

Cyprus enacts amendments to General Healthcare System Law, Settlement of Overdue Social Contribution Law and VAT Law

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On 27 March 2020, the Cypriot Parliament voted and approved amending laws with respect to the General Healthcare System Law, Settlement of Overdue Social Contribution Law and the Value-Added Tax (VAT) Law. For background on these amending laws, see EY Global Tax Alert, [Cyprus announces Government Support Program to address effects of COVID-19](#), dated 19 March 2020.

These amending laws will be effective as of the date of their publication in the *Official Gazette* of the Republic.

General Healthcare System Law (GHS Law)

The purpose of the amending GHS Law is to enact one of the measures in the Government Support Program to tackle the effects of COVID-19. Given the amending law, the reduced contributions rates to the General Healthcare System (GHS) that were applicable during Phase A of GHS will apply for all of the categories set out in the below table, for the months of April, May and June 2020. It is noted that the increased contribution rates applicable for Phase B of GHS will apply for the months of March 2020 and as of July 2020 (inclusive) onwards.

Accordingly, the GHS contribution rates are:

		March 2020	April - June 2020	July 2020 onwards
(a)	Employees	2.65%	1.70%	2.65%
(b)	Employers	2.90%	1.85%	2.90%
(c)	Self-employed	4.0%	2.55%	4.0%
(d)	Pensioners	2.65%	1.70%	2.65%
(e)	Every person who holds or exercises an office	2.65%	1.70%	2.65%
(f)	Persons responsible for paying the emoluments of an officer	2.90%	1.85%	2.90%
(g)	Persons earning income such as rental, dividend and interest income	2.65%	1.70%	2.65%
(h)	The consolidated fund of the Republic on the emoluments and pensions of the persons referred to in (a), (c), (d) and (e) above	4.70%	1.65%	4.70%

Settlement of Overdue Social Contribution Law (SOSC Law)

The purpose of the amending SOSC Law is to amend Article 7(3) of the SOSC Law so that individuals and companies who have regulated the payment of their overdue social contributions in instalments can defer relevant payments that are due for the months of March and April 2020 by extending the agreed repayment period by two months.

VAT Law

Subsequent to the initial announcement of various VAT measures, the final shape of amending VAT legislation provides for temporary VAT payment deferral to 10 November 2020 applicable for:

- ▶ The majority of entities (except from the list of sectors that have been expressly excluded in the amending law) regardless of turnover volume, total outputs or their respective decreases
- ▶ VAT quarters December 2019 - 29 February 2020, January - March 2020 and February - April 2020
- ▶ The deferrals apply as long as those entities timely submit their VAT returns for the above quarters, i.e., by 10 April, 10 May and 10 June 2020 accordingly

The aforesaid deferral suspends the additional 10% tax penalty, interest and criminal sanctions on VAT payable for taxable persons promptly submitting their VAT returns and arranging settlement by 10 November 2020.

Major Excluded Sectors (see accompanying economic activity coding found in VAT Registration Certificate for confirmation) from VAT payment deferral are:

- ▶ Electricity Production & Water Distribution (35111 & 36001)
- ▶ Groceries - Food supermarkets & Kiosks - Mini-market (47111 & 47112)
- ▶ Pharmacies (47731)
- ▶ Retail multi-stores where food, drink, smoking items not predominant (47191)
- ▶ Internet & Satellite & telecommunications Services (61201,61301,61901)
- ▶ Retail Computing, peripheral and software trading (47411)
- ▶ Retail Fuel trading (47301)

All Excluded Economic Activity codes from VAT payment deferral are:

35111, 36001, 47111, 47112, 47191, 47211, 47221, 47221, 47231, 47241, 47242, 47301, 47411, 47611, 47621, 47651, 47731, 61101, 61301, 61901.

Proposed legislation on a reduction of VAT rates was withdrawn.

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