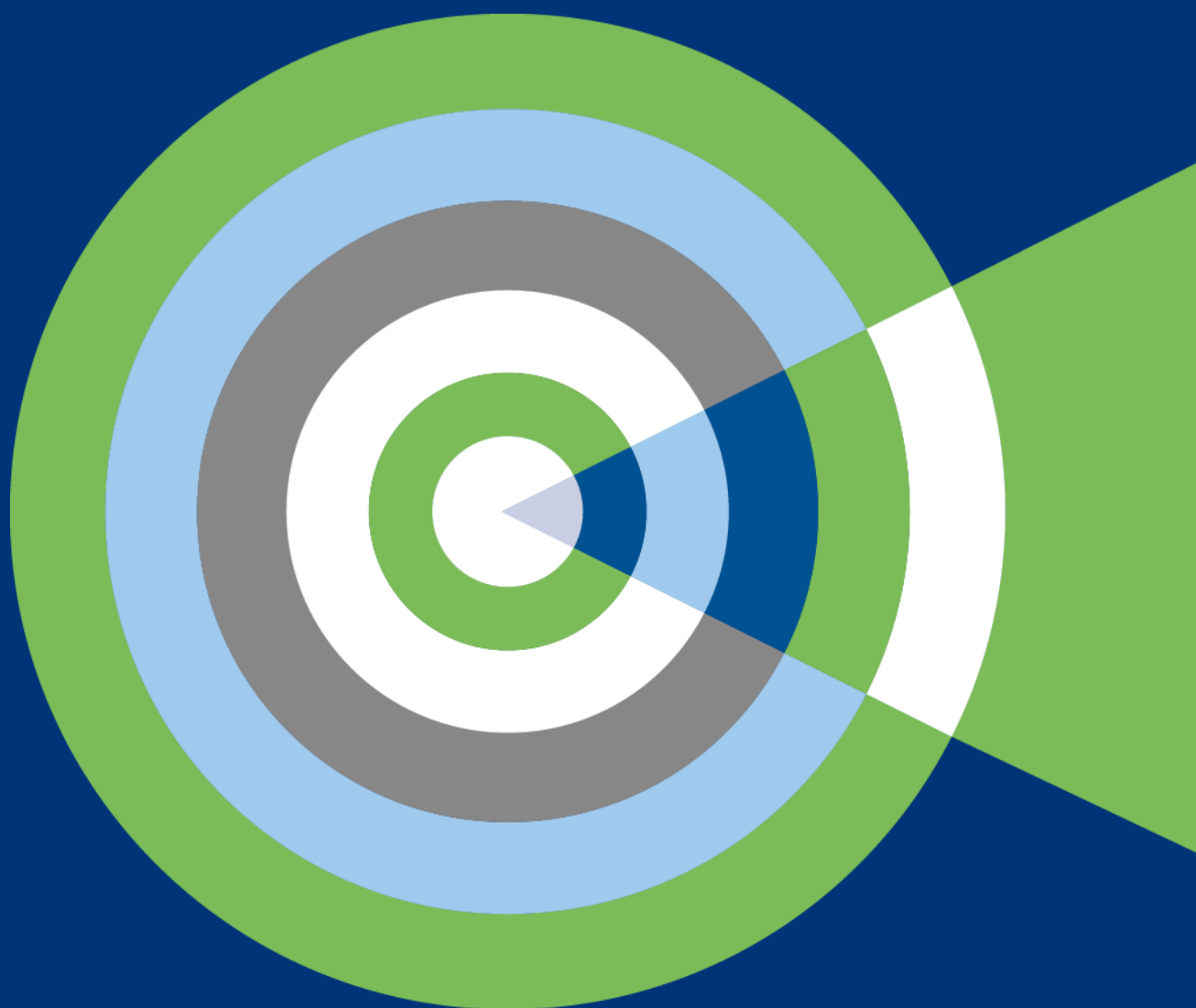


DOING BUSINESS

IN CYPRUS



The network
for doing
business

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1 – INTRODUCTION

UHY is an international organisation providing audit, accountancy, business management and consultancy services through financial business centres in around 90 countries worldwide.

Business partners work together throughout the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Cyprus has been provided by the office of UHY representatives:

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Information in the following pages has been updated so that it is effective at the date shown, but inevitably it is both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at January 2015.

We look forward to helping you do business in Cyprus.

2 – BUSINESS ENVIRONMENT

Cyprus is a small country at the meeting point of the three old continents, Europe, Asia and Africa. Its importance in doing business is mainly arising from its potential for beneficial international tax planning.

This is due to a combination of factors, including:

- The “user friendliness” and practically zero tax status of the Cyprus Holding Company
- Membership of the EU
- Wide network of Treaties for the Avoidance of Double Taxation, including some with large countries which have comparatively beneficial provisions
- Absence of withholding taxes on dividends, interest or royalties paid from Cyprus
- Low corporation tax rate on operating profits
- Exemption from tax of many types of income
- Tax incentives introduced, including :
 - o the special mode of taxation of income arising from IP rights;
 - o the back to back loan arrangements;
 - o the deductibility of interest on loans to acquire 100% subsidiaries

Cyprus is not a tax haven. It has strict rules in relation to accounting, audit and tax compliance and is implementing rigorous anti-money laundering measures. International business prepared to accept and comply with these requirements may derive significant benefits in terms of overall reduction of the tax burden.

GEOGRAPHY AND POPULATION

Cyprus is situated in the eastern Mediterranean, lying at the hub of three continents and close to the busy trade routes linking Europe with the Arab World and the Far East.

Cyprus' total area is 9,251km sq. and it is the third largest island in the Mediterranean, after Sicily and Sardinia. The island enjoys an excellent climate with about 300 days of sunshine per year. The temperature varies from 6°C to 13°C in winter to 21°C to 36°C in summer.

Cyprus' population is estimated at approximately 800,000. The official languages of the Republic are Greek and Turkish, but English is widely spoken and regularly used in business. Nicosia, with an estimated population of approximately 300,000, is the capital city and situated in the middle of the island. All other major cities are on the coast and all are popular holiday resorts, as well as business centres.

GOVERNMENT AND LEGAL SYSTEM

The structure of government is similar to other western democracies where human rights, political pluralism and private property are safeguarded.

The Republic's constitution is largely modelled on the American constitution. The Head of State is the President who is elected for a five-year term of office. The Council of Ministers, appointed by the President, is the executive organ of the Republic. Legislative power lies with the House of Representatives whose members hold office for five years. A multi-party system is in operation and the electoral system is based on proportional representation.

The island was under British administration from 1878 to 1960 when it became an independent republic. The legal system and all statutes regulating business matters are based essentially on English Law. Most laws are officially translated into English. English is widely used and anyone may correspond with government departments in this language. Cyprus became a member of the European Union on 1 May 2004 and joined the Euro Zone on 1 January 2008.

POLITICAL STABILITY

The Republic of Cyprus is a member of the European Union, the United Nations, the Council of Europe and the British Commonwealth. It has a very stable political system.

Part of the territory of Cyprus has been occupied since 1974 by Turkey. Discussions are in progress aiming to resolve the problem.

EDUCATION AND HUMAN RESOURCES

Primary education is free and universal.

Most elementary and secondary schools are state-owned and of a high standard. In addition, there are numerous first-class private schools. These schools offer tuition in Greek, English, Russian, French, Italian, Armenian and Arabic and they offer specialised courses leading mainly towards entrance to British and American universities or to professional qualifications.

A high proportion of Cypriots have been to university, either in Cyprus or abroad. As a consequence, Cyprus ranks among the leading countries in the world in terms of its proportion of university graduates. Qualified technical, clerical and professional staff with wide experience and fluency in English and other languages, are available for employment at reasonable rates of remuneration.

TRANSPORT AND TELECOMMUNICATIONS

A wide network of air-routes connects Cyprus with Europe, Africa and Asia.

The island has two busy international airports, in Larnaca and Paphos, handling a large number of scheduled flights and served by many international and chartered airlines. Cyprus is an established international transit station for commercial air transportation with excellent connections within the entire region. Seaborne traffic is served by a fully renewed port system comprising the multi-purpose ports of Limassol and Larnaca, the industrial port of Vassiliko, and the three specialised oil terminals of Larnaca, Dhekelia and Moni.

A large number of shipping lines include Cyprus in their regular schedules to and from five continents, ensuring that thousands of ships call at Cypriot ports each year.

Cyprus has an advanced telecommunications system, based on the latest technology.

ECONOMY

The economy of Cyprus is based on free enterprise, with most economic activity taking place in the private sector.

The service sector, which dominates the Cypriot economy, accounts for about half of employment and almost two-thirds of its GDP.

In 2014 the average rate of inflation was -0.2% and the unemployment rate 17%. The standard of living is relatively very high with estimated annual income per capita for 2013 of US\$24,500. The Cyprus economy recorded real GDP growth of about -2.8% in 2014.

