

Ελληνική έκδοση επισυνάπτεται / Greek version attached



## Cyprus Tax News

### Tax treatment of Benefits in Kind

The Tax Department has recently published an [Informative Guide](#), in the Greek language, which explains the tax treatment of certain benefits offered by employers to employees and persons who hold or are deemed to hold an office. It is soon expected that the Informative Guide will also be issued in English in the official website of the Tax Department.

The taxation of benefits is provided in Article 5 of the Income Tax Law, according to which benefits from any office or employment, provided to an employee or to a member of his family either in cash or otherwise, are subject to tax.

The guide describes how the Tax Department intends to apply the law as from 1 January 2019, however, the various methods of estimating the value of the benefits in kind mentioned in the guide can be applied for previous years as well.

#### **What is a benefit in kind?**

“**Benefit in kind**” means the benefit that is, or is deemed to be, granted in connection with any employment or the holding of an office.

#### **Scope of application:**

The rules apply with reference to benefits in kind provided to:

- Employees, and
- persons who hold or are deemed to hold an office.

When the benefit is granted to a member of the family or household of the person who is employed or holds the office, then the benefit shall be deemed to be provided to that person.

#### **Keeping records**

Employers are required to keep records indicating how the value of the benefits in kind has been determined and such records should be available for inspection when requested by the Tax Department.

## Deductible expense

Since benefits in kind are taxed in the same way as salaries, the employer who will bear the cost of providing them will be able to deduct such cost from his taxable income **under the same conditions** that it would be deducted had it been a salary payment.

## Employers' registration and obligation to pay the relevant tax

Any person providing "benefits in kind" to an employee and any company or corporation providing benefits to its officers, even in cases where it does not have employees, is considered as an employer by the Tax Department and should register on the Employers' Register and receive a T.I.C, which will enable the submission of the Employer's Return (T.D. 7).

The value of benefits in kind is taxed in the same way as the gross earnings, through the submission of the Form T.D. 7. Employers are required to declare the benefits in kind provided by them or by their connected companies.

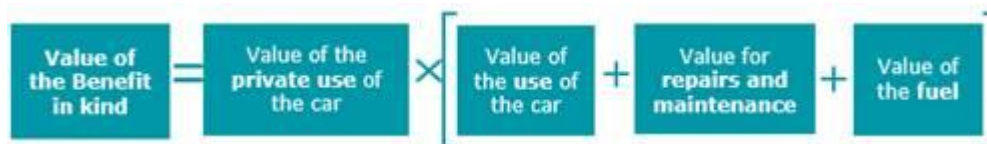
## Categories of Benefits in Kind

### 1. Benefits in kind in relation to cars

Benefits in kind that relate to cars can be classified into three types:

#### a) Use of cars

A benefit in kind arises where there is a usual element of private use and its value is calculated as follows:



<b>Value of the use of car</b>	<ul style="list-style-type: none"> <li>- <b>17%</b> of the car's value or <b>8%</b> for cars older than six years (6) from the year of manufacture</li> <li>- If the company leases a car on the basis of a finance leasing agreement, then the value for the use of the car is equal to the annual financing cost (lease expense).</li> </ul>														
<b>Value for repairs and maintenance</b>	<p>This value represents the cost of car insurance, maintenance, annual road tax etc. and is calculated as a percentage of the value of the car as follows:</p> <ul style="list-style-type: none"> <li>- if the value of the car is <math>\leq</math> €28.000, then it is <b>3%</b> of the car's value</li> <li>- if the value of the car is <math>&gt;</math> €28.000, then it is <b>4%</b> of the car's value</li> </ul>														
<b>Value of the fuel</b>	<p>a) This value represents the cost of the fuel when it is paid by the employer and is calculated as a percentage of the value of the car as follows:</p> <ul style="list-style-type: none"> <li>- if the value of the car is <math>\leq</math> €28.000, then it is <b>3%</b> of the car's value</li> <li>- if the value of the car is <math>&gt;</math> €28.000, then it is <b>5%</b> of the car's value</li> </ul> <p>b) When the fuel is paid separately (cash/ lump sum is paid), then the benefit in kind related to the car is calculated without the benefit of the fuel, and the cash compensation is taxed fully without any deduction.</p>														
<b>Value of the car</b>	<p>The value of a <b>newly acquired</b> car is calculated as:</p> <ul style="list-style-type: none"> <li>- the actual cost as shown on the invoice (including VAT, customs duties, registration fee, plus any other taxes and delivery expenses)</li> <li>- the value of discounts of a personal nature must be added back to the amount shown on the invoice.</li> <li>- the actual cost of any optional equipment added to the car should also be added to the amount shown on the invoice.</li> </ul> <p>In the case of <b>second-hand</b> and privately-owned cars that were purchased <b>before 01/01/2018</b>, for which the actual cost (as if the car is new) cannot be determined easily, the value will be determined by the Tax Department, taking into account all relevant information.</p>														
<b>Value of the private use of the car</b>	<p>This is determined as a percentage based on the value of the car when this is new according to the table below:</p> <table border="1"> <thead> <tr> <th>Value of the car (€) From - Until</th> <th>Value of the private use of the car</th> <th>Notes</th> </tr> </thead> <tbody> <tr> <td>0 - 18.000</td> <td>30%</td> <td rowspan="5"><i>The value of private use of the car is reduced to 20% when the car is used either exclusively or mainly for a journey between two points</i></td> </tr> <tr> <td>18.001 - 22.000</td> <td>40%</td> </tr> <tr> <td>22.001 - 32.000</td> <td>50%</td> </tr> <tr> <td>32.001 - 50.000</td> <td>55%</td> </tr> <tr> <td>More than 50.000</td> <td>60%</td> </tr> </tbody> </table>	Value of the car (€) From - Until	Value of the private use of the car	Notes	0 - 18.000	30%	<i>The value of private use of the car is reduced to 20% when the car is used either exclusively or mainly for a journey between two points</i>	18.001 - 22.000	40%	22.001 - 32.000	50%	32.001 - 50.000	55%	More than 50.000	60%
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### **b) Commercial Cars (Van type)**

The annual value of the benefit in kind for commercial cars is defined as a single amount of €500 per year, regardless of the type, model or year of manufacture/registration of the relevant commercial vehicle.

