

2006



CYPRUS

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Doing Business in Cyprus

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As a full member firm of Ernst & Young, the Cyprus firm uses the same methodology, adopts the same policies and procedures in delivering professional services to its clients that are adopted by all the Ernst & Young offices around the world. Naturally, the Cyprus firm is connected on the internal electronic network of Ernst & Young Global and has access to all the databases developed by the worldwide firm for its internal use.

Our clients range from major public companies and large multinationals to small businesses at start-ups. A significant number of our clients are entities engaged in international operations.

The Cyprus firm employs a total of approximately 130 staff of which 100 are professionals. A significant number of these are UK qualified accountants. The firm has eight partners of which two specialise in financial services.

The Cyprus firm has an excellent reputation amongst the local business community as a high quality provider of professional services. This is as a result of the consistent high quality services that have been provided over the years to our domestic as well as to our international clients.

Ernst & Young in Cyprus has always been in the forefront of providing professional services both to local and international companies. As a result, our firm has built an expert team of professionals, who have the knowledge and experience in serving local and international companies as well as maintaining excellent contacts with all government departments. Therefore, we have assisted our clients on a number of occasions in obtaining resident's and work permits, securing the necessary licences from local regulatory authorities, or securing tax clearance certificates under various double tax treaties for the relief of tax deducted at source.

George Kourris
Country Managing Partner

Doing Business in Cyprus

2006 edition

This booklet was prepared by Ernst & Young Cyprus. It was written to give the busy executive a quick overview of the investment climate, taxation, forms of business organisation, and business and accounting practices in Cyprus.

Making decisions about foreign operations is complex and requires a detailed knowledge of the country's commercial climate, with a realisation that the climate can change quickly. Companies doing business in Cyprus, or planning to do so, are advised to obtain current and detailed information from experienced professionals. This booklet reflects information current in February 2006.

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Brief Country Overview

Geography

Cyprus is an island with an area of 9,251 sq km, situated in the southeastern part of the Mediterranean Sea, at the crossroads of Europe, Asia and Africa.

Cyprus has a temperate Mediterranean climate. Winters are mild and summers are warm, with long periods of sunshine. Autumn and spring are mild. The lowest temperatures occur between December and February and the highest in July and August. The mean temperature in the winter is between 18 and 20 degrees centigrade and the mean temperature in the summer is between 34 and 36 degrees centigrade.

Population and Language

Cyprus' estimated population is 800,000 of which 82% are Greek Cypriots, 12% Turkish

Cypriots and the remainder foreign residents and workers. Greek and Turkish are the official languages of the Republic but English is widely spoken and understood and is regularly used in commerce and government. The capital of Cyprus is Nicosia, which has an estimated population of 195,000. Other major cities are Limassol, which is the second largest city and the island's biggest port, Larnaca, which has the main airport of the country and Paphos, which is a popular holiday resort with its own airport.

Time

Cyprus is two hours ahead of Greenwich Mean Time. Between the end of March and the end of October, clocks are advanced one hour under a summer time system. Time differences between Cyprus and certain major cities are shown in the following table.

City	Hours Ahead of or Behind Nicosia
Amsterdam	-1
Hong Kong	+6
London	-2
Moscow	+1
New York	-7
Paris	-1
Rome	-1
Singapore	+6
Sydney	+8
Tokyo	+7

Public Holidays

The following table lists public holidays for Cyprus in 2006:

New Year's Day	1 January
Epiphany Day	6 January
Green Monday	6 March
Greek Independence Day	25 March
Cyprus National Day	1 April
Easter	21-25 April
International Labour Day	1 May
Whit Monday	12 June
Assumption Day	15 August
Cyprus Independence Day	1 October
Greek National Day	28 October
Christmas	24-26 December



Government Structure and Economic Climate

Government Structure

Cyprus is an independent Republic with a presidential system of government modelled on Western democratic systems.

