



**COSTAS TSIELEPIS & CO**  
CHARTERED ACCOUNTANTS

**COSTAS TSIELEPIS & CO LTD**

**TAX CALENDAR 2014**

By ALEXIS TSIELEPIS, Director & Head of Taxation

Volume 4, Issue 1



## UNCORKING THE 2014 TAX YEAR

UNRAVELLING THE WORLD  
OF TAXES AND WINE

AUTHORED: JANUARY 2014 | UPDATED: 3 FEBRUARY 2014

**ΓΝΩΣΗ**

205, 28th October Str., Louloupis Court, 1st Floor, 3035 Limassol, Cyprus | P.O. Box 51631, 3507 Limassol, Cyprus  
T: + 357 25 871000 | F: + 357 25 373737 | E: info@tsielepis.com.cy | www.tsielepis.com.cy

### Introduction

Dear Friends,

Taxes have more in common with fine wine than one would expect.

Taxes, like wine, need careful attention to detail in order not to disappoint. Both rely on solid planning, experience and neither tolerates procrastination or poor advice.

So, let's review the tax and wine calendar year 2014. This way, you'll know your tax-due dates and what you could be drinking in between them.

We have just entered the new-year following a frustrating and challenging 2013.

The months ahead of us will be interesting, to say the least. The air is still thick with uncertainty. What will happen with the Bank of Cyprus? What will happen with the economy?

There is also a rising glow of optimistic expectation looming on the horizon. The prospect of income from natural gas. From oil. From foreign investments. From introducing casinos. And of ultimately introducing confidence.

First things first.

This article is the first in a series of updates that the Tax Department of Costas Tsielepis & Co Ltd will be issuing.

In the weeks to come, and throughout the year, the Department will issue updates and white papers on a number of matters including changes to tax legislation, new proposals that are being considered, detailed analysis of certain aspects of tax that are of particular significance, as well as update previous tax updates to ensure that they take into account recent changes in the tax law.

We are of course always at your disposal for any questions you may have or for any specialised advice you may require.

Yours sincerely,

**Alexis Tsielepis**, BSc, FCA  
Director, Head of Taxation  
Costas Tsielepis & Co Ltd

In Cyprus, a tax year starts on the 1 January and ends on the 31 December.

As such, at midnight on the 31 December, champagne is always appropriate to say goodbye to the old tax year and greet the new one. My choice of champagne is Jacquesson. This champagne house has gone from strength to strength over the years and I have been delighted with its progress in bottle over the last 8 years that I have been trying it. Jacquesson's 700 series is one of the best non-vintage champagnes on the market. It is crisp and aromatic and offers outstanding value for money, especially the Cuvée No 736. The vintage champagnes are simply incredible!

### **Tax obligations every month's end:**

At the end of every month, there is potentially a due date for a tax obligation. As such, every month, taxpayers should examine whether one of the due dates below is applicable to them:

- **PAYE:** By the month's end, the withholding tax deducted from salaries of the previous month is payable, through the pay-as-you-earn (PAYE) system.
- **Special Contribution for employees:** By the month-end, the withholding on the special contribution deducted from salaries of the previous month of employees is payable. Payment is made through the pay-as-you-earn (PAYE) system.
- **Social insurance:** social insurance contributions relating to the payroll of the previous month are due by the end of the month.
- **Dividend and interest income from local sources:** if the taxpayer is liable to pay Special Defence Contribution (SDC) on dividend or interest income, derived from sources within Cyprus, then the SDC is payable by the end of the month following the month of the income. As such, by the end of the month, any SDC on such income derived in the previous month, needs to be paid.
- **Withholding SDC on rents:** Where a tenant is obligated to withhold SDC on the rent paid, then this SDC must be paid by end of the month following the month in which the withholding took place.

## ***I. January 2014***

### ***Tax calendar entry***

31 January is the date when the Cyprus company should file the form regarding deemed dividend distribution, for the tax year of two years before, and pay any SDC thereon.

This is only applicable to a company if there is an ultimate beneficial owner in the shareholding who is a Cyprus tax-resident.

