



FEFE
Financial
Education
for Future
Entrepreneurs

CYPRUS COUNTRY GUIDE

Intellectual Output No.4

JANUARY 12, 2017

CARDET

Likavitou Avenue 29, 1st Floor, Nicosia, 2401

Cyprus

Contents

General Information about Cyprus	2
Setting up a business in Cyprus	2
Types of business entities in Cyprus.....	2
Taxation in Cyprus	3
Individuals.....	3
Company (Corporation) Tax Rate	3
Sales or Value Added Tax (VAT)	4
Imposition of Tax.....	4
Rate of VAT	4
VAT Returns and payment / refund of VAT.....	4
Registration Requirements and Procedure to establish a new business in Cyprus	5
Accounting and auditing requirements for individuals in business	6
Import / Export Regulations	7
Customs Regulations	7
Exports.....	7
Imports	8
Bibliography.....	10

General Information about Cyprus

What languages are spoken?

The official languages of the Republic of Cyprus are Greek and Turkish. English is widely spoken and predominantly used in business, industry and administration. Other European languages are also spoken, to a lesser extent.

What is the currency in Cyprus?

The Euro (€).

What is the telephone country prefix?

357

Setting up a business in Cyprus

Types of business entities in Cyprus

- **Private Company Limited**

This type of company is the most popular in Cyprus and there is no minimum share capital required. In order to set up a Limited (LTD) company in Cyprus, the minimum number of shareholders is 1 and the maximum is 50. They subscribe nontransferable shares and are liable to the company's obligations only to the extent of their contribution.

- **Public Company Limited**

A Public Company Limited in Cyprus is quite similar to a private company limited. However, the difference is that the shares are freely transferable and there can be as many shareholders as wished.

- **Sole proprietorship**

The main characteristic of a sole proprietorship in Cyprus is that the company is run by a single member with full liability. Sole proprietors, or sole traders, are individuals who own and run a business on their own account with or without employees. They may trade under a chosen business name, if they so wish, but they are personally responsible for all the debts of the business. It is a simple and informal type of business, but still has to register with the Registrar of Partnerships.

- **Partnership**

The Partnerships and Business Name Law also provides for two general types of Partnerships:

- General Partnership
- Limited Partnership

Taxation in Cyprus

Individuals

An individual who is tax resident in the Republic of Cyprus (the Republic), is taxed on income accruing or arising from sources both within and outside the Republic. An individual who is not tax resident in the Republic, is taxed on income accruing or arising only from sources within the Republic.

Personal income tax rates

The personal income tax rates can be found in the table below:

Taxable Income €	Tax Rate %
0 – 19.500	0
19.501 – 28.000	20
28.001 – 36.300	25
36.301 – 60.000	30
60.001 and over	35

Company (Corporation) Tax Rate

The corporation tax rate for all Cypriot resident companies is **12.5%**. A company is considered a Cypriot resident legal entity, if it is managed and controlled in Cyprus. All the tax resident companies in Cyprus are taxed on the income they produced in Cyprus and abroad, from all taxable sources. A non- Cyprus tax resident company is taxed on the income it produced from a business activity which is carried out through a permanent establishment in Cyprus and on certain income arising from sources in Cyprus.

Sales or Value Added Tax (VAT)

Imposition of Tax

Sales or Value Added Tax (VAT) is imposed on the supply of goods and service provision in Cyprus, as well as on the acquisition of goods from the European Union (EU) and the import of goods into Cyprus.

Registration is compulsory for businesses with **(a)** turnover subject to VAT in excess of €15,600 during the 12 preceding months or **(b)** expected turnover subject to VAT in excess of €15,600 within the next 30 days. Businesses with turnover of less than €15,600 or with supplies that are outside the scope of VAT but for which the right to claim the amount of the related input VAT is granted, have the option to register on a voluntary basis. An obligation for registration also arises for businesses which make acquisition of goods from other EU Member States in excess of €10,251.61 during any calendar year.

Rate of VAT

Cyprus' tax legislation provides the following tax rates:

- **Zero rate 0%** - Exports of goods to third countries (non EU), food for human consumption, pharmaceutical products, veterinary vaccines and services
- **Reduced rate 5%** - Basic foodstuffs, water supplies, pharmaceutical products, medical equipment for disabled persons, children's car seats, certain road passenger transport, books (excluding e-books), newspapers and periodicals, admission to cultural events and amusement parks, writers and composers, renovation and repair of private dwellings, some agricultural supplies, admission to sports events, domestic waste collection, hairdressing, some undertaker and cremation services.
- **Reduced rate 9%** - Restaurants, catering for food (excluding alcohol which is 19%), accommodation by hotels, letting of campsites and caravan parks, transport by buses and taxis
- **Standard rate 19%** - All other taxable goods and services.

