

Cyprus Tax Changes under austerity measures

Introduction

On 26 August the Cypriot House of representatives approved a new “austerity measures”. Whilst these have been expected for a while they do contain a number of important measures. We have only highlighted those changes of interest to non residents.

Company Law Changes

An annual levy of €350 has been introduced for all Cyprus registered companies, which levy is only payable in the year subsequent to registration.

The levy is not payable by dormant companies or those with no assets.

For groups of companies the levy is capped at €20 000.

A penalty is due for late payment (10% if up to 2 months late, and 30% if paid within 5 months of due date), after which the company is to be removed from the register. Reinstatement can be made but at a cost of between €500-€750.

Personal Tax Incentive

In order to attract highly paid non Cypriots to the island, such people if they take up residence in Cyprus and earn at least €100 000 pa will enjoy a 50% exemption of their annual employment for 5 years. This measure applies from 1 January 2012.

Special Defence Contribution

SDC tax on interest is applied to passive interest received by Cypriot residents (individuals and corporations). The rate has been increased from 10% to 15% with effect immediately.

VAT

A reduced rate of VAT of 5% has been introduced on residential housing for the main residence. What is important though is that the prior suggestions of an increase in the VAT rate from 15% upwards has not happened. As a result Cyprus still has the lowest VAT rate in Europe, thus retaining its favoured status for registration of megayachts etc.

Key Contact:

If you require advice or assistance in regard to any of the matters raised in this article, please contact your usual contact or

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