

# Tax Facts

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2024



HIGHWORTH



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## INTRODUCTION

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Highworth (Cyprus) Ltd, a trusted leader in financial services, proudly presents the Tax Facts of 2024.

In this annual report, we aim to equip businesses, individuals, and industry professionals with the latest updates, analysis, and key considerations pertaining to the tax landscape of Cyprus in 2024.

In this year's edition, we explore Cyprus tax laws and local regulations. Our goal is to provide clarity on complex issues, offer insights into emerging trends, and empower our readers to navigate the intricate web of tax implications seamlessly.

As advocates for transparency and compliance, Highworth (Cyprus) Ltd remains dedicated to helping our clients optimize their financial strategies while ensuring adherence to all relevant tax laws. We invite you to explore the Cyprus Tax Facts of 2024 and discover valuable insights that can shape your financial planning and decision-making in the year ahead.

Thank you for entrusting Highworth (Cyprus) Ltd as your partner in navigating the intricate world of taxation. We are committed to delivering excellence and adding value to your financial journey.



Grow your business with us

# 1. CORPORATION TAX

## 1.1 Basis of Taxation

A company that is considered a tax resident in Cyprus will be subject to taxation on income generated from both domestic and international sources. On the other hand, a company that is not a tax resident in the Republic will only be taxed on income generated from domestic sources within the Republic.

A company incorporated in Cyprus will be automatically regarded as a tax resident of Cyprus unless it holds tax residency in another jurisdiction.

Starting from January 1, 2024, Cyprus, being a member of the European Union, will incorporate the EU Directive on global minimum tax for multinational enterprise groups and large-scale domestic groups into its national legislation.

The corporate income tax rate is 12,5%.

## 1.2 Exemptions

Corporate tax does not apply to the following:

Income	Exemption
Dividend income	The whole amount is exempt
Interest income	The whole amount is exempt
Gains arising from the disposal of Securities	The whole amount is exempt
Earnings generated by an overseas permanent establishment.	The whole amount is exempt
Income of a company which operates in the Republic in the audio-visual industry	Up to 50% exemption
Profits related to variations in foreign exchange rates, excluding those resulting from the trading of foreign currencies and associated derivatives	The whole amount is exempt
Capital gain from the disposal of intellectual property rights under the IP regime	The whole amount is exempt

### 1.3 Tax Benefits

Businesses have the option to use tax losses from the past five years to reduce their taxable income in the current year.

Tax losses incurred by a company in the present year can be offset against the taxable profits of another company in the same tax year, as long as both companies are part of the same group for the entire tax year.

Investors can receive a deduction of 50% from their taxable income (up to a maximum of €150,000 per year) when they invest in innovative small and medium enterprises (SMEs). If the deduction is not fully utilized in a given tax year, it can be carried over and claimed in the following five years.

Company reorganizations conducted in compliance with the regulations stated in the Income Tax Law have no impact on taxes.



## 2. PERSONAL INCOME TAX

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### 2.1 Basis of Taxation

An individual who is considered a tax resident (spends more than 183 days in one year in Cyprus) of the Republic of Cyprus is liable to pay taxes on income earned from both domestic and international sources.

Conversely, individuals who are not tax residents of the Republic are only required to pay taxes on income earned within the country.

From 1 January 2017 onward, an individual can be considered a tax resident in Cyprus if they meet the requirements of the "60-day rule". This rule applies to individuals who, in the relevant tax year:

1. Do not spend more than a total of 183 days in any other single state.
2. Are not considered tax residents by any other state.
3. Reside in Cyprus for at least 60 days.
4. Have specific ties to Cyprus, such as conducting business, being employed, or holding a directorial position in a Cyprus tax resident company during any period in the tax year, provided that such ties are not terminated within the tax year. Additionally, the individual must maintain a permanent residential property in Cyprus, either owned or rented, throughout the tax year.

### 2.2 Personal tax rates

Chargeable Income €	Tax Rate %
0-19.500	0
19.501-28.000	20
28.001-36.300	25
36.301-60.000	30
Over 60.000	35

## 2.3 Exceptions

Income	Exemption
Dividend income	The whole amount is exempt
Interest income	The whole amount is exempt
The compensation received from the initial job conducted in the Republic, starting after July 26, 2022, and continuing for 7 years, by an individual who was previously employed by a non-Cyprus resident employer for 3 uninterrupted years before starting their employment in Cyprus	20% of the remuneration (up to a maximum of €8.550 per annum)
An individual who has not resided in the Republic for at least 15 consecutive years before starting their employment will receive remuneration from their first employment in Cyprus, if the amount earned exceeds €55,000 for a period of 17 years	50% of the remuneration
Compensation received for providing employment services abroad to an employer located outside the country or to a permanent branch of a local employer situated outside the country, for a cumulative duration exceeding 90 days within the assessment year	The whole amount is exempt
Income from the disposal of Securities	The whole amount is exempt
Rent from a preserved building	The whole amount is exempt
The profit derived from the sale of intellectual property rights within the intellectual property framework	The whole amount is exempt
Lump sum payment received as a retirement gratuity, pension commutation, death gratuity, or as a combined compensation for death or injury	The whole amount is exempt
Lump sum payment from life insurance plans or approved provident funds	The whole amount is exempt

### 3. SOCIAL INSURANCE

Social insurance and other applicable contributions are determined based on gross emoluments as outlined in the table below:

Category	Employer %	Employee %	Self-employed %
Social Insurance	8,8	8,8	16,6
Redundancy	1,2	-	-
Industrial Training	0,5	-	-
Social Cohesion	2	-	-
Human Resource Development Authority	0.5	-	-

The maximum limit of emoluments is set at €5,239 per month or €62,868 per year.