The Republic maintains diplomatic relations with most developed and developing countries. It is a member of a number of international organisations, including:

- United Nations
- European Union
- Council of Europe
- British Commonwealth
- Group of non-aligned countries
- International Monetary Fund
- World Bank

Since 1974, following the invasion of the island by the Turkish army, about 37% of the northern area of Cyprus is under Turkish occupation and access to the area is restricted. The Greek Cypriot government has no control over this area. The legislative system and economy of this northern area differs significantly from those of the southern part of the island.

As of 1 May 2004, the Republic of Cyprus is a full member of the European Union.

Economy

Type of Economy

The economy is based on a free enterprise system, with the private sector being the backbone of economic activity.

The government pursues an economic policy aimed at promoting and maintaining favourable investment conditions and supporting private initiative. Apart from developing the island's infrastructure, the government provides indicative planning to the private sector and controls public utilities.

The country's main sources of foreign earnings are tourism and services.

General Economic Trends

Cyprus has an open free market economy. Per capita Gross Domestic Product ("GDP") is approximately US\$17,500, one of the highest in the Mediterranean. Considering other socio-economic indicators such as the excellent housing conditions, pollution free environment and low crime rate, one may conclude that the quality of life is better than that reflected by the per capita income indicator alone.

In recent years, the economy has been growing at an average rate of 3.4%. At the same time, the economy is operating at near full employment with an unemployment rate of 3.5% in 2004. Inflation has also been relatively modest, with an increase in the retail price index of 2.3% in 2005.

Leading Industries

In 2004, Agriculture, Forestry and Fishing accounted for 4.1% of GDP; Transport, Storage and Communications for 9.8%; Trade, Restaurants and Hotels for 21.6%; Manufacturing and Cottage Industry for 10.2%; Community, Social and Government Services for 22.5%; Finance, Insurance and Business Services for 21.1%; Electricity, Gas and Water for 2.2% and Construction, Mining and Quarrying for 7.7%.

Financial System

Banking

The supervising authority for the banking sector is the Central Bank of Cyprus. In addition to the Central Bank, the banking system consists of nine local commercial banks, 28 international banking units, two administered banking units, three specialised financial institutions and a number of leasing companies.

Commercial banking arrangements and practices follow the British model. All banks maintain correspondent networks around the world and they subscribe to SWIFT, Reuters, Telerate and other services. Thus, they have easy access to the world-banking network and are able to carry out both traditional and specialised financial transactions.

The Stock Exchange

The Cyprus Stock Exchange commenced operations in 1996. The Council of the Stock Exchange is responsible for implementing policies for the Exchange. A fully computerised on-line trading, clearing and settlement system is in operation.

About 150 companies have their shares quoted on the Stock Exchange.

Insurance

The activities of insurance companies are governed by the Insurance Companies Laws and the Superintendent of Insurance monitors Regulations and their operations. The major insurance companies are subsidiaries or affiliates of banks.

There are also a number of captive insurance companies.

Investment Firms

The activities of Investment Firms are governed by the Investment Firms Act of 2002. The Cyprus Securities and Exchange Commission monitors their operations.

Currency

Cyprus' currency is the Cyprus pound ("CY£"), which is convertible into the Euro as well as into all other major currencies. The CY£ is divided into 100 cents. As from 2008 Cyprus is expected to introduce the Euro.



Investment Climate and Foreign Trade

Foreign Investment in Cyprus

Types of Foreign Investment

- Direct Investment
 - There are no restrictions concerning the maximum allowable percentage of foreign participation nor the minimum level of foreign investment in an enterprise in Cyprus.
- Portfolio
 - Investors may acquire up to 100% of the share capital of Cypriot companies listed on the Cyprus Stock Exchange except in the banking sector, where the maximum non-resident equity participation is 50%, except with prior approval. However, no individual may own directly or indirectly 10% or more of a bank's share capital without the Central Bank's approval.

Types of Investments where Restrictions Apply

Restrictions concerning the acquisition of real estate, tertiary education, public utility services, radio and television stations and the establishment of new airlines apply to both EU and non-EU investors.

