

Tax Agenda Cyprus

January 2024



No.	Fact	Action	
1	<p>Cyprus issues draft legislative proposal on Pillar Two global minimum tax</p> <p>On 3 October 2023, the Ministry of Finance of Cyprus issued a draft legislative proposal on Pillar Two global minimum tax. The draft legislative proposal is aimed at helping Cyprus implement Pillar Two global minimum tax rules. Read more: Cyprus issues draft legislative proposal on Pillar Two global minimum tax (ey.com)</p>	<p>Taxpayers which may be affected by the Pillar Two rules should closely monitor new developments on the matter.</p>	● ● ●
2	<p>Company Income Tax Return Form (TD4) for year 2022 released by the Cypriot Tax Department</p> <p>On 28 August 2023, the Cypriot Tax Department announced that the Income Tax Return template for companies for the tax year 2022 has been released on Taxisnet and is available for submission.</p>	<p>Taxpayers should submit TD4 form by 31 March 2024. Taxpayers should ensure that their transfer pricing documentation (e.g., Local TP file) for year 2022 is prepared by the filing deadline.</p>	●
3	<p>Cyprus enacts Administrative Cooperation in the Field of Taxation Law (Amendment) 2023, implementing DAC7</p> <p>On 20 October 2023, Cyprus passed an amendment to the Administrative Cooperation in the Field of Taxation Law implementing the provisions of the EU Directive for Administrative Cooperation which requires the automatic and mandatory exchange of information reported by so-called Platform Operators. The first reports should be filed with the Cyprus Tax Authorities no later than 31 January 2024. Read more: TaxLegi 1.11.2023 EY - Cyprus.</p>	<p>Affected businesses need to assess whether they are impacted by the provisions of DAC7 and if so, take necessary actions such as registering with the Cyprus Tax Authorities and submitting the relevant reports before the 31 January 2024 deadline.</p>	● ●
4	<p>Update of EU list of non-cooperative jurisdictions may trigger withholding tax and other implications</p> <p>On 17 October 2023, the European Union (EU) Finance Ministers approved the revised list of non-cooperative jurisdictions (EU List). Specifically, three jurisdictions have been added to Annex I of the EU List, i.e., Antigua and Barbuda, Belize and Seychelles. At the same time, three jurisdictions were removed from the list: British Virgin Islands, Costa Rica and Marshall Islands. Read more: Update of EU list.</p>	<p>Taxpayers that have transactions with non-cooperative jurisdictions should consider the updated EU List for withholding tax and other reporting obligations.</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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5	VAT exemption on educational services now extended to services granted by certified HRDA trainers On 13 October 2023, schedule 7 of the Cyprus VAT law has been amended to include as VAT exempt services educational services provided by certified trainers and/or training centers accredited by the Cyprus Human Resources Development Authority (HRDA).	Businesses and/or trainers engaged in these types of services must ensure the issuance of exempt VAT invoices for such educational trainings and consider the effect of the amendment to their input VAT recoverability right.	
6	Extension to the temporary application of Zero VAT rate (0%) on selected foods and socially significant products On the 13 September 2023, the Cyprus Council of Ministers approved the application of zero (0%) VAT rate on selected food and socially essential products for the period from 1 November 2023 up to 30 April 2024. Certain products were already subject to the zero (0%) VAT rate from a previous temporary order (i.e., started in May 2023 and ending 31 October 2023.) but new products are also included in the new order. Read more: TaxLegi 10.8.2023 EY - Cyprus	Affected Businesses need to carry out a stock counting (by the end of the business day before the change in the VAT rate) of their products to be placed under the 0% VAT.	
7	EU Carbon Border Adjustment Mechanism enters into force on 1 October 2023 The first transitional period of the Carbon Border Adjustment Mechanism (CBAM) regulation entered into force on 1 October 2023. The regulation provides that businesses importing specific goods are subject to carbon pricing. Read more: TaxLegi 26.4.2023 EY - Cyprus	Considering the new regulation, businesses must prepare for the relevant reporting obligations and should also start looking into how the new legislation and the related payment obligations will affect their daily operations, costs and sales prices.	
8	Extension of the EU Emissions Trading System to maritime transport from 2024 The EU ETS Amending Directive 2023 amends the Main EU ETS Directive to also include/cover emissions from maritime transport activities. (i.e., emissions caused by ships carrying cargo or passengers for commercial purposes).	Shipping companies covered by the EU ETS must review the new legislation so as to be compliant with their new obligations and take all necessary business steps for its application (i.e., adaption of contract(s), update of ships monitoring plans, monitor greenhouse gas emissions, preparation of emission reports etc.)	
9	Tax treatment of income received from renting out via online platforms, self-service resorts The Cypriot Tax Department issued a circular (Circular 10/2023) on 13 September 2023, which clarifies the tax treatment of income received from properties rented out, via online platforms (e.g. Airbnb, Booking) or a website, as self-service resorts which are registered with the Deputy Ministry of Tourism.	Taxpayers who earn such rental income should confirm their current tax treatment.	
10	Russia suspends main provisions of double tax treaties with state designated by the Russian Federation as 'unfriendly', including Cyprus On 8 August 2023, Russia published the Presidential Decree No. 585 "On the Suspension of the Validity of Certain Provisions of International Treaties of the Russian Federation on Taxation Issues" (the Decree). The Decree suspended certain main articles of 38 double tax treaties concluded by Russia with state designated by the Russian Federation as 'unfriendly', including Cyprus. Read more: TaxLegi 10.8.2023	Taxpayers which have relevant arrangements that could be affected by the Decree should become familiar with it.	

