

Tax Agenda Cyprus

April 2022



No.	Fact	Action	
1	<p>Reverse Hybrid Rules</p> <p>Reverse hybrid rules in line with the Anti-Tax Avoidance Directive II are effective as of 1 January 2022</p>	Assess existing arrangements in order to determine possible consequence of reverse hybrid rules.	● ○ ○
2	<p>E-commerce VAT Rules</p> <p>The new VAT rules for e-commerce in B2C regime entered into force on 1 July 2021 across all EU member states See more. In Cyprus, the amendments were introduced in the local legislation on 6 December 2021 with a retrospective effect.</p>	Entities with digital offerings should evaluate VAT implications and ensure compliance with e-commerce rules in place as applicable from July 2021.	● ○ ○
3	<p>Civil Registry and Migration</p> <p>Following the relevant decision of the Council on Ministers dated October 15th, 2021, revised criteria apply for employment at International Business Companies, as of January 2022.</p>	<p>The most important of the revised criteria are as follows:</p> <ol style="list-style-type: none"> Amendment of the International Business Companies (IBC) policy for Companies that will be part of the newly established Business Facilitation Unit - main changes: <ul style="list-style-type: none"> Required minimum salary is now €2500 per month, up from €2000 Required minimum employment contract duration is now 2 years, up from one year 	● ○ ○



● Compliance ○ Risk management ○ Cash-flow / ETR impact

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4	<p>Mandatory Disclosure Regime</p> <p>Certain cross-border transactions/arrangements may be subject to the reporting under the Cyprus MDR rules implementing DAC6. Non-compliance entails significant financial penalties and reputational repercussions. The grace period during which no penalties will be imposed by the tax authorities was extended to 31 January 2022 - See more. As of 1 January 2022, DAC6 disclosures shall be made within a 30 calendar days timescale from the occurrence of specific trigger events.</p>	<p>Disclose reportable transactions to the tax authorities in accordance with MDR obligations by 31 January 2022.</p> <p>Assess cross-border arrangements from a MDR perspective. Evaluate the impact of MDR measures both on a group and at an entity level and assess the need to introduce new policies or procedures. In addition, businesses should consider the use of technology solutions and enablers to help comply with MDR obligations.</p>	
5	<p>Withholding Tax on outbound payments of interest, dividend and royalty</p> <p>Withholding tax on outbound payments of interest, dividends and royalties made to companies registered/resident in jurisdictions listed by the EU as non-cooperative jurisdictions on tax matters. Effective as of 31 December 2022.</p>	<p>Review compliance with the requirements of the new law on outbound payments of interest, dividends and royalties</p>	
6	<p>Amendment to the definition of corporate tax residency</p> <p>Introduction of the incorporation test - a company which is incorporated or registered in Cyprus, and its management and control is exercised outside Cyprus, should be considered a resident of Cyprus for tax purposes unless it is a tax resident in another country. This test should be in addition to the management and control test aiming to capture the so-called stateless companies. Effective as of 31 December 2022.</p>	<p>Review compliance with the expanded definition of corporate tax residency.</p>	
7	<p>Country-by-Country reporting (CbCR)</p> <p>The deadline for submission for local Country-by-Country reporting (CbCR) under the so-called secondary filing mechanism (including Equivalent reporting) for the year 2020 was extended to 31 January 2022 (from 31 December 2021).</p>	<p>Cypriot entities with CbCR requirement to review compliance with the upcoming deadline.</p>	
8	<p>Green Taxes updates</p> <p>As part of the Cyprus's recovery and resilience plan, a number of green taxes are planned to be implemented i.e. Introduction of carbon tax for fuels used in the sectors of the economy that do not fall under the EU Green house gas Emissions Trading System, Gradual Introduction of a levy on water and Introduction of a charge on household/landfill waste.</p>	<p>Businesses should monitor the legislative proposals of such new green taxes and understand the impact on their business as well as any compliance obligations.</p>	

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9	<p>European Securities and Markets Authority Guidelines</p> <p>The Cyprus Securities and Exchange Commission has adopted the Guidelines of the European Securities and Markets Authority on Outsourcing to Cloud Services Providers.</p>	<p>Firms / Companies that must review and amend their existing cloud outsourcing arrangements and follow the new Guidelines by 31 December 2022.</p> <p>Include: alternative investment fund managers (AIFMs), management companies of collective investment schemes (ManCos), trade repositories and investment firms (CIFs).</p>
10	<p>Register of Ultimate Beneficial Owners</p> <p>The Registrar of Companies in Cyprus has adopted the new legislation regarding the Register of UBO's. All Cyprus Companies have the obligation to comply with this regulation and to report the Ultimate Beneficial Owners to the Registrar of Companies. The deadline for the initial reporting was extended to 31 July 2022.</p>	<p>Businesses should ensure compliance with the new filing obligations by July 2022.</p>
11	<p>New requirements on companies established as VCIC</p> <p>The Companies Law has introduced amendments relating to entities as VCIC relating to their Memorandum and Articles of Association, share capital (issuance/ conversion), redemption of shares and preparation of financial statements.</p>	<p>Entities established as Variable Capital Investment Companies must submit a special resolution to the RoC by 05 November 2022, with which the VCIC amends its Memorandum and Articles of Association to be compliant with the provisions of the new Part XA of the Companies Law.</p>

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