



The Legal 500 & The In-House Lawyer  
Comparative Legal Guide  
Cyprus: Tax (4th edition)

This country-specific Q&A provides an overview to tax laws and regulations that may occur in the Cyprus.

It will cover withholding tax, transfer pricing, the OECD model, GAAR, tax disputes and an overview of the jurisdictional regulatory authorities.

This Q&A is part of the global guide to Tax. For a full list of jurisdictional Q&As visit <http://www.inhouselawyer.co.uk/index.php/practice-areas/tax-4th-edition/>



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## 1. **How often is tax law amended and what are the processes for such amendments?**

Apart from implementation of EU directives, amendments to the Cyprus tax laws are generally infrequent. This means that taxpayers can undertake transactions with a high

degree of assurance that the tax environment they anticipated at the time will continue to apply. There is generally advance consultation with stakeholders over a period of several months before legislation is enacted.

**2. What are the principal procedural obligations of a taxpayer, that is, the maintenance of records over what period and how regularly must it file a return or accounts?**

For income tax purposes, books and records and supporting documentation must be retained for six years after the end of the tax year to which they relate. Taxpayers are required to submit returns of income for income tax purposes once a year. If the taxpayer is a company or an individual with gross income above a certain threshold (currently EUR70,000) then it should keep books and records in accordance with generally accepted accounting principles that will be audited in accordance auditing standards. With regards the payment of the income tax there is a self-assessment system, under which taxpayers must declare an estimated income and profit with the estimated tax charge for the year part-way through the tax year accompanied by payment of half the estimated liability, and the balance of the estimated liability by the end of the tax year which can be revised if necessary. The final tax return is submitted after the end of the tax year, together with payment of any final balance.

See the answer to question 5 for details of due dates.

Employers are also required to submit returns of employees' pay and tax deducted under PAYE one month after the salary payment.

Special Defence Contribution, commonly known as SDC tax, should be paid only for companies that are Cyprus tax resident and individuals who are domicile in the Republic and is payable on rents, passive interest income and dividends. Subject to certain exemptions, companies making such payments must deduct SDC tax at source and account for it to the Tax Department. Taxpayers receiving rents, interest or dividends from which SDC tax has not been deducted must submit semi-annual returns together with payment of the amount due. All returns and payments in respect of

income tax, SDC tax and PAYE must be made online.

See the answer to question 13 for details of SDC.

Taxpayers must submit and pay any capital gains as they arise. However, as capital gains tax only applies to gains from disposals in properties that have their situs in the Republic after the available deductions this is not an issue that affects most taxpayers.

There is a separate tax system for qualifying businesses engaged in international shipping, which is outlined in the answer to question 15.

**3. Who are the key regulatory authorities? How easy is it to deal with them and how long does it take to resolve standard issues?**

The Tax Department within the Ministry of Finance was formed in 2014 by combining the Inland Revenue Department, which administers direct taxation, and the VAT Service known as Direct and in-direct tax.

As with many government departments in Cyprus, routine procedures, such as final agreement of tax returns and issuing of assessments, can take time. However, the department responds efficiently and constructively to inquiries. Advance tax rulings are available and taxpayers may request an expedited ruling, guaranteeing a response within 21 working days provided all the necessary information is supplied, on payment of the prescribed fee (currently EUR2,000).

**4. Are tax disputes capable of adjudication by a court, tribunal or body independent of the tax authority, and how long should a taxpayer expect such proceedings to take?**

Decisions of the tax authorities can be challenged by submitting an application to the Tax Tribunal, which is an independent body, or to the Administrative Court. A decision

of the Administrative Court may be the subject of an appeal to the Supreme Court. The Tax Tribunal is required to reach a conclusion within a year of receiving an application. There are no set time limits for the courts.

**5. Are there set dates for payment of tax, provisionally or in arrears, and what happens with amounts of tax in dispute with the regulatory authority?**

The tax year in Cyprus for individuals and companies is the calendar year.

Both individuals and companies must submit a provisional estimate of income, profits and tax payable for the year by 31 July of the tax year, together with a remittance of half the estimated tax payable. The estimates may be revised at any time before 31 December of the tax year, and the balance of the estimated tax payable must be paid by then. A penalty may be imposed in the event of an excessive difference between the first and the final estimate.

Individuals who are exempt from the requirement to provide audited financial statements are required to submit their final tax return for the year, with a remittance for any tax payable, by 30 September following the end of the tax year. Tax returns must be submitted electronically via the official TAXISNET system.

