



New scheme facilitates settlement of overdue taxes

13 February 2017 - The Cyprus House of Representatives has introduced a new scheme to facilitate the settlement of overdue taxes.

The scheme, which was approved by the House on 27 January 2017, allows for the settlement of overdue taxes in equal instalments without the imposition of additional interest and penalties.

Taxes covered by the regulated settlement scheme

The provisions of this new scheme will apply to liabilities that relate to periods which precede the effective date of the law and arise under the following laws:

- Income Tax Law
- Special Contribution for Defence Law
- Special Contribution Law
- VAT Law
- Capital Gains Tax Law
- Immovable Property Tax Law
- Inheritance Tax Law
- Stamp Duty Law as well as

What is the settlement on offer by this new scheme?

The overdue taxes will have to be settled in equal instalments, the number of which should not exceed:

- 54 instalments for overdue taxes not exceeding €100.000, with a minimum instalment amount of €50
- 60 instalments for overdue taxes exceeding €100.000, with a minimum instalment amount of €1.852.


No new interest and/or penalties will accrue on overdue taxes under the new scheme. In addition no legal actions will commence against the taxpayer and/or its directors.

The Commissioner of Taxation has also been provided with the discretion to rule on discounts on interest and penalties on a case-by-case.

Application process to enter the regulated settlement scheme

A taxpayer, who wishes to apply for the scheme, should file an application to the Commissioner of Taxation within three (3) months from the date the Law enters into force.

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The template of this application and the procedure relating to its submission is expected to be communicated by the Commissioner within the next couple of months.

If the request is made within the designated deadline and the tax returns of the taxpayer for all the relevant periods are submitted, the Commissioner will examine the submitted application and will communicate its decision to the taxpayer within 15 days from the date of his decision together with a detailed statement showing an analysis of the overdue taxes, the corresponding interest and/or penalties, the number of monthly instalments and the amount of each monthly instalment.

Upon receiving the Commissioner's decision, the taxpayer will have 15 days to reply either by accepting the decision or objecting it. The acceptance or rejection will be in a template that will be issued by the Commissioner.

In case of objection, the taxpayer must provide reasons for the objection and accompany it with the necessary supporting documents. The Commissioner is expected to respond within 30 days from receipt of the objection.

If the Commissioner does not respond to the taxpayer's request in accordance with the procedure described above, this will constitute acceptance of the taxpayer's proposal/objection.

Payment process details

The instalments will need to be paid to the Tax Department in the manner specified in the Commissioner's decision. The instalments will first be allocated to the oldest taxes and interest due.

The first instalment shall be paid not later than the last day of the month in which the applicant submitted its acceptance statement, while each next instalment will need to be paid not later than the last day of the month to which the instalment relates to.

If an instalment is not paid on time, the taxpayer will be expected to pay the late instalment together with the next one, otherwise the amount of the late instalment will be spread equally to the remaining instalments of the arrangement.

Other considerations

The arrangement to be agreed between the Commissioner and the taxpayer will automatically be cancelled if the taxpayer delays the payment of:

- Any instalment for a period of three months, or
- 3 cumulative instalments, or
- fails to file its tax returns and/or to settle current tax liabilities within the period prescribed in the relevant tax laws



This new scheme may also be applied by taxpayers that are under criminal prosecution or where the execution of a court decree is still pending against them in relation to overdue taxes as long as the Commissioner obtains the approval of the Attorney General.

This scheme will not apply in cases relating to undeclared amounts, deposits or remittances made in Cyprus or abroad.

Also the newly voted provisions do not affect current arrangements for the repayment of overdue taxes agreed between the Commissioner and the taxpayer which was put in place before the entry into force of the specific scheme.

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