



**K. TREPPIDES
& CO LTD**

Indirect Taxation

September Newsletter - Issue 04/2020



Recent Amendments of the Cyprus VAT Law

We would like to inform you that on the 20 August 2020, the legislations N.121(I)/2020 and N.122(I)/2020 (“New Law”) amending the Cyprus VAT Law N95 (I)/2000 (hereafter “the Law”) were published in the Official Gazette of the Government.

The Commissioner of Taxation (COT) issued two circulars providing clarifications on the implementation of the New Law which are also covered in this newsletter.

A. Amendment of Article 2 of the Law

Article 2 of the Law has been amended to provide a definition in relation on what constitute a Legal person. In accordance with this amendment, Legal Person is considered a company, partnership, club, association, organization, and any other associations of persons, irrespective if they

have been established in accordance with the provisions of any law or regulation.

The effective date of this amendment is the 20 August 2020.

B. Amendment of Article 11B of the Law

Article 11B of the Law is referring to the obligation of the recipient to apply the reverse charge rules on specific supplies of services or services associated with goods relevant with the construction industry or relevant with civil engineering work.

The amendment relates to subparagraph 4(a) of Article 11B and replaces the words “taxable person” with the words “any person”. The scope of this amendment is to cover that the recipient of the services described in the previous paragraph, will be obliged to apply reverse charge rules on the supply of the services or services associated with goods, they receive, irrespective if the service provider is taxable person or not.

The effective date of this amendment is the 20 August 2020.

C. Debts to the Commissioner of Taxation

Any amounts due to the Commissioner of Taxation (“COT”) and any decisions for written off of the specific amounts, are now be handled by the provisions of the Accounting, Financial Management and Financial Control Law, and no longer by the Council of Ministers.

The effective date of this amendment is the 20 August 2020.

D. Introduction of Article 11E - Reverse Charge by the recipient for sale of specific electronic goods

The amendment introduces the new Article 11E which provides the following:

When the buyer of the goods detailed below, is a person subject to VAT, then no VAT will be imposed by the seller on the selling value of those goods. However, the buyer has the obligation to apply the reverse charge rules on the value of the goods bought, provided that the recipient is receiving the goods under the course of furtherance of its business activities, irrespective if those goods are considered as fixed assets or not.

The following goods are covered under the specific provisions:

- (i) Mobile phones (i.e. devices designated or adapted for use on a recognize network and operating at specific frequencies irrespective if those are used for other purposes).
- (ii) Integrated circuits, such as microprocessors and central processing units, before integrating them into products that will be made available to the end user.
- (iii) Game consoles, computer tablets and laptops

Furthermore, the person whose activities involve the sale of the above goods, has the obligation for a period of 6 years, from the day of the delivery of the goods, to keep separate records in which all the information relevant with the specific transactions are kept.

The effective date of this amendment is the 1 October 2020.

E. VAT refunds

The New Law introduces the following changes relevant to the issuance by the Cyprus Tax Department (CTD) of the VAT refunds:

- The COT has the right to defer the issuance of VAT refund, that a taxable person has requested, in cases where the specific person failed to submit its tax returns in accordance with the provisions of the Collection and Assessment of Taxes Law. It is clarified that for the above deferred period, no interest will be paid by the CTD to the taxable person.
- The taxable person cannot submit a request to get a VAT refund after the lapse of a 6-year period, beginning from the end of the VAT period in which the VAT refund was relevant. The COT may allow the submission of such requests under reasonable circumstances.

The effective date of this amendment is the 20 August 2020.

F. Increase of penalty for late submission of the VAT return

The amendment increases the penalty for late submission of the VAT returns from €51 to €100.

The effective date of this amendment is the 20 August 2020.

G. New penalties for failure to apply the reverse charge provisions

Each person who fails to apply the reverse charge provisions when this is required in accordance with the provisions of the Law, is subject to penalty of €200 per VAT period that the reverse charge provisions were not applied and this penalty cannot exceed in total the amount of €4.000.

The effective date of this amendment is the 1 July 2021.

H. VAT registration in Cyprus for persons not established in the Republic

The New Law specifies new provisions relating to the VAT registration, irrespective of any threshold, for persons not established in the Republic, and who are providing taxable supplies, for which the place of supply is the Republic, to non-taxable persons in the Republic.

The COT has issued on the 1st September 2020 Circular 243, providing clarifications relevant to the specific amendment of the Law.

Persons not established in the Republic that are supplying goods or services in the Republic and they do not have permanent establishment in the Republic need to register to VAT when they have the intention to realize taxable transactions in the Republic.

The above provisions will not amend the current rules in relation to the transactions between persons in businesses (B2B), even if there is no establishment in the Republic, because those transactions are taxed in Cyprus under the reverse charge provisions.

The new rules for obligation of VAT registration for a person not established in the Republic, applies for transactions that are taxed under the special rules, where the place of supply of the transactions is considered the place where the transaction actually takes place or is relevant to an immovable property, where the place of supply is the place where the immovable property is located.

In addition, the withdrawal of the threshold does not affect the foreign businesses dealing with distance selling or acquisition of goods.

Furthermore, upon the registration of persons with no establishment in the Republic, to the CTD for VAT purposes, such persons will be able to claim back Input VAT for the expenses attributable to the services provided either for the transactions supplied in the Republic; or for the transactions supplied from the country of their establishment and charged VAT.

As from 20 August 2020, any person with no establishment in the Republic, who performs or intends to perform taxable transaction in the next 30 days, has 30 days to inform the CTD regarding its VAT obligation.

A person with no establishment in the Republic can be registered voluntarily to VAT.

A VAT representative can be appointed for the person with no establishment in the Republic.

I. Amendment of the definition of “renovation”

The term renovation is amended to allow the reduced VAT rate of 5% to apply to “additions” to an old private residence.

J. Transfer of passengers is zero rated service

The transfer of passengers from the Republic to destinations outside the Republic and vice versa, is subject to zero VAT rate, up to the extent that such transport is performed within the Republic.

The services relating to the transfer of passengers from/to the airports and ports and the person who is providing the specific services has the obligation to register to the VAT.

Our Indirect Taxation team is ready to discuss with you the content of this newsletter and provide any consultation required for better understanding of the amendments and how those could affect your business. Please do not hesitate to contact us at VAT@treppides.com



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