

Cyprus' Tax Authority issues clarification note regarding bilateral CAA with US

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On 4 September 2020, the Cypriot Tax Department [publicly announced](#) that the bilateral Competent Authority Agreement (CAA) for the exchange of Country-by-Country (CbC) reports between Cyprus and the United States (US), which is still under negotiation, is expected to be effective for Reporting Fiscal Years (RFYs) starting on or after 1 January 2020.

Consequently, the secondary filing mechanism for a Cypriot Constituent Entity (CE) of a multinational enterprise group with a US tax resident Ultimate Parent Entity (UPE) is triggered for RFYs starting on or after 1 January 2019, but before 1 January 2020.

Accordingly, a Cypriot CE whose UPE is a tax resident in the US will be required to proceed with a local filing of the CbC report in Cyprus for its RFY ending on 31 December 2019, even if a CbC report has or will be submitted in the US.

The Cypriot Tax Department has further noted that in cases where notifications have already been filed in Cyprus by Cypriot CEs for RFYs starting on or after 1 January 2019 and before 1 January 2020, such notifications must be revised accordingly if they are affected by the announcement. If such notifications are revised before 31 December 2020, no penalties will be imposed.

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