

## August 2011 Amendments to the Tax Legislation

### ➤ Amendments to the Income Tax Law

- **Increase of top rate of Income tax for individuals**

A new income tax rate of 35% applies for taxable income over €60.000.

- **Abolition of exemption from taxation of the President of the Republic and the President of the Parliament.**

The President of the Republic of Cyprus and the President of the Cyprus Parliament will not enjoy any more tax free emoluments and pension.

Application date – as from tax year 2011

- **Income tax relief on non-Cyprus tax resident individuals taking employment in Cyprus**

Non-Cyprus tax resident individuals taking an employment in Cyprus and earning more than €100.000 per annum are entitled to 50% relief of the income tax on their emoluments, for a period of 5 years. The exemption will apply as from the first year of employment.

It applies as from 2012, for employments starting as from 1.1.2012 onwards.

### ➤ Amendments to the Special Defence Contribution Law (SDC)

Application date 1.9.2011

- **Tax rate increase from 10% to 15% on interest income**

The increase in the rate of taxation of the interest income applies to both individuals and companies who are Cyprus tax residents.

In the case of Companies the existing provisions for interest income that emanates from the Company's activities continue to apply and such income is subject only to income tax.

The interest income of Provident Funds and individuals whose total income including interest does not exceed €12.000 remain at 3%. The 3% rate applies also to interest income received by individuals from Government savings certificates and development stocks.

- **Dividend income- increase of rate from 15% to 17%**

The rate of Defence Contribution increases from 15% to 17%. This applies to distributions to individuals and also in the case of companies that have not distributed dividend in which case the deemed distribution provisions apply.

➤ **Amendments to the Immovable Property Tax**

Application date – as from tax year 2012

Immovable Property annual tax is paid by both individuals and Companies who own immovable property in Cyprus. There are amendments in the existing tax rates and also a decrease of the tax free band as follows:

Market value at 1 January 1980 €	Rate ‰ (per thousand)
First 120.000 -	0
120.001 – 170.000	4
170.001 – 300.000	5
300.001–500.000	6
500.001 – 800.000	7
Over 800.001	8

➤ **Amendment to the Companies Law**

A fixed annual levy of €350 is imposed to all companies that are registered in Cyprus. No levy is payable in the year of registration.

For groups of Companies the total amount cannot exceed the €20.000.

At the discretion of the Registrar of Companies there is exemption for the following categories: dormant Companies, Companies that do not own any assets and Companies that own only assets that are situated in the occupied area of Cyprus.

The levy for the year 2011 must be paid up to 31 December 2011. The levy for the following years must be paid up to 30th of June of each year. In case that there is delay in the payment of the levy the following penalties will apply:

- Up to 2 months – 10%
- 2 to 5 months – 30%
- After 5 months – the Registrar deregisters the Company. Re-registration of the

company can be made within two years with a payment of a fee of €500. In case the re-registration will take place after the period of two years from the date of de-registration the fee is increased to €750.

## ➤ **Amendments to the VAT Law**

Individuals who are purchasing or constructing their own main residence, provided its surface is less than 300sq.m are entitled to VAT at 5% on the 200sq.m only.

Application date, 1 October 2011.

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