Employers must submit their return of payments to employees and tax deducted for each tax year (I.R.7 ) no later than 31 July of the following year.

Companies and individuals who are obliged to provide audited financial statements are required to pay the balance of tax due by 1 August following the end of the tax year. Currently a penalty of 10% is imposed if the tax paid under the provisional assessment is less than 75% tax charge of the year. The final tax return must be submitted before 31 March of the following year (15 months after the end of the year in question).

**6. Is taxpayer data recognised as highly confidential and adequately safeguarded against disclosure to third parties, including other parts of the Government? Is it a signatory (or does it propose to become a signatory) to the Common Reporting Standard? And/or does it maintain (or intend to maintain) a public register of beneficial ownership?**

While complying fully with all information exchange standards, Cyprus takes taxpayer confidentiality very seriously. The Assessment and Collection of Taxes Law contains strong safeguards against inappropriate disclosure of taxpayer information and requires requests for disclosure to conform with strict requirements, thus ruling out so-called fishing expeditions.

As an EU member Cyprus is bound by Directive 2014/107/EU on mandatory automatic exchange of information in the field of taxation. It is also a signatory to the Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Account Information. As per Article 29 of the OECD Model Tax Treaty information can be exchanged in three different ways: via request, automatically and/or spontaneously . Cyprus implemented the Common Reporting Standard from the beginning of 2016 and as of 2017 has started exchanging information and exchanges information both automatically, thus systematically and periodically transmitting tax information and spontaneously, thus transmitting information presumed to be of interest.

Directive 2018/822/EU amending Directive 2011/16/EU aims at increasing transparency to tackle aggressive tax planning by strengthening the rules on mandatory automatic exchange of information. The Cyprus Tax Department has published guidance regarding automatic exchange of financial account information and other information relating to the Common Reporting Standard. The “Guidance Notes on Automatic Exchange of Financial Account Information” published on the department’s website, provide detailed, comprehensive guidance in English on the application of international agreements and Cyprus legislation on the automatic exchange of financial account information between Cyprus and other tax jurisdictions.

At the moment registers of beneficial ownership are maintained by the regulatory

authorities such as the Cyprus Securities and Exchange Commission, which regulates corporate and fiduciary service providers, and the Cyprus Bar Association and the Institute of Certified Public Accountants of Cyprus, which regulate their members' activities in this area. The registers are open to inspection by the relevant authorities for appropriate purposes, but for the time being they are not open to inspection by others.

In combating money laundering, the financing of terrorist activity and tax evasion the 4th AML Directive has obliged all EU member states to introduce the public register by 20th January 2020. In the meantime, Cyprus authorities have been trying to increase transparency by introducing and proposing reforms of the Cyprus legal framework in implementing the 5th AML Directive, which builds on the steps introduced by the 4th AML Directive.

According to the 4th AML Directive, information relating to beneficial ownership was only to be made available to persons who "demonstrate a legitimate interest with respect to money laundering, terrorist financing and the associated predicate offences, such as corruption, tax crimes and fraud." However, the 5th AML Directive has amended this by removing any requirement for establishing legitimate interest in granting access to the public.

## **7. What are the tests for residence of the main business structures (including transparent entities)?**

Individuals will be tax resident in Cyprus if they are physically present in Cyprus for 183 days or more in the tax year, or if during the tax year concerned they maintain a permanent residence in Cyprus, undertake any business or employment in Cyprus which continues until the end of the tax year and are present in Cyprus for at least 60 days. All three conditions must be satisfied and the individual concerned must not be a tax resident of any other country and should not be physically present in any other country for more than 183 days for the tax year in question.

For companies, residence is based on the locus of effective management and control. Mere registration in Cyprus is not sufficient to establish residence: the key decisions

which are necessary for the conduct of the business of the company must be made in Cyprus. The Tax Department's application form for the issue of a certificate of residency gives an indication of the criteria that the Tax Department considers, including the location where the directors' and shareholders' meetings are held, where the directors are resident, and where minutes and statutory and other records are kept.

**8. Have you found the policing of cross border transactions within an international group to be a target of the tax authorities' attention and in what ways?**

Most companies in Cyprus operate internationally and the tax authorities do not target such companies.

**9. Is there a CFC or Thin Cap regime? Is there a transfer pricing regime and is it possible to obtain an advance pricing agreement?**

As a result of the Anti-Tax Avoidance Directive (ATAD) Cyprus introduced CFC rules as from 1 January 2019, applying retrospectively.