In March 2013 the economy of Cyprus faced serious problems due to the insolvent position of some of its banks, caused primarily by the haircut of Greek debt, and by non-performing loans mainly in the real estate sector. A tough bail-in solution was applied to the two largest local banks, leading to uninsured depositors losing their deposits. Since then, Cyprus has entered into a loan agreement with the European Central Bank and the IMF, bringing back stability. This, together with the discovery of large quantities of natural gas in the exclusive economic zone of Cyprus, offer hope that the economy of Cyprus will soon recover from its problems.

During 2014 the Cypriot economy stabilised further. On the local front, the Government's commitment to implement fiscal, structural and banking sector reforms seems to be paying off. This is evident from positive reviews by the Troika and the ability of Cyprus to raise fund from the financial markets. Restoration of confidence and liquidity in the banking sector remain key for the continuing recovery of the economy.

It is worth noting that throughout and despite the problematic period since March 2013, the Cyprus government has strongly maintained its policies for retaining, and even strengthening, Cyprus as an attractive location for international business.

CURRENCY

Cyprus joined the Euro zone as of 1 January 2008. There are no exchange controls in Cyprus.

INTERNATIONAL BUSINESS

Cyprus is a developed and established international business centre, with many tax and other advantages for international business.

The extensive network of treaties which Cyprus has formed for the avoidance of double taxation makes the island very attractive to international investors.

There are a large number of International Business Companies (IBCs) i.e. companies incorporated in Cyprus whose beneficial ownership and business activities lie outside Cyprus. It is worth mentioning that Cyprus has amongst the lowest corporation tax rate in the EU at 12.5% on operating profits. Furthermore, as holding companies in Cyprus are in practice free of any tax both on their income from dividends and on their proceeds on disposal of their investments, without any restrictions in relation to the time for which the investment was held or in relation to thin capitalisation, the island has become a favourable location for establishing holding companies by international businesses.

EUROPEAN UNION AND OECD: TAX REFORMS

The tax system of Cyprus fully conforms to EU directives and codes of conduct and with the OECD to eliminate 'harmful tax practices'.

3 – FOREIGN INVESTMENT

FOREIGN DIRECT INVESTMENT (FDI) POLICY

In order to further enhance the foreign investment intensity, the Government of Cyprus has liberalised the Foreign Direct Investment (FDI) Policy not only for EU citizens but also for investors from third countries in most sectors of the economy as from 1 October 2004.

- Limitations related to the minimum level of investment and foreigners' participation percentage have been abolished, in most sectors of the economy, allowing for up to 100% equity participation in registering companies or acquiring shares in existing companies.
- Administrative procedures have been simplified and measures have been taken to streamline the infrastructure regarding foreign investment, thus reducing the level of bureaucratic intervention and fostering improved economic activity.
- Consequently, foreign companies now have the opportunity of investing and establishing business in Cyprus on equal terms with local investors.

THE CYPRUS INVESTMENT PROMOTION AGENCY (CIPA)

In 2007, the Cyprus Investment Promotion Agency was formed and fully funded by the Government of Cyprus.

Its role is to:

- Promote Cyprus as an attractive international investment centre in key priority growth sectors
- Advocate reform in Cyprus required to improve the regulatory and business environment and infrastructure
- Provide investor support with after care and further development services

FAST TRACK MECHANISM

In 2012, a "Fast Track Mechanism" (FTM) to accelerate licensing procedures, which will subsequently lead to a faster implementation of Strategic Investments, aimed at stimulating economic growth.

The main role of the FTM is to facilitate Strategic Investments and to expedite their licensing process through a coordinated and timely procedure, involving all relevant parties and always in accordance with the applicable laws and regulations.

For that purpose, the CIPA has been assigned the responsibility to examining applications and proposing potential Strategic Investments for inclusion to the FTM, based on the following criteria:

1. The value of the investment exceeds 50 million Euros
2. The investment creates significant permanent job positions
3. The investment is related to Research & Innovation

Furthermore, CIPA promotes Cyprus as an attractive investment destination in various priority sectors of the economy, by developing leads and driving demand for investments into the country, while serving as the First Point of Contact to all foreign investors.

INCENTIVES

In 2013 the following measures were announced:

- Provision for an increased 25% discount in taxable income on payroll in case of employing an additional person.
- Provision of 100% tax deduction until 2016 on expenditure for the acquisition of fixed assets related to innovation, research, information, communications and renewable energy sources.
- Extension of the increased tax deduction with a minimum amount of 20% for the acquisition of other assets until 2016.

Further incentives are also expected, which are likely to include the exemption of corporate profits that are reinvested in the business from deemed dividends, as well as many others.

Third country nationals can also take advantage of certain incentives with regard to Immigration Permits and Naturalisation Schemes, through certain investments in Cyprus.

REAL ESTATE

EU CITIZENS

EU citizens who are residents of Cyprus may acquire any property in Cyprus without restrictions.

NON-EU CITIZENS

Non-EU citizens are allowed to acquire title to immovable property in Cyprus provided they first obtain the approval of the Council of Ministers (delegated to the Local District Officer). When the real estate concerned exceeds an area of two donums (1 donum = 1,338 square metres), approval may only be granted for:

- A residence for own use (must not exceed 3 donums)
- Professional or commercial purposes
- Industrial use in sectors considered by the Council of Ministers as beneficial to the Cypriot economy provided the acquisition of the real estate is related to the production of goods or to industries using new technology or know-how.

Any gain made on disposal of the real estate situated in Cyprus is subject to capital gains tax at the rate of 20%. (See section 6, Taxation, below for more details).

4 – SETTING UP A BUSINESS

TYPES OF BUSINESS ENTITIES IN CYPRUS

Business entities in Cyprus can operate under the following forms:

- Limited company
- Sole proprietor or partnership
- Branch
- European Public Limited Companies, otherwise known as Societas Europaea (“SE”).

The redomiciliation of foreign companies to Cyprus, and vice versa, is possible. This means that companies may migrate from another jurisdiction to Cyprus (and vice versa) without the need for a takeover or a transfer of assets to another company already registered in the destination country.

REGISTRATION PROCEDURE OF A LIMITED LIABILITY COMPANY

Under the Companies Law, the procedure for the formation and registration of a company in Cyprus is quite simple and as follows:

APPROVAL OF NAME

Before any other steps are taken with regard to the incorporation of a company, the Registrar of Companies must be approached to ascertain whether the proposed name is acceptable.

FILING OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION

To effect registration of a company, the Memorandum and Articles of Association must be submitted for filing with the Registrar of Companies.

A Specimen Memorandum and Articles of Association can usually be made available but care should be taken to ensure that the first few main object clauses are tailored to the specific circumstances and main business objects (aims or activities) of the company.

SHARE CAPITAL REQUIREMENTS

There are no legal requirements as to the minimum or maximum share capital of the company. In the case of foreign direct investment, there are some indicative minimum levels of investment depending on the sector.

SHAREHOLDERS

Under the relevant legislation there must be at least one shareholder, for whom the following information is required to be disclosed to the Registrar of Companies:

- Full name & nationality
- Address & occupation
- Number of shares held.

DIRECTORS

How directors are appointed is usually laid down by Articles of Association, as well as how many constitute a quorum. However, it is usual for there to be at least two directors. The names of the directors are also required to be disclosed to the Registrar of Companies.

COMPANY SECRETARY

The appointment of the secretary is made by the directors in accordance with the Articles of Association. For practical purposes a body corporate may be appointed secretary.

REGISTERED OFFICE

Every company must have a registered office in Cyprus, which is determined by the directors.

5 – LABOUR

LABOUR AND EMPLOYMENT CONDITIONS

The labour force in Cyprus consists of hard-working and skilled people, working at relatively inexpensive rates.

There is a general consensus between management and unions and industrial peace safeguards exist for on-going production and a growing economy. The unemployment rate was at about 16.2% in 2014 (17% in 2013).

Cyprus ranks amongst the leading countries in the world in terms of the proportion of university graduates, ensuring the availability of high-quality managerial and administrative personnel. (Cyprus is ranked top for graduates amongst EU countries, with 47% having tertiary education qualifications).

EMPLOYMENT LEGISLATION AND REGULATIONS

EU 'ACQUIS COMMUNAUTAIRE'

The Labour related legislation in Cyprus is in compliance with EU regulations.

EMPLOYER'S CONTRIBUTIONS

SOCIAL INSURANCE

From 1 April 2009 the employer's contribution to Social Insurance is 6.8% (7.8% from 2014) of the employee's salary, restricted to a maximum amount of salary which is increased annually. For 2013 this is EUR 54,396 (weekly EUR 1,046, monthly EUR 4,533). This contribution is used to pay unemployment and sickness benefits, payment for maternity leave, disability and old-age pensions.

REDUNDANCY FUND

The employer's contribution to the Redundancy Fund is 1.2% of the employee's salary. This contribution is used to pay some compensation to employees in case they are made redundant.

TRAINING DEVELOPMENT FUND

The employer's contribution to the Training Development Fund is 0.5% of the employee's salary. This contribution is used to pay for various government-sponsored training needs for industry.

SOCIAL COHESION FUND

The employer's contribution to the Social Cohesion Fund is 2% of the employee's salary.

