Amendments to taxation laws

The Assessment and Collection of Tax Law

As of 1 January 2013 the amending law will come into force, implementing various changes, the most important of which are:

Exchange of information

- Whereas previously the exchange of information between Cyprus and foreign tax authorities was only permitted under a Double Taxation Agreement, the new law makes it possible for information to be exchanged between authorities of any of the signatories to the Agreement on Exchange of information on tax matters.
- Under a Double Taxation Agreement the Cyprus tax authorities have the power to request a person to disclose any information, records, books or any other document which is deemed necessary.
- So far, the tax authorities were required to inform persons in respect to a tax investigation process, whereas the amending law enables the authorities to avoid disclosure of information in respect to ongoing tax investigations in cases where this might jeopardise the effectiveness of the investigation.

Accounting Records and Tax Returns

- According to the amending law persons who gain income from dividends and interest, whether sourced in Cyprus or not, are now obliged to maintain accounting records. This amendment aims at the maintenance of accounts by trusts, which was previously not required by law.
- Companies which are registered in Cyprus but are non tax resident are required to submit financial information to the authorities by 31st December of the year following the tax year, in a prescribed form.
- Regarding the employers' obligation to submit the annual returns of their employees' pay and deductions online, the deadline has been extended by three months, from April 30 to July 31.

Sanctions

- The amending legislation extends the minimum imprisonment period for persons who are found guilty of fraudulently omitting or delaying tax payment from six months to one year.

The Income Tax law

Losses

- According to the amending law legal entities and persons who are required to prepare audited accounts, will only be able to carry losses forward for five years following the end of the tax year within which such loss has arisen.

Capital Allowances

- Eligibility for tax depreciation at the rate of 20% (unless a higher rate already applies) is introduced for any plant and machinery acquired in 2012, 2013 and 2014. Also, industrial and hotel buildings which are to be acquired during 2012, 2013 and 2014 are now eligible for tax depreciation at the rate of 7%.

The above provisions have entered into force as soon as the new law was published in the official gazette of the Republic, on 21 December 2012.

The Special Contribution for the Defence of the Republic law

- In calculating the profits subject to deemed distribution under this law, a deduction will be given for the acquisition of any plant and machinery purchased in tax years 2012, 2013 and 2014.

VAT Law

- The standard VAT rate which was previously 17% changes as follows:

  -18% for the period 14 January 2013-12 January 2014

  -19% for 13 January 2014 onwards

- The reduced rate, which mainly applies to hotel and restaurant services, is increased from 8% to 9% from 13 January 2014 onwards.

The amending law requires all taxable persons who are affected by the aforementioned changes to undertake a qualitative and quantitave stock count of the products affected by the above VAT rate changes.

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