
Tax Law Amendment regarding debt restructurings

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On 1 March 2019, the House of Representatives voted on amending the provisions of the tax legislative framework regarding debt restructuring transactions involving immovable property in Cyprus.

The legislative amendments were published on 15 March 2019 in the Cyprus government gazette and are set out below. The amendments became effective as from the date of their publication.

Amendment of the definition of Borrower to include related persons

The debt restructuring provisions allow for certain tax relief incentives for transactions effected by 31 December 2019, which involve the transfer of Cyprus immovable property by a borrower and/or debtor and/or a guarantor to a qualified lender.

Based on the tax amendment, the definition of the borrower has been extended to include any related person to the primary borrower so as to eliminate tax distortions.

Calculation of Income Tax and Capital Gains Tax

Prior to this amendment, in case where a transaction was effected under the debt restructuring framework and part of the disposal proceeds were returned to the borrower, then the Income Tax, Capital Gains Tax and Special Defence Contribution reliefs under the debt restructuring provisions did not apply up to the amount returned to the borrower.

The Income Tax Law and the Capital Gains Tax Law have now been amended so that in such cases the respective taxes are relieved on a pro rata basis by reference to the amount not returned to the borrower as a percentage of the total sales proceeds of the transaction.

Capital Gains Tax relief in relation to primary residence transactions

The Capital Gains Tax Law has been amended to extend to 31 December 2019 the exemption, under conditions, from Capital Gains tax on the transfer or sale of primary residence, at a consideration up to €350.000.

Let's talk

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

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