FRINGE BENEFITS

In addition to the above compulsory contributions, many employers have provident or pension funds which offer payment to employees on retirement or voluntary termination of employment, as well as medical and other similar benefits.

EMPLOYEE'S CONTRIBUTIONS

SOCIAL INSURANCE

The employee's contribution to Social Insurance is 7.8% of the employee's salary.

The rate of 7.8% applies to both employer and employee up to 31 December 2018.

INCOME TAX LAW

Under the Income Tax Law all employers are obliged to deduct from their employees' salaries the amount of income tax applicable to each employee and remit it to the Income Tax Authorities (Pay As You Earn system). For details of personal tax see Sections 6.

OTHER LABOUR RELATED REGULATIONS

ANNUAL HOLIDAYS WITH PAY LAW

Under this Law, an employer-sponsored Central Holiday Fund was established out of which employees obtain their holiday entitlement. All employees with at least 50 weeks' service are entitled to a minimum of 20 working days of paid holidays.

Employers have to contribute 8% of the employee's salary to this fund. They may, however, apply for exemption from having to contribute to the fund provided they offer better conditions to their employees.

OTHER LEAVE OF ABSENCE

There is no legislation yet in relation to sick leave entitlement or other leave of absence. Maternity leave is 18 weeks.

TERMINATION OF EMPLOYMENT LAW

The Termination of Employment Law provides for minimum periods of notice before dismissals (i.e. from one to six weeks' notice) and for payment of compensation in case of arbitrary dismissal or redundancy (i.e. two to four weeks' salary for each year of employment).

ALIENS AND IMMIGRATION LAW

Under this Law, foreigners wishing to take up employment in Cyprus must have either a 'business permit' or an 'employment permit'. Citizens of EU member states may be employed in Cyprus without restrictions. Other aliens require residence/employment permits.

6 – TAXATION

MAIN FOCUS OF INCOME TAX LEGISLATION

Residents of Cyprus are taxed on their worldwide income. Non-residents are taxed only on some specific income from sources in Cyprus.

An individual is resident in Cyprus if he/she stays in Cyprus for more than a total of 183 days in any calendar year.

A company is resident in Cyprus if its business is centrally managed and controlled in Cyprus. (Incorporation is, by itself, insufficient to establish residence in Cyprus).

There are two main forms of direct taxation in Cyprus:

- Income Tax (see below)
- Special Contribution for Defence (see below)

All the sections below should be read to obtain a full understanding of the main forms of direct taxation affecting companies and individuals.

CORPORATION TAX

BASIC FEATURES

As stated above, a company is resident in Cyprus if its business is centrally managed and controlled in Cyprus.

- A Cyprus resident company is taxed on its worldwide income
- The rate of tax is 12.5% (see below for significant exemptions)

TAX EXEMPTIONS

Tax exemptions apply to the following income:

- Dividend income
- Profits from the sale of shares and other securities
- 100% of passive interest
- Profits of a permanent establishment (p.e.) abroad, provided the foreign tax is not significantly lower than Cyprus tax and the p.e. does not derive more than 50% of its total income from investments.

TAX LOSSES

The tax loss incurred during a tax year and which cannot be set off against other income, is carried forward subject to conditions and set off against the profits of the next five years.

- Group relief is available
- Losses for a p.e. abroad can be set off against other profit of the Company

WITHHOLDING TAXES

No Cyprus withholding tax on dividends or interest is paid to non-residents

RELIEF FROM FOREIGN TAXES

Foreign taxes, both underlying and withholding, are deducted from taxes in Cyprus on the same income.

SPECIAL MODES OF TAXATION

SHIPPING COMPANIES

As of 1 January 2010 a new Tonnage Tax System (TTS) was introduced, which covers the three main “Maritime Transport” Activities offered in international shipping today, namely ship-owning, ship-management (split into crew and/or technical management) and chartering. It also applies to fleets comprising of either EU flag or “mixed fleets” (EU & Non-EU Flag ships).

Under the new TTS, no tax is imposed on:

- Profits from shipping operations
- Dividends paid directly or indirectly out of such profits or from the sale of a ship
- Interest earned on funds used as working capital or for the financing, operation or maintenance of the ship
- Profits from the sale of a ship or the shares of the ship-owner company.

The same tax exemptions are offered with regard to the taxation of charterers and ship-management companies, respectively.

Furthermore, the remuneration of a Cypriot ship crew is tax exempt.

INTERNATIONAL TRUSTS

Trust Law in Cyprus is based on English legal principles and the legislation in force follows the English Trustees Act of 1925. In 1992, the International Trust Law was enacted in order to facilitate the use of the basic law by non-residents. The law was amended on 9 March 2012 to become more attractive.

A Cyprus international trust is a trust which has the following characteristics:

- The settlor and beneficiaries other than charitable institutions must not be Cypriot residents during the calendar year prior to the year of creation of the trust (may become Cypriot residents at any time following its creation)
- The trustees may vest the beneficiaries’ interests in movable and immovable property both in Cyprus and abroad and in shares in Cypriot companies
- The trust can have Cyprus sourced income
- A trust may continue to be valid and enforceable without time restriction.

Taxation of a trust in Cyprus:

- Transparent for Cyprus tax purposes which means that the income is only assessable on Cypriot resident beneficiaries
- No capital gains tax is charged on the disposal of assets held abroad.

INSURANCE COMPANIES

Insurance companies of general and life business are taxable in the same way as all other companies. In the case where there is no tax payable or where the tax payable on the taxable income of the life business is less than 1.5% of the gross amount of the insurance premiums then the insurance company pays the difference as additional tax.

PENSION INCOME FROM SERVICES RENDERED ABROAD

The pension income of any individual resident in the Republic, which arises from services rendered abroad, is taxed at a rate of 5% for amounts exceeding €3.420 per annum. The taxpayer has the right to choose to be taxed either under the special mode of taxation as stated above or at normal rates. If the latter is chosen the pension is added to the individual's other income.

ROYALTY INCOME ARISING IN CYPRUS OF A NON-RESIDENT

The gross income arising from intellectual property rights, other exploitation rights, compensations or other similar income arising from sources within the Republic, of a person who is not resident in the Republic, is subject to withholding tax at a rate of 10%. Royalties received by a connected company registered in a European Union Member State are exempt from tax (subject to conditions). Rights granted for use outside the Republic are not subject to any withholding tax.

FILM ROYALTIES, ETC

The gross income derived by a non-resident person in respect of royalties arising from film projection in the Republic is subject to withholding tax at a rate of 5%. Royalties received by a connected company registered in a European Union Member State are exempt from tax (subject to conditions).

PROFITS OF PROFESSIONALS, ENTERTAINERS, ETC

The gross income derived by an individual not resident in the Republic from the exercise in the Republic of any profession or vocation, the remuneration of public entertainers not resident in the Republic, and the gross receipts of any theatrical or musical or other group of public entertainers, including football clubs and other athletic missions from abroad, derived from performances in the Republic is subject to a 10% withholding tax.

INTEREST AND ADDITIONAL PENALTY OF 5% FOR LATE PAYMENT OF TAX WITHHELD

Tax withheld on payments to non-Cypriot residents should be paid to the Inland Revenue department by the end of the following month. In case where the tax is not paid within the deadline, an additional penalty of 5% will be imposed on the tax withheld in addition to any interest that may be imposed.

THE CYPRUS ALTERNATIVE INVESTMENT FUNDS (AIFS) AND UNDERTAKINGS FOR COLLECTIVE INVESTMENT IN TRANSFERABLE SECURITIES (UCITS)

AIFs and UCITs are liable to tax or not depending on their legal status.

INTELLECTUAL PROPERTY RIGHTS

Expenditure incurred for the development or acquisition of intangible assets as defined in the Patent Rights Law, the Intellectual Property Law and the Trademarks Law is tax deductible. The annual capital allowance deduction on such intangible assets is equal to 20% of the acquisition cost. The capital allowance is tax deductible over 5 years including the year of acquisition. An 80% deemed deduction applies to the net profit from the exploitation or disposal of such intangible assets (including the compensation from irregular use of these intangible assets). The net profit is calculated after deducting from the income or profit that is generated from the exploitation or disposal of such intangible assets, all direct expenses associated with the production of this income or profit.

PERSONAL INCOME TAX

BASIC FEATURES

Residents of Cyprus are taxed on their worldwide income. Non-residents are taxed only on some specific income from sources in Cyprus.

An individual is resident in Cyprus if he/she stays in Cyprus for more than a total of 183 days in any calendar year.

Remuneration for salaried services rendered outside Cyprus to a non-Cyprus resident employer (or to a permanent establishment of an employer who is a resident of Cyprus) is exempt from Cyprus taxation provided that the period of these services in any calendar year is more than 90 days.

APPLICABLE RATES

The applicable rates of income tax are set out below.

TABLE 1

Rates of income tax

TAXABLE INCOME	TAX RATES	TAX AMOUNT	CUMULATIVE TAX
EUR	%	-	
0-19.500	-		
19.501-28.000	20	1.700	1.700
28.001-36.300	25	2.075	3.775
36.301-60.000	30	7.100	10.885
Over 60.000	35		

Foreign pension is taxed at 5%. An annual exemption of EUR 3,420 is granted.