Transfer pricing (TP)

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 a Local and Master file as well as the Summary Information Table.

On 10 February 2023, the Cyprus Tax Authority released a set of FAQs which address a number of aspects relating to the application of the new TP legislation that is effective as of 1 January 2022. One of the main points addressed relates to the abolishment of the Interpretive Circular 3 (dated 30 June 2017) on back-to-back financing arrangements. The abolishment is effective as from 1 January 2022.

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On 6 July 2023, the Tax Department issued a tax circular (the Circular) introducing simplification measures for various types of intercompany transactions thus effectively introducing certain safe harbor rates. The simplification measures apply to transactions with a value less than €750,000 per annum (the threshold is applied on an aggregate basis per category of transaction). The Circular also provides guidance regarding the minimum documentation requirements for transactions falling under the simplification measures.

The introduction of simplification measures may have DAC6 /MDR implications. More specifically, the simplification measures may constitute a "unilateral safe harbor" for the purposes of the relevant DAC6 legislation. If there is a cross-border arrangement involving the use of "unilateral safe harbour rules", this may be considered as a reportable cross-border arrangement for the purposes of Hallmark E1.

On 7 July 2023, the Tax Department issued a tax circular taking the position that as of 2023 tax year, the Comparable Uncontrolled Price is the preferred method for documentation. Moreover, as per the circular, the use of any other method can only be accepted in exceptional circumstances and provided certain conditions are met.

Develop a thorough understanding of the new TP documentation rules and assessment of the impact of the new transfer pricing requirement for your group.

It is important to review the FAQ here [TaxLegi 22.2.2023 | EY - Cyprus](#).

Taxpayers considering to apply any of the simplification measures should ensure the eligibility and application of such measures, while adequate documentation should be maintained to ensure their compliance.

Moreover, taxpayers should also consider the DAC6 implications, considering that the application of simplification measures may trigger the reportability of a cross-border arrangement for the purposes of Hallmark E1.

For more information, please review our Tax Alert on the matter [here](#).

**Update on Social Insurance Contributions**

As of 1 January 2024, the Social Insurance Contribution rates for each of the employer and the employee are increased by 0,5% and for self-employed individuals by 1%.

The below summarizes the contribution rates which are applicable for the year 2024:

▸ Self-employed individuals	16,6%
▸ Employee's contribution	8,8%
▸ Employer's contribution	8,8%
▸ Employer's contribution to the Redundancy Fund	1,2%
▸ Employer's contribution to the Human Resource Development Authority Fund	0,5%
▸ Employer's contribution to the Social Cohesion Fund	2%

The below summarizes the Maximum limit of emoluments for 2024:

- Weekly employees €1.209 with maximum yearly limit €64.077
- Monthly employees €5.239 with maximum yearly limit €62.868

Self-employed individuals, employees and employers should review the relevant rates and ensure compliance as of 1st January 2024.

Read more: [TaxLegi 1.12.2023 | EY - Cyprus](#)



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13	<p>Temporary application of Zero VAT rate (0%) on meat and vegetable products</p> <p>On 17th November 2023, the Cyprus Council of Ministers approved the temporary application of zero (0%) VAT rate on certain meat and vegetable products.</p>	<p>Affected Businesses need to carry out a stock take of their products to be placed under the 0% VAT.</p> 
14	<p>Updates on the new legislation and process for naturalization of foreign nationals</p> <p>On the 30th of November, the House of Representatives approved the Amendment of the Civil Registry Law in an effort to modernize the existing legislation framework regarding qualifications and criteria for the naturalization of foreigners and to strengthen the control and the conduct of due diligence by the Civil Registry and Migration Department.</p> <p>Read more: TaxLegi 1.12.2023 EY - Cyprus</p>	<p>Relevant individuals should become familiar with the updates to the new legislation and how these may affect them.</p> 
15	<p>Contribution of 0.4% levy to the Central Agency for the Equal Distribution of Burdens</p> <p>The Cypriot Tax Authorities issued certain announcements stating, inter alia, that the 0,4% transfer levy in relation to transfers of immovable property situated in Cyprus and transfers of unlisted shares which directly or indirectly own immovable property situated in Cyprus made during the period 22 February 2021 to 18 November 2022 is payable without interest and penalties up until 31 March 2024.</p>	<p>Taxpayers with relevant disposals should be aware of the relevant announcements.</p> 
16	<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> <p>The tax authorities are in the process of issuing a tax circular with respect to the new withholding tax provisions.</p>	<p>Review compliance with the requirements of the new law on outbound payments of interest, dividends and royalties. Affected taxpayers should monitor for any new guidance on this matter.</p> 
17	<p>Green Taxes updates</p> <p>As part of the Cyprus green taxation reform, a number of environmental taxes are under consultation:</p> <ul style="list-style-type: none"> ▶ Introduction of taxes to combat air pollution and 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 	<p>Businesses (and citizens) should monitor the legislative proposals of such new green taxes and understand their impact as well as any compliance obligations.</p> 
18	<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> 

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