

Tax Agenda Cyprus







January 2023








No.	Fact	Action
1	<p>2022 Provisional tax payment (final instalment)</p> <p>As per the Assessment and Collection of Taxes Law, every company or individual (who derives income other than from emoluments) must pay by 31 July 2022 and 31 December 2022 an estimate of the taxable profit for (corporate) income tax purposes (two provisional tax instalments per tax year).</p> <p>It is relevant to note that the Commissioner has confirmed that no interest or penalties shall be imposed in cases where a company was incorporated within the period from 31 July to 31 December in a specific calendar year and has not paid any Temporary Tax instalments.</p>	<p>Taxpayers should assess whether a revised provisional tax instalment should be made by 31 December 2022 (either upwards or downwards) in order to manage the 10% additional tax which applies in cases where the said provisional tax instalments are less than the 75% of the annual corporate tax liability.</p>
2	<p>Amendment on the sale of "new" buildings - Schedule 8 Cyprus VAT Law</p> <p>According to the new order applicable from 11 November 2022 the sale of "new" buildings will be subject to VAT provided that:</p> <ol style="list-style-type: none"> I. An application for a planning and/or buildable permit was filed with the authorities after 1 May 2004. II. The sale is made within a period of 5 years from the date of complete erection of the building. III. Within the 5 years period noted in (II), the building was not used systematically by a non-related party for a period of at least 2 years. 	<p>Taxpayers should ensure compliance with new VAT Law requirements applicable from 11 November and evaluate input VAT recovery restrictions and output VAT payment.</p>

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

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

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3	<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 or resident in jurisdictions listed by the EU as non-cooperative jurisdictions on tax matters. Effective as of 31 December 2022.</p>	Review compliance with the requirements of the new law on outbound payments of interest, dividends and royalties.	
4	<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>	Review compliance with the expanded definition of corporate tax residency.	
5	<p>Country-by-Country reporting - Bilateral Agreement with the US</p> <p>The Cypriot Tax Department has 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 2022.</p>	Accordingly, a Cypriot Constituent Entity (CE) whose Ultimate Parent Entity (UPE) is a US tax resident, will have an obligation to proceed with the filing of the CbC report locally in Cyprus for its RFY ending on 31 December 2021, even if a CbC report has been or will be submitted in the US.	
6	<p>Country-by-Country reporting - notification deadline</p> <p>In accordance to the Cypriot tax legislation, as of 1 January 2016, each constituent entity of a Multinational Group with consolidated revenue exceeding Euro 750 million that is tax resident in Cyprus must file a notification for Country-by-Country (CbC) Reporting purposes with the Cypriot Tax Department containing the identity and tax residence of the Ultimate Parent Entity and the Reporting Entity of the Multinational Group.</p>	The filing of the notification for fiscal year 2022 is due by the last day of the Group's Reporting Fiscal Year End (i.e., by 31 December 2022 for Multinational Groups with a 31 December Reporting Fiscal Year End).	
7	<p>Transfer Pricing (TP)</p> <p>Cyprus introduced Transfer Pricing rules and documentation requirements effective as of 1 January 2022. The legislation is broadly in line with the OECD TP Guidelines and requires domestic and cross-border intra-group transactions to be documented for Cypriot TP purposes. The TP documentation files include Local and Master file as well as the Summary Information Table.</p>	Develop a thorough understanding of the new TP documentation rules and assessment of the impact of the new transfer pricing requirement for your group.	
8	<p>Green Taxes updates</p> <p>As part of the Cyprus green taxation reform, a number of environmental taxes are under consultation:</p> <ol style="list-style-type: none"> Introduction of taxes to combat air pollution & climate change, i.e., Carbon (applicable on top of excise duties). Introduction of taxes to combat water pollution (i.e., increase in water tariffs). Introduction of taxes to enhance management and circular economy, i.e.: landfill tax, tourism tax and Pay as You Throw scheme for citizens 	Businesses (and citizens) should monitor the legislative proposals of such new green taxes and understand their impact as well as any compliance obligations.	