### ***Wine facts***

On the wine side, and around this month of the year, ice wine grapes may be harvested as late as January, and pressed while still frozen. This leaves most of the water behind as ice, and allows for a very small but concentrated quantity of juice to be extracted. Ice wine requires warm summers to ripen the grapes followed by cold winters, with the optimum temperature being around -11° Celsius. The most famous ice wine is made in Germany (known as Eiswein), the United States (known as Ice Wine, two words), and Canada (known as Icewine, one word).

The wine is a dessert wine – sweet, with intense ripe tropical fruits (typically papaya and pineapple), but with strong acidity maintaining a great balance in the best ones. In terms of recommended producers, I would opt for Germany's Dr Loosen for Eiswein and Canada's Inniskillin for Icewine, with the 2007 Vidal Gold being a top contender.

## **II. February 2014**

### ***Tax calendar entry***

There are no tax due-dates which are particular to the month of February. One date to note perhaps is that 28 February is the deadline to file objections to tax assessments that were raised during the month of December 2013. In all other cases, tax assessments must be filed by the end of the month following the month in which the assessment was raised.

### ***Wine facts***

On the wine side, February and March are interesting months. As the New Zealand wine producers are sampling their grapes to decide on the optimum time to harvest, the European vines start to bud in early March. The buds themselves that are developing in 2014, were formed in the spring and summer of 2013.

I was once told that a vine behaves very much like a human in that if you give it an easy life, such as plant it somewhere where its roots will easily find water, then it will have an easy life and ultimately produce grapes which are typically lacking in sugar concentration, colour and flavour.

However, if give it a difficult life and plant it where it will have to work hard and push its roots deep through limestone, gravel, sand and rocks to find the water and minerals it needs in order to convert them into the various growth hormones that circulate around the vine, it will produce fewer bunches of grapes, but these will be more concentrated.

Just before spring begins to set in, I enjoy uncorking a bottle or two from my favourite region of all, Châteauneuf du Pape, in the South Rhône Valley in France. Châteauneuf was the first French region to have an *appellation contrôlée* system. It is very famous for its reds but also produces some of the most interesting white wines I have ever tried.

The main grapes used are the Grenache Noir, Syrah and Mourvèdre, with another fifteen varieties of grapes permitted according to the appellation. A 2007 Châteauneuf du Pape should be drinking beautifully, especially if it is from a strong producer. My choice would be the dark, gamey but liquorish flavoured Pégau Châteauneuf-du-Pape Cuvée Réservee.

## **III. March 2014**

### ***Tax calendar entry***

The electronic submission through the TAXISnet webpage of the 2012 income tax declaration, for natural or legal persons, who are required to prepare audited financial statements (i.e. who have a turnover greater than €70.000), must be made by 31 March.

### IV. April 2014

#### *Tax calendar entry*

If you are an employee and have total income from all sources above the tax-free threshold (currently at €19,500) then you should complete an IR1 Income Tax Declaration form for employees. The 2013 IR1 income tax declaration should be submitted to the income tax authorities by 30 April, if the form will be submitted manually in paper form. See July month for electronic submission.

### V. May 2014

#### *Tax calendar entry*

There are no tax due-dates which are particular to the month of May, which may afford some time to uncork a wine.

#### *Wine facts*

May is my favourite month in Cyprus. The beautiful weather is not too intense and the beaches are still relatively un-congested. This is a nice time of the year to indulge in Tuscan wine. I generally associate Italian wines with the word 'fun' whereas the French wines are more 'serious'.

The Italian wines are simply getting better and better every year.

The IGT (Indicazione Geografica Tipica) marked wines are always interesting to try although I would usually steer towards a single-varietal Sangiovese in a 2007 Brunello di Montalcino Riserva. Il Poggione would be my producer of choice.

### VI. June 2014

#### *Tax calendar entry*

June contains some important deadlines.

Self-employed persons, who are not obliged to prepare audited financial statements (i.e. they have turnover equal to €70,000 or less), and will submit their income tax declaration manually in paper form, must do so by 30 June. See September month for electronic submission. However payment of the final tax for 2013 must be done by 30 June in order to avoid penalties and interest. The due date for payment of the final tax for this category of self-employed is the same whether the declaration will be submitted electronically or not.

For any interest or dividend income received by a Cyprus tax resident from overseas, during the first six months of the tax year, ie between 01.01.2014 and 30.06.2014, and which is subject to SDC, the SDC must be paid through self-assessment on or before the 30 June.

