



## Assessment and Collection of Taxes Law amended

**11 September 2020 - In an effort to improve tax compliance, strengthen tax collection and provide additional enhanced powers to the Commissioner of Taxation, Cyprus recently amended its Assessment and Collection of Taxes Law.**

The bill amending the Assessment and Collection of Taxes Law was passed by the House of Representatives on 31 July 2020.

The bill was published in the Cyprus Government Gazette on 20 August 2020, while on 28 August 2020 the Commissioner of Taxation issued Circular No. 46, outlining the practical application of the Law. Certain specific issues that still need clarifications will be communicated to taxpayers in the form of Decrees or additional Circular/s by the Tax Department.

A summary of the amendments is outlined below.

### **1. Submission of Tax returns**

From the tax year 2020 onwards, all individuals with a gross income that falls under the provisions of Article 5 of the Income Tax Law are obliged to submit a personal income tax return.

Gross income that falls under the provisions of Article 5 of the Income Tax Law includes, amongst others, salaries, rents, royalties, pensions, dividends, interest and profits from share dealings (before any deductions, reliefs and credits) which may be exempt from the income tax and/or special contribution for defence. The Council of Ministers is also empowered to issue decrees which will specify which categories of taxpayers with a total annual gross income below the taxable threshold of €19.500 will be exempted from the obligation to submit a tax return.

Up until tax year 2019, individuals with gross income not exceeding €19.500 (tax-free threshold) were not obliged to submit a personal income tax return, unless they received a notice/request for submission.

### **2. Submission deadlines of income tax returns and the payment of income tax for tax years 2020 onwards**

For tax years beginning 1 January 2020, the due filing date for individuals, whether filing electronically or otherwise, and the due payment date is 31 July of the year following the tax year.

For individuals and companies who are obliged to file tax returns based on audited financial statements, the due filing date is 15 months from the relevant tax year end (e.g. for the tax year 2020, the due filing date is 31 March 2022) and the due payment date is 1 August of the year following the relevant tax year.

Summary of the above deadlines:

<b>Taxpayer</b>	<b>Tax return</b>	<b>Submission deadline for tax return</b>	<b>Payment of tax</b>
Individuals	Form TD1	31 July of the year following the relevant tax year	31 July of the year following the relevant tax year
Companies and individuals with an obligation to prepare audited FS	Form TD1 (self-employed) / Form TD4	15 months from the end of the relevant tax year	1 August of the year following the relevant tax year

### **3. Employer's return**

The new due filing date of the Employer's Return (Form TD7), which has to be submitted electronically, is the 31 May of the year following the tax year (instead of 31 July of the year following the tax year, which was the due filing date for tax years up to and including 2019).

There is also a new provision that clarifies that emoluments include the deemed benefit from loans to directors/shareholders and their related individuals is considered as "remuneration" and should be included in the Employer's return.

### **4. Change of taxpayer's data**

Taxpayers must notify the Tax Department of any changes to the information they have submitted upon tax registration, within 60 days from the date of change.


### **5. Submission of a revised tax return**

Taxpayers can submit a revised tax declaration for tax years 2020 onwards, within 3 years from the submission deadline of the relevant tax declaration and only if the revision arises:

- as a result of claiming a relief, deduction or tax credit; or
- as a result of correcting an error; or
- for the purposes of being consistent with the provisions of the tax laws.

Irrespective of the above, a revised tax return cannot be submitted during a tax examination or a tax audit of the relevant tax return.

A taxpayer must settle any tax liability arising from the revision, within 30 days from the submission of the revised return.



For tax years up to and including 2019, revised tax returns for which the submission deadline has passed, will be accepted by the Tax Department if they are submitted within 6 months from the date of entry into force of the amending law, i.e. up to 19 February 2021.

## **6. Obligations of Cyprus incorporated but non-Cyprus tax resident companies**

Cyprus incorporated but non-Cyprus tax resident companies must inform the Commissioner of Taxation of the state of their business activities within 60 days of incorporation through a specific form to be issued.

## **7. Powers of the Commissioner of Taxation**

The Commissioner of Taxation has the power to request the submission of:

- tax returns and any supporting documentation as well as
- a detailed statement of assets and liabilities (capital statement) of a taxpayer, his/her spouse and of any dependents, covering a period not exceeding 6 years. The period under review can be extended to 12 years in case of fraud or wilful default.

## **8. Tax inspections**

The Commissioner of Taxation has the authority to enter and inspect business premises at a reasonable time, without providing a notice to the relevant person.

## **9. Accepting payments through credit cards**

Certain businesses that will be determined in a Decree to be issued by the Council of Ministers, will not be allowed to refuse payment by credit card. In order to meet this requirement, they would need to have the appropriate equipment, made available from licensed credit card payment providers. From 21 February 2021, in case of non-compliance, an administrative fine of up to €2.000 will be imposed.

## **10. No refund in case of non-compliance with VAT obligations**

No tax refund will be paid until there is compliance with the filing of VAT returns for periods up to the end of the tax year during which the examination of the tax year of the refund was initiated.

## **11. Public lottery program**

Transactions made using credit cards or other electronic means of payment for the purchase of goods or the receipt of payments are taken into consideration for participation in a public lottery program (lotteries), through which the winners will be rewarded with cash or in kind prizes.



The details of the program will be determined by a Decree to be issued by the Council of Ministers.

As always, the Taxation Department of Costas Tsielepis & Co Ltd is at your disposal should you require any further information or clarifications on this or any other tax related issue.