



N. XENOFONTOS LLC

ADVOCATES | LEGAL ADVISORS

ANNUAL OBLIGATIONS OF A CYPRUS COMPANY **2024**



Outline

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, the Income Tax laws, the Social Insurance laws, and the Prevention and Suppression of Money Laundering and Terrorist Financing Law, in addition to EU Regulations and Directive, and irrespective of whether a company is active or dormant.

This publication sets out the basic, but mandatory, 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)

All registered Cypriot companies are obliged to pay an annual charge of €350, which is payable by the 30th June of each year in order for them to remain in good standing and in the registry held at the Registrar of Companies ("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 registration.

The annual return form includes statutory information of the company such as the date of the AGM, details regarding the directors, secretary and shareholders of the company along with any changes made to the company's assets. Failure to submit the prescribed form will have negative implications on the company such as imposition of penalties, the Registrar refusing to issue certificates connected with the annual returns or even deregistration from the register.

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

(d) Audited 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.

Such financial statements must be audited, prepared in accordance with the International Financial Reporting Standards ("IFRS"), show the "true and fair view" of the company's business activities, prepared annually and presented the shareholders' annual general meeting for approval and subsequently, submission.

The accounting year-end is deemed to be 31st December, unless notice of another date is decided upon by the directors.

(e) Record – Keeping & Good Practice

All companies are required to maintain a register of members, register of directors, 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, increase/decrease of share capital etc.) are to be notified and the prescribed forms filed with the Registrar, within the stipulated time limits, therefore informing the Registrar of any such changes, keeping the company's public information current, and up to date in the official public records.

Note: certain amendments require sanction by the court.

(f) Ultimate Beneficial Owners Registry (UBO Registry)

In compliance with the provisions of the 5th Anti-Money Laundering Directive ("5AMLD") transposed into national law in February 2021, all Cypriot registered companies must submit information regarding the ultimate beneficial owner of the company, which must ultimately lead up to a physical, natural person. Reporting is done electronically via the UBO Registry Platform held and maintained by the Registrar.

Reporting deadlines:

- 14 days from incorporation
- 14 days to notify any changes to the UBO.

Penalties apply where time limits are not adhered to.

Reportable entities must electronically validate beneficial owner information in the registry on an annual basis, that is, by the 31st December of each year.

Exempt entities:

- Companies listed on a regulated market that is subject to disclosure requirements consistent with EU legislation.
- Companies whose directors have filed an application to strike off the company prior to 12.03.2021.
- Companies whose liquidation has been enacted prior to 12.03.2021.
- Overseas companies (Branches).

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

(a) Registration with the Tax Department

Companies have an obligation to register with the 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 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

- Incorporation and administration of companies and corporate structures
- Professional fiduciary appointments (directorship, secretarial, registered office)
- Tax advisory
- Redomiciliation in and out of Cyprus
- Winding – Up, Members, Creditors and Court supervised liquidations
- 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
- Legal Opinions

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