If the taxpayer has rental income, whether from overseas or sources within Cyprus, and is liable to pay SDC on this, then the SDC is payable by 30 June for any rental income received during the first six months of the tax year, i.e. between 01.01.2014 and 30.06.2014.

**VII. July 2014**

***Tax calendar entry***

July is the month when the temporary tax declaration for 2014 should be submitted and the first instalment equal to 50% of the tax declared should be paid. The due date for submission of the declaration and payment of the first instalment is 31 July. This should be completed and submitted by legal entities as well as physical persons who estimate that they have taxable income in 2014, on which they will have tax to pay. If no declaration is submitted, the temporary income and tax declared will be deemed to be nil. See December month for payment of the second instalment.

If you are an employee and have total income from all sources above the tax-free threshold (currently at €19.500) then you should complete an IR1 Income Tax Declaration form for employees. The 2013 IR1 income tax declaration should be submitted to the income tax authorities by 31 July, if the form will be submitted electronically via Taxisnet. See April month for manual submission.

In addition, a business that employs individuals has until 31 July to submit the Employer's Return Form IR7 analyzing the total remuneration given to employees of the business during the tax year 2013.

**VIII. August 2014**

***Tax calendar entry***

The due date for payment of final tax for physical (with audit requirement) and legal entities for the 2013 tax year, is 1 August.

In addition, it should be borne in mind that if payment of the immovable property tax for the year 2014 is settled on or before 31 August, then a 10% discount is afforded. The due date for payment of immovable property tax is in September.

***Wine facts***

Late August and September is the period of harvesting the grapes in most of Europe. Picking in Napa Valley in the United States may start as early as July for the sauvignon blanc and the grapes for the sparkling wines (the fact the grapes are not fully ripe helps maintain the acidity level), although the majority of the picking is between mid-September to mid-October.

No matter where in the world, the philosophy of harvesting is unchanged. Once the winemaker agrees that the grape has reached sufficient concentration, a very intense couple of weeks sees armies of persons harvesting the grapes. Every late afternoon, the grapes are carried back to the winery, and normally passed through a destemmer, pressed and placed in the vats where fermentation will begin. Ensuring that the harvest occurs at the right time is not a simple thing. Under ideal conditions, the winemaker will chose the date when harvesting will commence, based on the amount of sugar content in the grape, its ripeness and the winemaker's general experience. However, plans may quickly change, usually as a result of bad weather.

Whilst all this chaotic activity is ongoing around the world, I would recommend uncorking, just as the sun is making its decent, a crisp sauvignon blanc, from the Marlborough region of New Zealand. Cloudy Bay, an estate which forms part of the LVMH Group, which owns such brands as Dom Pérignon, Ruinart, Krug, Château d'Yquem and of course Louis Vuitton, would be my choice of estate, with the 2010 Cloudy Bay Sauvignon Blanc still fresh on the palate, alongside hints of green lime zest and good acidity; a very well balanced wine.

## ***IX. September 2014***

### ***Tax calendar entry***

Self-employed persons, who are not obliged to prepare audited financial statements (i.e. they have turnover equal to €70.000 or less), and will submit their income tax declaration electronically via Taxisnet, must do so by 30 September. If there is any tax to pay however, this should be done by 30 June. See month of June for manual submission.

Payment for immovable property tax is also due by 30 September. Tax arises only if the total value of all the immovable property, that were owned on 1 January 2014, and that were situated in Cyprus, of any person, as these were valued as at 1 January 1980 (known as the 01.01.1980 value), exceeds €12.500. See month of August regarding a discount on the amount payable.

## ***Quarter 4: October – November – December 2014***

## ***X. October 2014***

### ***Tax calendar entry***

*There are no tax due-dates which are particular to the month of October.*

### ***Wine facts***

New World wines have shown a marked improvement in quality over the last decade, in some cases easy rivalling the Old World wines. A great example is the d'Arenberg winery of the McLaren Vale, in the north-west of the Fleurieu Peninsula, in South Australia. The winery is considered one of the leading wine producers of Australia, and I am a huge fan of their 100% Shiraz wine called The Dead Arm. I have recently drank a 2001 Dead Arm, and it was phenomenally good. The wine is massively concentrated, rich in dark fruit, leather, blackberry and cassis, with a very long finish.

