



Gramaro Accounting Services Ltd

Member of Andreas Sofocleous Group of Companies

General Information on Companies registered in Cyprus

[A] Maintenance of accounting books and records

All Cyprus registered companies are obliged to prepare accounting records and audited financial statements every year which then they will keep in their records for a period of six years. The normal calendar year in Cyprus starts on 1st of January and ends on 31st of December every year. Companies are obliged every 31 December to submit to the Commissioner of the Registrar of companies their financial statements of the previous year.

A company can prepare its first audited financial statements covering a period up to 18 months.

[B] Tax Legislation

I. Corporation Tax

All newly incorporated companies are required to register with the Tax Authorities immediately after their incorporation with the Registrar of Companies or at least 60 days after their incorporation. Cyprus resident companies are subject to corporate income tax on their worldwide profits. A company is resident in Cyprus if its management and control are exercised from us.

The tax rate on corporate profits is 12.5%.

The Companies which expect to generate profits in a calendar year are strongly advised to pay corporation tax on the provisional basis.

II. Provisional Tax

Cyprus operates a system of self-assessment for corporation tax. Companies have to assess and pay provisional tax on the estimated current year's taxable profit. The dates of submission and payment are as follows:

- 31/07 -Submission of return and payment of the 1st instalment
- 31/12 -Payment of 2nd instalment

Late payments of the instalments are currently subject to 3,5% interest on the amount payable.

Where the final tax liability as per the audited financial statements, exceeds the temporary tax declared by more than 25%, there is a 10% penalty on the difference of the tax arising. To avoid the possibility of this, you are allowed to file a revised assessment, at any time prior to 31st December, with a more accurate profit forecast.

If a temporary assessment is not filed, and the audited financial statements show that there is a tax liability, the company will pay a 10% penalty on the whole tax liability.

Limassol Office

Proteas House ,155 Makariou III
Avenue
Limassol 3026 ,Cyprus
P.O. Box: 58159 Limassol 3731

Phone:+357 25 849000
Fax: +357 25 849100
E-mail: info@sofocleous.com.cy
Website: www.sofocleous.com.cy

Kiev Office

36-D Saksagavskgov Str.
Office2 ,Kiev 01033
Ukraine

Tel: +380-444902003/4/5
Fax: +380-444902006
Email: kiev@sofocleous.com.cy



III. Interest and administrative penalties

If the tax is not paid by the due date, interest is imposed at the rate of 3,5% per annum for 2017.

The applicable interest rates for the previous years are as follows:

Up to 31/12/2006	9.00%
01/01/2007 - 31/12/2009	8.00%
01/01/2010 - 31/12/2010	5.35%
01/01/2011 - 31/12/2012	5.00%
01/01/2013 - 31/12/2013	4.75%
01/01/2014 - 31/12/2014	4.50%
01/01/2015 - 31/12/2016	4.00%

Late submission results in the imposition of a penalty equal to €100. If the tax return for a specific year is requested in writing by the tax office and this is not submitted within the requested period, then a penalty of €200 is imposed for every notice issued. In the case of late payment of the tax due, an additional penalty at the rate of 5% will be imposed on the unpaid tax.

IV. Special Contribution for Defence Tax (SDC)

Special Contribution for defence is imposed on income from sources within Cyprus, as detailed below, which is derived by individuals or companies resident in Cyprus. Non residents are not subject to SDC tax.

- Dividend income* 17.00%
- Interest income 30.00%

if it is not arising from or is not closely related to the ordinary course of business

- Rental income less 25% 3.00%

* Exemptions:

- Dividends received by a Cyprus resident company from another Cyprus resident company.
- Contribution to Defence tax has been withheld at source according to certain conditions.
- The income of the company paying the dividend derives its income (more than 50%) from trading activities and the tax burden of the

country in which the company paying the dividend is established is not significantly lower than the tax burden in Cyprus.

