

CYPRUS FIDUCIARY ASSOCIATION

Accounting, Tax & VAT Issues for Corporate Administrators



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Live Online

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Why we need accounting in general?

- To understand what are the activities of the company
- To understand the financial position of a Company (Profit, Assets, Liabilities, liquidity)
- To compare its performance with last year and with other similar Cos

Who exactly needs this info & why?

Stakeholders/ users of financial statements such as:

- Shareholders – for dividends
- New investors – check profitability for investment purposes
- Suppliers – to see if the company has sufficient cash flow to pay them
- Employees – to see if they have future in the company and if they will be paid
- Customers – Quality/ Social and Environmental purposes
- Governmental Authorities – Tax/ VAT

Requirement to prepare accounting records (proper books and records):

- Under Income Tax and VAT Laws
- Companies Law

Requirement to maintain accounting records:

- 5 years (*give consideration to other legislations*)
- Must be kept at Registered Office unless otherwise decided by the BoD

Financial statements are prepared and made available to the stakeholders of a Company for:

- Review of financial position
- Review of performance

There are four different statements in Financial Statements:

- 1. Statement of Profit & Loss and other Comprehensive Income**
- 2. Statement of Financial Position**
- 3. Statement of Changes in Equity**
- 4. Statement of Cash Flows**

Balance Sheet or Statement of Financial Position (at a specific time/date)

- Assets
- Liabilities
- Equity

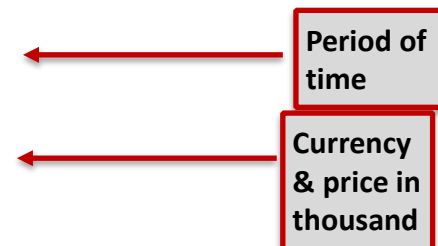
Statement of Profit & and other Comprehensive Income (for a specific period)

- Income
- Expenses

In Cyprus we prepare accounting records in line with **International Financial Reporting Standards (IFRS)**

Statement of Profit & Loss and other Comprehensive Income **for the period** 01/01/2018 – 31/12/2018 (Income Statement or P&L)

	For the period 01/01/2018 – 31/12/2018	For the period 01/01/2017 – 31/12/2017
Income	EUR (000')	EUR (000')
Sales	155	100
Cost of Sales	95	80
Net Profit	60	20
Administration Expenses		
Professional fees	5	3
Marketing Expenses	17	-
Audit & accounting fees	2	2
Finance Expenses - Interest	1	-
Net Operating Profit	25	5
Profit before taxation (PBT)	35	15
Taxation	10	5
Profit after taxation	25	10



- 55% increase in income
- 18.75% increase in COS
- 300% increase in Net Profit
- Double Tax
- Increase in Prof. fees
- Marketing Exp.
- Finance exp → loan?

FINANCIAL STATEMENTS: Statement of Financial Position (Balance Sheet - BS)

	31/12/2018	31/12/2017
	EUR (000')	EUR (000')
Assets		
<u>Non-current Assets</u>		
Investments	90	90
Property Plant and Equipment	10	15
	100	105
Current Assets		
Inventory (stock)	7	5
Debtors	20	5
Cash (at bank and in hand)	33	5
	60	15
TOTAL ASSETS	160	120
Equity and Liabilities		
<u>Equity</u>		
Share Capital	10	10
Share Premium	90	90
Retained Earnings	35	10
Total Equity	135	110
Liabilities		
<u>Non-current Liabilities</u>		
Loans Payable	15	0
	15	0
Current Liabilities		
Trade & Other Creditors	0	5
Tax	10	5
	10	10
TOTAL EQUITY & LIABILITIES	160	120

Specific date

Taken from P&L
If dividends have been declared the two amounts shown in BS and in IS would not be the same

Taken from P&L

STATEMENT OF CHANGES IN EQUITY

- The statement explains the changes in a company's Share Capital, accumulated reserves and retained earnings over the reporting period. It breaks down changes in the owners' interest in the organization from one accounting period to the next.
- Line items typically include:
 - ✓ **Profits or losses from operations**
 - ✓ **Dividends paid**
 - ✓ **Issue or redemption of shares**
 - ✓ Revaluation Reserve and any other items charged or credited to accumulated other comprehensive income
 - ✓ It also includes the Non-Controlling interest attributable to other individuals and organizations
- The statement explains the owner's equity shown on the balance sheet

Where: owners' equity = Assets – Liabilities

STATEMENT OF CASH FLOWS

- Shows the movement in Cash throughout the financial year and it can be used to see the liquidity of the company and if the company will be able to pay its obligations as they are becoming due

- **Notes** to the financial statements are in line with guidelines from the Auditing Standard and IFRS
- **Provide explanatory notes** on the figures contained within the Balance Sheet and the Income Statement
- Items of high interest of an ASP to be identified in Notes are:
 - Tax/ VAT Liabilities
 - Investments (Subsidiaries/Associates/ AFS) and holding percentage. These are to be confirmed with docs in our possession (KYC, Structure chart, SPAs)
 - Related Parties transactions – can identify/confirm transactions with related parties (Owners/Subsidiaries/Associates etc.)
- Include **Standard wording**, but can be amended

CONSOLIDATED FINANCIAL STATEMENTS

Group: A parent company and one or more subsidiaries (refer to tax presentation for more info)

Exemptions from Consolidation

The exemption of the Law to prepare consolidated financial statements which previously applied to small groups has been extended to apply to small and medium sized groups (as defined in the law), **except where** any affiliated company is a public-interest entity or where the obligation to prepare consolidated financial statements is required by other legislations.

Category	Total Gross Assets ²	Net Turnover ^{1,3}	Criteria Average No of employees during the year	Condition
Small Groups ²	Less than €4.000.000	Less than €8.000.000	Less than 50	On a consolidated basis, do not exceed the limits of at least two of the three criteria as at the balance sheet date of the parent company
Medium-Sized Groups ²	Less than €20.000.000	Less than €40.000.000	Less than 250	Groups which are not small groups, and which, on a consolidated basis, do not exceed the limits of at least two of the three criteria as at the balance sheet date of the parent company
Large Groups ²	More than €20.000.000	More than €40.000.000	More than 250	Groups which on a consolidated basis, exceed the limits of at least two of the criteria as at the balance sheet date of the parent company

¹'Net turnover' means the amounts derived from the sale of products and the provision of services after deducting sales rebates and value added tax and other taxes directly linked to turnover.

The provisions for the consolidation exemption where the below occurred, have been **abolished**:

- Severe and long-term restrictions
- Disproportionate cost or undue delay
- An investment was held with a view for subsequent sell

IMPORTANT ACCOUNTING TERMS

Fair Value:

In the same spirit we should recognize all Assets and Liabilities at Fair Value, meaning the actual market value.

Consider a plot of Land bought in 1980 for CYP20.000 worthing today EUR2.000.000.

Also, consider Amazon' share price fluctuation. When Amazon went public for first time back in 1997 it's share price was priced at \$18 per share. On April 29th, 2022 its share price went as high as \$2,485 per share!

Impairment Test:

The assets acquired by companies change throughout their lives and sometimes require a reduction in value. In order for financial statements to represent the true standing of a company, companies must continuously analyze the value of their assets. While simultaneously detecting when impairment exists and then decreasing and registering the assets value.