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9	<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> 
10	<p>Register of Ultimate Beneficial Owners (UBO)</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.</p>	<p>Businesses should ensure compliance with the new filing obligations which include:</p> <ol style="list-style-type: none"> 1. For existing companies incorporated before 12 March 2021, the deadline for the initial reporting to the interim solution was end of July. The Registrar will not impose any penalties for now, until the final solution is available. 2. For new incorporated Companies incorporated after 12 March 2021, initial reporting should be done within 30 days from incorporation date. 3. Companies that had changes in their shareholders need to report within 14 days. 4. Annual confirmation (more details to be provided by the Registrar). 
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 or 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> 
12	<p>Introduction of a super R&D deduction for years 2022-2024</p> <p>The Cypriot Income Tax Law has been amended to grant a new increased deduction on research and development expenses for the years 2022, 2023 and 2024. Eligible research and development expenses that will be deducted from the taxable income of the economic owner of the IP assets will equal to 120% of the actual R&D expenses incurred.</p>	<p>Taxpayers should examine whether the new increased deduction can be availed to them and explore potential tax efficiencies.</p> 
13	<p>Amendment of 20% exemption -Article 8(21) of the Income Tax Law</p> <p>The article 8(21) has been amended and the provisions of the 20% exemption are now applicable for employment which commenced up until the 26 July 2022. Read more: TaxLegi 28.07.2022 EY - Cyprus</p>	<p>Employers should ensure compliance with the amended provisions so as to withhold the correct pay-as-you-earn (PAYE) tax.</p> 

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14	<p>Introduction of a new 20% exemption -Article 8(21A) of the Income Tax Law</p> <p>New provisions have been introduced which provide for a 20% tax exemption or €8,550, whichever is the lower, for remuneration derived from “first employment” in Cyprus by a person who was employed outside Cyprus for an employer not resident in Cyprus for three consecutive years prior to the commencement of his employment in Cyprus. The exemption is granted for seven tax years following the year of employment in Cyprus and applies to “first employment” which commenced in Cyprus during the period 26 July 2022 and 31 December 2027. Read more: TaxLegi 28.07.2022 EY - Cyprus</p>	Employers should ensure compliance with the new provisions of the law so as to withhold the correct pay-as-you-earn (PAYE) tax.	● ● ●
15	<p>Amendment of 50% exemption—Article 8(23) of the Income Tax Law</p> <p>The article 8(23) has been amended and the provisions of the 50% exemption are now applicable for employment which commenced up until 26 July 2022. Read more: TaxLegi 28.07.2022 EY - Cyprus</p>	Employers should ensure compliance with the amended provisions so as to withhold the correct PAYE tax.	● ●
16	<p>Introduction of new 50% exemption - Article 8(23A) of the Income Tax Law</p> <p>New provisions have been introduced which refer to the application of the 50% tax exemption for remuneration from first employment which is exercised in Cyprus by a person who was resident outside Cyprus for a period of at least 10 consecutive years prior to the commencement of his employment in Cyprus and the first employment in Cyprus commenced after 1 January 2022.</p> <p>The tax exemption is granted for a period of seventeen tax years, and is granted in any year in which the remuneration from employment in Cyprus exceeds €55,000 annually.</p> <p>Certain provisions have been introduced in order the 50% tax exemption to be available for employments which commenced in Cyprus during the years 2016-2021 (subject to conditions). Read more: TaxLegi 28.07.2022 EY - Cyprus</p>	Employers should ensure compliance with the new provisions of the law so as to withhold the correct PAYE tax.	● ●
17	<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. 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.	● ● ●
18	<p>Civil Registry and Migration</p> <p>Following the relevant decision of the Council of Ministers dated 15 October 2021, revised criteria apply for employment at International Business Companies(IBC), as of January 2022.</p>	<p>The most important of the revised criteria are as follows:</p> <ol style="list-style-type: none"> 1. Amendment of the 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 	● ● ●

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19	<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 or equipment for the protection of public health, items that have a positive impact on EU's climate change, diverse products and services deemed 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 and VAT Compliance obligations.</p>



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