

TAX ALERT

A number of tax developments have been implemented in Cyprus as from 1 January 2014.

NEW DOUBLE TAX TREATIES ('DTTs')

Five new DTTs have taken effect as of 1 January 2014 between Cyprus and Estonia, Finland, Portugal, Spain and Ukraine. According to the new DTTs the following withholding tax rates apply:

a) Cyprus - Estonia

Dividends: Nil

Interest: Nil

Royalties: Nil

b) Cyprus - Finland

Dividends: 5% if the beneficial owner is a company (other than a partnership) holding at least 10% of the voting power of the capital of the company paying the dividend or 15% in all other cases.

Interest: Nil

Royalties: Nil

c) Cyprus - Portugal

Dividends: 10%

Interest: 10%

Royalties: 10%

It should be noted that where relevant EU Directives are applicable the above rates may be eliminated.

d) Cyprus – Spain

Dividends: 5% unless the beneficial owner is a company holding at least 10% of the capital of the paying company

Interest: Nil

Royalties: Nil

e) Cyprus - Ukraine

Dividends: 5% where the company receiving the dividend owns at least 20% in the capital of the paying company or has invested an amount of at least EUR €100.000. In all other cases a withholding of 15% will apply.

Interest: 2%

Royalties: 5%

SPECIAL DEFENCE CONTRIBUTION FOR DIVIDENDS

The rate of withholding tax on dividends paid to Cypriot resident shareholders has reverted to 17% as of 1 January 2014 after an increase to 20% in 2013.

SOCIAL SECURITY CONTRIBUTIONS

As of 1 January 2014 the social security contributions rate has increased by 1%. The rate for 2014 is 7, 8% for both the employee and the employer. Additionally, the contribution rate also increases for the self-employed who will contribute a total of 14.6%.

VAT RATES

The VAT rates have increased as of 14 January 2014 and are now applicable as follows:

a) Standard rate 19%

The standard rate applies to any provision of goods and services in Cyprus not subject to the zero rate, the special rate or is exempt.

b) Reduced rate 9%

The reduced rate of 9% applies to hotel services, to the provision of food in the course of catering, and to public transport.

c) Reduced rate 5%

The reduced rate of 5% applies to the supply of specific goods such as fertilizers and pesticides, water, books and other publications, food and drinks, gas, medicine, etc. The reduced rate of 5% also applies to the supply of specific services such as dental services, entertainment services, services related to sports, etc.

d) Zero rate

Zero rated supplies include medicine and food (except the supply of food in the course of catering), goods entered into a customs regime and certain services related to sea-going vessels.

Contributed by Evangelia Christou, LL.B, LL.M

ioannides demetriou LLC

2 Diagorou Street, ERA House, floors 7-12, 1097

Nicosia, Cyprus.

P.O. Box 20106, 1601 Nicosia, Cyprus.

Tel: +357 22022999

Fax: +357 22022900

Website: <http://www.idlaw.com.cy>

Contact persons:

Christina Ioannidou (c.ioannidou@idlaw.com.cy)

Nayia Morphi (n.morphi@idlaw.com.cy)

nobel trust limited

2 Diagorou Street, ERA House, 1097 Nicosia, Cyprus.

Tel: +357 22022777

Fax: +357 22022700

Website: <http://www.nobeltrust.com>

Email: info@nobeltrust.com