

Dividends in Cyprus

A Cyprus holding company that its shareholders are not Cyprus tax resident has the following tax advantages:

- Dividends received by a Cyprus Holding Company from overseas are tax-exempt.
- No capital gains tax is payable on the sale or transfer of securities and the gains are exempt from income tax
- Profits from a Permanent Establishment (PE) outside Cyprus are tax-exempt and losses can be set-off against Cyprus income
- No withholding taxes on distribution of profits by a way of dividend payments to non-residents, irrespective of whether the recipient is a legal entity or individual
- No capital gains or income tax on the liquidation of participations or the liquidation of the Cyprus holding Company itself.
- No capital taxes during the life of the Cyprus holding company.
- Tax losses are carried forward for a period of five (5) years.
- Mergers, takeovers and other re-organizations can take place within groups with no tax consequence
- Unilateral tax-relief is granted to all Cyprus Companies for foreign tax suffered irrespective of the absence of a DTT.
- No obligation or right for the holding company to register for VAT.

Dividend income exempted from taxation

Dividend income is exempt from any tax in Cyprus if,

- the company paying the dividend engages directly or indirectly more than 50% in
- activities which lead to business income, or the foreign underlying tax burden is not lower than 6.25%.

No withholding taxes

Non-resident shareholders enjoy exemption from any withholding tax for any amounts paid as dividends. The same applies for any interest and/or royalties paid from Cyprus with regards to intellectual property exploited outside Cyprus. The zero tax rate on withholding tax applies to corporations as well as to individuals, irrespective of country of residence and whether a double tax treaty exists or not.

Dividend income is subject to special contribution for defence earned by companies which are tax resident in Cyprus, which amounts as follows:

	Tax rates Individuals (%)	Tax rates Legal Entities (%)
Dividend income from Cyprus tax resident companies	17 %	0 %
Dividend income from non-Cyprus tax resident companies	17 %	0 %
Interest income arising from the ordinary activities or closely related to the ordinary activities of the business	0 %	0 %
Other interest income	30 %	30 %
Rental income (reduced by 25%)	3 %	3 %

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