A CFC is defined as an entity or a permanent establishment (PE) whose income is not taxable or exempt in Cyprus if the following two conditions are met: a) In the case of a non-Cypriot tax resident entity, the Cypriot tax resident company alone or together with its associated enterprises, holds a direct or indirect participation of more than 50% in such an entity and b) The company or PE is low-taxed (i.e. the income tax it pays is lower than 50% of the Cypriot corporate income tax that it would have paid by applying the provisions of the Cypriot income tax law). Cyprus has opted for Model B since it gives states the ability to 'carve out' CFCs via the thresholds provided by ATAD. 'Carving out' would apply to entities that (i) have accounting profits of less than EUR 750,000 and nontrading income of less than EUR 75,000, or (ii) have accounting profits of more than 10% of operating costs.

Article 33 of the Income Tax Law gives the tax authorities power to adjust taxable profits if they consider that they have been affected by transactions between related parties undertaken other than on an arm's length basis, but there is no detailed guidance on how this provision is to be applied in practice.

As to thin capitalization rules, Cyprus again follows the provisions of the ATAD as from 1 January 2019:

Limitation on the possibility of deducting interest is set at 30% of taxable income before interest, taxes, depreciation and amortization.

Taxable EBITDA is defined as the total of net taxable income calculated in accordance to Cypriot income tax laws increased by the exceeding borrowing costs.

The restriction does not apply for amounts below EUR 3 million per taxpayer. The restriction does not apply to companies not forming part of the group and do not have a related business (participation of at least 25% in the share capital or participating at least 25% in the profits).

The law also excludes financial undertakings from the scope of the interest limitation rules (i.e. credit institutions, investment firms, alternative investment fund managers (AIFMs) and management companies of undertakings for collective investment in transferable securities (UCITS)).

With effect from July 2017 transfer pricing rules apply to intra-group financing arrangements.

The interpretive circular issued by the Tax Department on implementation of the rules closely follows the OECD Transfer Pricing Guidelines. It is widely expected that formal transfer pricing rules will shortly be introduced for all other transactions.

The Tax Rulings Division of the Tax Department will, on application by or on behalf of a taxpayer, issue advance tax rulings regarding actual transactions (for brevity this should be understood as including a series of transactions) relating to tax years for which the due date for filing a tax return has not yet passed, and transactions

proposed to be undertaken by existing or new entities. Rulings will be binding only with regard to the taxpayers specifically mentioned in the ruling request, and only to the extent that the facts and circumstances presented in the ruling request continue to be applicable and provided that there is no subsequent change in the tax law which renders the ruling inapplicable. The Tax Rulings Division will express an opinion on the applicable tax treatment of the hypothetical transaction or scenario presented to it and will not be responsible for verifying the facts presented by the applicant.

There is nothing in the wording of the circular regarding tax rulings that would prevent a ruling being applied for regarding proposed transfer prices, but given that transfer pricing rules are very much a work in progress, the Tax Department is likely to adopt a very cautious approach.

**10. Is there a general anti-avoidance rule (GAAR) and, if so, in your experience, how would you describe its application by the tax authority? Eg is the enforcement of the GAAR commonly litigated, is it raised by tax authorities in negotiations only etc?**

Article 33 of the Assessment and Collection of Taxes Law is a general anti-avoidance provision, allowing the tax authorities to disregard any transaction through which the taxation of any person is reduced if they deem the transaction to be artificial or fictitious. There is no significant jurisprudence or published policy regarding the application of this article.

GAARs are implemented in Cyprus through the provisions of the ATAD from 1st January 2019, having retrospective effect. Transactions which are not carried out for valid commercial reasons will give rise to tax liability which will be calculated in accordance with the Cypriot income tax law. Cyprus already incorporates within its tax legislation numerous anti abuse rules. It is expected that relevant Articles within the legislation will be introduced to provide greater and specific powers to the Inland Revenue Director to ignore non-genuine arrangements, which do not have a valid commercial reason that reflects economic reality. GAAR will apply only for corporate transactions. The updated Organisation for Economic Co-operation and Development (OECD) model tax treaty also contains specific references to anti abuse measures and implications

(with the new Article 29 providing for 'Principal Purpose' and 'Limitation of Benefits' also being of much relevance).

