



CYPRUS



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INTERNATIONAL DEVELOPMENTS

1. WHAT ARE RECENT TAX DEVELOPMENTS IN YOUR COUNTRY WHICH ARE RELEVANT FOR M&A DEALS AND PRIVATE EQUITY?

The most recent developments which are relevant to M&A deals and private equity relate to the following:


- ❖ A number of anti-avoidance provisions have been introduced which give the right to the Tax commissioner to refuse to accept tax free reorganisations if the Commissioner is not satisfied that there were real commercial or financial reasons for such reorganisation and if he can determine that the main purpose of the reorganisation is the reduction, avoidance or deferment of payment of taxes. In practice, the Commissioner can deny exemption from tax of any profits arising from a re-organisation, if he judges that the main purpose or one of the main purposes of the re-organisation was i) the avoidance, decrease, or postponement of the payment of tax, or ii) the direct or indirect allocation of an entity's assets to a person without settling the corresponding tax, or as a means of decreasing/postponing that corresponding tax
- ❖ Immovable property taxes abolished as of 1 January 2017
- ❖ Cyprus law has been amended so that as of 1 January 2016 dividend income is no longer exempt from the taxation to the extent it is deductible in the jurisdiction of foreign paying company

In addition to the above it should also be noted that transfer pricing rules are expected to be introduced in Cyprus, which will have an impact on all transactions between related parties. It has been announced that transfer pricing rules in relation to back-to-back loan arrangements will be applicable as of 1 July 2017 onwards.

2. WHAT IS THE GENERAL APPROACH OF YOUR JURISDICTION REGARDING THE IMPLEMENTATION OF OECD BEPS ACTIONS (ACTION PLANS 6 AND 15 SPECIFICALLY) AND, IF APPLICABLE, THE AMENDMENTS TO THE EU PARENT-SUBSIDIARY DIRECTIVE AND ANTI-TAX AVOIDANCE DIRECTIVES?

A number of changes have already been introduced in Cyprus as a result of the various BEPS actions and EU directives. Below we briefly summarise a number of such changes and expected changes.

- ❖ **Action Point 2:** Cyprus law has been amended so that as of 1 January 2016 dividend income is no longer exempt from the taxation to the extent it is deductible in the jurisdiction of foreign paying company.
- ❖ **Action Point 4:** This action is not expected to result in any changes in Cyprus since it will mostly be applied by countries which have a high income tax rate and as a result will want to limit the deduction from their taxable income.
- ❖ **Action Point 5:** Cyprus has amended its IP regime effective as from 1 July 2016. The new regime fully complies with the OECD guidelines, and provides for the maximum transitional period possible.
- ❖ **Action Point 6:** The Cyprus Minister of Finance announced in April 2017 that the signing of the Multilateral Instrument has been approved by the Council of Ministers, and the signing is schedule to take place in Paris on 7 June 2017. This will effectively mean that the double tax treaties that Cyprus has entered into with other countries which ratified the Multilateral Instrument will be considered as automatically including the Limitation of Benefit provisions.
- ❖ **Action Point 13:** On 1 November 2016 Cyprus signed the Multilateral Competent Authority Agreement ("MCAA") on the automatic exchange of country-by-country reports, with subsequent issuance of Decree on 30 December 2016. Additionally, the introduction of transfer pricing rules in Cyprus, including transfer pricing documentation, is inevitable. It has already been announced that as of 1 July 2017, any Cyprus companies with back-to-back loan arrangements will have to have transfer pricing studies in place in relation to these.

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- ❖ **Action Point 15:** The Multilateral Instrument was agreed together with a large number of countries in November 2016, and the signature is expected to be carried out in June 2017.

In regards to the EU Directives, the Parent/Subsidiary directive was implemented during 2016, whilst the Anti-Tax Avoidance Directive is expected to come into force by 1 January 2019 (1 January 2020 for exit taxation).

GENERAL

3. WHAT ARE THE MAIN DIFFERENCES AMONG ACQUISITIONS MADE THROUGH A SHARE DEAL VERSUS AN ASSET DEAL IN YOUR COUNTRY?

A) Share deal

In an acquisition of shares, no direct taxes are triggered for the buyer. In situations where the relevant share purchase agreement is found to be subject to stamp duty in Cyprus, the tax obligation rests with the buyer, unless the contract provides otherwise. Of course a contract is exempt from stamp duty when the acquisition is effected as a result of company re-organisation.