EXEMPTIONS

Certain types of income are exempt from income tax, however other taxes may apply (see section on Defence Fund Contribution, further below), including:

TABLE 2

Exemptions

Interest, except for interest arising from the ordinary business activities or closely related to the ordinary business activities of an individual The whole amount (Note 1)

Dividends	The whole amount (Note 1)
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Remuneration from any office or employment exercised in Cyprus by an individual who was not a resident of Cyprus before the commencement of his employment, for a period of 5 years for employments commencing from 1 January 2012 if the annual remuneration exceeds €100.000.	50% of income
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Remuneration from any office or employment exercised in Cyprus by an individual who was not a of Cyprus before the commencement of his employment, for a period of 3 years commencing from 1st January following the year of commencement of the employment	20% of income with a maximum amount of €8.550 annually
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 employer	The whole amount
Profits from the sale of securities	The whole amount

Notes:

1. Such dividend and interest income is subject to Special Contribution for Defence, if received by a resident of Cyprus

TAX DEDUCTIONS**TABLE 3***Tax Deductions*

Contributions to trade unions or professional bodies	The whole amount
Loss of current year and previous years (up to the previous 5 years)	The whole amount
Rental income	20% of rental income
Donations to approved charities (with receipts)	The whole amount
Expenditure incurred for the maintenance of building in respect of which there is a preservation order	Up to €1.200, €1.100 or €700 per square meter (depending on the size of the building)
Social Insurance, provident fund, medical fund (maximum 1% of remuneration), pension fund contributions and life insurance premiums (maximum 7% of the insured amount)	Up to 1/6 of the chargeable income
Special contribution	The whole amount
Contributions to trade unions or professional bodies	The whole amount

SPECIAL CONTRIBUTION FOR DEFENCE

All residents of the Republic are subject to special defence contribution on the sources of income indicated below. **Non-residents are not subject to special defence contribution.**

TABLE 4

	INDIVIDUALS %	LEGAL ENTITIES %
Dividend income from Cyprus tax resident companies	17 (1)	Nil (1)
Dividend income from non-Cyprus tax resident companies	17	Nil (2)
Interest income arising from the ordinary activities or closely related to the ordinary activities of the business	Nil (3)	Nil (3)
Other interest income	30 (4)	30 (4)
Rental income less 25%	3% (4 & 5)	3% (4 & 5)
A person whose total annual income, including interest, does not exceed €12.000 who receives interest which has been subject to special defence contribution has the right to a refund of the amount of defence contribution suffered in excess of 3%.	3%	

Notes:

1. Dividends received by a Cyprus tax resident company from other Cyprus tax resident companies are excluded from all taxes, unless they are indirectly declared after the lapse of four years from the end of the year in which the profits were generated, in which case they may be subject to Special contribution for defence at 17%. Dividends which emanate directly or indirectly out of such dividends on which special contribution for defence was previously suffered are exempt.

2. This exemption does not apply if:

- More than 50% of the paying company's activities result directly or indirectly in investment income and
- The foreign tax is significantly lower than the tax burden in Cyprus. The tax authorities have clarified through a circular that "significantly lower" means an effective tax rate of less than 6,25% on the profit distributed. When the exemption does not apply, the dividend income is subject to special contribution for defence at the rate of 17%.

3. Such interest income is subject to personal income tax / corporation tax.

4. The Special contribution for defence rate on interest income of 30% is effective for interest received or credited from 29 April 2013 onwards.

Interest income from Cyprus government savings bonds and development bonds and all interest earned by a provident fund is subject to Special contribution for defence at the rate 3% (instead of 30%)

In the case where the total income of an individual (including interest) does not exceed €12.000 in a tax year, then the rate on interest income is reduced to 3% (instead of 30%).

For rental income where the tenant is a Cyprus company, partnership, the state or local authority Special contribution for defence on rental income is withheld at source and is payable at the end of the month following the month in which it was withheld. In all other cases the Special contribution for the defence on rental income is payable by the landlord in 6 monthly intervals on 30 June and 31 December each year. For interest and dividends paid to Cyprus tax residents any Special contribution for defence due is withheld at source and is payable at the end of the month following the month in which they were paid. However, Special contribution for defence due on dividends, interest and rental income from abroad is payable in 6 month intervals on 30 June and 31 December each year.

5. Rental income is also subject to personal income tax / corporation tax.
Foreign taxes paid can also be credited against the Special contribution for defence tax liability.

DEEMED DIVIDEND DISTRIBUTION

There is a 17% defence fund contribution on deemed dividend distributions to resident shareholders of a Cyprus resident company. A deemed dividend distribution is defined as 70% of distributable accounting profits of a company which have not been distributed within two years from the year end. This contribution does not apply when the shareholders (at the time of the deemed distribution i.e. two years from the year-end) are non-residents of Cyprus.

SPECIAL CONTRIBUTION

The following Special Contributions are payable according to monthly income:

TABLE 5

Special Contributions

GROSS MONTHLY EMOLUMENTS FROM EMPLOYMENT/PENSION	GOVERNMENT & SEMI-GOVERNMENT EMPLOYEES AND PENSIONERS	PRIVATE SECTOR EMPLOYEES, SELF-EMPLOYED INDIVIDUALS AND PRIVATE SECTOR PENSIONERS (2)
0-1,500	nil	nil
1,501-2,500	2.5% (1)	2.5% (minimum EUR10)
2,501-3,500	3.0% (1)	3.00%
Over 3,500	3.5% (1)	3.50%

Notes:

1. The Special Contribution rate becomes 3%, 3.5% and 4% respectively for highly ranked civil service officials/employees within their respective scale.
2. In the case of private sector employed individuals and private sector pensions the Special Contribution relates to services rendered in Cyprus. In the case of self-employed individuals the Special Contribution relates to any business carried on in Cyprus.
3. For private sector employed individuals the Special Contribution does not apply, inter alia, on retirement gratuities, on payments from approved provident funds, on remuneration of the crew of qualifying ships and on reimbursements of business expenses.
4. In the case of private sector employed individuals the recipient of the remuneration is liable for half the Special Contribution and the employer for the other half.

CAPITAL GAINS TAX

RATE

Capital Gains tax is imposed at the rate of 20% on capital gains arising from the disposal of immovable property (real estate) situated in Cyprus, including gains from the disposal of shares of companies not listed on a recognised stock exchange which own immovable property situated in Cyprus. The disposal of shares listed in recognised Stock Exchanges is exempt from Capital Gains Tax.

TAXABLE GAIN

The taxable gain is the difference between the sale proceeds and the original cost of the property plus improvements as adjusted for inflation.

Confined to gains accruing since 1 January 1980.

LIFETIME EXEMPTIONS

Lifetime exemptions are available to individuals on gains up to a certain amount, as shown below.

TABLE 6

Lifetime exemptions

	LIMIT IN EUR
Disposal of private residence (subject to certain conditions)	85.430
Disposal of agricultural land by a farmer	25.629
Disposal of any other property	17.086

Note: Each individual is entitled to only one of the above three exemptions, whichever is the greater.

EXEMPT DISPOSALS

- Disposal of property situated outside Cyprus
- Profits from the disposal of securities quoted on any recognised stock exchange
- Profits from disposal of any securities (except for shares in non-listed companies owning real estate property in Cyprus)
- Transfers by reason of death
- Gifts between relatives up to the third degree of relation
- Gift to Republic/local authority/approved charitable institutions
- Exchange of properties, provided that the whole of the gain made on the exchange is used to acquire the other property. The gain that is not taxable is deducted from the cost of the new property
- Exchange or sale in accordance with the Agricultural Land (Consolidation Laws)
- Gifts to family companies of which all the shareholders are, and continue to be, members of the donor's family for at least five years

- Gifts from family companies to their shareholders provided the company originally acquired the property by way of gift. In cases where the shareholder disposes of the property gifted by the company before the expiration of three years from the date of the gift, he will not be entitled to the lifetime exemptions applicable to individuals set out under exempt gains above
- Expropriations
- Disposal of property, or shares of companies owning immovable property, as part of a reorganisation of companies

VALUE ADDED TAX

IMPOSITION OF TAX

VAT is imposed on the supply of goods and service provision in Cyprus, as well as on the acquisition of goods from the European Union (EU) and the import of goods into Cyprus.

REGISTRATION - COMPULSORY AND VOLUNTARY

Registration is compulsory for businesses with (a) turnover subject to VAT in excess of €15,600 during the 12 preceding months or (b) expected turnover subject to VAT in excess of €15,600 within the next 30 days.

Businesses with turnover of less than €15,600 or with supplies that are outside the scope of VAT but for which the right to claim the amount of the related input VAT is granted, have the option to register on a voluntary basis.

An obligation for registration also arises for businesses which make acquisition of goods from other EU Member States in excess of €10,251.61 during any calendar year. In addition as from 1 January 2010 an obligation for VAT registration arises for businesses engaged in the supply of intra-community services for which the recipient must account for VAT under the reverse charge provisions. Furthermore an obligation for VAT registration arises for businesses carrying out economic activities from the receipt of services from abroad for which an obligation to account for Cyprus VAT under the reverse charge provision exists subject to the registration threshold of €15,600 per any consecutive 12 month period. No registration threshold exists for the provision of intra-community supplies of services.

