

## ***Cyprus Tax Update***

***There have been recent (August 2011) tax law amendments in Cyprus, some of which affect international clients who have Cyprus companies in their structures. Below is a brief summary of the relevant amendments affecting international clients.***

### 1. Annual Levy on Cyprus Companies

- An annual levy of €350 has been introduced, from year 2011, for all Cyprus companies.
- This levy is payable to the Cyprus Companies Registrar.
- In relation to groups of companies, there is a cap on the levy to be paid for the group at €20.000 per annum.
- For year 2011 the levy must be paid by 31 December 2011 and for subsequent years by 30 June of the relevant year.
- Companies which have no activity or assets, companies which do not own any assets, and companies owning property in areas not controlled by the Cyprus government are exempt from the payment of the levy.
- In the event that the levy is not paid on time but is paid within two months from the due date, a penalty of 10% on the amount of the levy is payable. If the levy is paid within five months from the due date then the penalty is increased to 30% of the amount of the levy. If the levy is not paid within five months from the due date then the Cyprus Companies Registrar may remove the company from its register. If a company is removed from the register it can be reinstated within two years subject to payment of relevant penalties.

### 2. Special Defence Contributions ("SPD")

- Receivables from interest and dividends have always been exempt from income/corporation tax in Cyprus and have always been subject to SPD. Certain amendments have been put in place in relation to interest and dividends received, which are applicable from August 2011.
- In relation to interest received or credited by Cyprus tax residents, the rate of SPD has been increased from 10% to 15%. It should be noted, however, that no SPD is payable on interest payments to non-residents (as always).
- In relation to dividends received by Cyprus tax residents, the rate of SPD has been increased from 15% to 17%. As companies are generally exempt from payment of SPD on dividends this applies only to individuals, and it should also be noted that no SPD is payable on dividend payment to non-residents (as always).