

Tax Agenda Cyprus

September 2024



No.	Fact	Action
1	<p>Cyprus issues draft legislative proposal on Pillar Two global minimum tax</p> <p>On 25 July 2024, the Ministry of Finance issued an announcement reaffirming its support and consent for the safe harbor rules under Pillar Two of the OECD Inclusive Framework on BEPS. Read more: The Republic of Cyprus provided consent under IF/OECD to the Pillar 2 safe harbour rules - gov.cy (www.gov.cy). 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 with a retroactive effect as of 31 December 2023. 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 to ensure compliance with the new legislation.</p>
2	<p>Abolishment of the Annual Company Levy</p> <p>In accordance with the Companies (Amendment) Law 2024, Law 25(I)/2024, the annual levy payable by companies registered with the Registrar of Cyprus Companies has been abolished starting from 2024 onwards. Companies that have already settled their 2024 annual fees are entitled to a refund.</p>	<p>No action for 2024 onwards, however, the annual levy for the years spanning from 2011 to 2023 will remain in effect.</p>



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

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

No.	Fact	Action
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, 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>
4	<p>Personal Income Tax Return (Form T.D.1) for the tax year 2023 is available for submission</p> <p>On 20 May 2024, the Tax Department of Cyprus announced that the Individual's Personal Income Tax Return (Form T.D.1) for the tax year 2023 is now available for electronic submission through the TaxisNet online platform.</p> <p>An extension was granted for the electronic submission of personal income tax returns for the tax year 2023, by employees, pensioners, and self-employed individuals, as well as for the payment of the due tax. The deadline for submitting the tax return for the tax year 2023 by individuals other than self-employed and self-employed who are not required to prepare audited accounts, as well as the deadline for the payment of the tax due according to the said tax return, is extended until 31 October 2024.</p> <p>Read more: TaxLegi 31.7.2024 EY - Cyprus.</p>	<p>Taxpayers should be aware of the deadline for submission and payment of any tax due.</p>
5	<p>New "Aliens and Immigration" Law Amendment, regarding the Blue Card (Directive (EU) 2021/1883)</p> <p>A new law amendment has been passed on 11 July 2024 by the House of Representatives, regarding the implementation of the EU framework for Blue Cards, a work and residence permit for non-EU highly skilled individuals that require mobility within the EU.</p> <p>It should be noted that the implementation of the new amendment will only commence after its publication to the official Gazette of the Republic, at which point the authorities responsible for the implementation will have to determine the applicable application forms and fees, exact documentation, application process, etc.</p> <p>Read more: TaxLegi 31.7.2024 EY - Cyprus.</p>	<p>Review all the recent changes on the whole process of applying for the Blue Card.</p>
6	<p>Application of amended article 8(23A) - 50% Exemption of the Income Tax Law</p> <p>On 8 July 2024, the Ministry of Finance - Tax Department, issued Circular 04/2024 "50% exemption from income tax on remuneration from employment exercised in the Republic" which relates to the amended article 8(23A) of the Income Tax Law. Specifically, the Circular provides clarifications regarding the application of the exemption in accordance with the amended article 8(23A), as published on 30 June /06/2023, of the Income Tax Law and is extended to its practical application through several examples.</p> <p>Read more: TaxLegi 31.7.2024 EY - Cyprus.</p>	<p>It is recommended that taxpayers who fall under the provisions of the amended article 8(23A) and took a position regarding their status prior to the issuance of the Circular reassess their position by taking into consideration the guidelines provided in the said circular.</p>

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7	<p>Cyprus Increases Capital Allowances for Green Expenditures</p> <p>Cyprus has extended capital allowances for capital expenditures incurred in the following areas for tax years 2023 to 2026:</p> <ul style="list-style-type: none"> ▶ Expenditure incurred for enhancing energy efficiency of buildings is eligible for a 7% allowance (previously, 3%) ▶ Expenditure incurred for technical systems aimed at improving energy efficiency of buildings, renewable energy systems and electric energy storage systems (such as batteries) is eligible for a 20% allowance (previously, 10%) ▶ Expenditure incurred for the purchase of electric vehicles is eligible for a 33.3% allowance (previously, 20%) 	<p>Taxpayers should be aware of these increased capital allowances.</p>
8	<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 Organisation for Economic Co-operation and Development (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>On 28 March 2024, the tax authorities have published additional frequently asked questions (FAQs) on their website, regarding transfer pricing. These FAQs offer more detailed guidance on the transfer pricing documentation regulations that were implemented starting from the 2022 tax year.</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>
9	<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>

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	<p>Summary Information Table</p> <p>On 20 May 2024, the Cyprus Tax Department issued a letter informing that the Summary Information Table of intercompany transactions will be available for submission as of 27 May 2024 only via the Tax For All Portal.</p>	<p>Taxpayers should be aware of the submission deadline and work closely with their tax advisors in ensuring compliance with the relevant transfer pricing documentation and reporting obligations.</p>
10	<p>An e-mail account (tpqueries@icpac.org.cy) has been created by the Institute of Certified Public Accountants of Cyprus to which taxpayers can send written comments, questions and queries in relation to the completion and submission of the Summary Information Table. These questions and answers will be grouped together and posted in the form of FAQs on the tax department's website.</p>	●
	<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.</p> <p>Read more: Tax Department.</p>	<p>Businesses should consider the revised interest rate.</p>
11		● ● ●
	<p>Extension to the temporary application of Zero VAT rate (0%) on selected foods and socially significant products up to 30 September 2024</p> <p>On 28 June 2024, the temporary application of 0% VAT on selected foods and socially significant products, which has been in effect since 01 July 2024, has been extended up to 30 September 2024.</p> <p>Read More: Decree based on Article 18(2) and 25(4).</p>	<p>Affected businesses need to carry out a stock trading of their products expected to fall under the temporary application.</p>
12		● ● ●
	<p>Withholding Taxes & Contributions Return (TD7)</p> <p>On 4 July 2024, the Cypriot Tax Department announced that for the years 2019 onwards, the submission of Form TD7 can be made up to and including 31 October 2024 with no imposition of an administrative fine.</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>	<p>Employers should be aware of the extension of the deadline for year 2023, the new submission process and the announcement for no imposition of an administrative fine for submission of TD7 Forms for years 2019 onwards.</p>
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