Exempted products and services, and disposals of items of capital nature are not taken into account for determining annual turnover for registration purposes. Registration is carried out by completing the appropriate application form.

GROUP REGISTRATION

Single registration for a group of companies incorporated in Cyprus is now possible. For this purpose companies are considered a group if:

- One company controls each one of the other companies
- A person (legal or natural), controls all the other companies
- Two or more individuals carrying out a business as a partnership control all the other companies.

Group registration means that transactions between members of the group are disregarded for VAT purposes. Only one VAT return is required to be submitted for all the companies in the group, instead of one VAT return for each company.

RATE OF VAT

Cyprus' tax legislation provides for the following four tax rates:

- Zero rate 0%
- Reduced rate 5% and 9% (8% up to January 2014)
- Standard rate 19% (as from 13 January 2014)

Standard rate

The standard rate applies to the supplies of all goods and services in Cyprus which are not subject to the zero rate, the reduced rate or are not exempt.

Reduced rate 9%

The reduced rate of 9% applies to:

- All restaurant and catering services (including the supply of alcoholic drinks, beer, wine and soft drink)
- Accommodation in hotels, tourist lodgements and any other similar lodgements including the provision of holiday lodgements
- Transportation of passengers and their accompanying luggage within the Republic using urban, intercity and rural taxis and tourist and intercity buses
- Movement of passengers in inland waters and their accompanying luggage.

Reduced rate 5%

The reduced rate of 5% applies to:

- The supply of foodstuff
- The supply of prepared or unprepared foodstuff and/or beverages (excluding alcoholic drinks, beer, wine and soft drinks) or both, irrespective of whether the goods are delivered from the supplier to the customer or taken away by the customer
- The supply of pharmaceutical products and vaccines that are used for health care, prevention of illnesses and as treatment for medical or veterinary purposes
- The supply of animals used for the preparation of food
- Books, newspapers and magazines
- Entry fees to theatres, circus, festivals, amusement parks, concerts, museums, etc.
- Entry fees to sports events and fees for using athletic centres
- Hairdressing services
- Renovation and repair of private households after three years of first residence
- Supply of catering services for school canteens
- Acquisition or construction of residence (subject to conditions)

Zero rate

The zero rate applies to:

- The exportation of goods
- Supply, modification, repair, maintenance, chartering and hiring of sea-going vessels, either used for navigation on the high seas and carrying passengers for reward or used for the purpose of commercial, industrial or other activities
- Supply, modification, repair, maintenance, chartering and hiring of aircrafts, used by airlines operating for reward mainly on international routes

- Supply of services to meet the direct needs of sea going vessels and aircrafts
- Transportation of passengers from the Republic to a place outside the Republic and vice versa using a sea-going vessel or aircraft
- Supplies of gold to the Central Bank of the Republic etc.

Exemptions

Certain goods or services are exempt from VAT. They include:

- The letting of immovable property (the letting of immovable property with the right of purchase is not exempt)
- Most banking and financial services and insurance services
- Most hospital, medical and dental care services
- Certain cultural, educational and sports activities
- Supplies of real estate (except supply of new buildings before their first use) including supplies of land and of second-hand buildings
- Postal services provided by the national postal authority
- Lottery tickets and betting coupons for football and horse racing
- Management services provided to mutual funds

VAT returns and payment / refund of VAT

Any registered person has to submit to the Commissioner a VAT return not later than the 10th day following the end of the month at the end of each VAT period and pay the VAT due.

As from 19 February 2013 every taxable person making a claim for VAT refund will be entitled to repayment of the VAT amount with interest, in the event that the repayment is delayed for a period exceeding four months from the date of the submission of the claim.

In case a VAT audit regarding the claim is conducted by the Commissioner, the time period of four months is extended to eight months.

Administration of intra-community trading and intra-community services

Businesses that undertake intra-community trading, i.e. acquisitions and sales of goods and supply of services from/to EU member states need to complete the following forms:

Intra-Community Acquisitions

1. Intrastat - Arrivals of Goods
2. Inclusion in the VAT return (on a total basis)

Intra-Community Supplies

1. Intrastat - Departures of goods
2. Recapitulative statement for supplies of goods and services (VIES form)
3. Inclusion in the VAT return on a total basis

Submissions

INTRASTAT forms are submitted to the Tax authorities within 10 days from the end of the related month, in electronic form only provided that the supplies of a taxable person exceed the registration threshold for intrastat purposes.

The Recapitulative statement is submitted to the Tax authorities within 15 days from the end of the related month in electronic form only.

Imposition of the reduced rate of 5% on the acquisition and/or construction of residences for use as primary and permanent place of residence

As from 8 June 2012 the reduced rate of 5% applies to the acquisition and/or construction of residences to be used by eligible persons (residents of the Republic or/and other EU member states or other non EU member states) as the primary and permanent place of residence, only after obtaining a certified confirmation from the Commissioner.

The statutory declaration may be filed at any stage at the time of construction of the residence or in case of supply prior to the eligible person obtaining possession.

The reduced rate of 5% applies for the first 200 square meters. In case of families with more than 3 children the allowable total covered area increases respectively.

Summary of Thresholds and penalties

THRESHOLDS AND PENALTIES	AMOUNT IN EUROS (€)
1 Registration threshold (taxable supplies in Cyprus)	15,600
2 Registration threshold for distance sales (sale of goods to persons not subject to VAT registration in Cyprus, by suppliers resident in another EU Member State)	35,000
3 Registration threshold for acquisition of goods in Cyprus from suppliers resident in another EU Member States	10,251.61
4 Registration threshold for intra-community supply of services	no threshold
5 Registration threshold for receipt of services from abroad for which the recipient must account for VAT under the reverse charge provisions	15,600
6 Penalty for late submission of VAT return	51 for each return
7 Penalty for omission to keep books and records for a period of 6 years	341
8 Penalty for late submission of VIES return	50 for each return
9 Penalty for late submission of corrective VIES return	15 for each return
10 Omission to submit the VIES return constitutes a criminal offence with a maximum penalty of	850
11 Penalty for late registration with the VAT authorities	85 per month of delay

ESTATE DUTY

There is no estate duty (inheritance tax) in Cyprus.

STAMP DUTY

Stamp duty is payable on various legal documents.

This generally involves small amounts, except only in the case of contracts involving a fixed amount of money. In this case the stamp duty, as from 1 March 2013 is as follows:

Up to the first EUR 5,000	0
EUR 5,001 – EUR 170,000	0.15%
Over EUR 170,000	0.2% (capped at a maximum of EUR 20,000)

Stamp duty is also payable, once only, on the authorised share capital of companies. Note that there is no stamp duty on share premium.

IMMOVABLE PROPERTY TAX

The Immovable Property tax is charged on the immovable property held by the taxpayer as at 1 January each year.

The tax is calculated on the market values of the immovable property as at 1 January 1980. Both legal entities and individuals are liable to Immovable Property Tax.

TAX DIARY FOR 2014

See Appendix II at the end of this section

DOUBLE TAXATION TREATIES (DTTS)

Cyprus has a wide double taxation treaty network which serves as a strong incentive for foreign investment.

Irrespective of the existence of DTTs, Cyprus has unilaterally abolished withholding taxes on payments from Cyprus for dividends, interest or royalties (with a minor exception in the case of certain royalties for use in Cyprus).

Furthermore, as Cyprus is a full member of the EU, the EU Parent-Subsidiary Directive is applicable, eliminating the withholding taxes from payments between EU member states. In such cases, the DTT rates referred to in the specific treaties with other EU member states do not apply.

For a Table showing a list of the countries with which double taxation treaties have been concluded, as well as a summary of the rates of withholding taxes provided by the treaties, see Appendix I at the end of this section.