The stamp duty varies from nil to 0.20% and is capped at EUR20,000.

B) Asset deal

In an acquisition of immovable property, the buyer is liable for a transfer fee. Transfer taxes range from 3% to 8%, depending on the value of the property. The tax is:

- ❖ 3% on amounts up to EUR 85,000 of the sale price or market value
- ❖ 5% on amounts between EUR 85,001 and EUR 170,000
- ❖ 8% on any amount exceeding EUR 170,000

In 2016 a 50% exemption on the above fees applicable to immovable property transfers taking place between 16 July 2015 and 31 December 2016, irrespective of the date of the signing of the relevant contract or its submission to the Land Registry or to contracts signed and submitted to the Land Registry between 2 December 2011 to 31 December 2016 irrespective of the transfer date.

During 2017 it has been announced that it is planned for this exemption to become a permanent exemption.


The law is applicable in the situations where VAT is not applicable. In these cases the bill provides that transfer duties shall be reduced by 50%, and in particular this applies in transactions where:

- ❖ transfer fees either apply or are due;
- ❖ and the transfer is in regard to land, buildings or interests in land or indivisible interests that are sold for the first time from the issue date of the building permit;
- ❖ and the contract is submitted for the first time to the local District Land Registry during the period of application of the law i.e. between 2 December 2011 to 31 December 2016.

On the other hand, for the period 2 December 2011 to 31 December 2016, there is a 100% exemption to the above transfer fees if the transfer relates to a transaction that is subject to VAT.

Immovable Property Tax is abolished as from 1 January 2017. Until tax year 2016, the owner of immovable property situated in Cyprus was liable to pay an annual immovable property tax which was calculated on the market value of the property as at 1 January 1980, at the varying rates, which apply per owner and not per property.

Again, the agreement for the acquisition of immovable property or any other asset may also be subject to stamp duty in Cyprus. Stamp duty is imposed on contracts relating to things located or to be done in Cyprus. If the provisions



of a reorganisation are applied, as defined under Cypriot law (which is in line with the provisions of the EU Merger Directive) such a purchase would be tax neutral. Depending on the nature of the assets transfer fees may apply.

The purchase of company's assets — unlike the purchase of shares — may be subject to VAT, which is currently rated at 19%.

In terms of utilisation of tax losses, tax losses are not allowed in the case of a share deal, given that profits from the sale of shares are generally exempt from tax.

In the case of a taxable sale of immovable property, any losses realised may be set off against similar profits that may arise in the future. The same principle applies to gains and losses resulting from the sale of other assets – where gains are taxable, the deductibility of losses may be allowed.

BUY-SIDE

4. WHAT STRATEGIES ARE IN PLACE, IF ANY, TO STEP UP THE VALUE OF THE TANGIBLE AND INTANGIBLE ASSETS IN CASE OF SHARE DEALS?

A re-evaluation of assets can be effected via an independent valuator. Any increase or decrease in the value of assets is reflected accordingly.

The increase in value is recorded as a capital reserve. Generally, there is no tax obligation with respect to that reserve. However depending on the nature of the assets, corporation tax or capital gains tax may be imposed in the case of sale.

5. WHAT ARE THE PARTICULAR RULES OF AMORTISATION OF GOODWILL IN YOUR COUNTRY?

Goodwill is not subject to depreciation or amortisation. Since Cyprus applies International Financial Reporting Standards (IFRS), goodwill is tested for impairment (comparing recoverability with the carrying amounts) annually or whenever there is an indication of a possible reduction in value.

For impairment testing, goodwill is allocated to the relevant cash-generating unit (the lowest level within the entity for internal management purposes) and this cash-generating unit is tested for impairment.

Impairment loss on goodwill cannot be carried back.

Goodwill does not appear on individual statutory statements, it only appears in consolidated financial statements. The goodwill is treated as a fixed asset and, as such, gains are excluded from tax.

6. WHAT ARE THE LIMITATIONS TO THE DEDUCTIBILITY OF INTEREST ON BORROWINGS IN THE CASES OF ACQUISITION OF SHARES AND ASSETS?

According to Cypriot tax law, expenses may be deducted if they have been incurred wholly and exclusively for the production of income. In line with this, interest paid on a loan that has been used or will be used by the company for trading purposes or for the acquisition of trading fixed assets is fully deductible. Also, following an amendment to the Cyprus Law in 2012, any interest expense relating to the acquisitions of shares after 1 January 2012, may be deducted from taxable income on the provision that the acquired company is directly or indirectly wholly acquired, i.e. 100% shareholding, and the acquired company holds assets which are all used for business purposes.

