



Cyprus Indirect Tax News

Various amendments to the VAT law

An amendment published in Cyprus' official Gazette on 20 August 2020 makes the following main changes to the Cyprus VAT law:

1) New definition of legal person

The amendment introduces a new definition of "legal person" for purposes of the VAT law, to clarify that the term includes a company, partnership, association, or club regardless of whether it is established in accordance with the provisions of any law or regulation. The purpose of the amendment is to harmonise the definition with the one included in the Cyprus income tax law.

2) Application of Article 11B

Article 11B of the VAT law provides that a customer must account for VAT on the acquisition of certain services (and in some cases goods provided with the services) for purposes of the construction, demolition, repair, or maintenance of any civil engineering project. Under the amendment, Article 11B applies where any person provides such services (and, if applicable, goods). Previously, the article applied only if the supplier was a taxable person for VAT purposes.

3) Introduction of Article 11E

The amendment introduces a new Article 11E, which provides that a customer must account for VAT on acquisitions of the following types of high-value goods based on the reverse charge provisions in Cyprus:

- Mobile phones;
- Integrated circuit mechanisms, such as microprocessors and central processing units, prior to their integration into end-user products; and
- Game consoles, computer tablets and laptops.

Article 11E applies where the recipient is a taxable person for VAT purposes at the time of the transaction and receives the goods for business purposes.

For these supplies, the seller does not charge VAT on the sale of the goods provided that the customer's VAT number is indicated on the invoice issued.

Furthermore, where the customer is not already VAT registered, such purchases will be taken into account when determining whether the customer has exceeded the VAT registration threshold.

4) VAT refunds

The amendment introduces the following changes for VAT refunds:

- VAT refunds will be suspended where income tax returns have not been submitted by the date of submission of the VAT refund claim.

In addition, no interest is payable on a VAT refund for the period during which the refund is suspended.

- VAT refund applications cannot be submitted after six years from the end of the relevant tax period. Exceptions will be allowed only if approved by the Tax Commissioner.

5) Penalties

The amendment increases the penalty for failure to submit a VAT return by the deadline from EUR 51 to EUR 100.

In addition, a penalty of EUR 200 per VAT return will be imposed where the reverse charge provisions are not correctly applied in relation to the receipt of services from abroad (Article 11) or the receipt of services and/or goods by other Cypriot established traders (Articles 11A – 11E). The total penalty may not exceed EUR 4,000.

6) Deadline for lodging objection

The amendment passes into law the 60-day period within which an objection may be submitted to the Tax Commissioner concerning tax assessments and other relevant decisions or acts of the Tax Commissioner in accordance with Article 52A of the VAT law.

7) Registration/de-registration of non-Cyprus established persons

The amendment introduces into the first schedule of the VAT law new provisions relating to the VAT registration and de-registration of “non-established” persons carrying out taxable activities in Cyprus.

A non-established person is a person that does not have a business establishment or any other fixed establishment in the Republic of Cyprus related to the business being carried out.

8) Definition of "renovation"

The term "renovation" included in the fifth schedule of the VAT law is amended to allow the reduced VAT rate of 5% to apply to “additions” to an old private residence.

For a residence to be considered old, at least three years must have passed since its first use.

9) Imposition of zero rate for international transport

The sixth schedule of the VAT law is amended to provide that the part of the international passenger transport that takes place within Cyprus is subject to a zero VAT rate.

Effective dates

The above changes apply as from the date of the amendment's publication in the official Gazette (i.e., 20 August 2020), with the following exceptions:

- The imposition of penalties where the reverse charge provisions are not correctly applied will apply as from 1 July 2021; and
- The provisions of new Article 11E will apply as from 1 October 2020.

How can the Indirect Taxation Team of Deloitte help you?

We are at your disposal to discuss the above and assist you to meet your tax obligations on time.

 Get in touch

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