Cyprus follows the Principal Purpose Test (PPT) as recommended by Base Erosion and Profit Shifting (BEPS) Action Plan 6 as to be adopted via Article 29 of the OECD Model Double Tax Treaty. The PPT provides that a benefit under the Treaty will be denied in cases where it is made apparent that the main reason for entering into an agreement or transaction was the granting of benefits. This will be decided based on the facts and circumstances of every transaction. Consequently, the treaty benefit will be denied unless it is established that the benefit is in accordance to the object and purpose of the provisions of the Treaty.

**11. Have any of the OECD BEPS recommendations been implemented or are any planned to be implemented and if so, which ones?**

For many years Cyprus tax policy has been based on offering an internationally competitive tax environment that is fully compliant with international best practice and the highest standards of transparency and fairness. In line with this commitment Cyprus revised its intellectual box regime in 2016 to comply with the modified nexus approach put forward by the OECD. The OECD BEPS Action Plan focuses on 15 key areas to ensure that profits are taxed where value is created , dealing with issues relating to the coherence of tax rules , substance of business arrangements and transactions and transparency of information disclosed to the tax authorities by the tax payers.

Cyprus is also one of the initial 68 signatories to the Multilateral Convention on Tax Treaty Related Measures to Prevent BEPS (the MLI). New and updated double tax agreements are aligned with the latest OECD standards. In 2017 new transfer pricing rules were introduced for financing transactions involving connected parties, in line with the relevant BEPS actions.

As a result of the implementation of the ATAD , measures aiming at tackling hybrid

mismatches will be introduced in Cyprus after 2020, along with measures relating to exit taxation.

In relation to the rules on hybrid mismatches, the draft legislation issued by Cyprus Tax Department is in line with the ATAD provisions and is expected to be implemented by the 1st January 2020. At present the only inclusion within the Cyprus tax law aimed at hybrid mismatches addresses deduction without inclusion (D/NI) – whereby a dividend received by a Cyprus tax resident entity is subjected to corporate tax in cases where the dividend has been claimed as a tax deductible expense at the level of the payer.

As to the rules on exit taxation, Cyprus is expected to adhere to the provisions of the ATAD and proceed with its implementation by the 1st of January 2020. As exit taxes affect ‘taxable assets’ and bearing in mind that certain assets are specifically exempt from the imposition of any Cyprus tax (i.e. titles), the imposition of exit taxes should not create material consequences.

**12. In your view, how has BEPS impacted on the government’s tax policies?**

The policy of successive Cyprus governments over the years has been to provide a competitive tax environment that is fully compliant with international best practice, and Cyprus has always been an early complier with OECD and other international initiatives. We expect that policy to continue.

**13. Does the tax system broadly follow the recognised OECD Model? Does it have taxation of; a) business profits, b) employment income and pensions, c) VAT (or other indirect tax), d) savings income and royalties, e) income from land, f) capital gains, g) stamp and/or capital duties? If so, what are the current rates**

## **and are they flat or graduated?**

The Cyprus tax system is fully compliant with OECD and EU norms. As regards the various categories of income:

a. Business profits of companies, adjusted for various disallowances and exemptions, are subject to tax at 12.5%. Notional interest deduction can reduce the tax to 2,5% if certain criteria apply. The intellectual property box regime gives greatly reduced rates of tax on income and gains from qualifying assets.

b. For individuals, the first EUR19,500 of annual taxable income (which includes business profits, income from employment and pensions) after deducting the allowance is free of tax; the next EUR8,500 is subject to tax at 20%; the next EUR8,300 at 25%; the next EUR23,700 at 30% and any amount above EUR60,000 at 35%. Exemptions are available on earnings from employment in the initial years of residence which can go up to 50% for 10 years. The first EUR19,500 per year of Cyprus-source widow's or widower's pension is free of tax and tax is payable on the balance at 20%. The first EUR3,420 per year of foreign source pension income is free of tax and tax is payable on the balance at 5%. The taxpayer may opt from year to year to be taxed on the standard basis if this is beneficial.

c. The standard rate of VAT is 19%. Reduced rates of 5% and 9% apply to certain supplies.

d. Passive interest and dividends received by individuals who are both resident and domiciled in Cyprus are subject to SDC tax at rates of 30% and 17% respectively. Individuals who are resident but not domiciled in Cyprus are exempt from SDC tax on interest and dividends. Passive interest received by Cyprus-resident companies is subject to SDC tax at 30%. Dividends received by Cyprus-resident companies from another Cyprus-resident company (and those received from overseas - see 23 below) are not subject to income tax or SDC tax. Royalties are treated as trading income.

