
Cyprus Parliament approves new tax law for the regulation of overdue taxes

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In brief

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

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 as well as VAT.

The provisions of the Law apply to tax liabilities relating to periods which precede the date of entry into force of this Law and such periods are expected to be set in a notification that will be issued by the Tax Commissioner and which will be published in the Official Gazette of the Republic of Cyprus (“Gazette”).

The overdue taxes will have to be paid to the Tax Department in equal 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.

There is possible relief from interest and/or penalties on overdue taxes that will be regulated in this way.

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

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

The Law will enter into force on a date specified in a notification of the Tax Commissioner which will be published in the Gazette.

In detail

On 27 January 2017, the Cyprus Parliament approved a new Law (“the Law”) which sets the procedure for regulating overdue taxes, including interest and/or penalties arising thereon. The Law will enter into force on a date specified in a notification of the Tax Commissioner which will be published in the Official Gazette of the Republic of Cyprus (“Gazette”).

The Law regulates 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 as well as VAT.

The provisions of the Law apply to overdue taxes relating to periods which precede the date of entry into force of this Law and such periods are expected to be set in a notification of the Tax Commissioner and which will be published in the Gazette.

The Tax Commissioner may at his discretion allow a taxpayer to apply for the regulation of overdue taxes arising after the entry into force of the Law but still relating to past periods falling into the provisions of the Law.

The Law may apply also to taxpayers that are under criminal prosecution or where the execution of a court decree is still pending against them in relation to overdue taxes. In the case of criminal prosecution, the Tax

Commissioner applies to the Attorney General, if deemed necessary, requesting suspension of the criminal prosecution. 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, if agreement for regulation of overdue taxes is achieved, to suspend the relevant decree.

As regards tax liabilities that will be approved by the Tax Commissioner to be regulated by this Law, no criminal proceedings will commence.

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

Procedure for the regulation of overdue taxes

A taxpayer can file within 3 months from the entry into force of the Law an application requesting the regulation of overdue taxes; the format of the application will be in accordance with a notification of the Tax Commissioner which will be published in the Gazette.

The Tax Commissioner will examine the relevant application the soonest, provided that the tax returns for all the periods to be regulated are submitted.

The decision of the Tax Commissioner will be notified to the taxpayer within 15 days from the date of the Tax Commissioner's decision together with a detailed statement showing the amounts 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; the acceptance should be in a format that will be set in a notification of the Tax Commissioner which will be published in the Gazette. An acceptance declaration by the taxpayer needs to be submitted even in the absence of notification of the decision of the Tax Commissioner.

Taxpayer's right to object

A taxpayer not satisfied with the Tax Commissioner's decision has the right to object within 15 days from the date he receives the decision, giving reasons for the objection and accompanying it with the necessary supporting documents. The Tax Commissioner must respond within 30 days from receipt of the objection and has the right to amend his original decision.

Payment of overdue taxes in instalments

The overdue taxes will have to be paid to the Tax Department in equal 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.

Instalments are allocated first to the oldest overdue taxes.

Possible relief from interest and/or penalties on overdue taxes

Taxpayers may be relieved of interest and/or penalties already imposed on the overdue taxes; the amount of such relief will depend on the number of instalments agreed in the regulation and as specified in a notification of the Tax Commissioner which will be published in the Gazette.

In addition, no new interest and/or penalties will accrue on overdue taxes which are under regulation.

Cancellation of the regulation of overdue taxes

The Law provides rules for the cancellation of a regulation that has been agreed with a taxpayer if there are delays in the payment of the instalments, as such delays are defined in the Law, or the taxpayer does not timely submit new tax returns or pay new tax liabilities arising.

The takeaway

This Law will give the opportunity to taxpayers who have not been able to pay their tax liabilities to do so by offering payment in instalments with some relief of interest and/or penalties.

Many of the details of this procedure will be clarified in forthcoming notifications of the Tax Commissioner which will be published in the Gazette.

Tax Insights

from Tax Advisory Services

Let's talk

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