VAT Returns and payment / refund of VAT

Any registered person has to submit to the Commissioner a VAT return not later than the 10th day following the end of the month at the end of each VAT period and pay the VAT due.

As from 19 February 2013 every taxable person making a claim for VAT refund will be entitled to repayment of the VAT amount with interest, in the event that the repayment is delayed for a period exceeding four months from the date of the submission of the claim.

In case a VAT audit regarding the claim is conducted by the Commissioner, the time period of four months is extended to eight months.

Registration Requirements and Procedure to establish a new business in Cyprus

The main steps in establishing a new business in Cyprus are:

- Application for approval of a business name (with the Registrar of Companies). A standard form application for approval of name is submitted in person or by mail to the One Stop Shop Cyprus. It can also be submitted electronically to the Registrar of Companies and Official Receiver, through the E-filing website (<https://efiling.drcor.mcit.gov.cy>).
- Registration of a company or partnership in the Registrar of Companies
- Application for a business license, where necessary
- Registration with Cyprus tax authorities for personal or Corporate income tax (with the Inland Revenue)
- Registration for VAT (with the local office of the VAT Service)
- Registration for Social Contributions at the Ministry of Labor, Welfare and Social Insurance

The Department of Registrar of Companies (and Official Receiver) is the starting point for registering a company in Cyprus. This of course does not apply to a sole proprietor who has decided to trade in his or her own name; sole proprietors are not required to register their business, although they may choose to do so.

Where a company name is to be used, whether the business form is a limited company, sole proprietorship, limited partnership or a general partnership, an application must be made to the Registrar of Companies to have the name approved.

The Cypriot law requires that any incorporated entity must be registered, regardless of whether it is a native or foreign company. Once a company name has been approved, a Cypriot lawyer is

required to file the relevant documents (which will include the company's Memorandum and Articles of Association) and pay the necessary fees in order to complete the procedure.

For partnerships, whether general or limited, full details of the partners must be lodged with the Registrar of Partnerships within one month of the formation of the partnership. The details that must be supplied include full names and particulars of each partner, the type of business and the place of business.

Every person (or entity) making taxable supplies must register for VAT. The threshold for registration is quite low – **EUR 15,600** in a period of 30 days. Registration is by notifying the VAT Commissioner of liability for VAT. An 'Application for Registration in the VAT Register' should be submitted to the local VAT office within 30 days of the month end where income is likely to exceed the threshold.

Finally, business entities (including self-employed sole traders, although they will not be eligible to claim unemployment benefits) must register for **Social Contributions** with the Department of Social Insurance Services in the Ministry of Labour and Social Insurance.

Accounting and auditing requirements for individuals in business

In Cyprus, employers are required to submit a complete payroll analysis of their employees for the previous year, with details of tax deducted, by 30th April.

Companies must file their income tax returns by **December 31** following the end of the accounting year, and make **provisional tax payments three times during a year**, on 1st August, 30th September and 31st December. Any underpayment is due by the following August, and a penalty can be imposed if the income level as given for the purposes of the provisional payments is significantly lower than that given for the eventual tax calculation. Any amounts of tax outstanding after the due dates may attract interest charges of 5.35% per annum, together with a penalty at the discretion of the tax authorities.

Self-employed persons that are not required to submit audited accounts with their returns must file their personal tax returns for the previous year by **30th June** the following year and must pay any remaining tax due under the self-assessment method by the same date (provisional

advance payments are due throughout the year, as with companies). Self-employed individuals that are required to submit audited accounts as well, have a filing date of December 31.

There are fines for late filing of VAT returns, currently at EUR51 per late return. Those registered for VAT must maintain proper VAT accounting records and submit returns to the VAT authorities as required. VAT returns must be submitted quarterly and the payment of any VAT due must be made within 10 days of the second month following the end of the tax period to which the return refers. Individuals and companies may apply to the VAT authorities for a different filing period.

Import / Export Regulations

Customs Regulations

An entrepreneur should be aware about the import/export regulations of his/her country before setting up a business.

In Cyprus, the Department of Customs and Excise applies *Article VII of the General Agreement of Tariffs and Trade (GATT)*, in order to value imported goods for Customs purposes. The primary basis for customs value under the GATT is the “transaction value”, as defined in Article 1, i.e. the price that is actually paid or payable for the goods when these are sold for export to the importing country. In some instances certain adjustments are made to this price with the inclusion of certain specific elements which are considered to form part of the value for customs purposes, are incurred by the buyer but are not included in the price paid or payable for the imported goods.