e. Rent is treated as trading income for income tax purposes after deducting capital allowances and any other attributable expenses to the income such as interest expense for the acquisition of the asset. A further 20% allowance is given on the gross

rent received by individuals. Rent received by companies, and by individuals who are both resident and domiciled in Cyprus, are subject to SDC tax at an effective rate of 2.25%.

f. The only gains subject to capital gains tax are gains on disposal of immovable property which is located in Cyprus and on disposal of shares in unlisted companies to the extent that those shares directly or indirectly derive their value from immovable property located in Cyprus. All other gains are exempt.

g. Stamp duty is payable on contracts relating to property or business in Cyprus. For transactions with a consideration up to EUR5,000, no stamp duty is payable; for transactions with a consideration between EUR5,000 and EUR170,000, stamp duty is EUR1.50 for every EUR1,000 and for transactions with a consideration in excess of EUR170,000, stamp duty is EUR2 for every EUR1,000. The maximum stamp duty payable on a contract is capped at EUR20,000. As of 18th December 2018 the obligation to pay capital duty of 0.6% of the authorized capital or on any subsequent increase on in the share capital, has been abolished Also, a notional interest deduction against profits for corporate income tax purposes is available for new capital introduced into Cyprus companies and permanent establishments which can reduce the tax liability of the Cyprus company by up to 80%.

h. Inheritance tax is not taxable

**14. Is the charge to business tax levied on, broadly, the revenue profits of a business as computed according to the principles of commercial accountancy?**

The charge to tax is based on profits computed according to International Financial Reporting Standards, adjusted to reflect exempt income and disallowable expenditure according to the Income Tax Law.

15. **Are different vehicles for carrying on business, such as companies, partnerships, trusts, etc, recognised as taxable entities? What entities are transparent for tax purposes and why are they used?**

While Cyprus recognizes a wide range of business structures, including all the above, only natural and legal persons (individuals, companies and their branches and permanent establishments, and foundations) are treated as taxable entities. Partnerships and trusts are treated as transparent for tax purposes and the income is assessed on the partners and the beneficiaries respectively.

16. **Is liability to business taxation based upon a concept of fiscal residence or registration? If so what are the tests?**

Liability to Cyprus tax (and eligibility for benefits under double tax agreements) is based on residence. Mere registration is not sufficient. See the answer to question 7 for the tests applicable to residence.

17. **Are there any special taxation regimes, such as enterprise zones or favourable tax regimes for financial services or co-ordination centres, etc?**

The Merchant Shipping (Fees and Taxing Provisions) Law of 2010, commonly known as the Tonnage Tax Law, provides shipowners, ship managers and charters that qualify under the said law in relation to qualifying ships (as defined in the law) engaged in qualifying shipping activities (as defined in the law) the possibility to be taxed on the basis of the tonnage of the vessel (however not all gains nor all activities can fall within the tonnage tax system). It should be noted that the current tonnage tax system expires at the end of 2019 but it is anticipated that it will be renewed. The Government is currently negotiating with the EU Commission however the exact amendments that will be introduced remain unknown.

18. **Are there any particular tax regimes applicable to intellectual property, such as patent box?**

In May 2012 Cyprus introduced a package of incentives and tax exemptions relating to investment in intellectual property rights, commonly known as an IP box. This combines the lowest rate of tax (effectively less than 2.5%) with the widest range of qualifying assets and the fewest restrictions compared to other countries' IP boxes.

Following the adoption of the modified nexus approach under action 5 of the G20/OECD BEPS project the IP box regime applies to a more limited range of assets than previously since new arrangements for intellectual property assets have been developed as from 1 July 2016.

As a result, qualifying assets are restricted to patents, software and other IP assets which are legally protected. Intellectual property rights used to market products and services, such as business names, brands, trademarks and image rights, do not fall within the definition of qualifying assets.

Relief is geared to the cost incurred by the taxpayer in developing the intellectual property through its research and development activities, and costs of purchase of intangible assets, interest, costs relating to the acquisition or construction of immovable property and amounts paid or payable directly or indirectly to a related person are excluded from the definition of qualifying expenditure.

Unlike the case under the original scheme, 80% of the "qualifying profit" rather than a general 80% on "accounting profit" is granted as an additional deduction.

Nevertheless, the IP Box Regime continues to provide considerable tax savings, and companies that joined the scheme before June 2016 can look forward to benefiting from substantial savings until mid-2021.