Investment Incentives

Several incentives exist for locating a business in Cyprus and these include:

- Favourable business environment - Cyprus is a good location with the availability of skilled labour at rates of pay that are generally lower than those of industrialised countries and excellent support facilities and services.

- Freedom from exchange controls - Profits, interest and dividends, capital invested and any capital gains arising from disposal of shares in such investments can be freely remitted overseas without any limitation.
- Accession to the EU on 1 May 2004 - This opened up opportunities for the use of Cyprus as a base for the production and exportation of goods to the vast EU market.
- Industrial estates - Industrial estates provide building sites equipped with all the necessary facilities. The estates are located reasonably close to towns and other residential areas or ports and airports.
- Industrial Free Zone - The Industrial Free Zone ("IFZ") near Larnaca offers all modern facilities and is close to the port and international airport.
- Industries established within the IFZ import their machinery, equipment and raw materials free of customs duty. Products manufactured in the IFZ are permitted to enter the Cypriot market on payment of the lowest preferential tariff.
- Bonded factories and warehouses - Investors may select freely the location of their industry and operate bonded factories in any area other than the IFZ, closer to related industries or the port of Limassol. The customs status extended to bonded factories concerning customs exemption on imported machinery and raw materials is generally the same as in the IFZ. General bonded warehouses are available for use on a rental basis. Local and international businesses may be given authority to operate their own private bonded warehouses.

- Various grant and incentives for projects for the attraction and development of high-tech industries and skill incentive products, assistance and development of Cyprus traditional economic sectors, productivity and labour skills improvement and attraction of capital intensive foreign investment.
- Various grants and loan guarantees from small and medium size enterprises in the manufacturing sector.

Holding Companies

Cyprus resident holding companies are granted a number of tax incentives.

These include:

- Exemption from taxation on dividends received. A minimum participation of 1% is required and the investee company must derive directly or indirectly its income from trading and not investment activities. If more than 50% of the income is derived from investment activities, in order to claim exemption, the profits of the investment company must be taxed at a rate of tax that is not substantially less than the Cypriot tax rate.
- Gains from the sale of investments are tax-free.
- No minimum holding period for the investment is required.

Special Investment Considerations

Regulated Activities

Cypriot banking, insurance and securities activities are subject to special laws that regulate the terms of conducting their business operations, authorising the operators on the market and establishing the capital limits for carrying out these types of activities.

Government-Owned Industries and Privatisation

The Government is the owner of a number of organisations and companies, which provide essential services. These include postal services, electricity generation, transmission and distribution, telecommunications, airport and harbour activities, water supply and air transportation.

Foreign Exchange Controls

There are no exchange control restrictions.

Competition Law

Cypriot competition regulations are harmonised with similar European Union rules. Collusive behaviour or anti-competitive agreements between competitors are forbidden, but mergers and acquisitions are authorised provided that free competition is not affected.

Intellectual Property

The law on the registration of patents is similar to the relevant UK legislation. Patents are registered with the Registrar of Companies. Only patents registered in the United Kingdom can be registered and application should be made within three years from the granting of the original patent in the UK. Registration of the patent remains in force as long as the patent is registered in the UK.

Trademarks can be registered in Cyprus both by Cypriot nationals and Cypriot companies as well as foreign nationals and companies. The initial registration is for seven years and is renewable on application for periods of 14 years at a time. All approved applications for trademarks are published in the Official Gazette and if no objections are received within two months of publication, an official certificate is issued.

Regional and International Trade Agreements and Associations

Cyprus is a member of the World Trade Association, a member of the International Monetary Fund and the World Bank.

Major Trading Partners and Leading Imports and Exports

Imports

Leading trading partners for imports are the European Union countries, which account for 65% of total imports, followed by Japan with imports of approximately 7% of total imports. Imports of consumer goods account for approximately 28% of total imports whereas goods for intermediate input account for 30% of total imports.

Exports

Leading trading partners for exports are the European Union countries, which account for 59% of total exports. Arab countries account for 17% of total exports.

