

[FR](#) [EN](#)

We use cookies to make your connection secure and make statistics about the number of visits. In order to get more information about cookies and find out how to refuse them, [visit our cookie policy page](#).

[Cookies settings](#)

REQUIRED ONLY

ACCEPT
ALL

BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile

Cyprus has a population of around 1.2 million people, with a GDP per capita estimated at USD 29,550 in 2021 by the IMF (around USD 6,000 lower than pre-crisis and the “Troika” economic bailout program levels).

Even though the whole of the island is part of the EU, the implementation of the European legislation has been suspended in the area administered by Turkish Cypriots, known locally as the “Turkish Republic of Northern Cyprus” (TRNC), until political conditions permit the reunification of the island. The economy of the TRNC is market-based and it represents roughly one-fifth the size of Cyprus’. In this part of the island, consumer habits are more similar to those of Turkey.

Consumer Behaviour

Consumers’ behaviour has changed following the economic crisis. In fact, in recent years consumers have become more discerning, with people making more cautious and practical decisions about their purchases. Nowadays, price is the main factor driving consumers buying process. In general, many companies are family-owned and Cypriots are attached to locally based products, although international brand names have successfully entered the market. Foreign brand names are particularly appealing to young generations. Advertising methods for the local market have become sophisticated and the choice of available media is closer to that of other developed countries.

Consumers Associations

[Cyprus Consumers Association](#)
[Consumer Protection Service](#)

IMPORTING & DISTRIBUTING

Import Procedures

No customs duties are levied when industrial goods and agricultural products originating from one of the 27 EU Member States arrive on the Cyprus market. Trade between the EU and Cyprus consist of inter-community exchanges (acquisitions and deliveries). Only the VAT needs to be paid in the country of consumption of the product. Systematic controls of the goods at the borders are removed and carried outside the border if the country is concerned, subject to the rules applicable to certain sensitive goods. It is important to remember that the application of the European legal framework (acquis communautaire) is suspended in the north part of the country.

However, when intra-Community goods enter the Cyprus market, the exporter must necessarily fill a Trade of Goods Statement (DEB) or Intrastat declaration. As part of the "SAFE" standards set forth by the World Customs Organisation (WCO), the European Union has set up a new system of import controls, the "Import Control System" (ICS), which aims to secure the flow of goods at the time of their entry into the customs territory of the EU. This control system, part of the Community eCustoms Programme, has been in effect since 1 January 2011. Since then, operators are required to file an Entry Summary Declaration (ENS) with the customs of the country of entry, prior to the introduction of goods into the customs territory of the European Union.

Cypriot Customs requires the following documents for clearing products originating from non-EU countries: delivery order for the goods; an invoice; and a packing list. Various other documents according to the nature of each import will be required; please visit the [Cyprus Customs and Excise Department's website](#) for more information.

Distribution market players

According to one of the main Cypriot retailers, there are nearly 3,000 distribution points (ranging from grocery stores to hypermarkets) in Cyprus. Two types of distribution channels are booming in Cyprus:

- chain stores like [Metro](#) or [Marks & Spencers](#).
- franchises, which have been very successful in recent years. Large American fast-food chains, international car rental companies, major clothing brands have established a presence in Cyprus through franchising. The same goes for mass retailers, especially the Carrefour Group.

The main players in the retail sector in Cyprus are [AlphaMega](#), [E&S](#), [Metro](#), [Kkolias](#) and [Lidl](#).

OPERATING A BUSINESS

Type of companies

Limited liability company or LLC

Number of partners: Minimum 1 shareholder and Maximum 50 shareholders.

Capital (max/min): No minimum capital required.

Shareholders and liability: The responsibility of the associate member is limited to the amount contributed to the total capital.

Public company limited by shares or PLC

Number of partners: At least 7 partners.

Capital (max/min): For public limited liability company whose shares are offered for subscription the minimum capital is approx. EUR 25,630.

Shareholders and liability: The responsibility of the associate member is limited to the amount contributed to the total capital.

