



COSTAS TSIELEPIS & CO
CHARTERED ACCOUNTANTS

COSTAS TSIELEPIS & CO LTD

TAX UPDATE

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CYPRUS TAX DEPARTMENTS UNIFIED



“knowledge”

Facts, information and skills acquired through experience or education; the theoretical or practical understanding of a subject.

OXFORD DICTIONARY

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ΓΝΩΣΗ

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1.0 General

As part of its revenue administration reform program with its international lenders, the Republic of Cyprus has merged its Direct and Indirect Tax departments. The move aims at strengthening public finance sustainability and falls under the government's efforts to implement structural reforms to support long-run growth.

The two departments now fall under the umbrella of the newly formed Tax Department.

The unification went into effect on 1 July 2014 and was most recently complemented by the updating of VAT Return forms with the unified department's new name, logo and role.

2.0 Commissioner of Taxation

As a result of the unification, the positions of VAT and Direct Tax Commissioners have been eliminated and have been replaced by the Commissioner of Taxation. To this end, please consider Ο Περί Τμήματος Φορολογίας Νόμος του 2014 (70(I)/2014), which reflects these changes.

3.0 Effects of the Unification

The combination of the two departments involves the following:

- Creation of joined task forces when examining the tax matters of entities. This means that future tax audits by the Authorities will be both for direct and indirect taxes.
- The two departments now exchange information between them and cross reference data reported by taxable persons in the returns submitted to each department.
- A VAT section has been added to the IR4 forms (company income tax return) as of 2014 to enable linking the direct tax data with the VAT data held for each entity.
- Cheques issued for the payment of taxes should now be issued in the name 'Commissioner of Taxation'.
- VAT returns have already been updated via ΚΔΠ 299/2015 to reflect the new name and roles.
- More frequent and specialised training of the officers

The unification of the two tax departments will make it easier for taxable persons that are up to date with their obligations, to set off refundable amounts of one tax with other taxes due which will help improve their liquidity position. For example, entities which are due a VAT refund may use that balance to set it off against their next payment of corporation taxes.

It is imperative for taxable persons to consider all aspects of their tax matters going forward and to ensure that information submitted to the Authorities on different returns matches when cross referenced. Non matching information will be flagged by the systems and will alert the Authorities which could potentially instigate an investigation as to why such discrepancies exist.

4.0 The Way Forward

The unification of the two departments should be complemented by continued efforts to combat tax evasion and non-compliance and strengthen the management of public debt and of fiscal risks.

Note:

The tax information contained in this publication is accurate as at the date of its publication and it is issued as guidance only. It should not be solely relied upon to structure business transactions without expert advice.

For professional consultation, please contact the Taxation Department of Costas Tsielepis & Co.