APPENDIX I

TABLE 7

Table of countries with which Cyprus has a Double Tax Treaty

	RECEIVED IN CYPRUS		
	DIVIDENDS %	INTEREST %	ROYALTIES %
Armenia	Nil (30)	5	5
Austria	10	Nil	Nil
Belarus	5 (17)	5	5
Belgium	10 (8)	10 (6,18)	Nil
Bosnia	10	10	10
Bulgaria	5 (22)	7 (6,23)	10 (23)
Canada	15	15 (4)	10 (5)
China, P.R.	10	10	10
Czech Republic	Nil (28)	Nil	Nil (29)
Denmark	Nil (6,32)	Nil	Nil
Egypt	15	10	10
Estonia	Nil	Nil	Nil
Finland	5 (36)	Nil	Nil
France	10 (9)	10 (10)	Nil (3)
Germany	5 (9)	Nil	Nil
Greece	25	10	Nil (11)
Hungary	5 (8)	10	(6) Nil
India	10 (9)	10 (10)	15 (14)
Ireland, Rep. Of	Nil	Nil	Nil (11)
Italy	15	10	Nil
Kuwait	10	10 (6)	5 (7)
Lebanon	5	5	Nil
Lithuania	5 (37)	Nil	Nil
Malta	Nil	10	10
Mauritius	Nil	Nil	Nil
Moldova	5 (26)	5	5
Montenegro (25)	10	10	10
Norway	Nil (12)	Nil	Nil
Poland	Nil(34)	5 (6)	5
Portugal	10	10	10
Qatar	Nil	Nil	Nil (27)
Romania	10	10 (6)	5 (7)
Russia	5 (16)	Nil	Nil
San Marino	Nil	Nil	Nil
Serbia (25)	10	10	10
Seychelles	Nil	Nil	5
Singapore	Nil	10 (6,24)	10
Slovak Republic	10	10 (6)	5 (7)
Slovenia	5 (31)	5	5
South Africa	Nil	Nil	Nil

Spain (35)	5	Nil	Nil
Sweden	5 (8)	10 (6)	Nil
Syria	Nil (8)	10 (4)	10
Thailand	10	15 (20)	5 (21)
Ukraine (19,33)	Nil	Nil	Nil
United Arab Emirates	Nil	Nil	Nil
United Kingdom	15 (13)	10	Nil (3)
United States	5 (9)	10 (10)	Nil

Notes:

1. Under Cyprus legislation there is never any WHT on dividends and interest paid to non-residents of Cyprus
2. Royalties earned on rights used within Cyprus are subject to WHT of 10%
3. A rate of 5% on film and TV royalties
4. Nil if paid to a government/Central Bank/ Public Authority or for export guarantee
5. Nil on literary, dramatic, musical, or artistic work
6. Nil if paid to the government/Central Bank/ Public Authority of the other state
7. This rate applies for patents, trademarks, designs or models, plans, secret formulas, or processes, or any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience
8. A rate of 15% if received by a company controlling less than 25% of the voting power.
9. A rate of 15% if received by a person controlling less than 10% of the voting power
10. Nil if paid to a government, bank, or financial institution
11. A rate of 5% on film royalties
12. A rate of 5% if received by a person controlling less than 50% of the voting power
13. This rate applies to individual shareholders regardless of their percentage of shareholding. Companies controlling less than 10% of the voting shares are also entitled to this rate
14. A rate of 10% for payments of a technical, managerial, or consulting nature
15. Treaty rate is 15%, therefore restricted to Cyprus legislation rate
16. A rate of 10% if a dividend is paid by a company in which the beneficial owner has invested less than EUR100.000
17. If investment is less than EUR 200,000, dividends are subject to 15% WHT which is reduced to 10% if the recipient company controls 25% or more of the paying company
18. No WHT for interest on deposits with banking institutions
19. Kyrgyzstan, Tajikistan, and Ukraine apply the USSR/Cyprus treaty
20. A rate of 10% on interest received by a financial institution or when it relates to sale on credit of any industrial, commercial, or scientific equipment or of merchandise
21. This rate applies for any copyright of literary, dramatic, musical, artistic, or scientific work. A 10% rate applies for industrial, commercial, or scientific equipment. A 15% rate applies for patents, trademarks, designs or models, plans, secret formulas, or processes
22. This rate applies to companies holding directly at least 25% of the share capital of the company paying the dividend. In all other cases the WHT is 10%
23. This rate does not apply if the payment is made to a Cyprus international business entity by a resident of Bulgaria owning directly or indirectly at least 25% of the share capital of the Cyprus entity
24. A rate of 7% if paid to a bank or financial institution
25. Serbia, and Montenegro apply the Yugoslavia/Cyprus treaty
26. This rate applies if received by a company (excluding partnerships) that holds directly 25% of the shares. A rate of 10% applies in all other cases
27. Applies to any consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work (including cinematograph films and films, tapes or discs for radio or television broadcasting), computer software, any patent, trademark, design or model, plan, secret formula or process, or for information concerning industrial, commercial, or scientific experience
28. This rate applies if received by a company (excluding partnership) which holds directly at least 10% of the shares for an uninterrupted period of no less than one year. 5% applies in all other cases
29. 10% for patent, trademark, design or model, plan, secret formula or process, computer software or industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience

30. A rate of 5% if a dividend is paid by a company in which the beneficial owner has invested less than EUR 150.000
31. The provisions of the Parent-Subsidiary EU directive are applicable
32. A rate of 15% if received by a company controlling less than 10% of the share capital of the paying company or the duration of any holding is less than one uninterrupted year
33. A new treaty has been signed and it will apply as from 1st January of the year following the year of ratification.
34. This rate applies if the recipient company (partnership is excluded) holds directly 10% of the shares for an uninterrupted period of at least 2 years. 5% in all other cases.
35. The treaty was ratified on 6.9.2013 and will come into effect from 1 January 2014
36. A rate of 15% applies if received by a company controlling less than 10% of the voting power in the paying company and in all cases if received by an individual.
37. A rate of 5% if received by a company (other than partnership) holding less than 10% of the capital of the company paying the dividend and in all cases if received by an individual.

APPENDIX II**TAX DIARY FOR 2015****END OF EACH MONTH**

- Payment of tax deducted from employees salary (PAYE) in the preceding month.
- Payment of special contribution for defence withheld on payments of dividends, interest or rents (when the tenant is a company, partnership, the state or local authority) made to Cyprus tax residents in the preceding month.
- Payment of tax withheld in the preceding month on payments to non- Cyprus residents.

31 JANUARY

- Submission of declaration of deemed dividend distribution (IR623) for the year ended 31 December 2012.

31 MARCH

- Electronic submission of the 2013 corporation tax return (IR4) for accounting periods ending on 31 December 2013 (IR4).
- Electronic submission of the 2013 income tax return of physical persons preparing audited financial statements (2).

30 APRIL

- Payment of premium tax for life insurance companies - first instalment for 2015.

30 JUNE

- Payment of special contribution for defence for the first six months of 2014 on rents and on dividends or interest from sources outside Cyprus.
- Payment of 2014 personal income tax under the self-assessment method by individuals not preparing audited financial statements (2).

31 JULY

- Electronic submission by employers of the total 2014 payroll (Form IR7).
- Submission of the 2015 provisional tax return and payment of the first instalment.
- Electronic submission of 2014 personal tax returns of individuals whose incomes do not include income from a trade/business, rents, dividends, interest, royalties nor income relating to trading goodwill (1).

1 AUGUST

- Payment of 2014 final corporation tax under the self-assessment method.
- Payment of 2014 personal income tax under the self-assessment method by individuals preparing audited financial statements (2).

31 AUGUST

- Payment of premium tax for life insurance companies – second instalment for 2015.
- Payment of immovable property tax for 2015 with a discount of 10% on the tax due.

30 SEPTEMBER

- Electronic submission of 2014 personal tax returns of individuals not required to prepare audited financial statements but whose incomes include income from a trade/business, rents, dividends, interest, royalties or income relating to trading goodwill (1) (2) and payment of tax via the self-assessment method.
- Payment of immovable property tax for 2015 without a discount of 10% on the tax.

31 DECEMBER

- Payment of provisional tax - second and last instalment for 2015.
- Payment of special contribution for defence for the last six months of 2015 on rents and on dividends or interest from sources outside Cyprus.
- Payment of premium tax for life insurance companies - third and last instalment for 2015.

INTEREST AND PENALTIES

The official interest rate, as set by the Finance Minister, for all amounts due after 1 January 2015 was not available at time of publishing (4.5% for 2014, 4.75% for 2013, 5% for years 2011 and 2012, 5.35% for the year 2010, 8% for the years 2007-2009 and 9% up to 31 December 2006).

In addition to the interest, penalties are also charged depending on the circumstances.

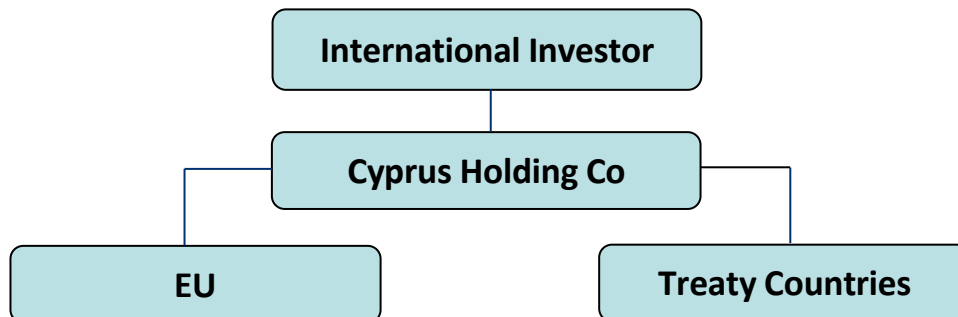
Notes:

1. Physical persons are required to submit personal tax returns only when their gross income exceeds €19,500.
2. A physical person is obliged to submit audited financial statements if his/her turnover exceeds €70,000 annually