On the other hand, any other interest income not classified as part of trading or related to company's trading activities may not be treated as a deductible expense.

Overall, under the Cyprus tax law, it is not permitted to deduct any interest expenses relating to the acquisition of a non-business asset. Additionally, after the lapse of seven years from the date of purchase of an asset, the Cyprus Tax Office stops disallowing any interest as it considers the debt on the acquisition of the asset as paid.



7. WHAT ARE USUAL STRATEGIES TO PUSH-DOWN THE DEBT ON ACQUISITIONS?

With a properly designed tax structure, debt push-down can be easily achieved.

Cypriot law has an absolute prohibition on financial assistance given by a company whether directly or indirectly, for the acquisition of its own shares. It also prohibits the shares of the holding company in the case of a subsidiary company. In line with this, in a transaction with multiple dealings, share acquisition financing may not be linked to debt push-down, given that this may be treated as an indirect financial assistance. However, express exclusions from the scope of this provision are included in the law. The application of the provisions of EU Merger Directive incorporated into Cypriot law may prove to be beneficial in achieving debt push-down. An intermediary company may be incorporated in order to acquire the target. The intermediary company can subsequently be merged with the target company. To implement this plan, proper advice should be sought. Especially considering the latest tax developments, which outlined “substantial activity” as a core element for tax free reorganisations. Generally, if the structure and the transaction have sufficient underlying substance, any risks of avoiding taxation are effectively minimised.

Deferment of the debt (i.e. debt to be carried forward by postponing the payment of liability for the future) is also possible, allowing allocation of obligations according to annual profits.

From a Cypriot perspective, any losses that would have been subject to tax if they were to be gains may be off-set against other sources of income in the same tax year. When the income is not sufficient, the losses may be carried forward and off-set against profits in subsequent years. In the case of change of ownership of a company, as well as change in the nature of the activities of a company, previous losses may not be carried forward and used by the new owners. A company may also surrender tax losses to another company from the same group (specific criteria exist for group loss relief involving foreign entities).

8. ARE THERE ANY TAX INCENTIVES FOR EQUITY FINANCING?

In 2015, Cyprus introduced Notional Interest Deduction (‘NID’) in its tax law, which relates to a notional interest deduction on new equity which can be set against taxable income generated by the company as a result of the funds from the new equity.

NID is equal to the interest yield of the 10 year government bond yield of the country in which the new equity is invested increased by 3% (the minimum rate being the yield of the Cyprus 10 year government bond increased by 3%). The bond yield rates to be used are those of December 31 of the year preceding the assessment year. The notional interest to be deducted cannot exceed 80% of the taxable income of the company for the year before the deduction of this notional interest.

9. ARE LOSSES OF THE TARGET COMPANY(IES) AVAILABLE AFTER AN ACQUISITION IS MADE?

Tax losses incurred in any one year that cannot be wholly offset against other income may be carried forward for five years and set off against profits resulting in subsequent years.

However, according to the law, losses incurred by a company cannot be carried forward if:

- ❖ Within any three-year period, there is a change in the ownership of the shares of a company and a substantial change in the nature of the business of the company (a significant change can be interpreted as a drastic change in the types of activities offered by a company - ie originally sells computers and then stops to commence trading in pharmaceuticals),
- ❖ At any time since, the scale of the company’s activities has diminished or has become negligible and before any substantial reactivation of the business there is a change in the ownership of the company’s shares,

10. ARE THERE ANY ITEMS THAT SHOULD BE INCLUDED IN THE SCOPE OF A TAX DUE DILIGENCE THAT ARE VERY SPECIFIC TO YOUR COUNTRY?

No such items that are very specific to Cyprus exist. All standard items should be included.