## 4. GENERAL HEALTH SYSTEM

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In accordance with the General Health System Law of 2001 (89(I)/2001, amended in 2017), Cyprus implemented a comprehensive health system with the objective of ensuring equal access to healthcare services for the entire population. Under this system, patients are empowered to choose their healthcare provider from both the private and public healthcare sectors.

Contributions to the General Healthcare System (GHS) are outlined in the table below:

<b>Category</b>	<b>Rate %</b>
Employees	<b>2,65</b>
Employers	<b>2,90</b>
Self-employed	<b>4,00</b>
Pensioners	<b>2,65</b>
Individuals earning rental, interest, dividend or other income	<b>2,65</b>



## 5. VALUE ADDED TAX

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### 5.1 VAT rates

The law stipulates five different tax rates:

- The standard rate of **19%**
- A reduced rate of **9%**
- A reduced rate of **5%**
- A reduced rate of **3%**
- Zero rate **0%**

#### The standard rate of 19%

Applicable to all goods and services in Cyprus that do not fall under the zero rate, reduced rates, or exemptions.

#### Reduced rate of 9%

This includes:

- Restaurant and catering services.
- Hotel accommodation.
- Transportation of passengers.
- Services and supply of goods by nursing homes.

#### Reduced rate of 5%

- Pharmaceutical products and vaccines.
- Supply of food items.
- Live animals used for the preparation of food.
- Books, newspapers and magazines.
- Entry fees to theatres, festivals etc.
- Entry fees at sports events.
- Hairdressing services.
- Renovation and repair of private households.
- Catering services from school canteens.
- Acquisition or construction of residence.

The amended VAT Law (95(I)/2000) stipulates a 5% reduced VAT rate for the initial 130 sqm of a primary residence, valued up to €350,000, as long as the overall transaction does not surpass €475,000 and the total buildable area remains under 190 sqm.

Renovation and repair of previously used private residences, after a minimum of three years from their initial use, incur a 5% reduced VAT rate, excluding materials contributing to over 50% of the service value.

**Reduced rate of 3%**

- Access rights to initial presentations of classical musical and dance performances.
- Waste collection and sanitation services, excluding those rendered by State Authorities, Local Government Authorities, and public legal entities.
- Handling and treatment of sewage, as well as the discharge from tanks and industrial containers.
- Distribution of books, newspapers, and magazines in physical or electronic format, with exceptions for publications primarily designed for advertising, those consisting mainly of video or audio content, and those produced for non-profit organizations, along with related production services.
- Specialized lifting equipment, stairs, elevators, machinery, lifts, and similar products designed for the assistance of individuals with disabilities.
- Mobility aids such as wheelchairs and other vehicles tailored for use by people with disabilities.
- Orthopedic products and medical devices, encompassing surgical belts, bandages, splints, supports, and other items for the treatment of fractures.

**Zero rate 0%**

- Typewriters equipped with characters and specialized electronic typewriters designed for individuals with disabilities.
- Carriages resembling chairs and alternative vehicles tailored for disabled individuals, whether or not they operate through another propulsion system, as long as they are exclusively intended for the personal use of disabled persons.
- Export of goods.
- Services related to sea-going vessels used for high-sea navigation, including passenger transport for reward or for commercial, industrial, or other purposes.
- Services related to aircraft used by reward-based international airlines.
- Provision of services directly serving the needs of sea-going vessels and aircraft. Passenger transportation between the Republic and another location using sea-going vessels or aircraft.
- Gold supplies to the Republic's Central Bank.
- International passenger transport within the territory of Cyprus.

On May 5, 2023, the VAT Law was revised by the Council of Ministers to implement a 0% VAT rate on essential items like bread, milk, eggs, children's food, diapers, and feminine hygiene products, effective until October 31, 2023. Subsequently, on September 22, 2023, the Council extended the 0% VAT rate to include coffee and sugar, extending the period until April 30, 2024.

On November 17, 2023, a new amendment was published, introducing the 0% VAT on specified meat and vegetable categories as part of the Government's targeted measures to support households.

**Exemptions: VAT does not apply to the below specific goods or services:**

- Renting residential buildings.
- The majority of banking, financial, and insurance services.
- The majority of healthcare services, including medical and dental care.
- Specified cultural, educational, and sports activities.
- Building supplies, under certain conditions.
- Postal services offered by the national postal authority.
- Lottery tickets and betting coupons for football and horse racing.
- Managerial services provided to mutual funds.