APPENDIX III

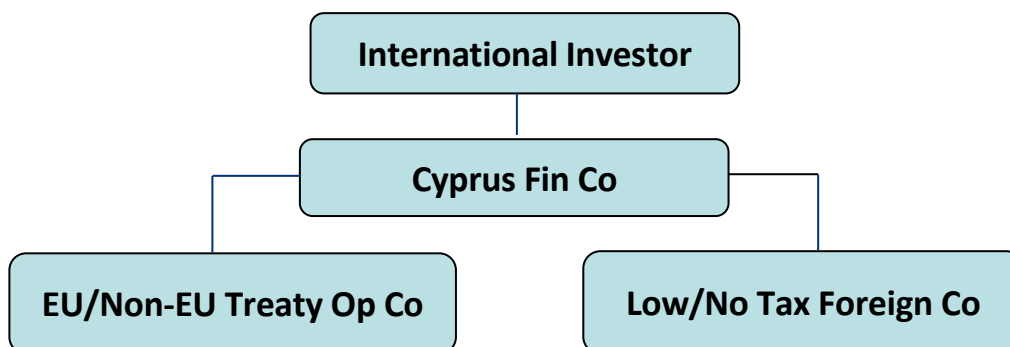
ILLUSTRATIONS OF INTERNATIONAL TAX PLANNING SCHEMES USING CYPRUS

1. CYPRUS COMPANY HOLDS VARIOUS EU AND NON-EU OPERATING SUBSIDIARIES

**Benefits**

- Unconditional exemption on capital gains (excluding gain arising from disposal of shares in a company which owns immovable property located in Cyprus)
- Exemption on dividend income subject to easily met conditions
- No CFC rules in Cyprus
- No Withholding Tax (WHT) on dividends paid overseas
- No/Low WHT in target country due to access to EU directives and/or treaty protection.

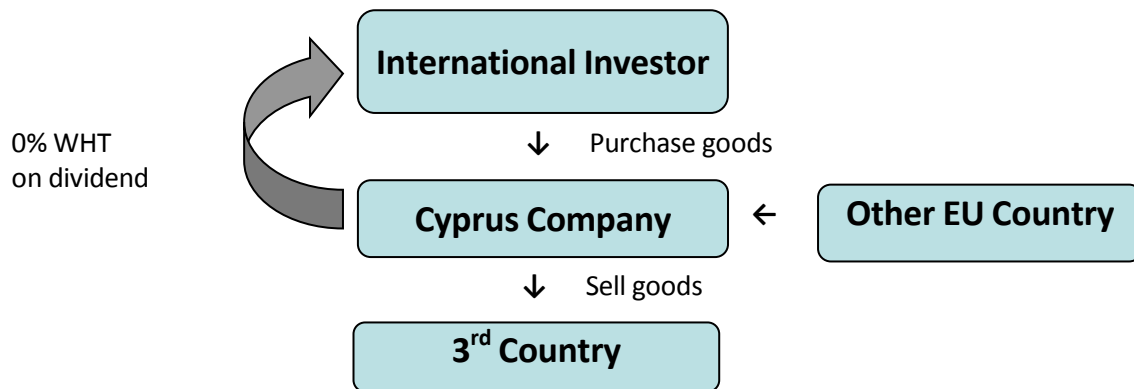
2. FINANCING COMPANY

**Benefits**

- Low/No WHT on interest payments to Cyprus due to DTT applicability and/or access to EU Directives
- No WHT on interest payments from Cyprus
- Thin spread on low risk financing transactions taxable in Cyprus at 12.5%.
- Acceptable "Arm's Length" spreads indicated by tax authorities range between

0-€50m	0.35%
€50m - €200m	0.25%
>€200m	0.125%
- Use of benefits of withholding structure.

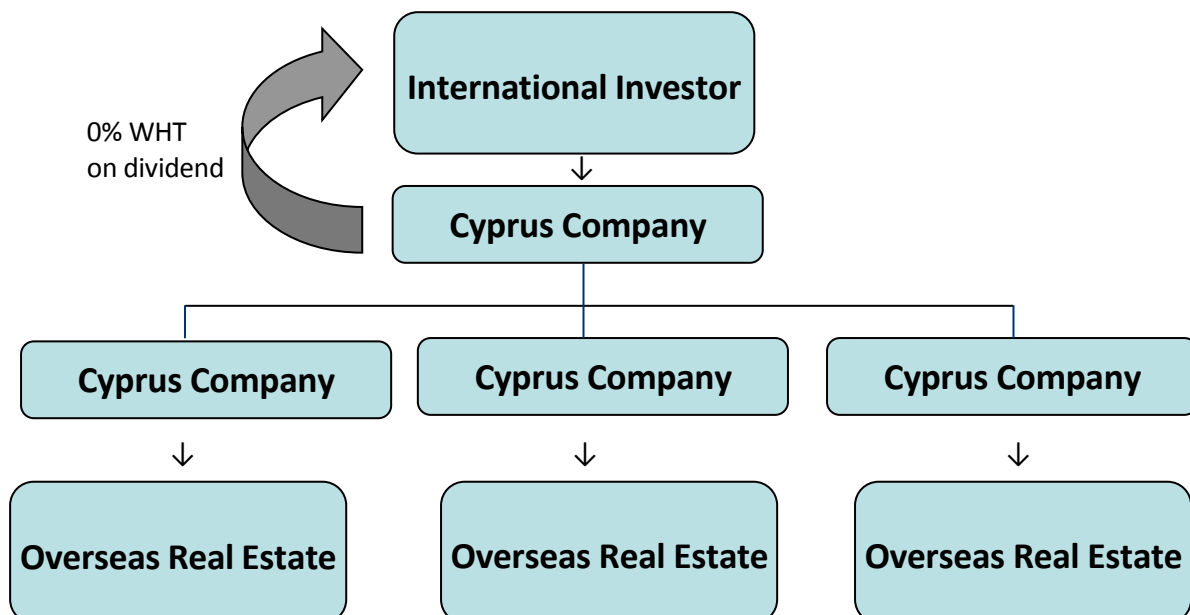
3. INTERNATIONAL TRADING COMPANY



Benefits

- Goods are bought from other EU countries without VAT and sold to 3rd countries without VAT.
- No WHT on dividends from Cyprus.
- Cyprus income tax on profits at 12.5%.

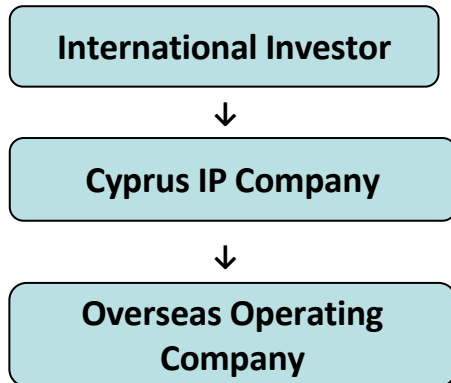
4. REAL ESTATE COMPANY



Benefits

- Cyprus companies can be disposed without any tax in Cyprus.
- Profit on disposal of real estate not subject to tax in Cyprus if considered of capital nature (except only if the real estate is located in Cyprus).

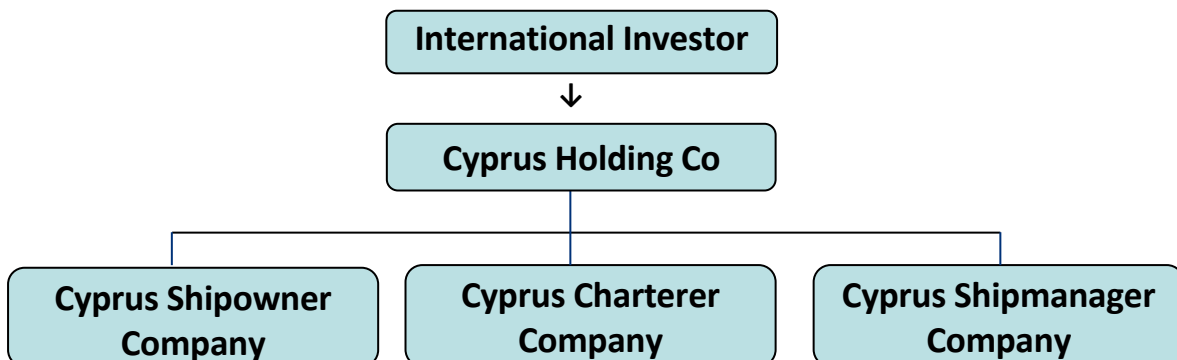
5. INTERNATIONAL TRADING COMPANY



Benefits

- Tax rate of 12.5% after deducting the following (resulting in an effective tax rate of 2.5%):
 1. 80% of any net profit generated from the exploitation of IP is exempt from taxation. The net profit is calculated after deducting all direct expenses associated with the production of that income.
 2. The cost of purchase (if any) of the IP amortized over 5 years (20% on cost of the purchase will be shown as an expense in the Statement of Comprehensive Income of a company).
- 80% of any profit generated from the disposal of IP is exempt from taxation. The profit is calculated after deducting all direct expenses associated with the disposal.
- 0% WHT on dividends from Cyprus.

6. SHIPPING COMPANY



Benefits

- Provides for Tonnage Tax on the net tonnage of the vessels rather than Corporation Tax on the actual profits.
- Grants total tax exemption of profits tax and distribution tax at all levels.
- Allows mixed activities within a company/group (shipping subject to Tonnage Tax and other activities subject to 12.5% corporation tax).

