

Tax Agenda Cyprus

May 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.</p> <p>The global minimum tax rules set out in the relevant directive were expected to be transposed into the domestic legislation of the EU Member States and be in effect as of 31 December 2023. Cyprus has not yet transposed the rules into the domestic legislation but is expected to do so in the next couple of weeks with a retroactive effect as of 31 December 2023.</p> <p>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 so as to ensure compliance with the new legislation.</p>	<p>● ● ●</p>
2	<p>Special Defense Contribution rate on interest income</p> <p>On 6 December 2023, the Cypriot House of Representatives approved an amendment to the Special Defence Contribution (SDC) Law. The SDC rate applicable to passive interest income earned by Cypriot tax resident companies and Cypriot tax resident and domiciled individuals has been reduced from 30% to 17% as of 1 January 2024.</p> <p>Read more: TaxLegi 1.12.2023 EY - Cyprus</p>	<p>Relevant persons should become aware of this reduction in the SDC rate.</p>	<p>● ●</p>
3	<p>Extension of the deadline for the submission of the 2022 Income Tax Return for taxpayers with a Summary Information Table reporting obligation</p> <p>The extension of the deadline for the submission of the 2022 Income Tax Return (Form TD4) until the 30 November 2024. The extension is available only for persons who have an obligation to submit a Summary Information Table. The summary information table should reflect high-level information about the taxpayer's annual intercompany transactions, including details of the counterparties, category of intercompany transactions entered into, and amount per transaction category.</p>	<p>Submission of the 2022 Income Tax Returns (Form TD4) by 30 November 2024 for taxpayers with an obligation to submit a Summary Information Table.</p>	<p>● ● ●</p>



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

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4	<p>Cyprus Tax Authority publishes 10-year government bond yield rates for NID purposes</p> <p>On 7 March 2024, the Cypriot Tax Department issued an announcement that lists the 10-year government bond yield rates as of 31 December 2023 for a number of countries with respect to the Notional Interest Deduction (NID) on equity.</p> <p>The relevant announcement: 10year government bond yiend rates as at 31122023.pdf (mof.gov.cy)</p>	<p>Taxpayers should use the yield rates to determine the reference interest rate for claiming NID for the 2024 tax year.</p> 
5	<p>New Cyprus Tax Treaties with the Netherlands and Croatia effective as of 1 January 2024</p> <p>The tax treaty between Cyprus and the Netherlands entered into force on 30 June 2023 and is effective as of 1 January 2024, and the tax treaty between Cyprus and Croatia entered into force on 28 December 2023 and is effective as of 1 January 2024.</p> <p>Read more: Cyprus Tax & Legal considerations for the year ahead EY - Cyprus</p>	<p>Taxpayers which have relevant arrangements that could be affected by the treaties should become familiar with their provisions.</p> 
6	<p>Cyprus Tax Calendar: Upcoming compliance requirements</p> <p>There are several deadlines that taxpayers need to be mindful of.</p>	<ul style="list-style-type: none"> ▶ Submission of employer's return for 2023 by 31 May 2024 ▶ Payment of contributions to the Defence Fund and contributions to the General Healthcare System (GHS) withheld on rents paid during the first semester by 30 June 2024 ▶ Payment of contribution to the Defence Fund and GHS on Rental, Dividend and Interest income received from sources outside of Cyprus during the first half of the current year by 30 June 2024 
7	<p>Central Electronic System of Payment information (CESOP)</p> <p>Council Directive (EU) 2020/284 alongside Council Regulation (EU) 2020/283 introduced new recording and reporting obligations for payment service providers providing payment services within the EU, applicable as of 1 January 2024.</p> <p>On 26 February 2024, the Cypriot Tax Department published the relevant law which transposed CESOP into local legislation and stipulated the penalties for not complying with the CESOP regulations. Furthermore, the Value Added Tax (Obligations of Payment Service Providers) Regulations of 2024 were also published. The relevant regulations provide for, inter alia, CESOP definitions, record retention requirements, reporting thresholds and information to be reported. The regulations are effective from 1 January 2024.</p> <p>Read more: TaxLegi 1.12.2023 EY - Cyprus</p>	<p>Taxpayers which may be affected should become aware of the new developments on the matter.</p> 
8	<p>Cyprus Deputy Ministry of Shipping published the list of Non-Community flags appearing on the Grey and Black List of the Paris MoU</p> <p>On 1 February 2024, the Cyprus Deputy Ministry of Shipping published the list of Non-Community flags appearing on the Grey and Black List of the Paris MoU for the fiscal year 2023. The circular notes that Non-Community vessels owned, chartered, or managed by qualifying persons under the Cyprus tonnage tax regime will be subject to a 30% and 60% increase in their tonnage tax for the year for the vessel appearing on the Grey and Black List, respectively.</p>	<p>Qualifying persons under the Cyprus tonnage tax regime which may be affected, should closely monitor any new development on the matter.</p> 
9	<p>Extension of the EU Emissions Trading System to maritime transport from 2024</p> <p>The EU Emission Trading System (ETS) Amending Directive 2023 amends the Main EU ETS Directive to also include or cover emissions from maritime transport activities. (i.e., emissions caused by ships carrying cargo or passengers for commercial purposes). As of 1 January 2024, vessels over 5,000 Gross Tonnage operating within EU waters will be subject to the EU's ETS.</p> <p>The deadline to make the necessary submission to the ship managements dedicated administering authority is 40 working days after the publication of the administering authorities' attribution list (published 31 January 2024). For shipping companies not included in that list, they should make the necessary submission within 65 working days of the first voyage falling within the scope.</p>	<p>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.).</p> 

