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group of companies

CYPRUS

INCOME TAX LAW 2002
(As amended, 2010)

GSL Translations
2010

REPUBLIC OF CYPRUS

THE INCOME TAX LAW OF 2002

(as amended, 2004)

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THE INCOME TAX LAW OF 2002

(as amended, 2004)

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FIRST SCHEDULE (List of companies referred to in the definition of "company" (section 2)

SECOND SCHEDULE (Scale of rates of tax payable)

For the purposes of harmonization with the acts of the European Union under the title -

- (a) "Council Directive 90/434/EEC of 23 July 1990 on the common system of taxation applicable to mergers, divisions, transfers of assets and exchanges of shares concerning companies of different Member States", (EE L 225 of 20/8/1990, p. 1-5),
- (b) "Council Directive 90/435/EEC of 23 July 1990 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States", (EE L 225 of 20/8/1990, p.6-9), and
- (c) "Convention on the elimination of double taxation in connection with the adjustment of profits of associated enterprises", (EE L 225 of 20/8/1990, p.10-24),
- (d) Council Directive 2003/49/EC of 3 June 2003 on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States (EEL 157 of 26/6/2003, p. 0049-0054)

The House of Representatives enacts as follows:

PART I - INTRODUCTORY PROVISIONS

Short title

1. This Law may be cited as the Income Tax Law of 2002.

Interpretation

- 2.(1) In this Law unless the contrary intention appears -

“business” means commercial or manufacturing business, profession or vocation and includes any other business of a trading nature;

“chargeable income” means the aggregate amount of that income of any person from the sources specified in section 5 remaining after deducting such sums as are permitted by or under this Law;

“Commissioner” means the Commissioner of Income Tax charged with the administration of this Law as provided in sub-section (1) of section 3 and includes any officer of the Department of Inland Revenue authorized by him in this respect;

“company” has the meaning given to this term by the Companies Law and includes any body with or without legal personality, or public corporate body, as well as every company, fraternity or society of company incorporated or registered outside the Republic and a company listed in the First Schedule; but it does not include a partnership;

“Constitution” means the Constitution of the Republic of Cyprus;

“corporation tax” means the tax imposed on the income of a company pursuant to the provisions of this Law;

“Director” means the Director of the Department of Inland Revenue;

“guardian” when used in relation to an infant person includes the parent of the infant;

“investment income” means any income which is not derived or arising from any business, employment, pensions or annuities which are paid by reason or in connection with a past employment;

“Member-state” means member-state of the European Union;

“private motor vehicle” means a vehicle falling within sub-paragraph (vi) of paragraph (7) of Regulation 18 of the Motor Vehicles and Road Traffic Regulations of 1984 to 2001;

“permanent establishment” means -

- (a) A fixed place of business through which the business of an enterprise is wholly or partly carried on.
- (b) The term “permanent establishment” includes especially:
 - (i) a place of management;
 - (ii) a branch;
 - (iii) an office;
 - (iv) a factory;

- (v) a workshop,
 - (vi) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.
- (c) A building site or construction or installation project or supervisory activities constitute a permanent establishment only if they last more than three months.
- (d) Notwithstanding the provisions of paragraphs (a), (b) and (c) of this definition, the term “permanent establishment” shall be deemed not to include:
- (i) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;
 - (ii) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;
 - (iii) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
 - (iv) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information, for the enterprise;
 - (v) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character;
 - (vi) the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs (i) to (v), provided that the overall activity of the fixed place of business resulting from this combination has a preparatory or auxiliary character.
- (e) Notwithstanding the provisions of paragraphs (a) and (b), where a person-other than an agent of an independent status to whom paragraph (f) applies- is acting on behalf of an enterprise and has, and habitually exercises, in the Republic an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in the Republic in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph (d) which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that paragraph.
- (f) An enterprise shall not be deemed to have a permanent establishment in the Republic merely because it carries business in the Republic through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business.
- (g) The fact that a company which is a resident in the Republic controls or is controlled by a company which is not a resident in the Republic, or which carries on business outside the Republic (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other;

“person” includes an individual and a company;

“public corporate body” means a legal person of public law or any other public corporate body established by law for the public interest notwithstanding that such body is deemed to be agent, servant of the state (in consimili casu to servant of the state);

“Republic” means the Republic of Cyprus;

“resident in the Republic”, when applied to an individual, means an individual who stays in the

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