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Circular Published by Cyprus Tax Authority on VAT treatment of vouchers

Following the amendment of the Cyprus VAT Law on 21 May 2019 to transpose into domestic law the provisions of the VAT Directive concerning the VAT treatment of vouchers which has a retroactive effect from 1 January 2019, the Tax Department issued Circular 235 (the circular).

Given the retroactive application of the amendment in the Law, the circular urges taxpayers that transacted in vouchers during that period from 1 January 2019 until 21 May 2019 to contact the Tax Authorities for any questions about the VAT treatment of transactions carried out during this period.

The Circular clarifies that a voucher is an instrument (whether in physical or in electronic form) which contains an obligation to accept it as consideration, or partial consideration, for a supply of goods or services, but does not cover discount vouchers, an instrument functioning as ticket or postage stamps.

Under the new Law, two types of vouchers exist, namely "single-purpose" and "multi-purpose" vouchers and the timing at which you account for VAT will differ depending on whether it is a single or multi-purpose voucher.

A "single-purpose" voucher is a voucher with respect to which the place of supply of the goods or services to which the voucher relates, and the VAT due on those goods or services, are known at the time of issue of the voucher. The VAT due on the underlying goods and services is due at the time of issue of the voucher, as well as at the point in time of any future transfer of the voucher if that transfer is effected for consideration.

A "multi-purpose" voucher is a "voucher other than a single-purpose voucher". The VAT due on the underlying goods and services is accounted for at the time of redemption of the voucher while at the time of issue or during any subsequent transfer of the voucher prior to its redemption, there is no supply from a VAT perspective.

The Circular also goes on to provide a number of examples on the distinction between single and multi purposes vouchers and their respective VAT treatment at the time of issue, transfer and redemption, including the VAT treatment of any intermediaries.

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