**19. Is fiscal consolidation employed or a recognition of groups of corporates for tax purposes and are there any jurisdictional limitations on what can constitute a group for tax purposes? Is a group contribution system employed or how can losses be relieved across group companies otherwise?**

Trading losses incurred by one member of a group of companies may be offset against trading profits of another group company by way of group relief, provided that the losses and profits accrued in the same year of assessment and both companies were members of the same group for the whole of the tax year concerned. A subsidiary that is formed during a tax year (as opposed to an existing company that is acquired) is treated as being a member of the group for the whole tax year. Two companies are deemed to be members of a group if one is the 75% subsidiary of the other or both are 75% subsidiaries of a third company. A '75% subsidiary' means holding at least 75% of the voting shares with beneficial entitlement to at least 75% of the income and 75% of the assets on liquidation. Until the 2015 tax year group loss relief was available only for losses incurred by Cyprus tax resident companies. In order to align the loss relief provisions with the decision of the European Court of Justice in the Marks & Spencer case, the law was amended in 2015 so that a subsidiary company which is tax resident in another EU member state can surrender its taxable losses to another group member company that is tax resident in Cyprus, provided the subsidiary has exhausted all means of surrendering or carrying forward the losses in its member state of residence or to any intermediate holding company.

The amount of taxable losses that may be surrendered is calculated on the basis of the Cyprus tax laws. Subsidiaries resident in countries with which Cyprus has a double tax agreement or an agreement to exchange tax information may also surrender losses in the same way.

**20. Are there any withholding taxes?**

There are no withholding taxes on dividends or interest paid to non-residents. Royalties or similar payments to a non-resident for intellectual or industrial property rights are

liable to withholding tax only if they are for the use of the rights within Cyprus: no tax need be withheld if the rights are used exclusively outside Cyprus. The rate of withholding tax for use of general intellectual or industrial property rights within Cyprus is 10%; royalties payments made to nonresidents in respect of films shown in Cyprus are subject to withholding tax at 5% of the gross amount, in either case subject to relief under any applicable double taxation treaty.

21. **Are there any recognised environmental taxes payable by businesses?**

There are no environmental taxes.

22. **Is dividend income received from resident and/or non-resident companies exempt from tax? If not, how is it taxed?**

Dividends received by a resident company (or a permanent establishment of a non-resident company) from overseas are exempt from income tax and SDC tax. Since January 2019, CFC limitations apply to this exemption where both limbs of the following test (Passive Dividend Rules) apply, namely where: the investment income is more than 50% of the paying company's activities; and the foreign tax burden on the income of the paying company is substantially lower than the Cyprus tax burden.

23. **If you were advising an international group seeking to re-locate activities from the UK in anticipation of Brexit, what are the advantages and disadvantages offered?**

Cyprus provides an ideal base for businesses from all over the world wishing to establish a base in the EU. It is strategically located at the crossroads of three continents, it has a well developed business infrastructure and a business-friendly, low-tax regime with a wide network of double taxation agreements. It also offers a high

quality of life, low operating costs and substantial tax exemptions (including a 50 per cent income tax exemption for the first 10 years of residence for individuals earning above EUR 100,000 per year).

A new law on Alternative Investment Funds introduced in July 2018, namely the Alternative Investment Funds Law of 2018 L.124(I) of 2018 (the "AIFL") provides incentives for funds to relocate to Cyprus, including a highly beneficial flat tax regime for carried interest. The AIFL regulates the establishment and operation of AIFs in the Republic, including AIFPNPs and RAIFs, and, to the extent relevant, of persons engaged in AIF activity and of EU or third country AIFs marketing their units in the Republic.

According to section 143(1) of the AIFL, an AIF that is governed by the provisions of Part II, an AIFLNP established and operating in accordance with this AIFL and the persons that acquire units of the above mentioned AIF are subject to the provisions of the Income Tax Law and the Special Contribution for the Defence of the Republic Law.

The establishment of the AIFs referred to in section (1), the subscription, redemption or repurchase or the transfer of its units are exempted from the stamp duty provided for in the Stamp Duty Law.

The provisions of sections (1) and (2) shall also apply to RAIFs when they are subject to the taxation provisions • the unitholders of the RAIF are not subject to taxation for their profits or benefits from their participation in the RAIF, which have already been subject to taxation in accordance with these provisions.

There are further advantages for businesses relocating from the UK - because Cyprus used to be a British colony, the whole legal, financial and administrative infrastructure is very similar to that in the UK, and English is very widely spoken and used in business.