



## **Indirect Tax News**

### **Cyprus Administration Court Judgement relating to catering services**

On the 10th of September 2019 the Administration Court in Cyprus has issued its judgement in relation to a case involving a business which was operating as a pub/restaurant with an in-house kitchen offering food until 11pm.

#### **Facts of the case:**

A pub/restaurant business was operating as a restaurant until 11pm in the evening. From 11pm onwards the business continued its operations as a pub without serving food, serving drinks only.

The Cypriot VAT Authorities conducted an examination back in 2015 and issued a VAT assessment.

The assessment related to additional output VAT, due by the business on sales after 11pm, which, according to the Cypriot VAT Authorities should be subject to the standard VAT rate.

Their reasoning was that from 11pm onwards, the business was operating as a pure pub, and thus, according to Circular 146A sales should be subject to the standard rate of VAT instead of the reduced rate relating to catering services.

#### **Court Judgement**

The court considered that the VAT Commissioners position that *'the services provided by businesses offering only alcoholic drinks without the ability to provide meals, cannot be classified as catering services and thus are not subject to the reduced rate'*, cannot be justified by the VAT Legislation.

It also highlighted that the VAT Commissioners view on the matter *'that the above cannot be classified as catering services since they are not supported by sufficient supporting services because there is no possibility to provide a meal'* is at least controversial.

The Court also noted that distinguishing the services a business provides depending on the time of the day cannot not be justified by the VAT Legislation.

### **How are you affected by the above judgement?**

Businesses engaged in the catering business should examine their VAT treatment applied based on the above Court Judgement.

### **How can our Indirect Tax team help you?**

We are at your disposal to discuss the abovementioned judgement and advice upon any potential implications on your company's activities as well as any other indirect tax issues regarding the catering industry.



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