Manufactured products account for 57% of total exports, whereas agricultural products account for 25% of total exports.

Importing and Exporting

In general, Cyprus does not impose restrictions on the importation of goods from other countries or groups of countries. Goods imported from non-European Union countries may be subject to Customs duties.

Goods may be exported freely if an invoice and certain other documents are filed with the Customs Office and shipping documents are filed with an intermediary bank.



Companies

Forms of Enterprise

Business may be conducted in Cyprus through the various forms of organisations generally known in most countries.

The laws and regulations for setting up and administering such entities are the same for foreign investors and international business activities as they are for local organisations.

All enterprises, except sole traders, are required to register with the Registrar of Companies.

Limited Liability Companies

A company is a distinct “legal person” established in order to separate legal responsibility for the affairs of a business (or any other activity) from the personal affairs of the individuals who own or operate the business.

The Companies Law of Cyprus, which closely resembles the United Kingdom’s Companies Act 1948, provides for private companies and public companies.

Private companies need one or more founding members, are limited to fifty shareholders (except for employees or ex-employees), cannot offer their shares or debentures for subscription by the public and impose restrictions on the transfer of shares.

Public companies need seven or more founding members, can invite the public to subscribe for their shares or debentures and do not restrict share transfers.

In all cases, shares must be registered. They may be ordinary or preferred with differing voting rights and can be paid in cash or by means of another consideration.

There are special rules regarding the valuation of consideration other than cash in the case of public companies.

Branches of Foreign Legal Entities

A company incorporated outside Cyprus may establish a branch in the Republic.

Within a month of establishing a branch, the company must file various documents with the Registrar of Companies, including its Charter/Memorandum and Articles of Association and particulars of its directors and of its representatives in Cyprus.

Partnerships

Partnerships can be either general or limited.

In a general partnership, every partner is liable jointly and severally with the other partners for all debts and obligations of the firm.

In a limited partnership, there is at least one general partner with unlimited liability and one or more limited partners who are not liable beyond the amount of capital they have agreed to contribute.

The number of partners cannot exceed twenty. A company may be a general or limited partner in a partnership. The relations of partners between themselves may be regulated by a partnership agreement, which need not be registered.

Trusts

Trusts can be established under Cypriot Law.

Establishing a Company

The following information is required for the registration of a company:

- Name of the company, approved by the Registrar of Companies.

- Memorandum and Articles of Association in Greek. (The Memorandum describes the scope of the intended corporate activities and the Articles contain the rights of members, the rules governing the internal management of the company, the duties of directors, borrowing powers etc).
- Authorised and issued share capital.
- Names, addresses, nationalities and occupations of the directors.
- Address of the registered office.

Name and address of the company secretary.

The Companies Law stipulates a minimum of one shareholder.

Annual Requirements for Companies

All companies must file annual income tax returns within one year from the end of their financial year and, for tax purposes, all companies must have their annual financial statements audited by a Cyprus practising auditor.

Every year, companies must prepare an annual return stating the registered office of the

company, the members and debenture holders, the shares and debentures, past and present members, the directors and secretary and particulars of indebtedness.

Annual general meetings must take place every year, within fifteen months from the previous annual general meeting. The annual return must be completed within 42 days after the annual general meeting and should contain information up to and including the 14th day after the annual general meeting. Together with the annual return, there should be a copy, certified both by a director and by the secretary of the company to be a true copy, of the financial statements laid before the company in the general meeting, for the period to which the return relates and a copy of the report of the auditors on, and of the report of the directors accompanying such financial statements. The above documents should be filed with the Registrar of Companies; if these documents are in a foreign language, a certified Greek translation must be filed as well.

Mergers and Acquisitions

Tax-free mergers and acquisitions are allowed. The legislation is in line with the relevant EU directive on this subject.