The impairment test is an analysis that must be carried out by companies so that their assets reflect their true value.

Depreciation/ Amortization:

Is the reduction in the price of a Non-Current Asset (Depreciation) or an Intangible Asset (Amortization)

Depreciation: is the expensing of a fixed asset over its useful life. Fixed assets are **tangible** assets, meaning they are physical assets that can be touched. i.e. Buildings, Equipment, Office furniture, Vehicles, Machinery etc. Consider a standard saloon car purchased for EUR20.000 and in one year its selling price has dropped by 25% to EUR15.000

Amortization: is the practice of spreading an **intangible** asset's cost over that asset's useful life. Intangible assets are **not** physical assets, per se. Examples are: Patents and trademarks, Franchise agreements, copyrights etc.

Declaring Dividends

- Sufficient **Distributable Retained Earnings** (*see also Statement of Changes in Equity*)
- *Interim or Final dividend*
- *Prepare BM and Dvd Certificate (both used as audit evidences)*
 - **Qst:** *What if we do not have available audited accounts (Final Dividend) or latest management accounts (interim dividend)*
 - **Ans:** *We should consider Company's Financial position & expected future activities.*

- **Reason of appointing independent auditors:** Provide comfort to the users/stakeholders that FSs give true & Fair View of the financial position of the Company

- Clarification:

Auditors give their **opinion** whether during their audit they have obtained **Sufficient** and **Reasonable assurance** that the accounts give a **true and fair view** of the financial position Company.

- Types of Opinion:

- **Unqualified Opinion:** (True and Fair View - Clean opinion)
- **Qualified Opinion:** Auditors have not satisfied themselves about specific item(s) of the accounts
- **Disclaimer:** Auditors do not give opinion
- **Emphasis of matter:** Auditors give emphasis on Specific matter(s) on the accounts and go(es) under the opinion paragraph and explained in the NOTES of FSs.

Annually the following steps are taken:

1. Board of Director **approve the financial statements**, via board resolution
2. Notice for **AGM**
3. AGM held 21 days after Notice
4. AGM held to **adopt financial statements** (first AGM can be held within 18 months, and annually from then on)
5. **HE32 completed and filed** with the ROC together with adopted financial statements
6. Financial statements **filed with the ROC** must be fully signed
7. Director and Company Secretary must also **sign the front page**
8. **Tax Return** submitted within 15 months following the tax year end, (**preferably/ strongly recommended based on audited accounts**)

Tax & VAT Issues for Corporate Administrators

TAX

Objectives of seminar:

- Obtain general understanding of basic principals of taxation of a Cyprus Company**
- Understand the importance of Management and Control (Substance) of a Cyprus Company**
- Recognize which expenses should be allowed or disallowed for tax purposes and which income is exempt**
- Gain a solid foundation of knowledge in relation to tax legislation and distinguish between Accounting Profit and Tax Profit**
- Understand how the tax computation works**
- Identify basic tax issues that may arise from common operations of a Cyprus Company**
- Consider different types of taxation and understand how they work**

Corporation Tax

- *Substance of a Cyprus Company (Cyprus Co Vs Cyprus Tax Resident Co)*
- *Tax rates for Individual and for Company*
- *Filing requirements and penalties*
- *Tax exemptions*
- *Allowable and Non-allowable expenses*
- *Accounting Profit/Loss Vs Tax Profit/Loss*
- *Tax Computation*
- *Tax losses and Tax Groups*

Special Defence Contribution (SDC)

- *Overview*
- *Deemed Dividend*
- *Non-Domiciliation*

Stamp Duty Tax

Distinction between Cyprus company, branch/overseas company and Cyprus tax resident company

Cyprus Company

Cyprus company is any company that it is registered in Cyprus with the registrar of companies (ROC) and has **HE** (Ημεδαπή εταιρεία) number.

Branch/ overseas company

A company registered in Cyprus with ROC and has **AE** (Αλλοδαπή εταιρεία) number it is considered as **foreign company** – AE number is usually given to branches/ overseas companies. Such AE company shall **submit audited accounts** (including directors and auditors report) to ROC **unless it has submitted audited accounts in the member state of origin (EU)**. In this case the foreign company (branch) must deliver to ROC a certificate signed by the director and secretary of the branch and state that the branch is exempted.

Cyprus Tax resident company

Any company that its **management and control** is in Cyprus irrespective of the jurisdiction it is registered is considered to be a Cyprus Tax resident company.

Management and Control.

At present there are no **detailed** guidelines issued by the local authorities on **Management and Control**. However, there are some basic questions to be answered in determining the tax residency:

1. INCORPORATION AND TAX RESIDENCY OF THE COMPANY
2. DIRECTORS AND BOARD MINUTES
3. SHAREHOLDERS MEETINGS
4. GENERAL POAs
5. MAINTANCE OF BOOKS AND RECORDS
6. TAX FILINGS AND PAYMENTS

The questionnaire in next slide has been prepared by the Tax Department to assess the tax residency of a company before it issues the Tax Residency Certificate which can be used as a map and guide us what is expected by the tax department in determining whether a company should be considered as a Cyprus tax resident or not.

An **amendment** to the definition of the corporate tax residency has been recently voted into law and should take effect **on 31 December 2022**. The new provision specifies that a **company registered in Cyprus** will also be considered tax resident in Cyprus **unless it is tax resident in another jurisdiction**

INTRODUCTION – SUBSTANCE OF A CYPRUS COMPANY (TAX RESIDENCY QUESTIONNAIRE BY ITO)



CYPRUS FIDUCIARY ASSOCIATION

TAX RESIDENCY CERTIFICATE REQUEST AND QUESTIONNAIRE FOR LEGAL ENTITIES



- 2 -

A COMPANY DETAILS

Tax Payer Identification Code:		Telephone Number	
Company Name:			
Registered Office Address:			
Mailing Address (if different from above):			

B TAX RESIDENCY CERTIFICATE DETAILS

Period/Year for which certificate is required:	
Country for which certificate is required*:	
* Attach the other country specific tax residency form, fully completed, where required	

C QUESTIONNAIRE

1 COMPANY INCORPORATION AND TAX RESIDENCE	Yes	No
1.1 Is the company incorporated in Cyprus?		
- If not state the country of incorporation		
1.2 Is the company tax resident ONLY in Cyprus?		
- If No Specify the other jurisdiction		
and provide possible documentation from the other jurisdiction.		

2 DIRECTORS/BOARD MEETINGS	Yes	No
2.1 Do the majority of the Board of Directors meetings take place in Cyprus?		
2.2 Does the Board of Directors exercise control and make key management and commercial decisions necessary for the company's operations and general policies?		
2.3 Are Board of Directors' minutes prepared and kept in Cyprus?		
2.4 Is the majority of the Board of Directors tax residents in Cyprus?		
- Please attach latest Board of Directors Certificate		

3 SHAREHOLDER MEETINGS	Yes	No
3.1 Do shareholders' meetings take place in Cyprus?		

4 POWERS OF ATTORNEY	Yes	No
4.1 Has the company issued any General Powers of Attorney?		
- If Yes, please specify the Terms and Conditions thereof:		

5 MAINTENANCE OF BOOKS AND RECORDS	Yes	No
5.1 Are the corporate seal and all statutory books and records maintained in Cyprus?		
5.2 Are corporate filing and reporting functions performed by representatives located in Cyprus?		
5.3 Are agreements relating to the company's business or assets executed or signed in Cyprus?		