- Full exemption to ship owners, charterers and ship managers from all profit taxes (Tonnage Tax on the net tonnage of the vessels at the following rates)

	Ship owners & Charterers	Ship managers
Net Tonnage	€TT per 100 units	€TT per 400 units
0-1.000	36,50	36,50
1.001-10.000	31,03	31,03
10.001-25.000	20,08	20,08
25.001-40.000	12,78	12,78
>40.000	7,30	7,30

7 – ACCOUNTING & REPORTING

BOOKS AND RECORDS

Companies incorporated in Cyprus are required to keep proper books of accounts either at the company's registered office or at any place designated by the directors.

The books and records of a company are not open to inspection by anyone other than the directors and auditors. The Inland Revenue, as well as the VAT authorities can, however, request the production of any records while examining accounts for tax or VAT purposes.

The accounting records must show all sums of money received and expended, all sales and purchases, assets and liabilities.

Other books required to be kept are:

- Register of members
- Register of directors and secretary
- Register of directors' interests (in shares of the company)
- Register of debentures and charges
- Minutes of directors' and shareholders' meetings.

The Income Tax Law requires that all transactions of a company must be entered in the company's accounting records within 4 months from the date of the transaction.

VAT laws require that the VAT returns be prepared on a quarterly basis (the quarters are decided by the VAT office and are not necessarily on a calendar basis). Furthermore, VIES Returns (an EU system of reporting cross-border business-to-business transactions within the EU) are required to be filed on a monthly basis.

In practice, therefore, in order to ensure full compliance, companies should update their bookkeeping records in maximum of monthly cycles.

ANNUAL RETURNS

All companies must file an annual return giving details of the company's capital structure, mortgage particulars, and particulars of registered shareholders, directors and secretary.

A copy of the annual financial statements must be attached to the annual return, with an auditors' report where this is required (see below). The documents filed with the Registrar of Companies must be in Greek (or Turkish) and are open to public inspection. By concession, the financial statements filed with the Annual Return may be in English.

FINANCIAL STATEMENTS

Financial Statements must be prepared by all Cyprus incorporated companies once a year and presented at the shareholders' annual general meeting.

They may be in any language, but a Greek or English translation is required to be filed with the Registrar of Companies as an attachment to the company's Annual Return. The accounting period should be for twelve months ending on any date decided upon by the directors. Financial Statements should be prepared in accordance with International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards as issued by the IASB and should comply with the Companies Law, Cap. 113. The Accounting year-end is deemed to be 31 December, unless notice of another date is given.

STAND-ALONE AND CONSOLIDATED FINANCIAL STATEMENTS

If a Cyprus company is holding subsidiaries, it is required to prepare consolidated financial statements. The following exemptions apply:

- Small-sized groups (see definition below) may be exempt from the obligations to draw up consolidated financial accounts
- Groups of companies, the holding or mother companies of which publish consolidated financial accounts on the basis of Generally Accepted Accounting Principles, shall be exempt from the obligation to draw up consolidated financial accounts.

SMALL-SIZED GROUPS OF COMPANIES

Under the Companies Law, the term 'small-sized group' shall mean a group of companies, of which the companies being consolidated:

- Are non publicly-traded companies
- The drawing up of their consolidated financial accounts is not subject to other legislation
- Fully comply with two out of the following three criteria at the date of closure of the balance sheet of the holding company:
 - The balance sheet total of the net assets being presented (and without extracting liabilities) does not exceed EUR 17.5m (previously EUR 14.6m)
 - The net turnover does not exceed EUR 35.0m (previously EUR 29.2m)
 - The average number of employees during the financial year does not exceed 250

AUDIT OF FINANCIAL STATEMENTS

The Financial Statements of all Cyprus companies have to be audited by an independent auditor or auditors, except those which in accordance with the Cyprus Companies Law, are small companies and are not:

- Required to prepare consolidated financial statements, or
- Public companies.

See the below requirements of Income Tax law which effectively obliges all Cyprus companies to prepare audited financial statements.

Under the Companies Law, a 'small company' for this purpose must satisfy at least two of the following criteria:

- Total assets not exceeding EUR 3,417,200
- Turnover not exceeding EUR 6,834,400
- Average number of employees not exceeding 50.

The auditors are required to express an opinion on the financial statements and state the following in the auditors' report:

- Whether they have obtained all the information and explanations which, in their opinion, were necessary for the purpose of their audit

- Whether, in their opinion, proper books of account have been kept by the company
- Whether the financial statements (balance sheet and profit and loss account) are in agreement with the books of account
- Whether, in their opinion, the financial statements give the information required by law, and give a true and fair view of the state of the company's affairs as at the date of the balance sheet and the profit or loss for the financial year ended on the balance sheet date
- Whether, in their opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

Furthermore, auditors in Cyprus have to follow International Standards on Auditing and report as to whether the financial statements comply with International Financial Reporting Standards.

ANNUAL INCOME TAX RETURN

Every company resident in Cyprus for tax purposes is required to complete and submit an annual Income Tax Return (IR4) to the Department of Inland Revenue (Cyprus Income Tax Office, CITO).

The annual Tax Return for all Cyprus companies (including small companies) should be based on the Company's standalone financial statements.

Cyprus Tax Laws require the IR4 to be based on the Company's audited financial statements and be accompanied by an Auditor's Confirmation of compliance. Generally we recommend to our clients to fully comply with this legal requirement. However, for those companies which are not required by Companies Law to be audited, (as explained above), where the cost of the audit only for tax purposes is considered prohibitive, the CITO are now prepared to accept submission of the IR4 by a company based on its unaudited financial statements, provided it is accompanied by a confirmation from a Tax Consultant. (We warn, however, that in the case where the IR4 is not based on audited financial statements, even though the CITO accepts the submission of the tax return, it may examine them with a stricter attitude than if the tax return is based on audited financial statements and which include a confirmation from the auditor).

8 – UHY REPRESENTATION IN CYPRUS



UHY ANTONIS KASSAPIS LIMITED CYPRUS



CONTACT DETAILS

UHY Antonis Kassapis Limited
89 Kennedy Avenue
Suite 201, Second Floor
PO Box 26624
Nicosia
Cyprus
Tel: +357 22 379210
Fax: +357 22 379212
www.uhy.com.cy

Year established: 1991
Number of partners: 3
Total staff: 11

BRIEF DESCRIPTION OF FIRM

The company is a medium-sized firm of accountants, auditors and business consultants based in Nicosia, Cyprus. The company was established in 1991 and provides a wide range of services in audit, taxation, accounting and management consultancy. Our specialist areas include international and offshore business consultancy, specialising in providing the whole package of services required by international businesses.

Our clients vary in size and in type of activity. Some of our clients operate exclusively from Cyprus, while others are international. We focus particularly on family or owner-managed businesses, as well as listed companies, which are seeking professional, business and financial advice for their domestic and foreign operations. We also work with international groups, professional partnerships, quoted companies and high net worth individuals needing international tax planning and business consultancy.

UHY Antonis Kassapis Limited has an associate company, CosmoServe, an international business consultancy and corporate services provider. Over the years CosmoServe has developed a wide network of associates and international consultants throughout many countries and jurisdictions and through which they are able to offer the following services:

- International tax consultants
- Lawyers
- Bankers
- Business and management consultants
- Company and trust formation agents
- Investment marketing consultants
- Marketing and market research consultants
- IT consultants

SERVICE AREAS

Audit and accountancy
Taxation services
Management consultancy

CONTACTS

Liaison contact: Antonis Kassapis
Position: Managing Partner
Email: uhy@uhy.com.cy

Liaison contact: Sharon Shelley
Position: Senior Manager (Accounting
& Non Assurance Service
Email: s.shelley@uhy.com.cy



The network
for doing
business



SPECIALIST SERVICE AREAS

Specialist services are available through our partner CosmoServe (a firm of international business consultants), which include, but are not restricted to the following:

- International business company formation
- International tax planning advice
- Management and administration of companies
- Provision of directors and managers
- Legal compliance and company secretarial services
- Formation of trusts and trustee services
- Ship registration and ship management
- Investment advice
- Banking service

PRINCIPAL OPERATING SECTORS

Aerospace & Defence

LANGUAGES

Written level: English, Greek and Russian.

Other spoken languages: Ukrainian, Serbian, Urdu, Armenian.

CURRENT PRINCIPAL CLIENTS

Confidentiality precludes disclosure in this document.

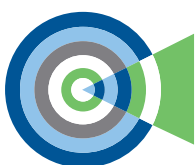
OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

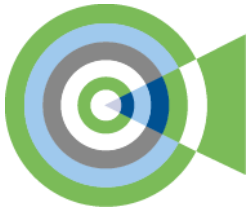
Czech Republic, Hungary, UK, US, Spain, Slovak Republic.

BRIEF HISTORY OF FIRM

The company was founded in 1991 for the purpose of providing a comprehensive range of services to international business clients.

The firm joined UHY in 1992, re-branding to add the 'UHY' initials in 2005.





LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

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