Corporate Taxes at a Glance

Corporate Income Tax Rate (%)	10
Capital Gains Tax Rate (%)	20
Branch Tax Rate (%)	10
Withholding Tax (%)	
Dividends	0
Interest	0
Royalties from Patents, Know-how, etc	0
Net Operating Losses (Years)	
Carry back	0
Carry forward	Indefinitely

Taxes on Corporate Income and Gains

Corporate Income Tax

A company resident in Cyprus is subject to income tax on its worldwide income. A company is resident in Cyprus if its control and management are in Cyprus. Non-resident companies are subject to income tax only on income attributable to a permanent establishment in Cyprus and on rental income from property in Cyprus.

Rates of Corporate Income Tax

The standard rate of company tax is 10%.

Capital Gains

A capital gains tax of 20% is levied on gains from the disposal of immovable property located in Cyprus or the disposal of shares in companies whose assets include immovable property located in Cyprus. The latter does not apply to shares listed on a recognized stock exchange. A gain is the difference between the sales proceeds and the original cost, adjusted to take into account increases in the cost-of-living index.

Administration

The income tax year in Cyprus is the calendar year. Tax is payable on 1 August following the income year. However, an estimate of tax due is made by 1 August of the income year, and provisional tax is payable in three equal instalments on 1 August, 30 September and 31 December.

Overdue tax is subject to interest at 9% per annum.

Dividends

Dividends paid to shareholders are not subject to a withholding tax. A 15% defence tax is withheld on dividends paid to resident individuals. This defence tax is a final tax.

If within two years from the year end there is no distribution of dividends of at least 70% of the accounting profits after tax, a 15% defence tax is payable on a deemed distribution of 70% of the profits. This does not apply if the shareholders are non-residents.

Foreign Tax Relief

Foreign tax on profits and gains of a Cyprus resident company is credited against Cyprus tax payable. Such foreign tax relief cannot exceed Cyprus tax payable on the same profits or gains.

Determination of Taxable Income

Starting Point for Determining Taxable Income

An assessment is based on financial statements prepared in accordance with International Financial Reporting Standards, subject to certain adjustments and provisions. Expenses must be incurred wholly and exclusively for the production of income.

Provisions

Specific provisions for trade or other receivables are allowed. Exchange gains or losses are allowed as they accrue.

Tax Depreciation

In general, assets may be depreciated using the straight-line method over their statutorily prescribed useful lives. The following are the useful lives that are generally applicable to major categories of assets:

Asset	Years
Buildings	25 to 33
Machinery and equipment	5 to 10
Furniture and fittings	10
Computers and software	3 to 5
Motor vehicles (excluding saloon cars)	5

If the sale proceeds are less than the remaining depreciable base on disposal of an asset, a further allowance is granted up to the difference. If the sale proceeds exceed the depreciable base, the excess (up to the cumulative amount of allowances previously received) is included in taxable income.

Transfer Pricing

The general rule is that all transactions should be at an arm's length basis. There are no specific rules on transfer pricing.

Relief for Losses

Companies may carry forward corporate tax losses, without adjustment for inflation, indefinitely. Loss carry backs are not allowed.

Groups of Companies

Group loss relief in respect of the loss for the year is allowed between resident group companies that meet certain criteria.

Mergers/Combinations and De-mergers of Businesses

No taxes arise on the transfer of business or assets or the exchange of shares.

Other Significant Taxes

The following table summarises other significant taxes:

Nature of Tax	Rate (%)
Value Added Tax, on any supply of goods or services, other than an exempt supply, made in Cyprus by a taxable person (taxable if the annual supplies exceed CYP£9,000) in the course of business	0/5/8/15
Payroll taxes:	
<ul style="list-style-type: none">• Social Insurance Contribution, levied on each employee's gross salary, up to CY£2,076 a month; payable by both employer and employee	6.3
<ul style="list-style-type: none">• Human Resource Development Fund and Redundancy Fund, levied on gross salary, up to CY£2,076 a month; paid by the employer	1.7
<ul style="list-style-type: none">• Leave Fund, levied on gross salary, up to CY£2,076 a month; paid by the employer in lieu of holiday pay (the employer may obtain an exemption from contributions to this fund)	8
<ul style="list-style-type: none">• Social Cohesion Fund, levied on gross salary; paid by the employer	2
Special Contribution for Defence computed on dividends paid to resident individuals (retained by the payer)	15
Special Contribution for Defence computed on interest paid to residents (retained by the payer)	10
Special Contribution for Defence on rental income (paid by the landlord)	3

Financial Reporting and Auditing

Under the Cyprus Companies Law, the directors of every company are responsible to keep proper books of account defined as those books deemed necessary for the preparation of financial statements and which are adequate for the presentation of a true and fair view of the company's affairs and an explanation of its transactions.