6 TAX FILINGS AND PAYMENTS	Yes	No
6.1 Have all the tax returns (T.D.4/I.R.4) that are due, been filed?		
6.2 Have all the self-assessments for the tax years that are due, been paid?		

7 CONFIRMATION

I, being fully aware that any incorrect or false declaration is a criminal offence according to the provisions of the Assessment and Collection of Taxes Law, Law 4 of 1978 as amended, hereby confirm that the particulars and information given in this Request are true and correct and that the management and control of the applicant is exercised in Cyprus.

Directors' Signature	
Directors' Name	
Directors' TN/TIC	
Date	

Instructions

1. Print this form on one (1) sheet of paper.
2. This form must be submitted to the District Office where the tax file of the applicant company is located.

- So, emphasis must be given on **TRUE SUBSTANCE of operations** (management and control).

Questions:

- 1.) A client wants to be a sole director and sole shareholder and never comes to Cyprus. Do you see any problem?
- 2.) Is management and control affected by **receiving instructions** by the UBO/ authorized person on how to act?
- 3.) Should the UBO/ authorized person approve the accounts?
- 4.) Who is responsible for the preparation of financial statements?
- 5.) Who is responsible for the VAT and Tax compliance of a Cyprus company?
- 6.) In which jurisdiction is the tax residency of a BVI company which has a Cypriot tax resident director, no secretary, registered office in BVI and a UBO who is a Cypriot tax resident?

Directors must be aware of their company's affairs, understand what the company does and if they do not understand **ASK!!!**

Structures in Cyprus are continuously challenged by foreign tax authorities and we need to be at all times informed.

ATAD 3 – Proposal has been released on 22 DEC 2021

- An EU Directive that lays down rules to prevent the misuse of shell entities for tax purposes. It amends the Directive 2011/16/EU
- To be implemented into member states' national law at the latest - 30 JUN 2023.
- It will become effective - 1 JAN 2024
- **Undertakings that meet the following cumulative criteria are subject to reporting obligations unless they fall outside of the Proposal's scope:**
 - a) deriving 75% of their income from passive income (notably interest, royalties, and dividends);
 - b) mainly engaging in cross-border activities or passing on revenues to foreign shareholders; and
 - c) outsourcing daily management and decision-making for significant functions.
- A company will be required to report in their tax returns whether they meet the three indicators of minimum substance:
 - A) Premises (self managed)
 - B) an EU Bank account
 - C) exclusive local director dedicated to the group, or full-time local employees

Personal Income Tax

An individual who stays in Cyprus more than 183 days in a calendar year is considered to be a Cyprus tax resident and has to pay income taxes in Cyprus.

With effect as from 1 January 2017, an individual may also be considered tax resident in Cyprus if (s)he satisfies the “**60 day rule**”.

<u>Income for the tax year</u>	<u>%</u>	<u>€</u>
First €19.500	0%	0
From €19.501 to €28.000	20%	1.700
From €28.001 to €36.300	25%	2.075
From €36.301 to €60.000	30%	7.110
Over €60.000	35%	

CORPORATION TAX (CT)

1. Cyprus tax resident companies are **taxed on their worldwide income** subject for allowing a tax credit for any tax suffered in the foreign location.
2. Non Cyprus tax resident companies are taxed only:
 - Profits from Permanent Establishment in Cyprus (i.e workshope, place of management, factory)
 - Rental income from Immovable Property in Cyprus
 - Profit from sale of goodwill on business exercised in Cyprus

CT Rate: 12,5%

1. Provisional tax

Filing requirement and Payment

- **File and Prepay** Corporation tax twice in the referred year (in two equal instalments) :
 - i. 31st July
 - ii. 31st December

Example:

For tax year ended in 2022, the provisional CT must be prepaid in two equal instalments on 31st July 2022 and 31st December 2022.

Note: The instalment can be revised **prior** to the submission of the second temporary tax i.e. 31st December 2022 and can be paid by 31st of January 2023. For any upwards revision interest of 1,75% is charged

Penalty

- **10% penalty** exists if the temporary tax which was paid is less than 75% of the actual tax due for the year (as per the audited FS and annual tax return submitted).

Example (tax year 2022)

Assume Tax Liability as per audited FS and IR4:	EUR100.000
Assume total Provisional tax paid (both installments):	EUR70.000

- In this example, only 70% has been paid provisionally which is less than the 75% so a penalty of 10% is applicable.
- The amount of EUR33.000 (EUR30.000 + 10%) must be paid by 31/08/2023

2. Corporation Tax

Filing requirement and Payment

- Filing of self assessment IR58A
- Payment of CT **by 1st of August of the year following the tax year** (calendar), with 30 days of grace period given.

Penalty and fine (For late payment)

- Penalty of **5% (Flat)**.
- Interest penalty. **For 2022** the interest penalty is 1,75%, for previous years please refer to the table in next slide.

Tax Return (IR4)

Filing requirement

- Filing of IR4 within 15 months after the tax year-end. **For 2021** deadline is **by 31st March 2023**.

Penalty and fine (For late submission)

- Monetary fine of EUR100.
- Interest penalty of 5%.

3. Special Defence Contribution (SDC)

Filing requirement and Payment

- **File and Pay** twice a year, every six months:
 - i. 30th June
 - ii. 31st December
- **30 days of grace period given**
- **Exception** of Cyprus sourced interest/ dividend and rental income where the tenant is a Cyprus Co, partnership, the state or local auth.

Penalty

Interest penalty is imposed on payable / refundable amounts as per the following table:

Year	Interest
up to 31/12/2006	9,00%
1/1/2007 -31/12/2009	8,00%
1/1/2010-31/12/2010	5,35%
1/1/2011-31/12/2012	5,00%
1/1/2013-31/12/2013	4,75%
1/1/2014-31/12/2014	4,50%
1/1/2015-31/12/2016	4,00%
1/1/2017-31/12/2018	3,50%
1/1/2019-31/12/2019	2,00%
1/1/2020- today	1,75%

Penalties Example

What are the penalties of a CyCo for not preparing FS and IR4 and not paying any CT for tax year 2018 until 20/07/2020 (**No Ariadne Scheme**)?

- a.) 10% penalty for no payments of Provisional tax in 2018
- b.) 2% interest for 5 full months in 2019 (Aug – Dec) + 1,75% interest for 6 full months in 2020 for no payment of CT by 31/08/2019
- c.) 5% flat penalty for no payment of CT by 31/08/2019
- d.) 1,75% interest for no submission of IR4 (3 full months, April-June 2020) – this could be avoided if agreed under Ariadne scheme
- e.) EUR100 monetary penalty for no submission of IR4

The Cyprus tax system is very attractive. This is not only because of the low tax rate but also and more importantly because of the following:

A.) Exemptions of various income – **Income Exempt**

B.) Deductions of various expenses – **Allowable Expenses**

C.) Various favorable Double Tax Treaties with many countries - **DTT**

Positive economic outlook

- Robust GDP growth
- One of the fastest growing EU economies
- Consecutive upgrades by credit rating agencies
- Positive macroeconomic forecasts.