General Partnership

Number of partners: Minimum 2 and maximum 20 associate members.

Capital (max/min): No minimum capital required.

Shareholders and liability: Each associate member is personally and indefinitely responsible for the debts and obligations of the company.

Limited Partnership

Number of partners: At least one general partner with no limitation on the number of partners.

Capital (max/min): No minimum capital required.

Shareholders and liability: At least one of the associate members is personally and indefinitely responsible for the debts and obligations of the company, the other members' responsibility being limited in nature.

Setting Up a Company	Cyprus	Eastern Europe & Central Asia
Procedures (number)	5.0	5.3
Time (days)	6.0	11.8

Source: *Doing Business* - Latest available data.

Cost of Labour

Minimum Wage

According to the ILO, the minimum wage was EUR 870 per month in 2019 (latest data available).

Average Wage

The average monthly gross salary in Cyprus is EUR 1,907 (Cyprus Ministry of Finance,2020)

Social Contributions

Social Security Contributions Paid By Employers: 8.3% of covered earnings

Social Security Contributions Paid By Employees: 8.3% of covered earnings

Intellectual Property

National Organisations

The organisation responsible for the protection of brands and patents in Cyprus is the [Department of Registrar of Companies and Official Receiver](#).

Regional Organisations

None

International Membership

[Member of the WIPO](#) (World Intellectual Property Organization)

[Signatory to the Paris Convention](#) For the Protection of Intellectual Property

[Membership to the TRIPS agreement](#) - Trade-Related Aspects of Intellectual Property Rights (TRIPS)

TAX RATES

Consumption Taxes

Nature of the Tax

Valued Added Tax (VAT)

Tax Rate

19%

Reduced Tax Rate

Exports and international transport are zero-rated, the same as international transport of persons and the supply, intra-Community supplies of goods and intangible services supplied to another taxable person established in the EU or to recipients outside the EU, lease and repair of seagoing vehicles and aircraft and related services.

The 9% tax rate applies to hotel accommodations, restaurants, catering and certain local transport services (like transportation of passengers and their luggage by taxi).

The 5% tax rate applies to the purchase, construction or renovation of a house or flat to be used as a private main residence; various goods for incapacitated persons; bus fares for rural and urban areas; newspapers, books, magazines and similar items; water; medicines; food (except supplied in the course of catering); services provided by undertakers; services of writers and composers; refuse collection; waste treatment; road cleaning; fertilizers; animal feeding stuff; and liquefied petroleum gas.

Certain items are exempt from VAT, including real estate (except "new buildings," transfer of developed building land intended for the construction of structures in the course of carrying out a business activity, and leasing of immovable property to taxable persons for taxable business activities, for which a permanent non-imposition of VAT can be exercised by the lessor); services of doctors and dentists; social welfare; finance (except "SWIFT" services); insurance and reinsurance; human organs; and education services.

Other Consumption Taxes

Excise duties are charged on the import of certain products like fuel, vehicles, cigarettes and alcohol. The exhaustive list of the products subject to excise duties can be found on the website of the [Cypriot Customs and Excise Department](#).

Corporate Taxes

Company Tax

12.5%

Tax Rate For Foreign Companies

Residents are taxed on their worldwide income whereas non-residents are only taxed on their Cyprus-source income.

Capital Gains Taxation

Capital gains from the sale of listed shares are fully tax-exempt. Capital gains from the disposal of immovable property situated in Cyprus and from the disposal of shares in an unlisted company that owns, directly or indirectly, immovable property situated in Cyprus are taxed at 20%. Gains from the disposal of shares in a company that indirectly owns immovable property in Cyprus and obtains at least 50% of its revenue from such property are also taxed at 20%.

Main Allowable Deductions and Tax Credits

Depreciation of tangible and intangible assets is tax-deductible at rates ranging from 3% to 100% (real estate, equipment, industrial buildings and hotels acquired between 2012 and 2018 are eligible for accelerated depreciation rates). Goodwill can be amortised for tax purposes.

