Indirect Tax Services
Newsletter

pwc

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This newsletter outlines the recent amendments in the Cypriot VAT legislation which were voted on 5 December 2013, aiming for the harmonisation of the Cypriot VAT Legislation with the EU Directive 2010/45/EU in relation to invoicing regulations.

The amendments of the law have entered into force on 20 December 2013, with their publication in the Government Gazette.

1. Definition of non-resident in the Republic

The amendment of article 5 of the VAT Legislation allows taxable persons who have a permanent establishment in the Republic to be deemed as non-resident in the Republic when:

- they are engaged in the supply of goods or provision of services in the Republic, and
- their permanent establishment in the Republic does not intervene in the aforementioned supply of goods or services.

According to the above amendment, taxable persons incorporated outside the Republic who have a permanent establishment within the Republic may not charge Cypriot VAT on supplies of goods or provision of services in the Republic if they are deemed to be non-residents in the Republic based on the above conditions.

In such cases the taxable persons may exclude the following information from the invoices issued:

- VAT rate and VAT amount
- Net amount payable, per VAT rate.

2. Amendments in the time of supply

The amendments of article 9 of the VAT Legislation concern the time of supply in relation to continuous supplies of goods or provision of services.

(1) Continuous supplies of goods over a period of more than one calendar month are regarded as being completed on expiry of each relevant month in the following cases:

- Intra-community supply of goods
- Transfer of goods from the Republic to another Member State for the business requirements of the company.

The time of supply for non-continuous intra-community supply of goods, and transfer of goods from the Republic to other Member States is considered to be the earlier of:

- the 15th day of the month following the month in which the goods have been supplied
- the invoice date.

(2) Continuous provision of services for which the recipient of the service accounts for VAT under the reverse charge mechanism over a period of more than one calendar year, which does not give rise to successive payment on account, are regarded as being completed on expiry of each relevant calendar year when the recipient is liable for the payment of the tax.

3. Cash Accounting Scheme

The amendments allow for a cash accounting scheme whereby business who meet the conditions set out below may elect to account and pay output VAT and simultaneously claim input VAT on a cash rather than accruals basis.

Businesses will have the right to apply the cash accounting scheme if:

- the value of their transactions during the last 12 months does not exceed €25.000
- they have submitted all the VAT returns and paid the relevant tax stated therein within the prescribed deadlines
- they have settled any VAT assessed during a VAT Audit
- they have not been convicted for any offence

The Scheme can not be applied for:

- hire purchase agreements
- sale contracts with conditions
- contacts of sale on credit
- transactions where the VAT is due by the recipient
- goods imported from third countries or acquired from other Member States

Taxable persons who apply the Cash Accounting Scheme should inform the VAT Commissioner in writing.

In the case where a taxable person does not comply with his obligations, the VAT Commissioner can suspend his right to apply the Cash Accounting Scheme.

Businesses who choose to apply the Cash Accounting Scheme have the obligation to state on their invoices "Cash Accounting Scheme" (see section 6 below).

4. Electronic Invoicing (e-invoicing)

The recent amendment of the law aims to create the relevant legal framework for the feasible application of electronic invoicing, as provided by the EU Directive. The application of electronic invoicing will be feasible both for local and intra-community transactions.

The most important provisions of the new legislation are listed below:

- Electronic invoices (i.e. invoices which have been issued and received in any electronic format) will have equal treatment with paper invoices.
- Electronic invoices must reflect an actual transaction and therefore to ensure their authenticity of origin, integrity of content and legibility.
- Businesses should apply reliable control procedures which create a reliable audit trail between an invoice and a supply of goods or services.
- The authenticity and integrity of electronic invoices can be secured (from the date of issue until the expiration of the retention period) with the use of any relevant technology. Therefore, it is to the discretion of the company to choose the technology to be applied, and there is no obligation to apply only the Electronic Data Intercharge (EDI) or advanced electronic signatures.
- Invoices transmitted in electronic format should also be stored in electronic format and the data used to verify authenticity, integrity and legibility should also be stored in electronic format.

5. Summary Invoices

Taxable persons can issue summary invoices provided that the VAT on supplies of goods or services referred to in the summary invoice becomes payable during the same calendar month.

6. Simplified Invoices

The amendments of Regulation 12 relate to the simplification of the content which is required to be included in VAT invoices. As per the provisions of the relevant regulation, taxable persons are not required to state the applicable article of the law on invoices issued. The simplifications are summarised in the below table:

Applicable case	Phrase to be stated on VAT invoices
For persons applying the Margin Schemes	"Margin Scheme - Tourist Agents " "Margin Scheme - Second-hand goods" "Margin Scheme - Works of art" "Margin Scheme - Collector's items and antiques"
For persons applying the Cash Accounting Scheme (as per part 3 above)	" Cash Accounting Scheme"
Where the invoice is issued by the recipient of the services or goods	"Self-invoicing"
When the recipient is liable for the payment of VAT as per the reverse charge provisions.	"Reverse Charge"
Supplies of goods to other Member States using intermediate suppliers, for triangular transactions.	"Triangular Transaction"

In addition, the following provisions have been introduced with regards to invoicing rules:

1. Invoicing is governed by the rules applicable in the Member State where the supply is deemed to take place except in the following cases:

   - the supply of goods or services is not considered to take place within the European Union
   - the supplier is not established in the Member State in which the supply takes place, except in the case of self-invoicing.

2. For acquisition of goods from other Member States, if the value of the acquired goods is stated in currency other than Euro, the applicable exchange rate for the translation of the value of goods into Euro is the exchange rate published by the European Central Bank (ECB) at the time of the supply.

3. Invoices which have been issued by a taxable person in a currency other than Euro should state the Euro equivalent of the VAT amount on the face of the invoices, converted using the ECB exchange rate at the time of supply.

4. VAT registered retailers do not have the obligation to issue VAT invoices if the transaction does not exceed the amount of €85, except for supply of goods or services to taxable persons established outside the Republic where the recipient of the goods/services is liable for the payment of tax.

7. Record of temporary transfer of goods between Member States

The amendments of the legislation which are applicable as from 20/12/2013 specify that taxable persons have the obligation to maintain a record of all temporary transfers of goods to other Member States for the following cases:

1) Survey or other work on goods, at the Member States receiving the goods

2) Temporary use of the goods in the Member State receiving those goods in relation to the supply of services by the sender of the goods
3) Temporary use of the goods in the Member State receiving those goods for a period less than 24 months, in cases where the goods would have been exempt from import duties if imported from third countries, in accordance with the temporary importation rules.

In addition, the amendments of the legislation provide that taxable persons have the obligation to maintain a record of all temporary transfers of goods into the Republic from other Member States which were sent by taxable persons established in other Member States and relate to the surveying or other work on these goods.

Way forward: how PwC can help you

It is important that the amendments of the VAT Legislation in relation to invoicing regulations and the time and place of supply are correctly applied in order to avoid any penalties.

We remain at your disposal to discuss with you the aforementioned changes of the law, and provide support for the immediate tax planning which may be required.

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