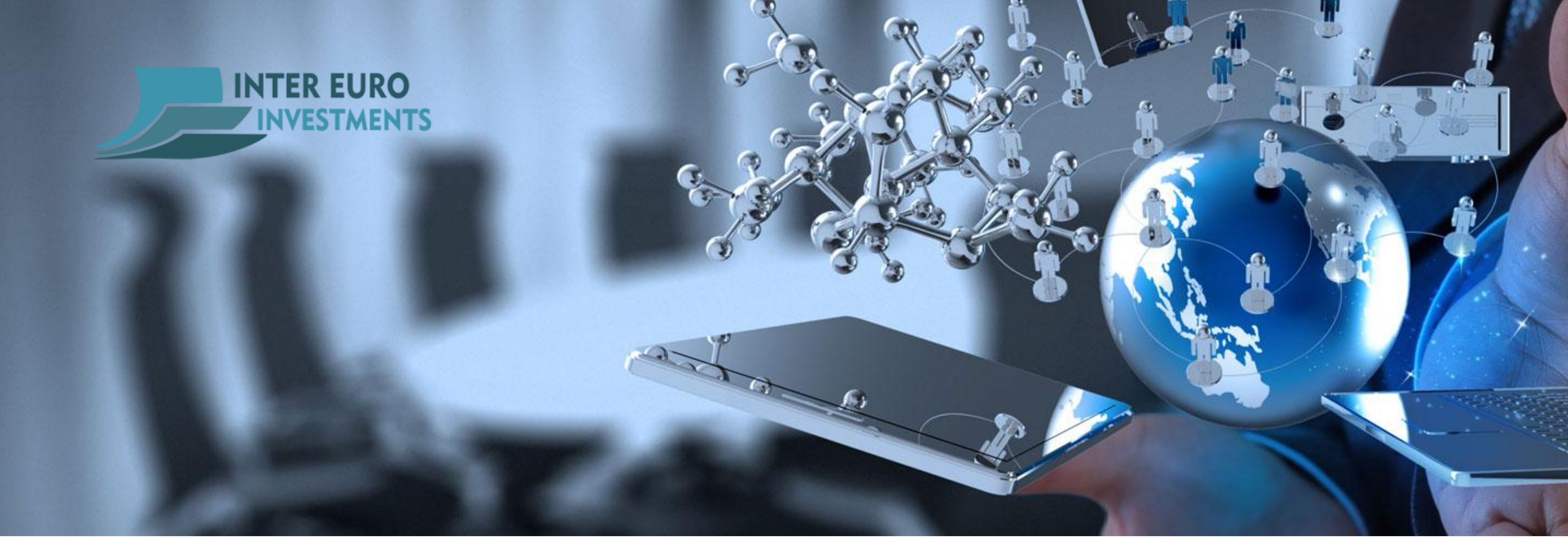

Obligations of a Cyprus Company

Managing a Cyprus company requires a number of statutory, tax and other reporting obligations, and with ever increasing requirements, it is essential to ensure you comply. Here, we provide an overview of the main statutory obligations of a Cyprus Company.

Statutory Obligations

Annual General Meetings

Every company must hold its first Annual General Meeting (AGM) within 18 months of the date of incorporation. Thereafter, the AGM must be held on an annual basis with the time between them not exceeding 15 months. Timely notice of at least 21 days must be given to all shareholders. The agenda usually includes a review of the audited financial statements, approval of dividend payments, appointment of board directors and auditors. Any resolutions passed should be documented in the Minutes of the Meeting by the company secretary and filed at the registered office.

Annual Return (HE32)

Every Cyprus company is required to submit an Annual Return (Form HE32) accompanied by the Financial Statements of the previous year. This should be submitted to the Registrar of Companies within 42 days of the AGM. The Annual Return contains the Company's Statutory information as at the date of the AGM and includes among other information the following: Details of the Directors, Secretary and Shareholders; the Registered Office; any changes in the company's assets. A delay in the submission of the Annual Return will result in financial penalties.

Company Annual Levy

All companies that are registered in Cyprus must pay an annual levy of €350 to the Registrar of Companies. This levy is payable by the 30th June every year. Failure to do so will result in penalties and eventual strike-off of the company.

Registration of a Company to the Tax Authorities

All newly incorporated companies in Cyprus are required to register to the Cyprus Tax Authorities within 60 days of incorporation This also applies to existing companies which become Cyprus tax resident. Cyprus companies are also required to inform the Tax Commissioner of any statutory changes to the company. Failure to do so will result in heavy financial penalties.

Statutory Records

All Cyprus Companies are required to keep and maintain their Statutory Records at their Registered Office.   The keeping of these records are especially important not only because they are required by Company Law, but also in order to comply with EU anti-money laundering

Summary

legislation. Statutory records should include the following: Register of Shareholders, Register of Directors, Register of Secretaries, Register of Changes.

It is also important to ensure that the following documents are maintained correctly: The Certificate of Incorporation; The Certificate of Registered Office; The Certificate of Directors and Secretary; The Certificate of Shareholders; The Memorandum and Articles of Association (Capital Structure and Internal Procedures); The Audited Financial Statements, up to date; Company Levy payment receipts; Copies of the Annual Returns submitted to the Registrar of Companies; Any Minutes kept from General Meetings; Any Resolutions passed in General Meetings; Any Shareholders Agreement.

