

Tax Incentives

Main Provisions of Cyprus Tax Laws

The following are the chief rules applicable to Cyprus enterprises.

- Net profits of companies are taxed at 12,5%.
- Dividend income from abroad is wholly exempt from income tax. Defence contribution, another form of taxation, is imposed as follows: 20% on dividends received. Nil if received from a non-resident company. The exemption will not apply if the paying company derives more than 50% of its income from investments and foreign tax on its income is substantially lower than Cyprus taxes.
- Any gains realized on disposal of titles are not subject to taxation in Cyprus. This applies to all gains including gains from trading in securities.
- Profits from permanent establishments abroad are exempt from tax.
- No withholding of tax on dividends, interest or royalties, irrespective of the existence of a treaty with the recipient's country.
- Taxes withheld in other countries can be credited against Cyprus tax even when there is no treaty between Cyprus and the paying country.
- The non-resident owners of companies, branches and partnerships are not liable to an additional tax on dividends or profits over the amount paid by the respective legal entities.
- No capital gains tax is payable except on the sale of immovable property in Cyprus, and on the sale of shares in a company that owns immovable property in Cyprus.
- No estate duty is payable on the inheritance of shares in a Cyprus company.
- Low Social Insurance contributions for employers and employees.
- First €19.500 of the income of resident individuals is taxed at 0%, and the remainder on a scale from 20% to 35%.