



Cyprus Tax News

Extension of the tax relaxations for the application of tax residency and permanent establishment (PE) during the COVID-19 crisis

On 25 January 2021, the Tax Department issued Implementing Guideline [7/2021](#), which extends the provisions of Implementing Guideline [4/2020](#) for the year 2021 (analysed in our previous [alert](#)), for the period that the COVID-19 related restrictions continue to apply globally.

Brief reminder of Implementing Guideline 4/2020

The Guideline followed a similar non-binding guidance issued by the Organisation of Economic Cooperation and Development (OECD), [OECD's Guidance](#) and determined the application of the following:

- Tax residency of individuals (“183 days rule” and “60 days rule”);
- Tax residency of legal entities;
- Permanent Establishment Matters;
- 50% exemption - Article 8(23) of the Income Tax Legislation (ITL);
- 90 days rule - Article 36(5) of the ITL.

The Guideline clarified that:

- the period of **21 March 2020** to **9 June 2020** should be considered as a **“frozen period”** and should not be taken into consideration for the purpose of determining the tax residency and/or the existence of a PE.
- the taxpayer has the option to choose to apply the relaxations offered or to choose to apply the **“standard”** provisions of the ITL.
- it does not take into consideration possible different tax treatments of other jurisdictions.

How can we help?

We are at your disposal to discuss the above developments with you.

Get in touch



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