In accordance with the Cyprus Companies Law, the presentation of the true and fair view is achieved through the application of the International Financial Reporting Standards, which is compulsory for all companies. The directors of every company are therefore responsible to prepare a full set of financial statements (or where applicable, consolidated financial statements) in accordance with International Financial Reporting Standards.

The directors of every company have an obligation under the Law, at some date not later than 18 months after the incorporation of the company and subsequently at least once in every calendar year, to lay before the company in a general meeting a full set of financial statements showing a true and fair view of the financial position, financial performance and cash flows of the company in accordance with International Financial Reporting Standards and the requirements of the Cyprus Companies Law and accompanied by the directors' report and the auditors' report (where an audit is required). Financial statements, in the Greek language, must be filed with the Registrar of Companies with the annual return every year and there are special filing requirements for branches of overseas companies.

All companies should submit their annual financial statements to the tax authorities by the end of the year following the year of assessment.

For tax purposes, all financial statements must be audited. For Companies Law purposes, they must be audited unless a company meets the small business criteria, which, in any event, do not apply for consolidated financial statements and to public companies. The members of the company at their annual general meetings appoint the auditor. There are special provisions in the Companies Law that deal with the appointment, removal, disqualification and resignation of auditors. Qualified persons for auditing purposes according to the law are members of a body of accountants established in Cyprus. Members of bodies of accountants established outside Cyprus may be allowed to act as auditors under certain conditions. All of the big international accounting firms are represented on the island with member or correspondent firms.

Auditors are required to report on the financial statements audited by them and their report must contain statements regarding the true and fair view of the financial statements, whether they have obtained all the information and explanations necessary for the purpose of their audit, whether proper books of account have been kept and the financial statements are in agreement with them and whether the financial statements comply with the relevant legislation. They are also required to report on the consistency of the directors' report with the financial statements.

The audit is carried out in accordance with International Standards on Auditing issued by IFAC.

Although not required by law to prepare audited accounts, partnerships are required to keep proper books of account, which are open for inspection by the partners.



Individuals

Income Tax

Who is Liable

Residents are taxed on their worldwide income, except for foreign-source of income from employment. Non-residents are taxed on their Cyprus source of income from employment exercised in Cyprus and rentals from immovable property located in Cyprus only.

The law defines as “resident” any person who is present in Cyprus for more than 183 days in any calendar year.

Income Subject to Tax

Gains or profits from any office or employment in Cyprus, regardless of whether services were performed in Cyprus or elsewhere, are considered Cyprus source of income and are subject to tax. Foreign-source of income from employment is not taxed.

Taxable income from employment includes the estimated value of any accommodation and other allowances from employment, whether paid in cash or in kind.

Directors’ fees are considered compensation and are taxed in the same manner as income from employment.

Self-Employment and Business Income

Residents are subject to income tax on self-employment income. Non-residents are subject to income tax on self-employment income received from sources in Cyprus.

Taxable income includes profits and gains from any trade, business, profession or vocation, and profits from farming.

Investment Income

Dividends received from companies resident in Cyprus by resident individuals are subject to a 15% defence tax. This is deducted at source.

Capital Gains and Losses

Tax at the rate of 20% is levied on gains derived from the disposal of immovable property located in Cyprus or from the disposal of shares of companies whose assets include immovable property located in Cyprus. The gain is the difference between the sale proceeds and the original costs of the property, adjusted for increases in the cost-of-living index. No other assets are subject to capital gains tax.

