

Tax Agenda Cyprus

March 2024



No.	Fact	Action	
1	<p>Cyprus issues draft legislative proposal on Pillar Two global minimum tax</p> <p>On 3 October 2023, the Ministry of Finance of Cyprus issued a draft legislative proposal on Pillar Two global minimum tax.</p> <p>The global minimum tax rules set out in the relevant directive were expected to be transposed into the domestic legislation of the EU Member States and be in effect as of 31 December 2023. Cyprus has not yet transposed the rules into the domestic legislation but is expected to do so in the next couple of weeks with a retroactive effect as of 31 December 2023.</p> <p>Read more: Cyprus issues draft legislative proposal on Pillar Two global minimum tax (ey.com)</p>	<p>Taxpayers which may be affected by the Pillar Two rules should closely monitor new developments on the matter so as to ensure compliance with the new legislation.</p>	
2	<p>Special Defense Contribution rate on interest income</p> <p>On 6 December 2023, the Cypriot House of Representatives approved an amendment to the Special Defence Contribution (SDC) Law. The SDC rate applicable to passive interest income earned by Cypriot tax resident companies and Cypriot tax resident and domiciled individuals has been reduced from 30% to 17% as of 1 January 2024.</p> <p>Read more: TaxLegi 1.12.2023 EY - Cyprus</p>	<p>Relevant persons should become aware of this reduction in the SDC rate.</p>	
3	<p>New Cyprus Tax Treaties with the Netherlands and Croatia effective as of 1 January 2024</p> <p>The tax treaty between Cyprus and the Netherlands entered into force on 30 June 2023 and is effective as of 1 January 2024, and the tax treaty between Cyprus and Croatia entered into force on 28 December 2023 and is effective as of 1 January 2024.</p> <p>Read more: Cyprus Tax & Legal considerations for the year ahead EY - Cyprus</p>	<p>Taxpayers which have relevant arrangements that could be affected by the treaties should become familiar with their provisions.</p>	



● Compliance
 ● Risk management
 ● Cash-flow and ETR impact

Use text boxes above the timeline to plan your actions for coming months

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4	<p>Cyprus Tax Calendar: Q1 2024 annual compliance requirements There are several deadlines that taxpayers need to be mindful of.</p>	<ul style="list-style-type: none"> ▶ Until March 31: TD4 & TD614 Submission ▶ Submission of Company Income Tax Return along with the Confirmation of withholding of SDC on rents and Summary Information Table (if required) ▶ Until March 31: TD1 Self Employed Submission (audited accounts) ▶ Until March 31: 2023 Tonnage Tax (Cyprus flagged vessels) for qualifying owners - Form MS TT 2 B/C ▶ Until April 30: TD199 Submission ▶ Payment of the first instalment of the premium tax for insurance companies (life business) for 2024
5	<p>Central Electronic System of Payment information (CESOP) Council Directive (EU) 2020/284 alongside Council Regulation (EU) 2020/283 introduced new recording and reporting obligations for payment service providers providing payment services within the EU, applicable as of 1 January 2024. In Cyprus, it is expected that an implementing legislation will be enacted in the coming weeks. Read more: TaxLegi 1.12.2023 EY - Cyprus</p>	<p>Taxpayers which may be affected should closely monitor new developments on the matter.</p>
6	<p>Cyprus enacts Administrative Cooperation in the Field of Taxation Law (Amendment) 2023, implementing DAC7 On 20 October 2023, Cyprus passed an amendment to the Administrative Cooperation in the Field of Taxation Law implementing the provisions of the EU Directive for Administrative Cooperation which requires the automatic and mandatory exchange of information reported by so-called Platform Operators. The first reports should be filed with the Cyprus Tax Authorities no later than 16 February 2024. Read more: TaxLegi 1.11.2023 EY - Cyprus.</p>	<p>Affected businesses need to assess whether they are impacted by the provisions of DAC7 and if so, take necessary actions such as registering with the Cyprus Tax Authorities and submitting the relevant reports before the 31 January 2024 deadline.</p>
7	<p>Cyprus Deputy Ministry of Shipping published the list of Non-Community flags appearing on the Grey and Black List of the Paris MoU On 1 February 2024, the Cyprus Deputy Ministry of Shipping published the list of Non-Community flags appearing on the Grey and Black List of the Paris MoU for the fiscal year 2023. The circular notes that Non-Community vessels owned, chartered, or managed by qualifying persons under the Cyprus tonnage tax regime will be subject to a 30% and 60% increase in their tonnage tax for the year for the vessel appearing on the Grey and Black List, respectively.</p>	<p>Qualifying persons under the Cyprus tonnage tax regime which may be affected, should closely monitor any new development on the matter.</p>
8	<p>Extension of the EU Emissions Trading System to maritime transport from 2024 The EU Emission Trading System (ETS) Amending Directive 2023 amends the Main EU ETS Directive to also include/cover emissions from maritime transport activities. (i.e., emissions caused by ships carrying cargo or passengers for commercial purposes). As of 1 January 2024, vessels over 5,000 Gross Tonnage operating within EU waters will be subject to the EU's ETS.</p>	<p>Shipping companies covered by the EU ETS must review the new legislation so as to be compliant with their new obligations and take all necessary business steps for its application (i.e., adaption of contract(s), update of ships monitoring plans, monitor greenhouse gas emissions, preparation of emission reports etc.)</p>

Transfer pricing (TP)

Cyprus introduced transfer pricing rules and documentation requirements effective as of 1 January 2022. The legislation is broadly in line with the OECD TP Guidelines and requires domestic and cross-border intra-group transactions to be documented for Cypriot TP purposes. The TP documentation files include a Local and Master file as well as the Summary Information Table.