### **c) Direct cash payments for car use**

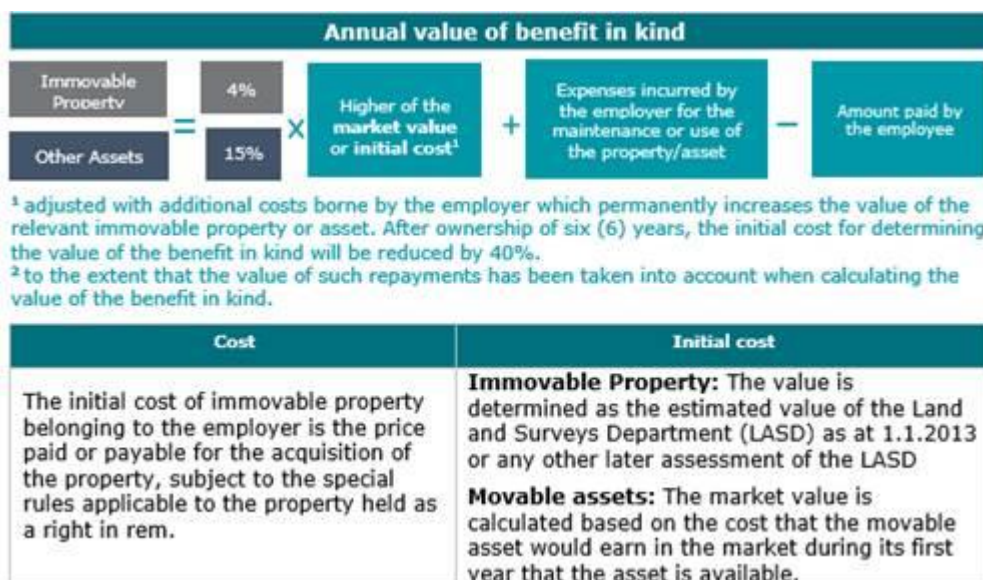
The value of the benefit in kind is calculated as 50% of the annual compensation (up to €3.000) to employees in relation to the use of his/her own vehicle for business purposes, subject to conditions. If the annual compensation exceeds €3.000, then the value of the benefit in kind is equal to the annual compensation minus €1.500.

When the compensations are granted to the employee who uses his private car for business purposes on the basis of the distance travelled (with a maximum of 25 cents per kilometer), these repayments do not constitute a benefit in kind, on the provision that the employer keeps a log book for at least six years.

## **2. Accommodation and use of assets**

The provision of assets (e.g. accommodation, furniture, boats, machinery, etc.) to the employee when they belong to the employer and/or leased and/or rented by the employer, can be considered as benefits in kind.

The annual value of the benefits in kind for the use of assets, including accommodation, applies for as long as the asset is at the disposal of the beneficiary and is determined as follows:



### 3. Other benefits in kind

Any other benefit in kind that does not fall within the above categories, is considered to fall into this category and includes:

- Provision of assets at subsidized prices,
- repayment of personal expenses (benefits, fees, etc.),
- free supply of goods or the sale of goods and services with discounts such as travel, entertainment, meals, domestic services, professional advice, transport etc.

The determination of the value of the benefits in kind which are defined as a supply of goods or a provision of services, is usually determined as the difference between the normal selling price less discounts provided to the general public less the price paid by the employee.

### Exemptions

As a general principle, exemptions apply only to the extent where the payment or reimbursement to the employee is made against actual costs supported by payment receipts. They don't apply where the relevant benefit in kind takes the form of cash.

Other specific exemptions mentioned in the guide include amongst others:

- Computer equipment
- Telephone services
- Childcare facilities
- Goods consumed in the workspace
- Newspapers
- Awards for long-term service
- Christmas parties and events
- Subscriptions to professional bodies
- Training Courses/scholarships to employees
- Uniforms and specialized attire
- Recreation areas
- Relocation expenses

## How can we help?

We are at your disposal to examine the provisions of the relevant guide and how these affect your business.

You can contact us to perform a diagnostic review of the benefits in kind offered by your company and assist you in applying the correct tax treatment. We can also provide our help in identifying ways to improve the benefits in kind offered to your employees, while complying with the guidelines of the Tax Department.



### Get in touch

Nicosia Offices	<a href="mailto:infonicosia@deloitte.com">infonicosia@deloitte.com</a>	tel: +357 22 360300
Limassol Offices	<a href="mailto:infolimassol@deloitte.com">infolimassol@deloitte.com</a>	tel: +357 25 868686
Larnaca Offices	<a href="mailto:infolarnaca@deloitte.com">infolarnaca@deloitte.com</a>	tel: +357 24 819494



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