The following lifetime exemptions from tax on capital gains derived from property sales are available to individuals:

Type of Property	Amount of Exemption
Ordinary property	CY£10,000
Agricultural land	CY£15,000
Private residence	CY£50,000

Deductions

Deductible Expenses

All expenses incurred wholly and exclusively in the production of income are deductible.

Personal Allowances

Certain deductions are taken into consideration in calculating the income tax liability.

Rates

Income derived by Cyprus residents, other than capital gains income, is taxed at the following rates for 2006:

Taxable Income		Tax on Lower Amount	Rate on Excess
Exceeding CY£	Not Exceeding CY£	CY£	%
0	10,000	0	0
10,000	15,000	0	20
15,000	20,000	1,000	25
20,000	-	2,250	30

Estate and Gift Taxes

Cyprus does not impose estate or gift taxes.

Social Security Contributions

Employers and employees must each make social security payments of 6.3% of monthly compensation up to a maximum monthly amount, which is currently CY£2,076. Self-employed persons must contribute to the social security scheme at a rate of 11.6% of monthly income. Minimum and maximum monthly income of self-employed persons is classified according to the income of the type of business, profession or vocation.

Cyprus has concluded social security agreements with Australia, Austria, Canada, Czech Republic, Greece, Slovakia, Switzerland and the United Kingdom. Coverage for one to three years is usually permitted under these agreements. Residents of EU member states may also elect (subject to certain time limitations) to remain under the host country's social security system.

Filing and Payment Procedures

The tax year in Cyprus is the calendar year. Every person who has chargeable income must notify the Commissioner of Income Tax no later than 30 April following the income tax year. Taxes are due by 1 August following the income year.

Income from employment is taxed on a Pay-As-You-Earn basis. For business income, an estimate of tax due must be made by 1 August of the income tax year, and provisional tax must be paid in three equal instalments on 1 August, 30 September and 31 December. Tax assessed for any other year is payable at the end of the month following the month when assessment is made.

Overdue tax is subject to interest at a rate of 9% per annum.

Double Tax Relief and Tax Treaties

Cyprus has concluded double tax treaties with the countries listed in the Appendix.

Entry Visas

Entry visas are not required for citizens of member countries of the European Union, the British Commonwealth, the United States and several countries with which Cyprus has concluded bilateral agreements.

Legally, the ownership of assets located in Cyprus has no impact on whether an individual is able to obtain a visa. However, in practice, a visa is granted if the applicant owns property.

Foreign nationals may enter Cyprus under visitor visas or employment visas.

Visitor visas are issued to foreign nationals who intend to visit Cyprus for recreational purposes. These visas are valid for up to 90 days.

Work and Residence Permits

A foreign national may work in Cyprus if he or she has an employment visa. Employment visas are issued to foreign nationals who are employed in Cyprus by Cypriot entities. Nationals of other EU countries are granted employment visas as a routine procedure.

A non-EU national in an executive or managerial position who works for an international business company that maintains administrative offices in Cyprus may easily obtain an employment visa. Professional and clerical staff is not granted visas unless no suitably qualified local personnel is available. A local employer must prove he cannot find a Cypriot employee with comparable experience.

EU residents can work freely in Cyprus.

To obtain employment visas in Cyprus, applicants must submit to the Immigration Office the following documents:

- Passport or equivalent travel documents.
- Employment contract.

Application for employment visas may be made in either the home or host country.

Employment visas are issued approximately four to six weeks after the foreign national submits the required documents.



