

# M.P MULTI-COUNT SERVICES LIMITED

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## AMENDMENTS TO CYPRUS TAX LAW OF 26/8/2011.

The first package of measures for the improvement of public finances was discussed and voted by the House of Representatives on Friday 26 August 2011.

The measures aim at the reduction of public spending as well as at boosting government revenues without putting at risk the competitiveness of Cyprus as a financial centre.

Long-standing structural imbalances have been addressed in what appears to be a balanced first package geared towards immediate results.

### The measures affecting Cyprus Companies are as follows:-

#### 1. New top rate for personal income tax

Cyprus resident individuals or individuals exercising an employment or profession in Cyprus will be taxed at the rate of 35% on their taxable income exceeding €60.000 as from the tax year 2011.

#### 2. Tax incentives to attract highly-paid employees

Employees who take up residence in Cyprus and whose annual remuneration is in excess of €100.000, will enjoy an exemption from income tax of 50% of their employment income for a period of 5 years. The exemption applies from the year of commencement of the employment for years starting 1 January 2012.

#### 3. Increased rates of Special Defence Contribution on dividends and interest

##### *Dividends*

The rate of Special Defence Contribution on dividends is increased from 15% to 17% with immediate effect. This will mostly affect individuals resident in Cyprus earning or deemed to be earning dividends, and groups of companies ultimately held by Cyprus tax resident individuals.

In relation to groups ultimately held by non-Cyprus residents, an announcement is expected to be made soon clarifying that the deemed distribution rules will not apply to them in the future.

*Interest*

The rate of Special Defence Contribution on interest is increased from 10% to 15% with immediate effect. This measure will again mostly affect individuals resident in Cyprus earning bank interest. Individuals whose total income does not exceed €12.000 as well as Provident Funds continue to be taxed at 3%. Special Defence Contribution on interest earned by individuals from government debt also remains at 3%.

Companies will generally remain unaffected as their profit from interest should in most cases be subject to income tax at 10% and be exempt from Special Defence Contribution.

**4. Fixed annual duty for companies**

All companies (except for dormant and those not owning any assets) are required to pay an annual fixed duty of €350 to the Registrar of Companies. For groups of companies the total duty is capped at €20.000.

The duty for 2011 is due by 31 December 2011 and for subsequent years by 30 June. Financial penalties of 10%/30% will be levied for late payment within 2/5 months from the due date. **The Registrar may deregister the company in case of further delay.** The fee for re-registering is €500/€750 depending on the circumstances.