
Cyprus government issues guidance regarding the application of the tax law for the settlement of overdue taxes

Issue N-12-2017, 29 June 2017

In brief

On 27 January 2017 the Cyprus Parliament approved a new Law ("Law") which sets the procedure for settling overdue taxes, including interest and/or penalties arising thereon.

The Cyprus government gazetted notification no. 200/2017 on this subject on 23 June 2017 ("Notification") and the Cyprus Tax Authorities ("CTA") issued an announcement on 28 June 2017 ("Announcement").

The Notification specifies that the Law will come into force on 3 July 2017.

The overdue taxes that the Law regulates are those which arise under the following tax laws:

- Income Tax
- Special Defence Contribution
- Capital Gains Tax
- Inheritance Tax
- Immovable Property Tax
- Special Contribution
- Stamp Duty
- VAT

Broadly, the provisions of the Law apply to tax liabilities relating to tax years up to and including 2015.

The overdue taxes will have to be paid in equal monthly instalments, the number of which does not exceed:

- ➔ 54 instalments for overdue taxes not exceeding €100.000, provided that each instalment is not less than €50;
- ➔ 60 instalments for overdue taxes exceeding €100.000, provided that each instalment is not less than €1.852.

The Law provides for relief from interest and/or penalties on overdue taxes based on the number of instalments agreed.

A taxpayer can file within 3 months from the entry into force of the Law an application requesting the regulation of the settlement of overdue taxes.

The Law does not apply in cases relating to undeclared amounts, deposits or remittances.

In detail

1. The tax framework

On 27 January 2017 the Cyprus Parliament approved a new Law (“Law”) which sets the procedure for regulating the settlement of overdue taxes, including interest and/or penalties arising thereon.

The Law will enter into force on 3 July 2017, as specified in the Notification gazetted on 23 June 2017.

The CTA issued an Announcement on 28 June 2017.

2. Types of taxes whose settlement may be regulated

The Law regulates the settlement of overdue taxes which arise under the following tax laws:

- Income Tax
- Special Defence Contribution
- Capital Gains Tax
- Inheritance Tax
- Immovable Property Tax
- Special Contribution
- Stamp Duty
- VAT

The Law does not apply in cases relating to undeclared amounts, deposits or remittances.

3. Tax periods covered

(a) Tax liabilities that were due by 31 December 2015

These tax liabilities must have been assessed by the application date.

Following successful application, agreements that may already be in place (reached as per the law or following a Court order) for deferral of settlement or for partial settlement will be annulled.

(b) Self-assessed tax liabilities regarding tax years up to and including 2015

The settlement of these tax liabilities may be regulated if the taxpayer has already submitted the relevant tax return but has not yet settled the tax liability.

(c) Tax liabilities of tax years up to and including 2015 that will be assessed as from 3 July 2017 onwards

The application for the regulation of the settlement of such tax liabilities must be filed within 3 months from the date that such tax liabilities become overdue.

4. In case legal proceedings are already under way

The Law may also apply:

- to taxpayers that are under criminal prosecution, or
- where the execution of a court decree is still pending against the taxpayer.

If an agreement is reached for the regulation of the settlement of such overdue taxes, then:

- in the case of pending criminal prosecution, the Tax Commissioner applies to the Attorney General, if deemed necessary, requesting suspension of the criminal prosecution; in such a case the taxpayer need not make himself such application to the Attorney General
- where the execution of a Court decree is still pending, the Attorney General is informed by the Tax Commissioner, and an ex parte application is submitted to the Court to suspend the relevant decree

For tax liabilities whose settlement will be regulated by the Law no criminal proceedings will commence.

5. Procedure for the regulation of the settlement of overdue taxes

For the first two weeks of the Law coming into force (it is coming into force on 3 July 2017) the CTA will be accepting only those applications that request settlement with a single instalment (see section 6 below); such applications need to be made through the submission at the CTA district offices by the taxpayer himself of CTA form 2005E/2017, without the need to use the government gateway portal Ariadni. Such single instalments need to be paid at the CTA offices or in any other way indicated to the taxpayer by the CTA.

Thereafter, a taxpayer can file, within 3 months from the entry into force of the Law, an application requesting the regulation of the settlement of overdue taxes. The application should be filed through Ariadni. If there are technical difficulties with respect to Ariadni, or if the CTA so announce, then the application may be filed at the CTA district offices or as announced by the CTA.

The Tax Commissioner will examine the relevant application the soonest, provided that:

- the tax returns for all the periods to be regulated are submitted (it is expected that the deadline for such tax returns submission is the date of the application and not 3 July 2017)
- all tax liabilities for periods from 1 January 2016 onwards are settled, or arrangements have been made for their settlement

The decision of the Tax Commissioner will be notified to the taxpayer within 15 days from the date of the Tax Commissioner's decision (through Ariadni if the application was filed through Ariadni) together with a detailed statement showing:

- the amount of the overdue taxes
- the corresponding interest and/or penalties
- the number of monthly instalments and amount of each monthly instalment

If the Tax Commissioner does not notify the taxpayer in accordance with the procedure described above, this constitutes acceptance of the taxpayer's proposal.