A form must be completed to provide Customs with information about the value of the goods declared on the customs entry. Such a form can be signed by any person who has the necessary information required to fill-in the forms, i.e., the actual importer. The person who signs a declaration of value is responsible for its proper completion and accuracy. The declaration of value must be presented together with the customs entry unless allowed by Customs to present it within 14 days.

Exports

The term exportation includes re-exportation and transit of goods. Exportation of the following goods is prohibited:

- All items the importation of which is prohibited (see below section “Imports”).
- Goods included in the Defense (Exportation of Goods) Order of 2005.

According to the law, the exportation of certain goods is prohibited or restricted. Restrictions usually refer to the need for securing the authority or inspection from the appropriate Government Department. The aim of prohibitions and restrictions is the protection of society and the perpetuation of a safe environment. More specifically, such prohibitions and restrictions are essential for the safeguard of social ethics, order and security, protection of public health or the health of animals or the protection of plant life, the protection of industrial and commercial property, archaeological treasures, cultural artifacts and others. Depending on the item in question, the authority or permit is granted by the pertinent authority such as the Police, the competent Ministry, or other Government service.

Imports

The importation of certain goods is prohibited or restricted. Restrictions usually refer to the need for securing the authority or inspection from the appropriate Government Department. More specifically, such prohibitions and restrictions are essential for the safeguard of social ethics, order and security, protection of public health or the health of animals or the protection of plant-life, the protection of industrial and commercial property, archaeological treasures, cultural artifacts and others. Depending on the item in question, the authority or permit is granted by the pertinent authority such as the Police, the competent Ministry, or other Government service.

The following import prohibitions apply:

- narcotic drugs, psychotropic substances and other controlled pharmaceuticals
- obscene matters and objects, such as videocassettes, DVD's, films, books, magazines etc.
- flick and double edged knives
- counterfeit and pirated goods
- nuclear, chemical, toxic, biological weapons and similar substances
- goods used for illegal hunting of game
- counterfeit bank notes
- firearms and weapons other than firearms, such as military explosive devices and projectile launchers, automatic firearms, ammunition, long-barrel semi-automatic or repeating firearms, in



This project has been funded with support from the European Commission. This publication reflects the views only of the author, and the Commission cannot be held responsible for any use which may be made of the information contained therein.
[Project Number: 2016-1-UK01-KA202-024585]

accordance with the First Annex of the “Firearms and Weapons Other Than Firearms Law” No. 113(I) of 2004

- goods or materials which do not conform with a certain Cyprus standard
- goods shipped or originating from countries under an embargo from the United Nations Security

Council and the European Union, such as Iraq, Liberia, Sierra Leone, Somalia and Sudan

- lottery tickets (other than those imported under license by the Minister of Finance)
- gambling machines, such as poker machines, etc.
- automatic tobacco vending machines (cigarettes, cigars, etc.
- consumer goods which are imitation foodstuffs.

Bibliography

Cyprus, P., 2016. *Tax system in Cyprus*. [Online]

Available at:

http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/eke10_en/eke10_en?OpenDocument

[Accessed 13 12 2016].

Deloitte, 2016. *Cyprus Tax Facts 2016*. [Online]

Available at:

https://www2.deloitte.com/content/dam/Deloitte/cy/Documents/tax/CY_Tax_TaxFacts2016EN_Noexp.pdf

[Accessed 13 12 2016].

DoingBusiness, 2016. *Starting a Business in Cyprus*. [Online]

Available at: <http://www.doingbusiness.org/data/exploreeconomies/cyprus/starting-a-business>

[Accessed 13 12 2016].

ExpatBriefing, 2016. *Cyprus Business Accounting*. [Online]

Available at: <http://www.expatriefinding.com/tax-guide/cyprus/1-07-cyprus-business-accounting.html>

[Accessed 13 12 2016].

ExpatBriefing, 2016. *Cyprus Small Business Tax Guide*. [Online]

Available at: <http://www.expatriefinding.com/tax-guide/cyprus/0-05-cyprus-small-business-tax-guide.html>

[Accessed 13 12 2016].

Mundi, L., 2012. *Doing Business in Cyprus*. [Online]

Available at: www.lexmundi.com/Document.asp?DocID=5136

[Accessed 15 12 16].

UHY, 2015. *Doing Business in Cyprus*. [Online]

Available at: <http://www.uhy.com/wp-content/uploads/Doing-Business-in-Cyprus.pdf>

[Accessed 2016].