11. IS THERE ANY INDIRECT TAX ON TRANSFER OF SHARES (STAMP DUTY, TRANSFER TAX, ETC.)?

Stamp duty at nominal rates is payable on a variety of legal documents and may apply in the case of a transfer of shares. Specifically, stamp duty is governed by the Stamp duty Law (19/1963), within which article 4 (1) provides that the documents specifically presented in its first schedule are subject to stamp duty if these documents concern property situated in the Republic of Cyprus, as well as matters or things to be performed or done in Cyprus, irrespective of the place of execution of such documents. Agreements for the purchase of shares in a Cypriot company, which are executed in Cyprus, are not required to be stamped in Cyprus, and it is also the actual practice of the Stamp Duty Commissioner to exclude and exempt such documents from stamp duty. Further, not required to be stamped in Cyprus are: i) instruments of transfer of shares in a Cypriot company which are executed in Cyprus ii) agreements for the purchase of the shares in a foreign company which are executed in Cyprus, and iii) instrument for the transfer of shares in a foreign company which are executed in Cyprus.

12. ARE THERE ANY RESTRICTIONS ON THE CORPORATE TAX DEDUCTIBILITY OF ACQUISITION COSTS?

A purchaser making use of a Cyprus acquisition vehicle in order to execute an acquisition for cash can fund the vehicle with debt, equity, or hybrid instruments that combine the characteristics of debt and equity together. Further after, as a general rule, in order to ascertain a physical or legal person's chargeable income, only the outgoings and expenses which are wholly and exclusively incurred by such a person in the production of taxable income can be allowed to be deducted.

13. CAN VAT (IF APPLICABLE) BE RECOVERED ON ACQUISITION COSTS?

The Cyprus value added tax law is fully harmonised with the EU Sixth Directive.

In particular, the transfer of a business as a going concern is outside the scope of VAT, provided certain conditions are met. The actual end-result of such transfer needs to be that a new owner is established who will be operating the business as such. Therefore, the mere sale of assets does not constitute in itself a transfer of a business as a going concern. While in the case that land and buildings are sold, it is advised that professional consultancy is requested.

As for the sale of shares, it is specifically listed as an exempt transaction in the Cyprus VAT law via Schedule Seven, Table B of the relevant legislation.

On this note, as sales of shares is categorised as 'exempt', no [input] VAT tax incurred on related costs, such as professional fees, is eligible to be recovered.

Yet, following the European Court of Justice [ECJ] decision to Kretztechnik AG v Finanzamt Linz (Case C-465/03), input VAT tax incurred in relation to the issue of shares instead, can be generally recoverable. Specifically, if a buyer issues shares in consideration of an acquisition, some or even all of the VAT attributable to the corresponding share issue can be considered recoverable.

14. ARE THERE ANY PARTICULAR TAX ISSUES TO CONSIDER IN THE ACQUISITION BY FOREIGN COMPANIES?

Cyprus is renowned as a jurisdiction for holding companies. In the majority of cases, its domestic legislation allows a tax-free treatment of incoming dividends from foreign subsidiaries. It also allows the distribution of dividends to the non-resident shareholders free from withholding taxes. Equally, from a financing perspective, any interest payments to non-residents can also effectively be free from withholding taxes.

In any case, transactions between the Cypriot company and other group companies should follow transfer pricing regulations. In Cyprus, transfer pricing regulations are fairly limited, but are expected to soon become more extensive. Specifically, as of 1 July 2017, transfer pricing rules will be introduced in relation to financing companies.



Further, in an aim and effort by Cyprus to always treat transactions between related parties in a fair way, a December 2015 tax law amendment, which is effective retroactively from 1 January 2015, was introduced in reference to the arm's length principle as codified in the tax law. As per this, a negative transfer pricing adjustment is now included within the provisions, while prior to that, the law only provided for upward adjustments in cases when transactions between related parties were not performed at arm's length.

Further on, to mitigate tax effects, in the cases of acquisitions, an important parameter that should be taken into consideration is the provisions of the relevant agreement for avoidance of double taxation (if any) between Cyprus and the country in which the subsidiary and / or parent will be located.

Any additional specific issues to be considered in the case of acquisitions of Cyprus companies by foreign investors, will need to be also examined on a case by case basis, depending on the industry sector involved and the investor's jurisdictional origin.

15. CAN THE GROUP REORGANISE AFTER THE ACQUISITION IN A TAX NEUTRAL ENVIRONMENT THROUGH MERGERS OR A TAX GROUP?

Cyprus has implemented the provisions of the EU Merger Directive in its national income tax legislation, enabling tax-neutral reorganisations.

