Direct Taxation

February Newsletter - Issue 05/2023

Potential DAC6 implications in relation to the addition of BVI, Costa Rica, Marshall Islands and Russia in EU list of non-cooperative jurisdictions for tax purposes

Further to our published Newsletter – Issue 03/2023 in relation to the imposition of withholding taxes - under certain conditions – on the payment of dividends, interest and royalties effected by a Cyprus tax resident company to companies residing in jurisdictions that are included in the latest EU list of non-cooperative jurisdictions for tax purposes (so-called "black-list"), we would like to draw your attention to the following potential Cyprus DAC6 implications, relating specifically to **Hallmark C.1.b.(ii).**

Hallmark C.1.b.(ii) as outlined in the Cyprus DAC6 legislation, relates to tax deductible cross-border payments made between two or more associated enterprises where the recipient is tax resident in a jurisdiction that is included in the EU list of non-cooperative jurisdictions for tax purposes.

As from 14 February 2023, the aforesaid black-list has been updated with the addition of the BVI, Costa Rica, Marshall Islands and Russia. The list became official as form 21 February 2023, which is date of its publication in the Official Journal of the EU.

The DAC6 reporting obligation with respect to the above-mentioned hallmark is applied automatically since this hallmark is not linked to the Main Benefit Test.

To this end, Cyprus companies with activities in the newly added jurisdictions of the EU black-list, should assess whether DAC6 reporting obligations would arise, to the extent that they have such arrangements that might fall under Hallmark C.1.b.(ii).

We reiterate that in case a cross-border arrangement is captured under the above hallmark, such arrangement(s) should be disclosed to the Cyprus tax department within 30 days from the date of the transaction.

The tax team of K. Treppides & Co Ltd is at your disposal to review and assess whether any of the cross-border arrangements of a Cyprus company constitute a reportable cross-border arrangement within the meaning of the Cyprus DAC6 legislation, and provide assistance in relation to DAC6 reporting/filing requirements.

For any further information and/or clarifications required please do not hesitate to contact us.

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