Access to talent

- The youngest population & workforce in the EU
- 55% of the workforce has a tertiary degree
- Businesses in Cyprus operate in English and 73% of Cypriots speak English
- Booming private education sector with English taught programmes
- Visa-free access to European talent
- Easy access to global talent.

Access to markets

- Full access to European markets
- Access to 40+ EU trade agreements
- A member of the Eurozone since 2008
- Geostrategic position
- Proximity & easy access to major markets.

Excellent regulatory structure

- The legal system is closely aligned to the English common law legal system
- Frequently updated to meet investors' changing needs
- Strong protection for investment & intellectual property (IP)
- Establishing a business is simple and fast.

Attractive tax regime

- One of the lowest corporate tax rates in the EU at 12,5%
- An attractive Double Tax Treaty network covering more than 60 countries
- Access to all EU Tax Directives
- Dividend income exemption based on relaxed conditions
- Capital gains tax exemption
- No withholding tax on outgoing dividend, interest or royalty payments
- Gains from trading in securities are tax exempt
- Notional interest deduction available for equity investment into Cypriot companies
- Foreign Exchange gains or losses are tax neutral
- An attractive personal tax regime for international professionals and non-domiciled individuals
- No succession or inheritance taxes
- No immovable property taxes
- A competitive Intellectual Property regime
- Tailor-made provisions for the investment funds industry
- Competitive Tonnage Tax for Shipping companies and an approved EU open registry
- Tax deductions for investment into startups.

Strong business support services

- Wide range of services make starting & running a business easy
- 700+ registered accounting firms including all major global firms

- 2,700+ registered lawyers and 160 law firms
- A range of serviced offices & co-working spaces
- High availability of modern and affordable office space in all cities.

Low cost of doing business

- Lower labour costs for technical and professional talents than in other major EU capitals
- Among the lowest office rental rates in Europe
- Highly affordable critical business support services

Quality of life

- One of the best climates worldwide
- Top 5 safest country in the world (Value Penguin 2015)
- Top 4 best retirement destination globally (Knight Frank 2016)
- Most blue flag beaches per capita in the EU (Eurostat)
- Best island economy 2017/2018 lifestyle & human capital (fDi magazine).

A. Income exempt

1. Profit from the **sale of securities including investments** (Capital Gains)
2. **Dividends** (excluding, as from 1 January 2016, dividends which are tax deductible for the paying company)
3. **Interest not arising from the ordinary activities of the company or closely related** to the ordinary activities of the company
4. **Profits of a foreign permanent establishment**
5. **Gains relating to foreign exchange differences** (forex) with the exception of forex arising from trading in foreign currencies and related derivatives.

Exemption limit

The whole amount is exempt

The whole amount is exempt*
(potentially subject to SDC)

The whole amount is exempt**

The whole amount is exempt under certain Conditions***

The whole amount is exempt (up to 2015 the company could choose to tax only the Realized FX or both realized and unrealized)

Notes (FYI):

*** Dividend income** may be subject to Special Contribution for Defence (will see this when we cover SDC section later on).

**** Interest not arising from the ordinary activities** or closely related to the ordinary activities of the company is subject to Special Contribution for Defence.

******* With effect as from 1 July 2016, **taxpayers may elect to tax the profits earned by a foreign permanent establishment**, with a tax credit for foreign taxes incurred on those foreign permanent establishment profits. Transitional rules apply in certain cases on the granting of foreign tax credits where a foreign permanent establishment was previously exempt and subsequently a taxpayer elects to be subject to tax on the profits of the foreign permanent establishment.

CORPORATE TAX DEDUCTIONS FOR EXPENSES

Allowable expenses are in general expenses which are incurred wholly and exclusively for generating income and are deducted when calculating the taxable income.

B. Allowable expenses (Most common)

1. Notional Interest Deduction (NID)

- As from 01/01/2015 notional interest rules apply **on any new equity (NE) contributed to the company in the form of paid-up Share Capital or Share Premium**. NE can be in cash or in kind. If in kind, the amount of NE cannot exceed the market value of the asset, which must be substantiated.
- The applicable NID rate will be the yield on 10 year government bond + 5% (at 31/12 of the prior tax year) of the country where funds are employed. The minimum amount is the 10 year Cyprus government bond (as at the same date) + 5%.
- A taxpayer may elect not to claim all or part of the available NID for a particular tax year.
- Certain anti-avoidance provisions apply.
- NID deduction cannot exceed the 80% of the taxable profit derived from assets finance by the new equity (as calculated prior to NID deduction).

2. Interest expense incurred for the direct or indirect acquisition of 100% of the share capital of a subsidiary

- Any interest expense incurred for the direct or indirect acquisition of 100% of the share capital of a subsidiary company will be treated as deductible for income tax purposes provided that the 100% subsidiary company does not own (directly or indirectly) any assets that are not used in the business. If the subsidiary owns (directly or indirectly) assets not used in the business the interest expense deduction is restricted to the amount which relates to assets used in the business.
- This applies for acquisitions of subsidiaries from 1 January 2012.

3. Donations to approved charities (with receipts)

4. Employer's contributions to social insurance and approved funds on employees' salaries

5. Employer's contributions to:

- Medical fund for employees – deduction of 1% on employee's remuneration
- Provident/Pension fund for employees – deduction of 10% on employee's remuneration
- GESY

6. Entertainment expenses for business purposes

- The allowable deduction is the Lower of €17,086 or 1% of the gross income of the business

Non- Allowable expenses (Most common)

The following expenses cannot be deducted from income in the computation of taxable income and that is why we normally see them as Added back expenses:

- **Incorporation** expenses for the formation of a company
- Company **levy** paid to the Registrar of Companies
- Expenses relating to share capital
- **Private motor saloon car** expenses and interest on loans for the acquisition of private motor saloon cars
- **Professional tax** to local authorities
- **Fines and penalties** paid to local authorities
- Business entertaining expenses over the amount of €17.086 or 1% of turnover, whichever is the lower
- Expenses not supported by invoices or other supporting documentation
- Wages and salaries on which employers' contributions have not been paid to the relevant Funds (including Provident Funds), in the year they are due will not be tax deductible in the relevant tax year. If the contributions are paid within 2 years from the end of the relevant tax year then they will be tax deductible in that year

C. Vast range of Double Tax Treaties (DTT)

Cyprus, over the years, has managed to sign tax treaties with several and important countries. A DTT allows the companies that have operations/ transactions in the counties governed by a DTT to avoid being tax in both jurisdictions as well as offers many other favorable tax arrangements.

You can find many details for the double taxation treaties by looking at the following websites:

<http://mof.gov.cy/en/taxation-investment-policy/double-taxation-agreements/double-taxation-treeties>

It is important to understand the difference between the accounting profit/loss and the tax profit/loss.

Accounting Profit/Loss

In general lines, the accounting Profit/loss is the result when a company deducts its total expenses from its total income.

Accounting P/L = Total Incomes – Total Expenses

If the result is positive, we have Accounting Profit otherwise we have Accounting Loss.

Tax Profit/Loss

The Tax Profit/loss is the result after we add back on the Accounting profit any **not allowable expenses** and after we deduct any **exempt income**.

