

SCHEDULE A

Letter from the Union of Cyprus Municipalities dated 20.10.2021

Establishment of a common policy regarding the imposition of a fee to carry on business on legal entities having their registered office at, and/or whose business is managed by, law firms or accounting/ audit firms or offices providing secretarial or administrative services

The Executive Committee of the Union of Cyprus Municipalities in its meeting dated 13.10.2020 decided to adopt a common policy on fees, as mentioned above, to be applied by all Municipalities.

The imposition of an annual licence fee on legal entities carrying on business is provided for in Articles 104-109 of the Municipalities Law (L.111/1985)

In determining the common policy, the views expressed by the Cyprus Bar Association, the Institute of Certified Public Accountants of Cyprus and the Cyprus Fiduciary Association were taken into account.

The adoption of the common policy aims at guaranteeing uniformity as to the imposition of annual fees by the Municipalities, while ensuring that companies will no longer escape the attention and taxation of the Municipalities since cooperation/ communication between the Municipalities regarding companies transferring their registered offices will be established.

The said policy is proposed to be implemented as of the following year.

In addition to the above, the Executive Committee has decided to propose to the Union of Cyprus Communities to adopt a similar policy and/ or mechanism for the mutual exchange of information between Local Authorities. A letter has been sent and we will update you as soon as we have more information.

The framework that will govern the uniform policy is set out below:

Licence Fees:

Category	Fee (per legal entity)
Active legal entities that are part of a group of companies	€150
Active legal entities that are not part of a group of companies	€250
Inactive legal entities	N/A

SCHEDULE B

The Limassol Municipality, following the decision of the Municipal Council dated 29 July 2021, announces that the applicable fees are as follows:

- For legal entities carrying out activities independently, the annual fee is set at €171.00
- For legal entities that are part of a group of companies, the annual fee is set at €97.00 per legal entity.
- For shipping companies (shipping Cos, Ship Owners & Ship Managers), the annual fee amounts to €150 per company.
- It should be noted that dormant companies are not subject to a fee. For the definition of “dormant companies”, the relevant Circular of the Inland Revenue Department dated 31.01.2014 is adopted.

A **“Group of Companies”** consists of all the legal entities that are fully integrated in its consolidated financial statements prepared in accordance with International Financial Reporting Standards.

In order for a legal entity to be classified as belonging to a group of companies, a Certificate from a Certified Accountant/Auditor on the Group Structure, stating the percentage of shareholding of each company in the group, must be provided.

“Dormant Companies”

For the definition of “dormant companies”, the relevant Circular issued by the Inland Revenue Department dated 30.1.2014 is adopted.

According to the said Circular, a “Dormant Company” is one which fulfils all the following conditions:

- (i) It does not carry on any activity generating income, profit or loss which is taxable and/or exempt from tax.
- (ii) It does not hold any assets other than cash, the amount of which reflects the amount of the initial capital. Assets such as immovable and movable property, accounts receivable, shares and copyrights and any other assets, which are in the name of the company, constitute management by virtue of their possession and it is inferred that the company is carrying on business.
- (iii) It does not hold cash of a value greater than the amount of its share capital and any subsequent increase that occurred during the time the company was active.
- (iv) It does not have any obligations other than those arising under the reasonably necessary obligations of the company under Laws and relating to its legal status.

It is clarified that any actions taken in the context of fulfilling the company's reasonably necessary obligations under Laws and relating to its legal status are not considered as an activity.

Documents to be submitted to the Municipalities for the classification of a legal entity as “dormant” are as follows:

- Certificate by a Certified Public Accountant signing the Auditors’ Report on the financial statements of the company that the company remained inactive for a particular year, based on the sense attributed to the term “dormant company” by the Department of Inland Revenue in the Circular dated 30.1.2014.
- In the event that the company has not prepared financial statements, the above Certificate is to be signed by an independent certified Accountant/ Auditor or independent licensed Lawyer.
- The content of the Certificate to be submitted shall be the same for everyone and shall be drawn up as **Schedule C** attached.

Special cases of exemptions/changes

(a) In cases where legal entities claim that the status of the company is not in line with the records kept by the Registrar of Companies or any other records, then an objection can be filed to request an exemption together with the relevant evidence:

- Voluntary/ compulsory liquidation
- Strike-off/ Application for strike-off

The documents to be submitted with the objection are:

- Application form of the relevant request submitted to the Registrar of Companies

(b) In cases where companies providing administrative services claim that they have “lost contact” with their clients/ the legal entities they serve, they will be given the opportunity to submit an application to change the Director/ Secretary of the company.

It is clarified that in such cases, no relief will be granted on the fees imposed.

The documents to be submitted together with the objection are:

- Application from the Director/ Secretary of the company submitted to the Registrar of Companies that they resign as Director/ Secretary of the company.

It is noted that in such cases, the Municipalities shall, by letter to the Registrar of Companies, inform the latter, pursuant to Article 300 of the Companies Law (Cap. 113), of the company's obligations to the Municipality in the event of liquidation.

Licence fees for the operation of business premises (Section 103^A of the Municipalities Law)

The fee for each business establishment will be paid by only one legal entity per year.

In the event that the fee for a specific business establishment is paid by a licensed administrative services provider, then no fees will be imposed on any other legal entity housed in the said premises.

SCHEDULE C

Date

Municipality of....

Dormant Company Certificate

It is hereby certified that from xxx to xxx, the company ... with registration number xxx, did not carry out any activity, nor did it hold any assets, nor did it have any obligations, on the basis of what is stated in paragraphs (i), (ii), (iii) and (iv) of Circular 2014/2 of the Inland Revenue Department dated 30.1.2014.

Any actions taken in the context of fulfilling the reasonably necessary obligations of the Company under Laws relating solely to its legal status do not constitute an activity for the purposes of this certificate.

The present certificate is issued solely to confirm the above information to the Municipality and for no other purpose.

Fraudulent and/ or intentional misrepresentations aiming at misleading and/ or deceiving the Municipality as to the actual facts shall be subject to the penalties provided by Law.

Signature and Seal