## 5.2 Registration

Individuals or entities that have a business or permanent establishment in the Republic of Cyprus related to their business activities will be considered established persons in Cyprus for the purpose of registration. Registration is mandatory for those established in Cyprus if their turnover subject to VAT exceeds €15,600 in the past 12 months or is expected to exceed €15,600 within the next 30 days. However, businesses with a turnover below €15,600 or with supplies outside the scope of VAT, but with the right to claim input VAT, have the choice to register voluntarily.

Businesses that purchase goods from other EU Member States exceeding €10,251.61 in any given calendar year are required to register. Furthermore, starting from January 1, 2010, businesses providing intra-community services, where the recipient is responsible for VAT payment under the reverse charge provisions, also have an obligation to register for VAT.

Moreover, businesses that engage in economic activities are required to register for VAT when they receive services from foreign sources. This obligation applies if there is a requirement to report and pay VAT in Cyprus through the reverse charge mechanism, if the total value of these services exceeds €15,600 within any continuous 12-month period. However, there is no registration threshold for the provision of services within the European Union.

The calculation of annual turnover for registration purposes excludes exempted products and services, as well as disposals of capital items. To register, one must complete the relevant application form.

### 5.3 Late payment charges

Tax obligation	Penalty
Failure to register at Cyprus VAT Register.	€85 for each month of delay
Delayed submission of VAT return.	€100/VAT return
Delayed payment of output VAT.	10% one-off penalty and default annual interest
Delayed registration with the VIES system.	€50/VIES statement
Delayed submission of VIES statement.	€50/VIES statement
Delayed correction of VIES statement.	€15/VIES statement
Failure to submit VIES statements - Criminal offence.	Penalty up to €850
Delayed registration with the INTRASTAT system.	€15/INTRASTAT declaration
Delayed submission of INTRASTAT declarations.	€15/INTRASTAT declaration
Delayed correction of INTRASTAT declaration.	€15/INTRASTAT declaration
Failure to submit INTRASTAT declarations - Criminal offence.	Fine up to €2.562
Delayed deregistration from the Cyprus VAT Register.	€85 one-off penalty
Failure to apply the reverse charge provisions.	€200/VAT return with maximum penalty of €4.000

## 6. SPECIAL CONTRIBUTION FOR DEFENCE

The Special Contribution for Defence is levied on dividend income, 'passive' interest income, and rental income received by companies residing for tax purposes in Cyprus, as well as by individuals who are both tax residents and domiciled in Cyprus.

The applicable rates are outlined as per table below:

<b>Income</b>	<b>Individuals %</b>	<b>Companies %</b>
Dividend income	<b>17</b>	-
Interest income (Passive)	<b>17</b>	<b>17</b>
Rental income on 75%	<b>3</b>	<b>3</b>

Individuals receiving interest income from corporate bonds, Cyprus government savings and development bonds, along with all interest accrued by a provident fund and the Cyprus Social Insurance Fund, are liable to a Special Contribution for Defence at a rate of 3%.

Special Contribution for Defence is levied on dividend income, "passive" interest income, salary and rental income received by companies registered in Cyprus and individuals who are both tax residents and domiciled in Cyprus.

## 7. TAX CALENDAR

### 7.1 The most important Tax Due Dates By Month

<b>Tax obligation</b>	<b>Date</b>
Payment of Special Contribution for the Defence for deemed dividend distribution purposes (2021 profits).	31 <sup>st</sup> January
Submission of the 2022 corporate tax return.	31 <sup>st</sup> March
Submission of 2023 personal tax return for employees not preparing accounts and payment of outstanding tax.	31 <sup>st</sup> July
Submission of personal income tax return and payment of final tax for the year 2023 of self-employed individuals not preparing audited accounts.	31 <sup>st</sup> July
Payment of special contribution for defense for the first/second semester of 2024.	30 <sup>th</sup> June and 31 <sup>st</sup> December
Submission by employers of the total payroll of the previous year (I.R. 7 Form for year 2023).	31 <sup>st</sup> May
Submission of provisional tax declaration and payment of first/ second installment of 2024.	31 <sup>st</sup> July and 31 <sup>st</sup> December
Last day for submission of revised temporary tax for 2024.	31 <sup>st</sup> December
Payment of final tax of 2023 with self-assessment for individuals and companies that prepare audited accounts.	1 <sup>st</sup> August
Payment of tax withheld from employee's salary (PAYE).	End of the following month
Payment of Special Contribution for the Defence withheld on payments of dividend, interest and rents made by companies.	End of the following month
Payment of tax withheld on payments made to non-Cypriot tax residents.	End of the following month
If the deadlines are not met, they are subject to an annual interest at a rate of 2,25% from 01/01/2024.	

## 8. CONTACTS

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In an ever-changing world, Highworth strives to discover optimal solutions for intricate challenges, generating value for clients, stakeholders, and society as a whole. Our approach involves embracing the future with an emphasis on quality and fostering robust relationships founded on trust.

For inquiries, assistance, or further clarification regarding Tax or Business advice, please feel free to reach out to our dedicated support team. We are here to provide guidance and address any questions you may have.

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