According to Cypriot law, the transfer of assets and liabilities in the course of reorganisation does not give rise to any taxable profits at the level of the transferring company. Accumulated losses of the transferring company moved to the receiving company may be off-set and the relevant provisions for the consolidation of losses are applied. Equally profits derived at the level of the receiving company as a result of the cancellation of its participation in the transferring company do not give rise to any taxable obligations. The issue of shares in the receiving company to the shareholder of the transferring company in consideration of shares in the transferring company does not give rise to any taxation on the gains or losses at the level of the shareholder. In order to qualify for tax exemption, the corporate reorganisation should not involve a cash payment exceeding 10% of the nominal value of the shares.

It is important to note that as of 1 January 2016 new anti-abuse and anti-avoidance provisions in the Cypriot legislation took effect, maintaining and safeguarding the tax neutrality for bona fide transactions.

16. IS THERE ANY PARTICULAR ISSUE TO CONSIDER IN CASE OF TARGET COMPANIES OF WHICH MAIN ASSETS ARE REAL ESTATE?

According to Cypriot tax legislation, a capital gains tax at the rate of 20% may be triggered by the sale of shares in companies that derive their value from real estate situated in Cyprus, unless these are first acquired between 16 July 2015 and 31 December 2016. In the case though that capital gains tax is imposable, possible application of a Double Taxation Treaty (DTT) should be considered, especially when the treaty includes favourable provisions for the taxation of capital gains. Capital gains tax will be triggered only when such shares derive their value from real estate situated in Cyprus.

The capital gains tax is not extended to immovable property situated outside Cyprus. Therefore, when a Cypriot company acquires a foreign subsidiary owning real estate situated outside Cyprus, and in turn sells the shares of that subsidiary, no taxes should be triggered in Cyprus. In some cases though, DTT allows for the taxation of such gains at the level of the subsidiary.

Acquisition of real estate property by non-Cypriot residents, other than those coming from EU countries, requires the approval of the Ministry of Interior, a process which takes between one and four months.

In the case of a transfer of immovable property, applicable transfer taxes are a liability of the buyer. Transfer taxes are rated between 3% and 8% (whilst certain discounts and exemptions exist).

It should also be noted that as of 1 January 2017 immovable property taxes in Cyprus have been abolished.



17. IS FISCAL UNITY/TAX GROUPING ALLOWED IN YOUR JURISDICTION AND IF SO, WHAT BENEFITS DOES IT GRANT?

There are provisions for group relief whereby the current year's trading losses of a Cyprus company can be transferred to be set off against taxable profits of another Cyprus company provided both companies were members of the same group for the whole year of consideration. As of 1 January 2015, a Cyprus tax resident company may also claim the tax losses of a group company that is tax resident in another EU member state, provided such EU company firstly exhausts all possibilities available to utilise its losses in its EU member state of residence or in the EU member state of any intermediary EU holding company.

For VAT purposes, two or more companies belonging in the same group of companies may have group registration (a group exists where one company controls the others, or one person controls them all).

SELL-SIDE

18. HOW ARE CAPITAL GAINS TAXED IN YOUR COUNTRY?

Capital Gains Tax is imposed (when the disposal is not subject to income tax) on gains from disposal of immovable property situated in Cyprus including shares of companies not listed on a recognised Stock Exchange which own immovable property situated in Cyprus, at the flat rate of 20%. Further, as per recent amendment to the relevant law, as from 17 December 2015 the definition of 'property' is extended so that Capital Gains Tax is also levied on sales of shares which directly or indirectly participate in other companies that in turn hold immovable property in Cyprus, on the provision that at least 50% of the market value of the shares that are sold is derived from that Cyprus immovable property.

Further, a favorable exemption is also in place as from July 2015, as per which gains from sale of immovable property is 100% exempted from Capital Gains Tax when i) they were/will be acquired between the day the new law came into effect being 16 July 2015, up to 31 December 2016 inclusively, and ii) they were acquired from an independent non-related party at market value, via an ordinary purchase / purchase agreement, and not through a donation, or gift, neither by way of exchange, trade nor in a way of settlement of debt, and the sale must not be related to any foreclosure agreement either.

19. IS THERE ANY FISCAL ADVANTAGE IF THE PROCEEDS FROM THE SALE OF SHARES ARE REINVESTED?

There is no fiscal advantage in Cyprus in re-investing proceeds from a sale. The proceeds from the sale of shares are generally exempt from tax, and as such, no tax obligations are anticipated to arise.

While gains deriving from the sale of assets would be taxed accordingly.

