

Tax Agenda Cyprus

July 2022



No.	Fact	Action
1	<p>Transfer Pricing</p> <p>Cyprus is expected to introduce Transfer Pricing rules and documentation requirements in 2022. The proposed legislation is expected to be broadly in line with the OECD TP Guidelines and will require domestic and international intra-group transactions to be documented into a Local TP file.</p>	<p>Develop a thorough understanding of the upcoming new TP documentation rules and requirements of your group and proactively proceed with the preparation of a local TP file.</p>
2	<p>EU Amendments on VAT rates</p> <p>On 05 April 2022, the European Council adopted Council Directive (EU) 2022/542 which introduces reforms to currently applicable VAT rates. Annex III of the EU VAT Directive indicating the goods and services that can be subject to reduced VAT rates was updated to include among others digital services, goods/equipment for the protection of public health, items that have a positive impact on EU's climate change and diverse products and services deemed appropriate and useful by Member states which are driven by the general interest of public policy objectives.</p> <p>According to the new rules, Member States will:</p> <ul style="list-style-type: none">▶ Continue to apply a standard rate of VAT above 15%.▶ Be able to apply two reduced rates as low as 5% to goods and services included in the Annex III of the Directive.▶ Be able to apply one reduced rate lower than 5% and one exemption ('zero rate') to a maximum of seven categories on the list considered to cover basic needs, such as foodstuffs, medicines, pharmaceutical products.	<p>Businesses should monitor any legislative amendments on VAT rates as they may have a great impact on their business affairs/VAT Compliance obligations.</p>

Use text boxes above the timeline to plan your actions for coming months

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

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3	<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>	<p>Entities with digital offerings should evaluate VAT implications and ensure compliance with e-commerce rules in place as applicable from July 2021.</p> 
4	<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: 1. Amendment of the International Business Companies (IBC) policy for Companies that will be part of the newly established Business Facilitation Unit – main changes:</p> <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 
5	<p>Mandatory Disclosure Regime</p> <p>On 17 March 2022, the Cypriot Tax Department published a list of Frequently Asked Questions (FAQs) on its website, providing further clarifications and practical insights regarding the interpretation of key terms and provisions of the Cypriot Mandatory Disclosure Rules (MDR) Law and further elaborating on the content of the Cypriot MDR guidelines - See more.</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> 
6	<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> 
7	<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> 
8	<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> 
9	<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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10	<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. Include: alternative investment fund managers (AIFMs), management companies of collective investment schemes (ManCos), trade repositories and investment firms (CIFs).</p>
11	<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>
12	<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>
13	<p>Common Reporting Standard (CRS) and Foreign Account Tax Compliance Act (FATCA)</p> <p>The deadline for submission, by financial Institutions, of their annual CRS and FATCA reports in relation to the reporting period from 1 January 2021 to 31 December 2021 is the 30 June 2022 .</p>	<p>Cypriot entities falling within the definition of Cyprus Reporting Financial Institution for CRS and FATCA should review compliance with the upcoming deadline.</p>

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