



Special Contribution for Defence on rents due

25 July 2017 - Cyprus companies are reminded of their obligation to withhold the relevant Special Contribution for Defence (SDC) from their rental payments in Cyprus and their obligation to submit Form IR 614 Declaration of Rent Payable electronically through the Cyprus Tax Department's online service, TaxisNet.

SDC on Rental Income – Withholding procedure

As from 1 July 2011, companies, partnerships, the Government or any local authorities that pay rents are required to withhold SDC at the source at the rate of 3% on 75% of the amount of the rent. That is 2,25% on the gross rent. This obligation relates to periods from 1 July 2011 whereby the rent is paid after 1 July 2011.

Tenant obligations

SDC is withheld by the tenant on the date of the payment of the rent to the landlord. The SDC withheld should be paid by the tenant to the Cyprus Tax Authorities by the end of the following month from the date of the withholding.

Strict compliance to the withholding provision is strongly advised. Failure to comply results to interest and penalties imposed on tenants. According to Circular 2011/7 issued on 8 July 2011 a penalty of €100 per return for non-compliance will be imposed together with a penalty of 5% on the amount of the SDC that should have been withheld but it was not. In case the Commissioner of Taxation requests the submission of Form IR614 and the taxpayer fails to submit such return, the fixed monetary penalty is increased to €200.

From the tax year 2011 onwards, tenants are required to submit Form IR 614 Declaration of Rent Payable electronically through the TaxisNet system. At the end of the six months period (on 30 June and 31 December) the tenant should also provide the landlord form IR614A rec "Confirmation of withholding of special contribution for defence from rents".

Landlord obligations

On receipt of the confirmation of SDC withheld by the tenant (Form IR614A rec), the landlord must ensure that the SDC withheld was correct. Any additional SDC due must be paid by the landlord by self-assessment on 30 June and 31 December of the respective tax year through the relevant self-assessment form.

Landlords should keep Form IR614A as proof of the SDC withheld by the tenants and for use/filing at the time of preparation and submission of their annual tax return.

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

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