Tax P/L = Accounting P/L + Not Allowable Exp. - Exempt Income

• Basic Tax Computation

Tax Computation of ABC Ltd for the year ended 31 December 2018			
		EUR	EUR
Loss before taxation (per Income Statement)			-1,000
Add back (non allowable expenses):			
Annual levy		350	
Donations to non approved charities		1,000	
Incorporation fees		4,000	
Fines and penalties		<u>150</u>	
			5,500
Less (exempt income):			
Capital Gain on disposal of shares		1,000	
Dividend Income		500	
Foreign Interest income not related to company's activities (taxed under SDC)		<u>1,000</u>	
			<u>-2,500</u>
Chargeable Profit			2,000
Calculation of Income tax	Income	Rate	Total
Chargeable Profit	2,000	12.50%	250
Provisional tax paid			<u>-150</u>
			100
10% penalty for low payment of provisional tax		10%	10
Tax Liability			110

Tax losses

The tax loss incurred during a tax year and which cannot be set off against other income, is carried forward subject to conditions and **it can be set off against the profits of the next five tax years.**

The current year tax loss of one company can be set off against the tax profit of another, subject to conditions, provided the companies are Cyprus tax resident companies of a group*

Note:

* As from 1 January 2015 in order to align the loss relief provisions with the decision of the European Court of Justice in the Marks & Spencer case, the law has been amended so that a subsidiary **company which is tax resident in another EU member state can surrender its taxable losses to another group member company tax resident in Cyprus**, provided the subsidiary has exhausted all means of surrendering or carrying forward the losses in its member state of residence or to any intermediate holding company.

Group is defined as:

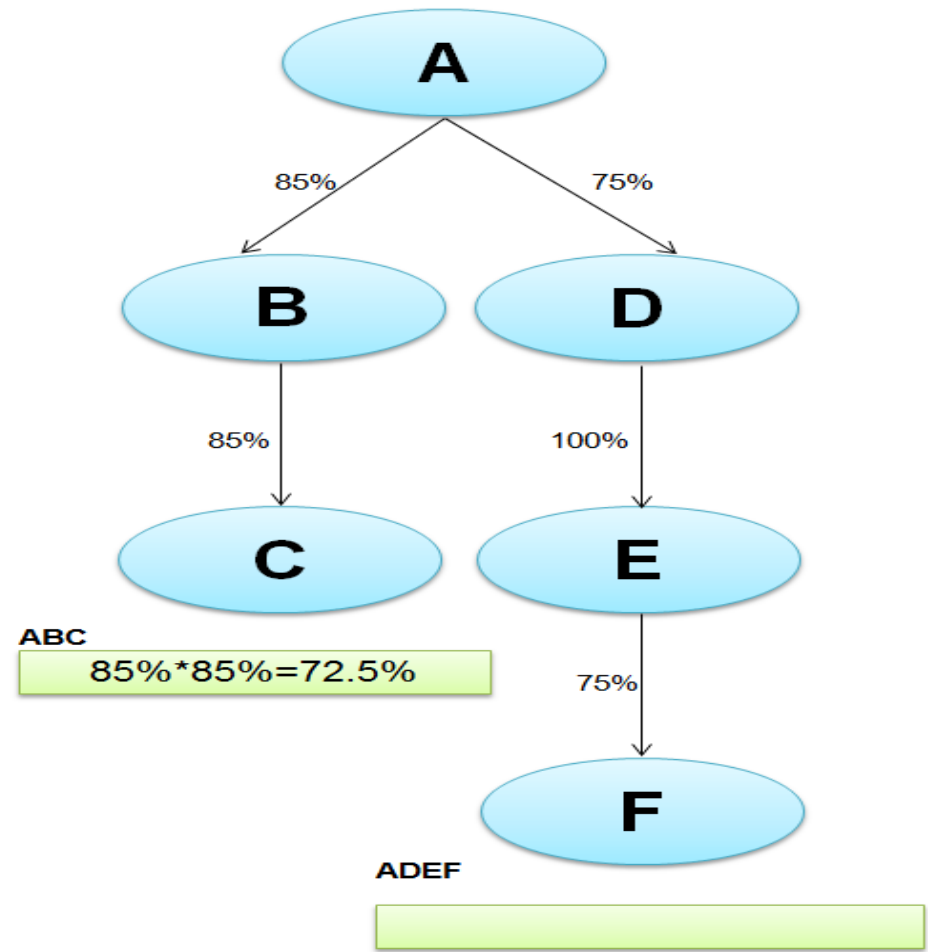
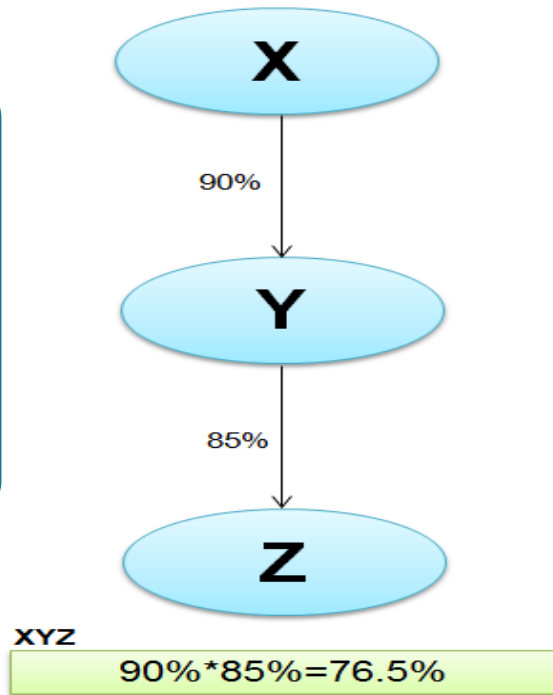
- One Cyprus tax resident company **holding directly or indirectly at least 75%** of the voting shares of another Cyprus tax resident company
- Two or more companies are at least 75% (voting shares) held, directly or indirectly, by a company
 - As from 1 January 2015, non- Cyprus tax resident of an EU country
 - Tax resident in a country with which Cyprus has a double tax treaty
 - Tax resident in a country with which Cyprus has an exchange of information agreement (bilateral or multilateral)

Losses from a permanent establishment abroad can be set off with profits of the company in Cyprus. Subsequent profits of an exempt permanent establishment abroad are taxable up to the amount of losses allowed.

Diagrams of Tax Groups

- Groups**
- XY
 - YZ
 - XYZ

 - AB
 - BC
 - AD
 - DE
 - EF
 - ABD
 - ABDE
 - DEF



SDC

SDC is imposed on dividend income, passive interest income and passive rental income earned by companies tax resident in Cyprus and by individuals who are both Cyprus tax resident and Cyprus domiciled.

	<u>Legal entities tax % (1)</u>	<u>Individuals tax % (1)</u>
• <u>Dividend income from Cyprus tax resident companies</u>	0% (2)	17% (5)
• <u>Dividend income from non-Cyprus tax resident companies</u>	0% (3)	17% (5)
• <u>Interest income arising from the ordinary activities or closely related to the ordinary activities of the business</u>	0% (4)	0% (4)
• <u>Other interest income</u>	30% (5)	30% (5)
• <u>Rental income (reduced by 25%)</u>	3% (5), (6)	3% (5), (6)

Notes (FYI):

(1). Legal entities are subject to SDC if they are tax resident in Cyprus (slides 5 – 7). Prior to 16 July 2015 individuals were subject to SDC if they were tax resident in Cyprus. As from 16 July 2015 individuals are subject to SDC if they are both Cyprus tax resident and Cyprus domiciled. An individual is domiciled in Cyprus for SDC purposes if she/he has a domicile of origin in Cyprus per the Wills and Succession Law (with certain exceptions) or if she/he has been a tax resident in Cyprus for at least 17 out of the 20 tax years immediately prior to the tax year of assessment. Anti-avoidance provisions apply.