## ***XI. November 2014***

### ***Tax calendar entry***

There are no tax due-dates which are particular to the month of November.

### ***Wine facts***

Cyprus wines are improving, and the smaller garagistes wine producers have impressively been responsible for the shift of focus to quality wines. There is still a long way to go but there are some very interesting wines around. However, I am a huge fan of the Cyprus Commandaria, perhaps the oldest wine in the world, famously declared by King Richard I Coeur de Lion, at the end of the 12th Century, as the "wine of kings and the king of wines".

The wine is made under strict appellation rules. The natural sweetness in the wine develops from when the overripe indigenous grapes, Mavro and Xynisteri, are harvested and left in the sun to become raisins, increasing the density and concentration of the sugar. The raisins are then pressed, vinified and aged in oak barrels. Some

producers, but not all, fortify the wine by adding high-strength grape spirit. Deep amber in colour, typically the wine itself appears oxidised on the nose, but the best examples are very pleasant on the palate, with notable dry fruit and rich, creamy caramel and maple syrup.

I particularly enjoy the commandaria made by the Tsiakkas and Kyperounda wineries, but still consider the Centurion Commandaria, made by ETKO winery, to be the market leader.

## *XII. December 2014*

### *Tax calendar entry*

December is a very important month of the tax calendar.

The second (and final) payment of the 2014 temporary tax declaration, is due on or before 31 December. In addition, it is important to note that December 31 is also the last date available to make any amendments to the declaration of temporary income, for the purposes of paying temporary tax.

For any interest or dividend income received by a Cyprus tax resident from overseas, during the last six months of the tax year, ie between 01.07.2014 and 31.12.2014, and which is subject to SDC, the SDC must be paid through self-assessment on or before the 31 December.

If the taxpayer has rental income and is liable to pay SDC on this, then the SDC is payable by 31 December for any rental income received during the last six months of the tax year, ie between 01.07.2014 and 31.12.2014. This involves rental income derived from sources within or outside Cyprus.

Finally, the 31 December, or a day close to this date, is when a physical stock take will need to be undertaken for the stock of the business, where this is applicable.

### *Wine facts*

In terms of polishing off the year, I always enjoy drinking port, or o vinho do Porto as the Portuguese call it. Although some of the other ports are interesting to try, such as tawny port, late bottled vintage port, or ruby port, none of these can compare with vintage port, declared by the port houses only in the best years. Port is fortified by adding a high-strength grape spirit, or brandy, to the fermented grape must to stop fermentation. This also preserves sweetness and increases the alcohol level.

Although I generally regard Taylor's as the leading port house, there is a real gem of a parcel of land in the Douro, never affected by phylloxera, and owned by the famous Quinta do Noval, which produces only in exceptional years the Vintage Nacional port. However, most vintage ports, from the well-known port houses, will not disappoint. Some of the best vintages of the last 50 years were declared in the 2000's (2000, 2003, 2007, 2011) although these are much too young to drink now.

If I would choose what to drink now, I would recommend 1977 as the year of choice, which is still readily available on the international market. If older vintages are difficult to find, then certainly the 1994 is the year to go for. Although young, I have recently enjoyed a Warre's 1994 Vintage Port, which is drinking very well despite its youth. Deep ruby in colour, the wine was pleasantly intense, creamy with plum, black cherries and berries, hints of mocha, and a great length finish.

Here's to a successful year ahead – Γεια μας!