Upon receiving the Tax Commissioner's decision the taxpayer has to reply within 15 days accepting the regulation of the settlement (through Ariadni if the application was filed through Ariadni). An acceptance declaration by the taxpayer needs to be submitted even in the absence of notification of the decision of the Tax Commissioner.

A taxpayer not satisfied with the Tax Commissioner's decision regarding:

- the dismissal of the application, and/or
- the content of the detailed statement referred to above, and/or
- the termination of the regulation

has the right to object (by submitting CTA objection form 2006/2017 at the CTA district offices) within 15 days from the date of notification of the decision, giving reasons for the objection and accompanying it with the necessary supporting documents.

The Tax Commissioner must respond to the objection in writing within 30 days from receipt of the objection and has the right to amend his original decision.

6. Payment of overdue taxes in instalments and relief from interest and/or penalties

The overdue taxes will have to be paid in equal monthly instalments, the number of which does not exceed:

- ➔ 54 monthly instalments for overdue taxes not exceeding €100.000, provided that each instalment is not less than €50;
- ➔ 60 monthly instalments for overdue taxes exceeding €100.000, provided that each instalment is not less than €1.852.

Depending on the number of monthly instalments, relief from interest and/or penalties already accrued is as follows:

- 1 instalment, 95% relief
- 2 to 8 instalments, 90% relief
- 9 to 15 instalments, 85% relief
- 16 to 21 instalments, 80% relief
- 22 to 28 instalments, 75% relief
- 29 to 35 instalments, 70% relief
- 36 to 42 instalments, 65% relief
- 43 to 49 instalments, 60% relief
- 50 to 56 instalments, 55% relief
- 57 to 60 instalments, 50% relief

Instalments are allocated first to the oldest overdue taxes.

No new interest and/or penalties will accrue on overdue taxes which are under regulation.

Instalments should be paid at the bank with the use of a unique payment code, or at the relevant department of the CTA.

7. Termination of the regulation of the settlement of overdue taxes

The regulation is terminated if during the regulation period the taxpayer:

- is late in settling at least 3 instalments (cumulatively), or
- is late more than 3 months in settling any instalment, or
- does not timely submit new tax returns, or
- does not timely settle new tax liabilities which refer to periods from 1 January 2016 onwards

or, more generally, if during the regulation period any terms of the Law and Notification are not followed.

8. Registration to the Government Gateway Portal “Ariadni”

- “Ariadni” gives registered individuals and organisations access to online government services (including services related to companies, land and property, and taxation).
- Registrations through an agent are not permitted, i.e. service providers may not act as registration agents for taxpayers and will not be able to complete taxpayers’ registration on their behalf.
- Individuals/organisations should follow the below steps to register:
 1. Register either as an Individual or as an Organisation by selecting the relevant route in each case, using the link: <https://cge.cyprus.gov.cy/re/Public/>.
 2. Set credentials (username, email, password, select a security question and provide an answer).
 3. Create a profile (full name, email, description).
 4. Confirm profile information.
 5. Upon profile information confirmation, the registered email address will receive a confirmation email including a 16-digit code (Profile ID) and a link to activate the Profile.
 6. Activate the profile within 72 hours, using the link included in the confirmation email.
 7. The final step is a formal profile verification and approval by a Government Office. Individuals need to physically visit either the Citizen Service Center or one of the below district post offices. For organisations, a representative needs to physically visit either the Point of Single Contact or one of the below district post offices:

District Post Offices:

- Nicosia - 100, Prodrumou 2063
- Limassol - 3, 16 Iouniou 1943 (ex Gladstonos) 3022
- Paphos - 23, Aristoteli Savva 8025
- Larnaca - Vasileos Pavlou Square

Individuals must have with them:

- i. the 16-digit code sent by email (Profile ID),
- ii. their civil ID.

Organisation representatives must have with them:

- i. the 16-digit code sent by email (Profile ID),
- ii. an official document authorising the representative visiting the Government office to act on the Organisation's behalf,
- iii. the representative's civil ID,
- iv. the Organisation's Registration Certificate.

8. Following completion of the above process the individual/organisation will have access to the online system for electronic submission of the application requesting for the regulation of overdue taxes.

Let's talk

For a deeper discussion of how this development might affect you or your business, please contact:

Theo C Parperis

Partner
Head of Tax & Legal

theo.parperis@cy.pwc.com

Marios S Andreou

Partner
In charge of Tax Advisory

marios.andreou@cy.pwc.com

Nicos P Chimarides

Partner
In charge of Corporate Compliance

nicos.chimarides@cy.pwc.com

Eftychios G Eftychiou

Partner
Head of Tax Technical Committee
eftychios.eftychiou@cy.pwc.com

Or your usual PwC contact

PwC Cyprus

PwC Central
43 Demostheni Severi Avenue
CY-1080 Nicosia, Cyprus
P O Box 21612
CY-1591 Nicosia, Cyprus

www.pwc.com.cy