



## T&L D-briefs series

September 2023

Stay on top of tax and legal (T&L) issues that impact your business through our bi-monthly [T&L D-briefs](#).

In this issue, we:

- share the most recent important **local and international tax developments**;
- examine the recent amendments to Cyprus' Transfer and Mortgage of Immovable Property Law, relating to the **foreclosure procedure** and to **debt for asset swaps**;
- share a reminder for the submission of company details to the **Ultimate Beneficial Owners (UBO) Register**.

T&L D-briefs  
September 2023  
Issue 5

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## Business Tax

### Local tax developments

#### Tax treatment of rental income from online platforms (e.g. Airbnb, Booking etc)

On 13 September, the Cyprus Tax Department issued Circular 10/2023 (in Greek language only) which clarifies the tax implications for income generated from accommodation rentals through online platforms (i.e. AirBnB, Booking) and other means.

#### Key highlights

- Classification of the cases where property owners are considered as generating income as part of their ordinary business activities, taxable under Article 5(1)(a) or 5(2)(a) of the Income Tax Law.
- Clarification of the tax treatment when the property owner:
  - directly manages the property for rental purposes;
  - delegates the management of the property to a property manager;
  - leases the property to a property manager, granting them exclusive rights for exploitation.

Legal and natural persons involved in property rentals, whether as owners or administrators, should review the Circular in detail to ensure compliance with the clarified treatment, mitigating risks related to non-compliance.

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## International tax developments

### European Commission proposes BEFIT as new EU-wide corporate tax base

On 12 September, the European Commission (EC) published a proposal for a Directive introducing a common framework for corporate income taxation in the EU, which is referred to as “**BEFIT**” (Business in Europe: Framework for Income Taxation).

BEFIT replaces previous proposals relating to a common (consolidated) corporate tax base. If adopted in their proposed form, the new rules would be implemented by 1 January 2028 and would apply as from 1 July 2028. Click [here](#) for more details.

### EC proposes transfer pricing directive

As part of its BEFIT package, the EC also published a proposal for a Council Directive on Transfer Pricing, to harmonise rules within the EU. If adopted in their proposed form, the new rules would be implemented by 31 December 2025 and would apply as from 1 January 2026. Follow this [link](#) for more details.

## Legal

### **Recent amendments to Cyprus' foreclosure regime and new valuation procedure introduced for debt for asset swaps**

The amendments relate to both the foreclosure procedure and to debt for asset swaps.

Significantly, under the new regime, lenders are required to include substantial details in the notice provided to debtors and guarantors in relation to observed defaults (Form «Θ» Notice), including a break-down of the amount owed into principal, interest, default interest and charges.

In addition, the new regime introduces a valuation procedure in relation to debt for asset swaps where the underlying asset is a "primary residence".



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## Business matters

### Register of Ultimate Beneficial Owners (UBO) – Reminder

With the final solution of the electronic system of the Register of Beneficial Owners expected to be implemented towards the end of October 2023, companies are urged to submit the details of their beneficial owners to the existing interim solution system of the Register of Beneficial Owners by **30 September 2023**, if not already done so.

Non-compliance may result in potential fines, penalties, or criminal proceedings.

Please refer to our relevant alert by clicking this [link](#).

## Mark your calendar!

### 30 SEPTEMBER 2023

- Submission of the details of beneficial owners to the interim solution system of the Register of Beneficial Owners.

### 31 OCTOBER 2023

- Electronic submission of the 2022 personal tax return by individuals with turnover below €70,000 and payment of the income tax liability (deadline extended from 2 October 2023).



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