(2). Dividends received by a Cyprus tax resident company from other Cyprus tax resident companies are exempt, subject to certain anti-avoidance provisions.

(3). As from 1 January 2016 this section only applies to dividends which are not deductible for tax purposes by the paying company. Dividends which are deductible for tax purposes by the paying company are **subject to Corporation Tax**.

The exemption of this section does not apply if:

- more than 50% of the paying company's activities result directly or indirectly in investment income and
- the foreign tax is significantly lower than the tax burden in Cyprus. The tax authorities have clarified through a circular that "significantly lower" means an effective tax rate of less than 6,25% on the profit distributed.

When the exemption does not apply, the dividend income is **subject to SDC at the rate of 17%**.

(4). Interest income arising from the ordinary activities or closely related to the ordinary activities of the business is subject to personal Income Tax / Corporation Tax.

So, a company involved in trading of bonds earning interest income, should be taxed under CT and not SDC. It is very important to know the activities of the company. A wrong choice of activities can result to a tax of 30% (SDC) instead of 12.5% (CT).

(5). The SDC rate on interest income as of 29/04/2013 is **30%**.

Interest income earned by individuals from Cyprus government savings bonds and development bonds as well as all interest earned by a provident fund is subject to SDC at the rate 3% (instead of 30%).

Individual with total income (including interest) less than €12.000 in a tax year, is entitled to a reduced rate of 3%.

Cyprus sourced income:

- SDC on interest and dividend income is withheld at source and is payable at the end of the month following the month in which they were paid.
- SDC on rental income where the tenant is a Cyprus company, partnership, the state or local authority SDC on rental income is withheld at source and is payable at the end of the month following the month in which it was withheld (**discussed in slide 10**). In all other cases the Special Contribution for Defence on rental income is payable by the landlord in 6 monthly intervals on 30 June and 31 December each year.

Foreign sourced income:

- SDC on dividends, interest and rental income is payable in 6 month intervals on 30/6 and 31/12 each year.

(6). Rental income is also subject to personal income tax / CT.

Foreign taxes paid can also be credited against the SDC liability.

Deemed Dividend Distribution (DDD)

CY tax resident company is deemed to distribute 70% of its accounting profit as adjusted for DDD purposes (net of corporation tax, SDC on company's income, capital gains tax, and unrelieved foreign taxes) 2 years from the end of the tax year in which the profits were generated;

17% tax applies for the CY tax residents shareholders.

Non Domiciliation principle

Applicable from 16/7/2015

- *Non-Dom individuals are excluded from the provisions of SDC Tax.*
- *Non-Dom is any person who has **not** been a tax resident of Cyprus as per the income tax law for a period of 20 consecutive years prior to the introduction of the law (i.e. prior 16th July 2015)*
- *Such a Non-Dom person who has redomiciled to Cyprus or obtained Cyprus passport and became Cyprus tax resident is entitled for the following 17 years, after obtaining the Cyprus tax residency, not to pay any SDC on its income in Cyprus.*
- *The Cyprus Non-Domiciled Tax Status – Tax Advantages*
 - *A Non-Dom earning dividend income, from foreign as well as local investments will not be subject to SDC; (which is the “capital gain tax of Cyprus) in the amount of 17% as of 16 July 2015. In addition, dividend income is unconditionally exempt from Income Tax. Therefore, the tax payable by a Cyprus resident Non-Dom on dividend income will be zero.*
 - *Interest: A Non-Dom earning interest income, from foreign as well as local sources, will not be subject to SDC in the amount of 30% as of 16 July 2015. In addition, interest income is also exempt from Income Tax. Therefore, the tax payable by a Cyprus resident Non-Dom on interest income will be zero.*
 - *Rental income: A Non-Dom earning rental income, from properties in Cyprus or abroad, will not be subject to SDC in the amount of 3% as of 16 July 2015. Rental income will only be subject to Income Tax at the normal rates (following a 20% allowance).*

A general health system (“GHS”) was introduced in Cyprus aiming to provide to the population equal access to a health care system. The national health System was implemented on 1 March 2019.

Tax residents in Cyprus contribute to the GHS according to the type of income and rates set out at the below table:

Category	Applied on	Rate
Employees	Own emoluments	2,65%
Employers	Employees emoluments	2,90%
Self - employed	Own income	4%
Pensions	Pension	2,65%
Persons earning rental, interest, dividend and other income	Rental, Interest, Dividend income etc	2,65%

GHS Contributions are capped at Euro 180.000 total annual incomes

Example: A tax resident in Cyprus earned a dividend of Euro 8.000.000 during the year 2022. How much must be paid as a GHS contribution for the tax year 2022

Answer: The income of Euro 8M is capped at Euro 180k. Thus, Euro 180.000*2,65%=Euro 4,770 (maximum contribution)

Table showing the amount of rate of duty payable on certain documents

Letters of credit	€2
Letters of guarantee	€4
Bills of exchange	€1
Contracts with a fixed amount	
- The first €5.000	0
- Between €5.001 to €170.000	1,5‰
- Over €170.001	2‰ (max €20.000)
Contracts without fixed sum	€35
Customs declaration documents	€18-€35
Bills of lading	€4
Powers of Attorney	
- general	€6
- limited	€2
Certified copies of contracts and documents	€2

Notes:

1. Contracts signed in Cyprus are subject to stamp duty tax.
2. Stamp duty is likely to be payable on the share pledge, on the share purchase agreement and the instrument of transfer (since they all relate to shares of a Cyprus company). Note that it is possible to present all the documents as part of one transaction (assuming these are directly linked and the link is clearly shown in the agreements) and to request that the Commissioner stamps one of these at the cap and the rest at the reduced rate of Euro 2,00 as ancillary documents.
3. **Documents relating to assets situated outside Cyprus are exempt from stamp duty.**

Tax & VAT Issues for Corporate Administrators

VAT

WHAT IS VAT?

VAT is an **indirect form of taxation**, charged on the end user for the consumption of goods and services

It is collected by suppliers and returned to Tax Department via the completion of the VAT Returns

INPUT VAT

is the VAT that can be claimed back on expenses / purchases of the company

OUTPUT VAT

is the VAT charged on sales invoices

WHEN IS VAT APPLIED?

- Each VAT trader has a **registration number**
- VAT is charged
 - on **taxable supplies** of **goods or services**, provided within the Republic
 - on the **importation of goods** into the Republic

And

- on the **acquisition of goods or services** (under the Reverse Charge Mechanism)

VAT is imposed on supplies and collected at every stage of the production, transportation and distribution of goods and services.

CURRENT CYPRUS VAT RATES

- Standard Rate: 19%
- Reduced Rates: 5% or 9%
- Zero Rate: 0%
- Exempt: *Out of scope for VAT*

Standard Rate **19%**

VAT is charged on every supply of goods or services at the standard rate of 19%.

