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CONTACT US

80, ARCH. MAKARIOS III AVENUE
5TH FLOOR - 1077 NICOSIA
TEL.: +357 22875755
INFO@FLEXI-GROUP.NET
WWW.FLEXI-GROUP.NET

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PROFESSIONAL LICENSE FEE TO BE IMPOSED ON LEGAL ENTITIES BY CYPRUS MUNICIPALITIES AS FROM 2021

On 13 October 2020 the Executive Committee of the Union of Cyprus Municipalities decided on the adoption of a uniform policy for the imposition of the annual professional license fee to legal entities who carry on any business, trade or profession within each municipality's limits. The power to impose an annual professional license fee to each legal entity that carries on any business, trade or profession within a municipality's limits is given by articles 104 -109 of the Municipalities Law No.111/1985.

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For the above purpose legal entities are classified into the following categories:

- Active legal entities that are part of a group of companies;
- Active legal entities that are not part of a group of companies (working independently);
- Dormant legal entities – notwithstanding if they are part of a group of companies or not (for the purpose of being sold for an immediate activation).

We provide below the relevant provisions which govern the uniform policy:

1. Professional License Fee

The below table shows the fee that will be levied to each category of legal entity:

Category of Legal Entity	Professional License fee (per legal entity)
Active legal entities that are part of a group of companies	EUR150
Active legal entities that are not part of a group of companies	EUR250
Dormant legal entities	Not Applicable

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In order for a legal entity to be considered as part of a group of companies, a confirmation must be submitted to the respective municipality by the entity's accountant/auditor, providing information for the entity's group structure, including the respective shareholding percentage of each legal entity within the group.

2. Dormant Companies

A dormant company is considered a company that meets the conditions defined in Circular 2014/2. In order to be classified as dormant and be exempted from the professional license fee, such company must submit specific information to the respective municipality.

3. Exemptions

Exemptions apply in case the status of the active legal entity is not line with the Registrar of Companies records or any other records. In such cases, an objection can be filed to request an exemption from the payment of the professional license fee. Examples of such cases is where the legal entity is under a compulsory or voluntary liquidation or under strike off procedure.

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