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10	<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 a Local and Master file as well as the Summary Information Table.</p> <p>On 6 July 2023, the Tax Department issued a tax circular introducing simplification measures for various types of intercompany transactions thus effectively introducing certain safe harbor rates for transactions falling below the documentation thresholds.</p> <p>On 1 February 2024, the Tax Department issued revised thresholds relating to taxpayers' obligation to prepare a Cyprus Local File for transactions falling within the ambit of Section 33 of the Income Tax Law (ITL) (i.e., intercompany transactions). The revised thresholds are applicable for the tax year 2022.</p> <p>Read more: Cyprus tax authorities issue revised thresholds for transfer pricing documentation (ey.com)</p>	<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. 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.</p>
11	<p>Green Taxes updates</p> <p>As part of the Cyprus green taxation reform, a number of environmental taxes will be implemented:</p> <ul style="list-style-type: none"> ▶ Tourism tax ▶ Carbon tax on transport ▶ Carbon tax on production ▶ Water tax ▶ Landfill tax <p>The above measures announced are subject to consultation and are expected to be implemented by the end of the calendar year.</p>	<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>
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>Change in Intrastat thresholds for 2024</p> <p>The Cyprus Tax Authorities implement, a new, higher intra-community import of goods threshold for the year 2024, which now stands at €320,000. The intra-community exports and Intrastat simplification thresholds remain the same - €75,000 for intra-union exports, and the simplification thresholds are €2,700,000 for intra-union imports and €5,800,000 for intra-union exports.</p>	<p>Businesses with intra-community import of goods should monitor if the increased threshold impacts their business operations.</p>

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14	<p>Default Interest Rate increases to 5%</p> <p>As of 1 January 2024, the default interest rate was set to 5%, (2.25% in 2023). The default interest rate, among others items, applies to payable or refundable tax amounts arising for taxpayers. Read more: Tax Department</p>	Businesses should consider the revised interest rate.	
15	<p>End to the temporary application of zero VAT rate (0%) on selected foods and socially significant products on 30 April 2024</p> <p>On 30 April, 2024, the temporary application of 0% VAT on selected foods and socially significant products will expire. The selected goods will then revert to their respective VAT rates that were in place before the introduction of the temporary application.</p>	<p>Affected businesses need to:</p> <ul style="list-style-type: none"> 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 their respective VAT rates prior to the temporary application. 	
16	<p>Submission of Withholding Taxes and Contributions Return (TD7) for the year 2024 through the TAX For All (TFA) platform</p> <p>As a result of the gradual transition to the new electronic Tax For All (TFA) platform, the Withholding Taxes and Contributions Return (TD7), for the year 2024 and onwards, will be submitted through the TFA platform and not through the TAXISnet system, as it has been the process to date.</p> <p>For the year 2024, only an annual return (TD7) will be due for submission within the year 2025, while for the following years monthly returns will also be due for submission.</p> <p>Read more: TaxLegi 29.2.2024 EY - Cyprus.</p>	<ul style="list-style-type: none"> Employers should be aware of the new submission process. 	

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