On 6 July 2023, the Tax Department issued a tax circular (the Circular) introducing simplification measures for various types of intercompany transactions thus effectively introducing certain safe harbor rates.

The simplification measures apply to transactions falling below the documentation thresholds (the threshold is applied on an aggregate basis per category of transaction). The Circular also provides guidance regarding the minimum documentation requirements for transactions falling under the simplification measures.

On 7 July 2023, the Tax Department issued a tax circular taking the position that as of 2023 tax year, the Comparable Uncontrolled Price is the preferred method for documentation. Moreover, as per the circular, the use of any other method can only be accepted in exceptional circumstances and provided certain conditions are met.

On 1 February 2024, the Tax Department issued revised thresholds relating to taxpayers' obligation to prepare a Cyprus Local File for transactions falling within the ambit of Section 33 of the Income Tax Law (ITL) (i.e., intercompany transactions). The revised thresholds are applicable for the tax year 2022.

Read more: [Cyprus tax authorities issue revised thresholds for transfer pricing documentation \(ey.com\)](#)

Develop a thorough understanding of the new TP documentation rules and assessment of the impact of the new transfer pricing requirement for your group. Taxpayers considering to apply any of the simplification measures should ensure the eligibility and application of such measures, while adequate documentation should be maintained to ensure their compliance.



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Update on Social Insurance Contributions

As of 1 January 2024, the Social Insurance Contribution rates for each of the employer and the employee are increased by 0,5% and for self-employed individuals by 1%.

The below summarizes the contribution rates which are applicable for the year 2024:

▸ Self-employed individuals	16,6%
▸ Employee's contribution,	8,8%
▸ Employer's contribution	8,8%
▸ Employer's contribution to the Redundancy Fund	1,2%
▸ Employer's contribution to the Human Resource Development Authority Fund	0,5%
▸ Employer's contribution to the Social Cohesion Fund	2%

The below summarizes the Maximum limit of emoluments for 2024:

- Weekly employees €1.209 with maximum yearly limit €64.077
- Monthly employees €5.239 with maximum yearly limit €62.868

Self-employed individuals, employees and employers should review the relevant rates and ensure compliance as of 1st January 2024.

Read more: [TaxLegi 1.12.2023 | EY - Cyprus](#)



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No.	Fact	Action	
11	<p>Contribution of 0.4% levy to the Central Agency for the Equal Distribution of Burdens</p> <p>The Cypriot Tax Authorities issued an announcement stating, inter alia, that the 0,4% transfer levy in relation to transfers of immovable property situated in Cyprus and transfers of unlisted shares which directly or indirectly own immovable property situated in Cyprus made during the period 22 February 2021 to 18 November 2022 is payable without interest and penalties up until 31 March 2024.</p> <p>Read more: TaxLegi 1.12.2023 EY - Cyprus</p>	Taxpayers with relevant disposals should be aware of the relevant announcement.	
12	<p>Withholding Tax on outbound payments of interest, dividend and royalty</p> <p>Withholding Tax on outbound payments of interest, dividends and royalties made to companies registered or resident in jurisdictions listed by the EU as non-cooperative jurisdictions on tax matters. Effective as of 31 December 2022.</p> <p>The tax authorities are in the process of issuing a tax circular with respect to the new withholding tax provisions.</p>	Review compliance with the requirements of the new law on outbound payments of interest, dividends and royalties. Affected taxpayers should monitor for any new guidance on this matter.	
13	<p>Green Taxes updates</p> <p>As part of the Cyprus green taxation reform, a number of environmental taxes are under consultation:</p> <ul style="list-style-type: none"> ▶ Introduction of taxes to combat air pollution and climate change, i.e., carbon (applicable on top of excise duties) ▶ Introduction of taxes to combat water pollution (i.e., increase in water tariffs) ▶ Introduction of taxes to enhance management and circular economy, i.e.: landfill tax, tourism tax and pay-as-you-throw scheme for citizens 	Businesses (and citizens) should monitor the legislative proposals of such new green taxes and understand their impact as well as any compliance obligations.	
14	<p>Introduction of a super R&D deduction for years 2022-2024</p> <p>The Cypriot Income Tax Law has been amended to grant a new increased deduction on research and development expenses for the years 2022, 2023 and 2024. Eligible research and development expenses that will be deducted from the taxable income of the economic owner of the IP assets will equal to 120% of the actual R&D expenses incurred.</p>	Taxpayers should examine whether the new increased deduction can be availed to them and explore potential tax efficiencies.	
15	<p>Change in Intrastat thresholds for 2024</p> <p>The Cyprus Tax Authorities implement, a new, higher intra-community import of goods threshold for the year 2024, which now stands at €320,000. The intra-community exports and Intrastat simplification thresholds remain the same - €75,000 for intra-union exports, and the simplification thresholds are €2,700,000 for intra-union imports and €5,800,000 for intra-union exports.</p>	Businesses with intra-community import of goods should monitor if the increased threshold impacts their business operations.	
16	<p>Default Interest Rate increases to 5%</p> <p>As of 1 January 2024 the default interest rate was set to 5%, (2,25% in 2023). The default interest rate, among others items, applies to payable or refundable tax amounts arising for taxpayers. Read more: Tax Department</p>	Businesses should consider the revised interest rate.	

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