



Taxation of Benefits in Kind

7 August 2018 – The Cyprus Tax Department will soon issue a circular providing for clear and proper guidelines on the taxation of benefits in kind.

Employers that provide personal expenses or benefits to employees or directors, will soon receive set guidelines on the definitions and calculation of tax and social insurance contributions on such perks.

Such benefits include, among other things, company cars, use of company planes or boats for private use, private medical insurance paid for by the employer, schooling fees, pleasure trips, rents, cheap or free loans and more.

For some employees, benefit in kind packages are as important as the salary when they are negotiating an employment agreement, and so it is useful to review the current status of benefit in kind when making an offer to employees who are working either domestically or overseas. Benefits in kind are of particular relevance to workers on international assignments for four reasons:

- International assignees may be entitled to a greater range of benefits in kind than local employees
- It is still common practice for expatriate assignees to receive benefits in kind as part of their 'expat package'

The Cyprus Tax Authorities drafted and issued a detailed informative document on 20 October 2017 for public consultation on the subject matter, which ended on 3 November 2017. The consultation paper can be viewed [here](#).

The taxation of the benefits in kind was, so far, largely based on judgment and the practice followed by the Cyprus Tax Authorities without any uniform policy. As a result, the taxation of benefits in kind included an element of uncertainty and risks for both the employers and the employees.

With the issue of the discussion paper will result to the issue of official guidelines on the subject matter. It is expected that a Circular will be released by the end of 2018.

Based on the draft consultation paper, the tax department aims to clarify what is considered as a benefit in kind and the tax obligations relating to such benefits by both the employee and employer. Specifically, the tax department is particularly emphasizing on benefit in kind relating to:

- Motor vehicles
- Use of property by employees but owned/rented by the employer

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- Travelling allowance
 - Private expenses
 - Gifts
 - Other arrangements

The Department of Taxation of Costas Tsielepis & Co Ltd is at your disposal should you require any further information, clarifications or assistance with the specific matter.