Appendix

Treaty Withholding Tax Rates

Country	Received in Cyprus		Paid from Cyprus	
	Dividends %	Interest %	Royalties %	Royalties %
Austria	10	NIL	NIL	NIL
Belarus	15 ^(a)	5	5	5
Belgium	15 ^(a)	10	NIL	NIL
Bulgaria	10 ^(b)	7	10	10
Canada	15	15 ^(c)	10 ^(d)	10 ^(d)
China	10	10	10	10
CIS	NIL	NIL	NIL	NIL
Czech Republic	10	10 ^(e)	5 ^(f)	5 ^(f)
Denmark	15 ^(a)	10 ^(g)	NIL	NIL
Egypt	15	15	10	10
France	15 ^(h)	10 ^(g)	NIL ⁽ⁱ⁾	NIL ⁽¹⁾
Germany	15 ^(j)	10 ^(e)	NIL ⁽ⁱ⁾	NIL ^(t)
Greece	25 ^(k)	10	NIL ^(l)	NIL ^(l)
Hungary	15 ^(m)	10 ^(e)	NIL	NIL
India	15 ^(h)	10 ^(c)	15	10
Ireland	NIL	NIL	NIL ^(l)	NIL ^(l)
Italy	15	10	NIL	NIL
Kuwait	10	10 ^(e)	5 ^(f)	5 ^(f)
Lebanon	5	5	NIL	NIL
Malta	NIL	10 ^(c)	10	10
Mauritius	NIL	NIL	NIL	NIL
Norway	5 ⁽ⁿ⁾	NIL	NIL	NIL
Poland	10	10 ^(e)	5	5
Romania	10	10 ^(e)	5 ^(f)	5 ^(f)
Russia	10 ^(o)	NIL	NIL	NIL
Singapore	0	10 ^(p)	10	10
Sweden	15 ^(m)	10 ^(e)	NIL	NIL
Syria	15 ^(q)	10 ^(c)	15 ^(r)	15 ^(r)
South Africa	NIL	NIL	NIL	NIL
Thailand	10	15 ^(s)	15 ^(t)	15 ^(t)
UK	15 ^(u)	10	NIL ⁽ⁱ⁾	NIL ⁽ⁱ⁾
USA	15 ^(v)	10 ^(w)	NIL	NIL
Yugoslavia	10	10	10	10

Footnotes to Appendix

Some treaties provide for withholding taxes on the payment of dividends and interest from Cyprus. However, Cypriot Tax legislation imposes no such withholding taxes hence such taxes are NIL.

- (a) 10% if received by a company holding directly 25% or more of the capital.
- (b) 5% if received by a company holding directly 25% or more of the capital.
- (c) Nil if paid to a Government or for export guarantee.
- (d) Nil on literary, dramatic, musical or artistic work.
- (e) Nil if paid to the Government of the other State.
- (f) Nil for literary, artistic or scientific work, film and TV royalties.
- (g) Nil if paid to the Government of the other State, in respect of bank loans, in connection with the sale on credit of any industrial, commercial or scientific equipment or any merchandise.
- (h) 10% if received by a company holding directly 10% or more of the capital.
- (i) 5% on film and TV royalties.
- (j) 10% if received by a company holding at least 25% of the capital of the paying company. However, if German corporation tax on distributed profits is lower than that on undistributed profits and the difference between the two rates is 15% or more, the withholding tax is increased from 10% to 27%. In all other cases, the withholding tax is 15%.
- (k) This is the maximum rate of tax to be deducted on the gross dividend.
- (l) 5% on film royalties.
- (m) 5% if received by a company holding directly 25% or more of the capital.
- (n) Nil if received by a company controlling 50% or more of the voting power.
- (o) 5% if the beneficial owner has invested not less than US\$100,000 in the share capital.
- (p) 7% if in respect of bank loans.
- (q) Nil if received by a company holding 25% or more of the share capital.
- (r) 10% on literary, artistic or scientific work, film and TV royalties.
- (s) 10% if in respect of bank loans.
- (t) 5% for literary, artistic or scientific work, film and TV royalties.
10% for consideration of the use of industrial commercial or scientific equipment.
- (u) If received by a company controlling less than 10% of the voting power, thus entitled to refund of excess Advanced Corporation Tax deducted in the UK. If a company controls more than 10% of the voting power, it is not entitled to the refund.
- (v) 5% if received by a company controlling 10% or more of the voting power.
- (w) Nil if paid to a Government, banks or financial institutions.

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