Reduced rates, **5%** and **9%**

The reduced rate of 5% is imposed on the supply of groceries, services of writers, services of artists, services supplied by undertakers, on the supply of fertilizers, foodstuff for animals, live animals, seeds, non-bottled water, newspapers, books, periodicals, certain products for persons with special needs, ice-cream, certain types of nuts, transport of passengers and their accompanying luggage with urban and rural buses, the letting of camping sites, coffins and caravan parks.

Zero-rated supplies, **0%**

- the supply, hiring and repair of sea-going vessels and aircrafts
- the supply of services to meet the direct needs of sea-going vessels
- the supply of goods entered into customs regime

In addition, a supply of goods is zero-rated if the VAT Commissioner is satisfied that the goods have been exported or supplied to a registered person in another Member State.

Exempted supplies (these are not zero-rated supplies)

Entities that supply **exempt** goods/services are considered to be **out of scope for VAT without the right to register for VAT**. These include:

- ❖ the supply of immovable property with the exemption of buildings or parts of buildings and the land in which they stand if the application for a building permit was submitted after the 1/5/2004
- ❖ medical care
- ❖ social welfare
- ❖ education
- ❖ sports
- ❖ cultural services
- ❖ insurance transaction
- ❖ financial services

Taxable Person

- a taxable person is generally a **business, sole trader or professional**.
With this status, they are *responsible for charging, collecting and paying VAT to Tax department, and documenting all this in a VAT return*
- The definition of a taxable person in the [VAT Directive](#) is any person or body “*who, independently, carries out in any place any **economic activity** with commercial view*”
- **Economic activity** broadly means any business activity of a **trading nature**
- **Non-economic activity** broadly means any **other activity** not of a trading nature, for example, **Investment Holding**

PURE HOLDING COMPANY

Sole purpose is to **acquire holdings in other undertakings without directly or indirectly managing** those undertakings → No commercial view → **OUT OF SCOPE FOR VAT**

ACTIVE HOLDING COMPANY

Company **directly or indirectly manages undertakings** → commercial view → **ENTITLED / REQUIRED TO REGISTER FOR VAT**

Registration

- Any company who carries out economic activity and has income of more than EUR15.600 or incurs expenses above EUR15.600 should register for VAT

Registration Threshold of EUR15.600

➤ Taxable Supplies/ Purchases exceeding EUR15.600

- A Company with economic activity of commercial view has **obligation** to register:
 - When is involved in **taxable supplies** (economic activity with commercial view) **exceeding the registration threshold** and/or **purchases from Non-EU** exceeding the registration threshold
- A Company has **No right** to register:
 - When involved in **exempt supplies** (for example, investment holding companies)

Forms to be completed for VAT Registration:

- 1. VAT Form 2001**
- 2. VAT Form 1101**
- 3. VAT questionnaire**

The following documents must be submitted with application form for registration:

- ❖ Company incorporation Certificate
- ❖ Registered office Certificate
- ❖ Shareholders and Directors Certificate
- ❖ Any agreement , invoice or equivalent documentation which will indicate that the company will exceed registration threshold

COMPULSORY REGISTRATION

A Company is liable to register for VAT within 30 days:

- **Historic Test (check if in last 12 months taxable supplies exceeded the threshold):**
Registration is made within 30 days from the end of any month, at which points the taxable supplies **of the last 12 months** have exceeded the threshold (EUR15.600)
- **Future Test (check if in the next month taxable supplies will exceed threshold):**
Registration is made within 30 days from the date from which the company has reason to believe that its taxable supplies **in the next month** will exceed the threshold (EUR15.600)
- **Immediate Registration:**
A Company is liable to register for VAT immediately when it makes **taxable SUPPLIES** of goods or services to **VAT Registered persons** of other **EU Member States** even if the supply of goods or services is only for one EURO

VOLUNTARY REGISTRATION

A company is entitled BUT not liable to register for VAT IF:

- It makes or intends to make **taxable supplies, but they do not exceed the registration** threshold (EUR15.600)

Once a Company has been registered for VAT it will be issued with a 9 Digit identification number

10 - - - - - X

Delayed registration will result in a **penalty of €85 for every month** of omission

When and how is the registration of a Company cancelled?

Registration is cancelled in the following cases:

- i. **Cancellation of registration due to decreasing business turnover:**
 - Where any registered person notifies the VAT Commissioner that the **value of taxable supplies in one year has fallen below €13.668,81** and applies for cancellation of his registration, then an authorized VAT officer, if satisfied of this fact, shall cancel the registration with effect from the date of the notification or from any other later date as may be agreed between the VAT Commissioner and that person.

- ii. **Cancellation of registration due to termination of taxable supplies or due to intention to do so:**
 - When a registered person **ceases to make taxable supplies** and is not entitled to remain register or **ceases to have the intention to make taxable supplies**, he must notify the VAT Commissioner of that fact within 60 days of the date of the termination, by submitting an "Application for Cancellation of Registration (Form VAT 204)". Failing to comply, the person is liable to levy of €85. If an authorized VAT officer is satisfied of the fact of the termination he shall cancel the registration with the effect from the date that the person ceases to make taxable supplies or ceases to have the intention of making taxable supplies or from any other later date as may be agreed between the VAT officer and that person.

- A valid VAT invoice should include the following details of the Supplier and Recipient:
 - Names and Registered Address of Seller & Buyer
 - Valid VAT Registration number of Seller & Buyer (EU both)
 - Invoice date
 - Invoice number (sequentially numbered)
 - Date of Taxable Supply (if different from invoice date)
 - Description of services being provided
 - Net amount – VAT amount – Total invoice amount
 - Whether the Reverse Charge should be applied

The taxable supply date (and therefore the date an invoice should be recognized for VAT purposes) is **the earliest of:**

- The invoice date
- The date the service was provided/ date of delivery of goods
- The payment date

If the service is considered to be ongoing and therefore a continuous supply, the tax points will be:

- The end of each periodic billing
- The payment period / date
- 31 December of each year

WHAT IS REVERSE CHARGE (RC)

- VAT reverse charge is a mechanism where the liability **to account for and pay VAT** on cross-border services/ acquisition of goods **is transferred from the supplier to the recipient.**
- Reverse charge only applies to Business to Business (B2B) transactions and when **services** are supplied. B2C transactions are not subject to the provisions of the reverse charge.

HOW RC WORKS?

- The reverse charge acts in the way that **the customer is treated as if they made the actual supply themselves and consequently is obliged to self-assess for the application of output VAT at the appropriate rate to the supply**, thus increasing the amount of VAT payable on the VAT Return.
- The reverse charge mechanism is a **solution that many businesses utilise to their advantage to avoid multiple VAT registrations in EU Member States** where that business is not VAT registered in the region of the purchaser.