## Appendix 1

### Summary TAX DIARY showing due-dates per month

<b>End of each month</b>	<p>PAYE and special contribution for employees deducted from employees' salaries for the previous month.</p> <p>Social Insurance Contributions relating to the payroll of the previous month.</p> <p>Defence contribution deducted from dividends, interest or rent paid in the previous month.</p>
<b>31 January</b>	Submission of the deemed dividend distribution declaration for two years before tax year.
<b>28 February</b>	Submission of objections to tax assessments that were raised in December.
<b>31 March</b>	Electronic submission of 2012 income tax return for individuals (IR.1) and companies (IR.4) preparing audited accounts.
<b>30 April</b>	Manual submission of personal tax returns (IR.1) for prior year by salaried individuals whose gross income exceeds €19,500.
<b>30 June</b>	<p>Manual submission of personal tax return (IR.1) for prior year by individuals who do not prepare audited accounts if their gross income exceeds €19,500.</p> <p>Payment of tax balance for prior year through self-assessment by individuals who do not prepare audited account.</p> <p>Payment of special contribution for defence in relation to rents, dividends or interest from sources outside Cyprus for the first half of the year.</p>
<b>31 July</b>	<p>Submission of temporary tax assessment and payment of the first installment for both individuals and companies.</p> <p>Electronic submission of personal tax returns (IR.1) for prior year by salaried individuals whose gross income exceeds €19,500.</p> <p>Electronic submission of employers' return (IR.7) and employees details for prior year.</p>
<b>1 August</b>	Payment of prior year tax balance through self-assessment by individuals and companies preparing audited accounts.
<b>30 September</b>	<p>Electronic submission of personal tax return (IR.1) of prior year by individuals who do not prepare audited accounts.</p> <p>Payment of immovable property tax for current year.</p>
<b>31 December</b>	<p>Payment of the second installment of provisional tax for both individuals and companies.</p> <p>Payment of special contribution for defence in relation to rents, dividends or interest from sources outside Cyprus for the second half of the year.</p> <p>Physical stock take should be undertaken.</p>

## Appendix 2

### Summary TAX DIARY showing the important due-dates per type of tax paid

#### Corporation tax and Social Insurance Contributions (Companies)

End of each month	PAYE and employees special contribution deducted from employees' salaries for the previous month.  Social Insurance Contributions relating to the payroll of the previous month.
28 February	Submission of objections to tax assessments that were raised in December.
31 March	Electronic submission of 2012 income tax return for companies (IR.4)
31 July	Submission of provisional tax assessment and payment of the first installment.  Electronic submission of employers' return and employees details for prior year (IR.7)
1 August	Payment of prior year tax balance through self-assessment (IR.158)
31 December	Payment of the second installment of provisional tax.

#### Income tax (Physical persons including self-employed and employees)

28 February	Submission of objections to tax assessments that were raised in December.
31 March	Electronic submission of prior year income tax return for individuals preparing audited accounts (IR.1).
30 April	Manual submission of personal tax returns for prior year by salaried individuals whose gross income exceeds €19.500 (IR.1).
30 June	Manual submission of personal tax return for prior year by individuals who do not prepare audited accounts if their gross income exceeds €19.500 (IR.1).  Payment of tax balance for prior year through self-assessment by individuals who do not prepare audited account.
31 July	Electronic submission of personal tax returns for prior year by salaried individuals whose gross income exceeds €19.500 (IR.1).  Submission of provisional tax assessment and payment of the first installment.
1 <sup>st</sup> August	Payment of prior year tax balance through self-assessment by individuals preparing audited accounts.
30 September	Electronic submission of personal tax return of prior year by individuals who do not prepare audited accounts (IR.1).
31 December	Payment of the second installment of provisional tax.

## Deadline for payment of Social Insurance Contributions of self-employed

Months that the contributions relate	Date
January-March	10th of following May
April-June	10th of following August
July-September	10th of following November
October-December	10th of following February

## Defence Contribution

End of each month	Defence contribution deducted from dividends, interest or rent paid in the previous month (relates to obligation of tenant for rent, where applicable).
31 January	Submission of the deemed dividend distribution declaration for the second year before the tax year.
28 February	Submission of objections to tax assessments that were raised in December.
30 June	Payment of special contribution for defence in relation to dividends or interest from sources outside Cyprus, or from rental income, for the first half of the year.
31 December	Payment of special contribution for defence in relation to dividends or interest from sources outside Cyprus, or for rental income, for the second half of the year.

## Immovable Property Tax

End of each month	Defence contribution deducted from dividends, interest or rent paid in the previous month (relates to obligation of tenant for rent, where applicable).
-------------------	---

## NOTE

The tax information contained in this publication is accurate as at the date of its publication. The information in this publication is designed to increase the reader's general awareness of the Cyprus Tax System. For professional consultation, please contact the Taxation Department of Costas Tsielepis & Co Ltd.