Any changes to these documents should be notified to The Registrar, along with the completion of any specific form required. Failure to do so will result in financial penalties. It is also important for every company to ensure that its Memorandum and Articles of Association are up to date and that its business activities are duly covered by these. Any activities performed which are not in accordance with these documents could leave the company subject to potential legal proceedings by third parties.

Tax Compliance Obligations

The Tax year in Cyprus is the Calendar year. There are a number of Tax compliance obligations for Cyprus companies. Each specific area requires specialist skills and knowledge to ensure that your reporting and payment obligations are handled effectively, as non-compliance can result in severe financial penalties and even imprisonment.

Corporation Tax

Corporate Tax is collected through a self-assessment System. Company Tax returns (Form IR 4) must be filed by 31st December of the year following assessment (or by 31st March of the subsequent year for electronic submissions).

In the case of late filing an immediate penalty of €100 is imposed, with further penalties of up to €17 per day arising until submission of the Tax return. Legal action may be initiated for continued non-submission which may lead to the disclosure of the beneficial owner(s) to the Tax Authorities.

Provisional Tax

During the year of assessment, companies are required to pay provisional tax in two equal installments, based on the estimated taxable profits of the current year. The Provisional Tax Return should be submitted to the Tax Authorities by 31st July, together with payment of the first installment of provisional tax. The second return and payment of the second installment should be made by 31st December. If any installment of the temporary tax is not paid within 30 days from the due date, interest is charged at the rate of 4%pa. A further penalty of 5% is imposed.

The final tax liability is based on the actual profits and is due for payment by 1st August of the year following the year of assessment. If the Provisional Tax paid is less than 75% of the final liability for the year, a surcharge of 10% is imposed on the underestimated tax payable.

VAT

All companies which meet the criteria for VAT registration (if annual turnover of taxable supplies exceeds €15,600 or is expected to exceed €15,600 within the next 30 days) must register with the VAT Authorities within 30 days from the date at which the requirement to register exists. A company which is not liable for VAT registration may register voluntarily, for a number of reasons. If a liability to register exists, failure to comply will result in an €85 penalty per month or part month of delay.

VAT Returns are submitted on a quarterly basis by the 10th day of the second month following the end of the reporting period. Late submission / payment will result in a surcharge of 10% of the VAT liability and the amount due will then be subject to interest at the rate of 5%. Non-compliance and persistent late filing will result in a VAT audit from the VAT authorities and additional fees will be imposed.

An application to de-register should be made within 60 days from the date at which the requirement to be registered no longer exists. The company will then be subject to a VAT Audit to review all of the company's records and ensure that all reporting requirements and obligations have been met. Any errors or omissions found in the course of the Audit will result in heavy financial penalties and back-dated interest.

Any changes of a Company's details should be notified to the VAT Authorities in order for the information held to be true and correct.

Certain companies will also have obligations regarding VIES & Intrastat registration and reporting.

Special Contribution for Defence (SCD) Tax

The SCD is imposed on income derived by Cyprus resident companies and individuals resident and domiciled in Cyprus. The SCD is levied on dividends (17%), interest (30%) and rent (3%). Some exemptions apply. Late payment results in penalties and interest charged.

Companies with Employees

A company hiring employees will have further obligations. Here, we list some of the main requirements:

- Registration to Social Insurance & Monthly Payments
- Monthly Statement of Deductions (PAYE & Special Contribution)
- Employee Emoluments Return
- Employers Annual Return

Employers are required to maintain proper records and documents regarding employees and comply with minimum wage and health and safety at work legislation.

Summary

Corporation Tax	31st Dec
Provisional Tax	31st July & 31st Dec
Register to VAT	30 Days
Quarterly VAT Returns	By 10th of 2nd Month
SCD Tax	
Employer Obligations	

Accounting & Audit Obligations

All companies registered in Cyprus must prepare their accounts in accordance with International Financial Reporting Standards (IFRS). Every year, the company accounts must be audited in accordance with International Auditing Standards (IAS). Failure to prepare and file company accounts is a criminal offence and the company and its directors are liable to prosecution.

Bookkeeping

It is the responsibility of the Company Directors to ensure that all records that are necessary for the preparation of the Financial Statements are maintained according to Companies Law. All records must be kept at the registered office of the company and are subject to inspection. Accounting records must be kept for 6 years from the end of the year to which they relate, for Income Tax and VAT purposes.

Bookkeeping records should be updated within 4 months from the date of issue of each transaction. This will enable a company to be ready in the case of a tax inspection. Late update will result in a fine of €100 per quarter.

The timely maintenance of a company's accounting records is also necessary for the following reasons:

- To assist with the Audit and minimize Audit Fees
- To avoid complications due to incomplete records / lack of information which can result in a 'Qualified Audit Opinion'
- To allow swift response to any tax enquiries
- To enable the punctual preparation on interim accounts
- To enable informed decisions to be made

Audit

Every company registered in Cyprus must have its accounts audited by a duly licensed and practicing external Auditor in Cyprus. In accordance with Cyprus Companies Law, a parent company is obliged to submit to the Registrar of Companies audited consolidated accounts of itself and all subsidiaries in the group. Tax legislation requires that all companies have their Tax Returns based on Audited Financial Statements.

If you would like further information regarding the obligations of a Cyprus company, or would like to find out how our services can benefit you, please feel free to contact us.

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