Start-up fees are generally not deductible. Interest charges and bad debts are deductible. Donations to charitable organisations are fully deductible. Donations to political parties can give rise to a deduction of up to EUR 50,000.

Profits from the exploitation of intellectual property rights are deductible up to 80% whereas profits deriving from the disposal of such rights are fully deductible.

Employer contributions to approved funds on employees' salaries are fully deductible.

The expenditure related to scientific research and development (R&D) that is undertaken by a business entity and is economically owned by the entity, including any resulting intangible assets, is eligible for tax deduction under IT Law. If the expenditure is of a capital nature, it can be amortized over its useful economic life for a maximum period of 20 years. Additionally, for expenditures incurred in the years 2022, 2023, and 2024, an additional allowance of 20% of the incurred expenditure is granted. However, this allowance cannot be claimed simultaneously with the 80% allowance on net profit under the Cyprus nexus IP regime (i.e., it cannot be claimed alongside the New Cyprus IP Box). Furthermore, the entity has the option to waive the claim for this additional allowance, either partially or in its entirety, for each tax year.

Fines and penalties are not deductible whereas unrecovered VAT is tax-deductible.

Business entertainment expenses are deductible up to 1% of the gross income or EUR 17,086 (whichever is lower).

Tax losses can be carried forward up to five years. The carryback of losses is not permitted.

Other Corporate Taxes

Social security contributions payable by the employer amount to 10% of salary (with rates expected to go up gradually until it reaches 10.7% by 2039 - the maximum amount of remuneration on which contributions are payable is 60,060 for 2023). Employers also pay a contribution equivalent to 2% of the salary to the Social Cohesion Fund. In some cases, employers are required to pay an 8% contribution to the Holiday Fund, 0.5% contribution to the Industrial Training Fund and 1.2% to the Redundancy Fund. Self-employed individuals contribute at 15.6%, calculated on notional income (varies according to the profession).

The property tax was abolished on 1 January 2017, but property transfer taxes are payable according to the value of the property. They amount to EUR 2,550 (or 3% of the value) for any property valued at EUR 85,000 or less. The rate increases to 5% for real estate worth between EUR 85,001 and EUR 170,000, and to 8% for any value above EUR 170,000. These fees are reduced by 50% if the property is exempt from VAT. No rights apply if the property is subject to VAT. Mortgage registration fees are 1% of the market value of the property.

A 0.4% levy is imposed on the sale proceeds from all disposals of immovable property which is within the current control of the Republic. The levy also applies to disposals of shares of a company which is the owner of such immovable property, to the extent that the buyer of the shares assumes control of such company.

The capital contribution when setting up a company is EUR 105 and 0.6% of the nominal value of the authorised capital.

Stamp duties are capped at EUR 20,000 per document and apply to any transaction involving property situated in Cyprus or a deed signed in Cyprus.

Resident companies are subject to a special defensive contribution of 17% on dividends, 3% or 30% on interest income and 3% on rental income.

Credit institutions established in Cyprus and their foreign branches are subject to a 0.15% tax on certain deposits of money. Companies also pay a lump-sum fee of EUR 350 per year, capped at EUR 20,000 per group.

Other Domestic Resources

[Consult Doing Business Website](#), to obtain a summary of the taxes and mandatory contributions.

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed

[See the list of double taxation agreements](#)

Withholding Taxes

Dividends: 0% (non-residents; resident corporations) / 17% (for resident individuals - levied as a special contribution for defence)

Interest: 30% (resident companies and individuals)/ 3% (interest paid on savings certificates and development bonds issued by the government of Cyprus, corporate bonds listed on a recognized stock exchange, and bonds listed on a recognized stock exchange that are issued by a local authority or state organization)/0% (non-residents)

Royalties: 0% (residents; non-residents for the use of rights outside Cyprus)/ royalties earned on rights used within Cyprus are subject to a withholding tax of 10% (5% in the case of cinematograph films).