

TAX LOSSES AND GROUP RELIEF

Tax losses incurred in any one year and which cannot be set off against other profits of the same year, can be carried forward and set off against future profits for an indefinite period of time. This provision applies for all unutilised tax losses for the years 1997 and after*.

Relief in respect of group trading losses is allowed among Cyprus tax resident companies which are members of the same group for the whole year*.

Group is defined as either:

- One company holding directly or indirectly 75% of the shares of another company or
- One company holding directly or indirectly at least 75% of the voting shares of two or more companies

Only current year group trading losses can be surrendered from one company of the group to another.

Losses of a sole trader or a partnership business converted into a limited liability company can be set off against future profits of the company.

Losses from a permanent establishment abroad can be set off with profits of the company in Cyprus. Subsequent profits of an exempt permanent establishment abroad are taxable up to the amount of losses allowed.

***Amendments to the Income Tax Law**

On 24 May 2012, following amendments to the Income Tax Law, as from 1st January 2012, where a subsidiary company is incorporated by parent company during a specific tax year, the subsidiary company will be considered as being member of the group for the whole tax year and therefore will be able to claim group relief for that tax year.

As from tax year 2012, tax losses may be carried forward and be set-off against taxable income for a period of 5 years.

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