General Rule:

Business to Business (B2B) Transactions – i.e. Both VAT Registered

- The place of supply is **where the recipient is located**

Exemptions to General Rule:

- | | |
|--------------------------|---|
| Immovable property | :services connected with immovable property are taxed where the immovable property is located |
| Passenger Transport | :taxed where the transport services take place proportionate to the distance covered |
| Restaurants and catering | :taxed where the services are physically carried out |

Provision of Legal Administration Services



Recipient of Service :EU (France)
Required information :EU VAT no.
Place of Supply :Other EU MS

FR CO should be registered at the time the services are completed

The FR Co VAT number should be validated and included on Invoice

FR CO should apply the RC Mechanism

The transaction needs to be registered for VIES



Recipient of Service :French Individual
Place of Supply : Cyprus (Supplier)

CY CO should Charge CY VAT (subject to conditions (to be explained later))

Provision of Legal Administration Services



Recipient of Service :Russia
Required information :EU VAT no.
Place of Supply :Cyprus

No need to include the VAT number of recipient on the Invoice

No VIES obligation

RUS CO should be able to prove place of residence/ establishment. If not able, then CY VAT is charged

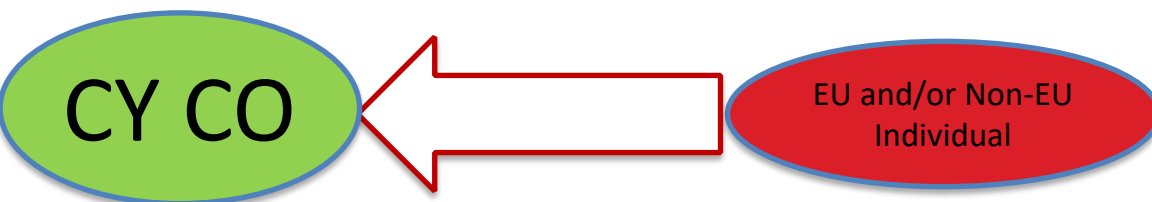
If RUS CO is pure holding Co, then CY VAT is charged



Recipient of Service : Russian Individual
Place of Supply (Supplier) : Cyprus

Exemption: For recruitment services in Russia to Russian individual by CY CO, then CY VAT should be charged

Acquisition of Legal Administration Services



Recipient of Service :CYPRUS
Place of Supply :Cyprus

It doesn't make any difference if CYCO receives the services from EU or Non-EU or from a Company or an Individual.

If services received exceed the registration threshold of EUR15.600 then the CY CO has an obligation to register for VAT.

So, if above EUR15.600 CY Co will have to:

1. Apply for registration for VAT
2. Self-Account for CY VAT on the value of services received
3. Potentially recover the whole or part of the VAT Amount self-accounted, depending on the company's activities

How is the RC applied

- The recipient of the services self accounts for Output VAT on the value of the services acquired and recovers Input VAT (**If it is entitled to – depending on the composition of its activities**)
- The RC will have a **neutral effect** providing that the company makes standard rate taxable supplies – otherwise VAT will be paid in Cyprus

1	VAT due for the period incurred from sales
2	VAT due for the period incurred from purchases from other EU members
3	Total VAT due (Box 1 + Box 2)
4	VAT input incurred in the period from purchases (including VAT input from purchases from other EU members)
5	VAT Payable/Receivable (Box 3 – Box 4)
6	Total sales value (excluding VAT) (including the amounts in boxes 8A, 8B, 9 and 10)
7	Total Purchases value (excluding VAT) (including the amounts in boxes 11A and 11B)
8A	Total sales value (excluding VAT) of products sold to other EU countries.
8B	Total sales value for services provided (without VAT) to other EU and VAT registered companies.
9	Total value of sales (products/services) that bear 0% VAT (other than those included in Box 8A)
10	Total value of sales outside the scope with the right to discounts for VAT input.
11A	Total value of purchase (for products) received from other EU members (excluding VAT).
11B	Total value of purchases (for services) received from other EU and VAT registered companies.

VIES : VAT Information Exchange System

- It is a system for exchanging information on VAT **with other EU Member States** in the framework of administrative cooperation between Member States
- The information exchanged **includes** information of the entry in the VAT Register and data collected from persons registered for VAT who carry out **intra-Community supplies** of goods and services
- Monthly VIES Reporting is completed via **Taxisnet** by Companies with **sales to other EU Member States**

TAXISnet

Page 1 of 1

VIES 1



ΑΝΑΚΕΦΑΛΑΙΩΤΙΚΟΣ ΠΙΝΑΚΑΣ



ΜΟΝΤΕΣΚΕΜ - PHARMA LTD

Για περίοδο από 01/02/2010 μέχρι 28/02/2010

Αριθμός Εγγραφής Φ.Π.Α.: CY 10175371P

Μήνας / Έτος 02 / 2010

Ο πίνακας πρέπει να υποβληθεί μέχρι τις 10/03/2010 στον Έφορο Φ.Π.Α. Σε περίπτωση μη έγκαιρης υποβολής ή/και υποβολής πίνακα με ανακρίβειες θα σας επιβληθεί χρηματική επιβάρυνση.

1 Συνολικός αριθμός εγγραφών 0	2 Συνολική αξία ενδοκοινοτικών παρεμβάσεων (C) 0	3 Συνολική αξία τριγωνικών συναλλαγών (C) 0	4 Συνολική αξία ενδοκοινοτικών παροχών (C) 0
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ΣΤΟΙΧΕΙΑ ΑΓΟΡΑΣΤΗ				ΑΞΙΑ ΣΕ C		
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ΧΩΡΑ	ΠΡΩΔ.	ΑΡΙΘΜΟΣ ΕΓΓΡΑΦΗΣ Φ.Π.Α.	ΕΝΔΟΚΟΙΝΟΤΙΚΩΝ ΠΑΡΑΔΟΣΕΩΝ	ΥΠΙΓΩΝΙΚΩΝ ΣΥΝΑΛΛΑΓΩΝ	ΕΝΔΟΚΟΙΝΟΤΙΚΩΝ ΠΑΡΟΧΩΝ	
1						
2						
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WHEN?

Statistical reporting **for the movement of goods across EU borders** to and from Cyprus

THRESHOLDS?

Despatches (sales)	EUR 55.000
Arrivals (purchases)	EUR 100.000

FREQUENCY of REPORTING?

Monthly

REPORTING INCLUDES:

- Description of the goods
- Commodity code of the goods
- Quantity and value of the goods
- Delivery terms
- Country of departure and arrival (using country codes)
- Any shipping costs

Economic Operators (companies and individuals) established within the EU must obtain a registration number

EORI Number

- This number is used for completing information of **importers** and **exporters with Customs** for trade within and outside the EU
- It should be obtained from the national customs authorities before commencing customs activities in the EU
- Once issued it can be registered with all EU Customs authorities
- It can be validated online

OSS was introduced by the EU as part of the 2021 EU ecommerce VAT package on **1 July 2021** aiming to end distance selling threshold rules applicable within the EU countries.

Importance of OSS

- ❖ **Reduces administration burden** - No obligation for sellers to VAT register in every country they are making sales to EU consumers
- ❖ **There is a single EU VAT return** listing all pan –EU sales and a single electronic portal that has been produced to allow for the simplified implementation of these new rules
- ❖ It enlarges the scope of **MOSS** which was in place since 2015 for B2C regarding cross-border sales of digital, telecoms and broadcast services.
- ❖ Is **fairer for EU states as the VAT** is paid at the country where the consumer is based.

There is a **Euro 10.000** exemption for EU micro-businesses. In such case sellers will charge their domestic VAT rate and report these sales in their regular domestic VAT return. The relief is not available to non EU-businesses.

The OSS VAT returns are additional to the VAT returns a taxable person renders to its Member State under its domestic VAT obligations.

Thank you.



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