

## Cyprus publishes draft Mandatory Disclosure Rules

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### Executive summary

On 19 March 2019, the Cypriot Ministry of Finance (MoF) circulated a draft bill (the Bill) to transpose the European Union (EU) Directive 2018/822/EU of 25 May 2018 on the mandatory disclosure and exchange of cross-border tax arrangements (referred to as DAC6 or the Directive) into Cypriot national legislation. The Bill will amend the existing Cypriot law on Administrative Cooperation in the field of Taxation.

The Bill is subject to the MoF's public consultation procedure and public comments on the proposed draft text are requested by 19 April 2019. The Cypriot draft legislation will then be subject to the formal legislative process and is expected to be enacted into law by the end of 2019.

Official guidance is expected to be issued by the Cypriot tax authorities to provide clarification on the interpretation of specific terms and provisions of the Cypriot Mandatory Disclosure Rules (MDR) legislation. The guidance notes will be issued after the enactment of the law.

The key highlights of the Bill are as summarized below.

## Key highlights

The Bill appears to be fully aligned to the text and requirements of the Directive and does not include any additional provisions beyond those required under the Directive.

In line with the Directive, the Bill includes provisions which exempt intermediaries from the obligation to report where the reporting obligation would breach legal professional privilege (LPP). In Cyprus, the LPP applies only to lawyers admitted to the Cyprus Bar Association. If there are no intermediaries which can report, the obligation will shift to taxpayers.

The draft Cypriot MDR legislation includes proposed penalties for intermediaries and relevant taxpayers who fail to comply with their reporting obligations.

Administrative fines of up to €20,000 are expected to apply for either:

- ▶ Negligence or failure to comply with the obligations provided in the law
- ▶ Submission of incomplete or false information with respect to a reportable cross-border arrangement

## Next steps

Notwithstanding that the Cypriot MDR legislation is expected to be fully aligned to the text and the minimum requirements of the Directive, determining if there is a reportable cross-border arrangement raises complex technical and procedural issues for taxpayers and intermediaries. Taxpayers and intermediaries who have operations in Cyprus should review their policies and strategies for recording and reporting tax arrangements so that they are fully prepared for meeting these obligations.

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For additional information with respect to this Alert, please contact the following:

### **Ernst & Young Cyprus Limited, Nicosia**

- ▶ Petros Krasaris                      petros.p.krasaris@cy.ey.com
- ▶ Stavros Karamitros                stavros.karamitros@cy.ey.com

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