20. ARE THERE ANY LOCAL SUBSTANCE REQUIREMENTS FOR HOLDING COMPANIES?

Maintenance of sufficient level of taxation is of very high importance. Economic substance is needed not only for obtaining tax residency certificates, but also for application of double tax treaties used for cross-border transactions. Each structure would require a distinctive approach and a differing focus on corresponding relevant matters required for each. However, as an all-purpose note, the following are some common characteristics of substance for Cyprus companies, namely, holding structures: qualified personnel, director; real physical presence in Cyprus, whether through an owned distinct office or via leasing space at a serviced business centre; owning at least one bank account maintained with a Cyprus bank, and operated by a Cypriot member of the Board of Directors; maintaining proper accounting books and records in Cyprus, and preparing timely annual Audited Financial Statements, submitting promptly all annual tax returns, and settling promptly all relevant tax amounts due; diversification of investments held by Holding co; public listing; and other characteristics determined case-by-case.



21. ARE THERE ANY SPECIAL TAX CONSIDERATIONS REGARDING MERGERS/SPIN-OFFS?

Any type of reorganisation does not bear any tax implication in Cyprus, provided that a valid commercial reason for the reorganisation exists. Specifically:

- ❖ Assets transferred in a scheme of reorganisation do not give rise to any taxation to the transferring company,
- ❖ Any accumulated losses of the transferring company are transferred to the receiving company and the provisions of section 13 regarding set-off or carry forward of losses apply accordingly,
- ❖ No capital gains tax is payable because of a transfer of chargeable assets (immovable property or shares in company holding immovable property) until a subsequent sale of the immovable property. In the case of such a subsequent sale, the original base cost will be used to determine the tax payable,
- ❖ Stamp duty is avoided in case of transactions involved in an approved reorganisation scheme,
- ❖ Land transfer fees are not paid on transfers of immovable property from one company to another, under an approved reorganisation scheme,
- ❖ Mortgage fees are not paid in case a mortgage is transferred from one company to another under an approved reorganisation scheme.

A number of anti-avoidance provisions have been introduced which give the right to the Tax Commissionaire to refuse to accept tax free reorganisations if the Commissioner is not satisfied that there were real commercial or financial reasons for such reorganisation and if he can determine that the main purpose of the reorganisation is the reduction, avoidance or deferment of payment of taxes. The decision of the Tax Commissioner not to grant tax exemption on the reorganisation must be fully justified and the taxpayer has the right to file an objection.

The Commissioner, in granting the approval for the reorganisation, has also the right to impose conditions on the number of shares that can be issues as part of the reorganisation and the period for which such shares should be held by the recipient of the shares, which period cannot exceed three years. Such restrictions cannot apply in the case of publicly listed companies and transfers of shares as a result of succession.

MANAGEMENT INCENTIVES

22. WHAT ARE THE TAX CONSIDERATIONS IN YOUR JURISDICTION FOR MANAGEMENT INCENTIVES?

Employees relocating to Cyprus have two tax incentives. Namely:

- ❖ 50% exemption of remuneration exceeding EUR 100.000 per annum from any office or employment exercised in Cyprus by an individual. This exemption is granted for a total period of ten years and is applicable only 50% exemption of remuneration exceeding EUR 100.000 per annum from any office or employment exercised in Cyprus by an individual.
- ❖ Exemption equal to the lower of (a) 20% of the remuneration from any office or employment exercised in Cyprus by an individual and (b) EUR8.550. This exemption is granted for a total period of five years and will expire in 2020.

It is not possible to obtain benefit under both exemptions.

In addition to the above incentives, there are also a number of types of income which are exempt from personal income tax. These include:



- ❖ Dividend income of individuals who are not Cyprus tax resident and not Cyprus domiciled,
- ❖ Interest income (except income arising from the ordinary business activities or closely related to the ordinary business, activities) of individuals who are not Cyprus tax resident and not Cyprus domiciled,
- ❖ Remuneration from salaried services rendered outside Cyprus for more than 90 days in a tax year to a non-Cyprus resident employer or to a foreign permanent establishment of a Cyprus resident employers,
- ❖ Lump sums received by way of retiring gratuity, commutation of pension or compensation for death and injuries,
- ❖ Stock options provided as a 'benefit in kind' are taxed as part of salaried income. However any profits from the sale of securities (including shares, bonds, debentures, founders' shares and other securities of companies or other legal persons, incorporated in Cyprus or abroad and options thereon) are exempt.

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