



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").

- Time limit for payment: 30th June of each year.
- Penalties: - 10% penalty when there is up to 2 months delay -
- 30% penalty when there is delay between 2 to 5 months.

The Registrar of Companies has the power to proceed with striking off the company from the Registry in the event where the said payment is not paid within the stipulated time limits.

(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.

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.

PART C: AMENDMENTS TO THE COMPANIES' LAW – December 2018

(a) Abolition of Capital Duty (ΚΔΠ 364/2018)

The Council of Ministers abolished the obligation to pay capital duty of 0.6% on the authorised share capital or any increase thereof. As a result, effective as of 18 December 2018, no capital duty arises (i) on the initial authorised capital at incorporation of a new company and (ii) on any subsequent increase of the authorised share capital.

(b) Introduction of administrative fines for late filings

The Registrar will impose an administrative fine for late filing of the below notifications to the Registrar. The fines amount to €50 plus €1 for every day for which the default continues, such fine not to exceed the amount of €250 for each default effective as of 18 December 2019:

- notification in relation to the allotment of shares;
- notification in relation to a change of the registered address;
- notification in relation to a transfer of shares;
- notification(s) in relation to the particulars contained in the company's register of directors and secretaries and any changes made thereto and
- notification(s) which must be made by an overseas company to the Registrar in relation to inter-alia, changes made to its directors and secretary, details of authorised representatives and the address of the overseas company's place of business within the Republic.

The Registrar will impose an administrative fine for late filing of the annual return. The fine amounts to €50 plus €1 for every day for which the default continues within the first 6 months plus €2 for every day thereafter for which the default continues, such fine not to exceed the amount of €500 for each default (Section 120) – effective as from December 2019.

(c) Amendment relating to the appointment of a secretary

Every company will have one secretary - effective as of 18 December 2018.

(d) Amendments relating to the strike-off of a company

Members and Creditors protection

Section 327(5) - Any member or creditor of a company may object to the striking-off of a company within the period of 3 months from the relevant publication in the Gazette - effective as of 18 December 2018.

(e) Court Order to bring the company up to date upon re-instatement

The Court is given the power to order (i) that documents and returns be filed to the Registrar to bring the company's **filing requirements up to date**, (ii) that **all fees** due by the company are paid and (iii) that the Company pays **all costs** of the Registrar of Companies in relation to the restoration of the company - effective as of 18 December 2018.

(f) New power to the Registrar to reinstate struck-off companies (new section 327A)

A member or director can apply to the Registrar to re-instate a company which was struck-off on the basis that it was not carrying on a business or did not pay the annual levy. The Registrar has the power to re-instate the company without the involvement of the Court.

Such application must be made within 24 months of the strike-off provided that:

- (i) the relevant company was carrying business at the time of strike-off,
- (ii) the company is brought up to date with its filing requirements,
- (iii) the company pays all fees, levies, penalties and fines due to the Registrar of Companies,
- (iv) the fee of reinstatement is paid and
- (v) the Registrar has good reason to believe that the strike-off has caused a disadvantage to the applicant.

(g) Particulars of overseas companies having a place of business within the Republic

A requirement for additional information to be filed to the Registrar by overseas companies has been introduced. Such information includes (i) changes to the names or addresses of the persons authorized to represent the overseas company and their place of business, in third party transactions, in Court and towards competent authorities; and (ii) changes to the address of the place of business of the overseas company - effective as of 18 December 2018.

(h) Website publications (to replace Official Gazette)

Introduction of an “electronic official Gazette” (via the Registrar’s website) which aims to replace publications in the Official Gazette of the Republic, effective as of 18 December 2018.

(i) Filing of pledges over Cyprus shares

Pursuant to an announcement issued by the Registrar, following an opinion from the Attorney General a number of categories of charges will no longer be accepted for registration, namely:

- (a) pledge of company share certificates;
- (b) assignments of rights deriving from company shares or any other charge on company share certificates and
- (c) company shares or rights deriving from shares in companies and any rights resulting from the pledge, assignment, or charge, since these charges fall within the scope of the exceptions listed in the law.

Further to this opinion the Registrar announced, after further consultations with the Attorney General that charges relating to the pledging of foreign share certificates or the charges resulting from them, will be accepted for registration by the Registrar, in accordance to the practice followed by the Registrar before the opinion. However, charges relating to pledge of share certificates of companies registered in Cyprus, or charges arising therefrom, will continue to be non-registrable.

Our services

- Establishing, maintaining, and supporting 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
- Legal advice on cross border transactions

- Drafting and reviewing all types of commercial agreements
- Drafting and reviewing agreements from a Cyprus legal and tax perspective
- General corporate matters

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