V. Deemed Distribution

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

VI. Notional interest deduction on new equity

As from 1 January 2015, the Government has introduced the Notional Interest Deduction (NID) regime on equity. NID will be allowed on "new equity" funds introduced into a Cyprus Tax Resident company and which funds are used for the operations of the company. Foreign companies that maintain a Permanent establishment in the Republic can also benefit from this provision. The NID will equal the multiple of "reference interest rate" and the "new equity".

The definitions of the aforementioned terms under Cyprus Law are:

"Reference interest rate" The interest rate of the 10-year government bond of the country in which the new equity is invested, plus 3%, having as a lower limit the 10-year government bond yield of the Republic of Cyprus plus 3%. The bond yield is the one applicable as of 31 December of the tax year preceding the relevant tax year.

"New equity" Any equity introduced in the business after 1st January 2015 in the form of both share capital and share premium, provided it is fully paid and used for the operations of the company.

The NID will be limited to 80% of the taxable profit before deducting the NID, and no NID will be allowed in the event of losses. The deductibility of the deemed interest will be subject to the same rules as actual interest paid (tax deductible only if



it relates to assets used in business, based on the actual days, etc.).

[C] Annual Government Levy

An annual levy of €350 payable to the Registrar of Companies is introduced for all companies incorporated in Cyprus in accordance with the Companies Law of Cyprus as amended by the Law No. 117(1)/2011.

The levy must be paid by 30 June of each year. If the levy is not paid within the prescribed period but it is paid within two months from the due date, a penalty of 10% is imposed increasing the levy to €385. If the levy is not paid with two months from the due date, the levy is increased by 30% to €490.

If the levy is not paid within five months, the Registrar of Companies will remove the company from the registry, which is equivalent to dissolution of the company.

[D] VAT

Taxable persons in Cyprus charge VAT on their taxable supplies (output tax) and are charged with VAT (input tax) on goods & services (subject to certain conditions) received. If the output tax exceeds input tax, then a VAT liability is created that must be paid to the VAT authorities. However, if the input tax exceeds output tax, then a refundable amount is created which can be set off against future VAT liability.

VAT rates

Under the Cyprus VAT legislation, the following VAT rates are applied:

- Zero rate 0%
- Reduced rate 5%
- Reduced rate 9%
- Standard rate 19%

An individual or a company is obligated to register with the VAT Authorities in Cyprus if one of the following applies:

- At the end of any month, the value of taxable supplies in the period of one year then ending has exceeded €15.600
- At any time, there are reasonable grounds to believe that the value of the taxable supplies in

the period of thirty days then beginning will exceed €15.600.

- At the end of any month, the total value of acquisitions from all other member States has exceeded the registration threshold of €10.250,
- Any person making distance sales (sales from a person established in another member State), is liable to register for VAT purposes in Cyprus and account for VAT in Cyprus, if in the period starting from the 1st January of the year, the value of distance sales exceeds €35.000.
- Provides zero rated goods and/or services

If taxable supplies do not exceed the thresholds for registration, then a person is entitled to apply for voluntary registration.

Any person registered with the VAT must submit the VAT form quarterly and the payment of the VAT should be made to the VAT authorities by the 10th day of the second month that follows the month in which the tax period ends

If a tax declaration is not submitted on time, the VAT Commissioner will impose a late submission penalty of €51 and if there is a VAT payable amount a 10% will be charged immediately on the outstanding amount plus interest if the amount is not paid until the 10th day of the following month of the delay. For late registration if the company has an obligation to register to the authorities, there is a penalty of €85 per month.

[E] VIES

Under the EU and the national legislation regulating VIES, any VAT-registered person who supplies goods or services subject to certain conditions to a VAT-registered person in another Member State has to submit a monthly Recapitulative Statement declaring all the intra-community supplies. The Statement must be submitted to the VAT Commissioner until the fifteenth day following the end of the month under consideration. If a person fails to comply, a penalty of €50 is imposed for every month of non-compliance, the maximum been €850 per VIES Statement. The VIES statement can be submitted only electronically.