



N. XENOFONTOS LLC

BRIEF OUTLINE OF THE ANNUAL OBLIGATIONS OF A CYPRIOT COMPANY



Introduction

Incorporating a Cyprus company is an easy and relatively swift procedure, but what about the obligations regarding tax and statutory reporting?

It is very important for every company to comply with the local regulations in order to avoid penalties and investigations by the authorities that will cause unnecessary hassle.

Such tax and statutory obligations and reporting are imposed, inter alia, by the Companies' Law, Cap.113, the Income Tax laws and Social Insurance laws, irrespective of whether a company is active or dormant.

This publication sets out the basic, but important, annual obligations that must be complied with.

PART A: STATUTORY OBLIGATIONS & FILINGS WITH THE REGISTRAR OF COMPANIES

(a) Annual General Meeting (AGM)

Every company must hold an annual general meeting (AGM) every year and not more than 15 months should lapse between the first AGM and the subsequent one.

The first AGM may be held within a time limit of 18 months from the date of incorporation of the company.

(b) Annual Company Levy (annual fixed charge)

As from the year 2011, all registered Cypriot companies are obliged to pay an annual charge of €350 in order for them to remain in good standing and in the registry of companies held at the Registrar of Companies & Official Receiver ("Registrar"). Penalties apply if the deadline is not met, and the Registrar has the power to proceed with striking off the company from the Registry.

(c) Annual Returns

The company's first annual return may be submitted up to 18 months from the date of its incorporation. New companies do not have an obligation to file such a return in the year of establishment.

Every company must prepare and file an Annual Return (form HE32) annually with the Registrar and which must include, among others the below information with regards to:

- The registered office of the company
- The shareholders
- The directors
- The secretary
- Debentures
- Liabilities

Time limit for filing: Within 42 days from the date of when the AGM of the company was held.

(d) Financial Statements:

A copy of the financial statements of the previous year must be filed with the Registrar together with the Annual Return (form HE 32) of the current year.

In accordance with the Companies' Law, Cap. 113, the financial statements must show the "true and fair view" of the company's business activities.

Financial statements must be prepared by all registered Cypriot companies on a yearly basis and presented at the shareholders' AGM.

They may be in any language, but a Greek translation is required to be filed with the Registrar as an attachment to the company's Annual Return. The accounting period should be for 12 months ending on any date decided upon by the directors.

Financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS") and must comply with the Companies Law, Cap. 113, as amended from time to time.

The accounting year-end is deemed to be 31st December, unless notice of another date is given.

(e) Audit of Financial Statements

The financial statements of all Cypriot companies (exceptions apply) must be audited by an independent auditor or auditor registered in Cyprus and carried out in accordance with the International Standards of Auditing (ISA's).

(f) Record – Keeping & Good Practice

All companies are required to maintain a register of members, register of directors and secretaries and register of charges and which are to be kept updated at all times, reflecting all and any changes within the company. These registers must be kept at the company's registered office.

Similarly, the company secretary must keep minutes of all proceedings at any general/extraordinary meetings of the company.

Additionally, all and any changes to the corporate structure of the company (i.e. change of share capital, change of directors, secretary, amendment of articles, memorandum etc.) are to be notified and the relevant forms to be filed with the Registrar, within the stipulated time limits, therefore informing the Registrar of any such changes.

Note: certain amendments require sanction by the court.

(g) Ultimate Beneficial Owners Registry (UBO Registry)

With the implementation of the 5 Anti-Money Laundering Directive in 2021, the UBO Registry has been established and all Cypriot companies must submit information regarding the UBO. To this end, an *interim* online system has been set up by the Registrar for such information to be submitted electronically. The start date for the collection of the relevant data from companies is the 16th March, 2021.

The time line given for the collection and submission of the details into the interim solution system is until the 12 March 2022. No documentation is required to be submitted, but only the relevant fields in the system to be completed.

The information must be submitted by the 31 December of each year. Any changes to the company's structure must be notified within 14 days from such change.

Penalties apply as per the relevant Regulations issued by the Registrar where time limits are not adhered to.

PART B: TAX COMPLIANCE OBLIGATIONS / FILINGS WITH THE TAX DEPARTMENT

(a) Registration with the Tax Department

Companies have an obligation to register with the local tax department and obtain a tax identification code (TIC) within 60 days from their incorporation.

Companies incorporated outside Cyprus and with their place of business within Cyprus, have the same obligation to register with the tax authorities within 60 days from the date of their registration with the Registrar or from the date they are considered Cypriot tax residents.

Companies which have already been registered with the tax authorities are required to inform the Commissioner of Taxation of any changes that may affect the records of the tax authorities' register, within 60 days from the date that the relevant change occurred.

Corporate Annual Tax Returns (Form T.D. 4) should be filed by 31st of March of the subsequent year of the year following the relevant tax year. Administrative penalties apply for late submission of declarations.

(b) Payment of tax and refunds

Cyprus operates a system of self-assessment for corporation tax. Companies have to pay provisional tax on the current year's taxable profit in two equal instalments on 31st July and 31st December. The provisional tax assessment may be revised by the taxpayer at any time before 31 December of the tax year to which it relates.

Any underpayment may be corrected by self-assessment by 1 August of the following year to avoid interest being charged.

(c) Value Added Tax (VAT)

Under certain conditions specified in the relevant VAT law, Cypriot companies have an obligation to register with the Tax Department and have an obligation to submit VAT returns on a quarterly basis.

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

VAT returns must be submitted quarterly, and the payment of the VAT must be made by the 10th day of the second month that follows the month in which the tax period ends.

(d) Social Insurance

If a company employs individuals, then the company as an employer must make contributions in respect of its employees – likewise, all employees are liable to make social insurance contributions.

The social insurance contributions of employees are withheld by the employer from the monthly salary paid to employees. These contributions along with the employer contributions should be paid not later than the end of the calendar month following the month that the salaries relate to.

The current contribution rate is 10,95% for employees (incl. National Health Insurance) and 14,09% for the employer (incl. National Health Insurance).

The employer makes other contributions as well to the social cohesion fund, redundancy fund, industrial training fund and holiday fund (if not exempt).

(e) Corporation Tax

All Cyprus tax resident companies are taxed on their income accrued or derived from all chargeable sources in Cyprus and abroad. A non- Cypriot tax resident company is taxed on income accrued or derived from business activity which is carried out through a permanent establishment in Cyprus and on certain income arising from sources in Cyprus.

For the purposes of taxation, a company is deemed to resident in Cyprus if it is managed and controlled in Cyprus.

The current corporate tax rate is 12,5%., one of the lowest in the EU.

Certain exemptions and deductions may apply accordingly.

Our services

- Establishment and administration of companies and corporate structures
- Corporate secretarial on-going support (company administration – filing of annual returns, changes to the company's structure, preparation of board and shareholders' resolutions etc)
- Tax advisory
- Redomiciliation of companies
- Corporate liquidations/winding-up
- Fiduciary appointments
- Legal advice on all types of commercial transactions
- Drafting and reviewing all types of commercial, transactional, shareholders' agreements
- Drafting and reviewing agreements from a Cyprus legal and tax perspective
- General corporate matters
- Legal Opinions

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