €2.562,90 for each child attending a third grade school in Cyprus (with restrictions) or attending a University abroad.
- Annual Grant for each dependable child of a family that has its residence in Cyprus according to the following table:

Number of children	Grant amount €	Additional Grant (income <€10.252 annually)	Additional Grant (annual income between €10.252 - €20.503)
1	342	85	43
2	683	342	256
3	2.050	769	640
4 and above	1.025 per child	342 per child	214 per child

## Personal Income Tax Declarations – IR1

### Employees

- Individuals, with gross income of more than £10.750 for the year 2007, must submit to the office of the Inland Revenue until 30<sup>th</sup> April 2008 their personal income tax return.

### Self-Employed

- Individuals with no obligation to maintain proper books and records and prepare audited financial statements must submit to the office of the Inland Revenue until 30<sup>th</sup> June 2008 their personal income tax return for the year of assessment 2007.

Individuals with an obligation to maintain proper books and records and prepare audited financial statements must submit to the office of the Inland Revenue until 31<sup>st</sup> December 2008 their personal income tax return to the year of assessment 2007.

## Corporation Tax Rates

Companies	10 %
Semi Governmental bodies	25 %



### Tax Allowances of Legal Entities

1. Interest income (under presumption)	50 %
2. Dividends	100 %
3. Gain on sale of shares	100 %
4. Profits from a permanent establishment overseas (under presumption)	100 %

### Corporate Tax Losses

- Tax losses from the year 1997 and onwards are carried forward and are being offset against profits of future years without any restrictions.

### Deductible Expenditure of Legal Entities

1. Employer's contributions to approved funds	100 %
2. Expenditure incurred wholly and exclusively for the purpose of generating income	100 %
3. Donations and subscriptions with receipts to approved charitable Organisations	100 %
4. Entertainment expenditure	1 % of gross income and restricted to the maximum of €17.086

### Deemed Dividend Distribution

From the year 2003 and onwards 70% of the accounting profits after deduction of the corporation tax (and not taxable profits) are deemed to be distributed as dividends the latest 2 years following the year that they were incurred (i.e. for the year 2004 until 31/12/2006).

Deemed dividend distribution is subject to special defence contribution of 15%.

However, the proportion of the deemed dividend distribution that corresponds to non-Cyprus tax residents is exempt from the payment of the special defence contribution.

### Capital Gains Tax

- The net profit from the disposal of immovable property is estimated by deducting from the disposal price the market value as at 1.1.1980 or the purchase cost if the immovable property was built after 1.1.1980, as adjusted for inflation based on the Retail price indexes and is taxed at 20%.

➤ Exemptions:	Profit €
○ On the disposal of any property	17.086
○ On the disposal of agricultural land	25.629
○ On the disposal of a residence (under presumptions)	85.430

**Special Defence Contributions**

1. Interest received by a legal entity and by an individual both from Cyprus and from abroad	10 %
2. Interest received by provident funds	3 %
3. Profits of Semi Governmental bodies	3 %
4. Rental income received by a Cyprus resident from immovable property (after deducting 25 %)	3 %
5. Interest received by an individual with a yearly income less than €11.960,21	3 %
6. Dividends received by individuals in Cyprus	15 %
7. Interest received by individuals from Government bonds and Government savings certificates.	3 %

**Immovable Property Tax**

Property value as at 1/1/1980 €	Rate (0/%)	Tax €	Cumulative Tax €
0 - 170.860,14	0	----	----
170.860,15 - 427.150,36	2.5	640,73	640,73
427.150,37 - 854.300,72	3.5	1.495,03	2.135,76
854.300,73 and above	4		

**Social Insurance Contributions**

Contributions payable by	%
Employers	6,3
Employees	6,3
Self-employed persons	11,6

**Immovable Property Transfer Fees**



Value €	Rate %	Fees €	Cumulative fees €
0 – 85.430,07	3	2.562,90	2.562,90
85.430,08 – 170.860,14	5	4.271,50	6.834,40
170.860,15 and above	8		

- No immovable property transfer fees are payable in the case of reorganisation of companies.
- In the situation of transferring of immovable property to a family company and provided the shareholders remain members of the same family, then after the passing of 5 years the immovable property transfer fees are being refunded.

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### Value Added Tax

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- There are the following tax rates:
  - Zero rated        0% - food, medicines, etc.
  - Reduced rate    5% - books, newspapers, non bottled water, etc.
  - Reduced rate    8% - provisioning services, transport of passengers by taxi, rural and tourist buses
  - Standard rate    15%
- Registration to VAT is compulsory for all entities (partnerships, self employed people, limited liability companies, Cyprus international companies, societies, club, institution, e.t.c) with an annual turnover of at least €15.600.

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### Wear & Tear Allowances

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	Annual wear & tear rates %
Industrial Buildings	4
Agricultural Buildings	4
Hotel Buildings	4
Commercial buildings and flats	3
Plant and machinery	10
Furniture and fittings	10
Agricultural and farming businesses machinery and tools	15
Computer hardware and operating software	20
Application software:	
- Up to £1.000	100
- Above £1.000	33 1/3
Tools in general	33 1/3
Lifts, excavators, towing machine, cranes, bulldozers	25
Commercial motor vehicles (other than saloon cars) and motorbikes	20
New commercial boats	8
New passenger boats	6
Sailing vessels	4 1/2
Boat launchers	12 1/2
Second hand boats	Remaining Useful life




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**Tax Diary**

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	31/1	30/4	30/6	1/8	30/9	31/12
Submission of form for deemed dividend distribution, I.R.623	❖					
Submission of income tax returns by individuals (Employees with gross income exceeding £10.750 for 2007)		❖				
Submission of employer's return for his employees- I.R.7		❖				
Submission of income tax return by individuals when audited financial statements are prepared			❖			❖
Payment of special contribution of defence per six monthly periods			❖			❖
Submission of provisional tax declaration and payment thereof				❖	❖	❖
Submission of revised provisional tax declaration if necessary						❖
Payment of previous year corporation tax using the self-assessment method				❖		
Payment of immovable property tax for the year					❖	
Submission of Income Tax returns by individuals and Co's that prepare audited financial statements						❖
Payment of PAYE	End of the month following the relevant month					
Payment of social insurance on employees salaries						



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