



## Cyprus Tax News

# Amendments to the Collection of Taxes Law

In the Government's effort to enhance its ability to collect taxes, the House of Representatives voted for specific amendments to the Collection of Taxes Law. The amendments are effective from 20 June 2014, and apply to taxes that have been agreed both before and after 20 June 2014.

The amendments voted, provide the Government with additional tools for the collection of agreed outstanding taxes, including:

- the confiscation of funds from bank accounts,
- the seizure and sale of other movable property as well as
- the registration of an encumbrance on immovable property and the right of sale via a Court order

The amendments were voted based on the Memorandum of Understanding between the Republic of Cyprus and the Troika. Similar tools are already available and in use by the Tax Authorities of other EU Member States. The amendments

Issue 12/2014

1 August 2014

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described below in more detail should not concern taxpayers who deal with their tax obligations on a timely manner.

## Collection of outstanding taxes

In accordance with Article 9 of the Collection of Taxes Law, in case of non-payment of agreed outstanding taxes, legal action may be taken to ensure their collection. Depending on the case, the Commissioner has the ability to request from the relevant District Court, the issuance of a court decision regarding the collection of taxes due, through the confiscation and sale of movable and immovable property. The taxes which fall under Article 9 are all taxes and duties.

With the recent amendment and according to the new Article 9A of the Law, the following taxes no longer fall within the provisions of Article 9, but within the new provisions of Articles 9B, 9C 9D:

- Income Tax
- Special Contribution for Defence
- Capital Gains Tax
- Immovable Property Tax
- Special contribution by employees of the private sector
- Special contribution by employees of the public sector and
- Stamp Duty

## Confiscation of funds from bank accounts

According to Article 9B, in case a person refuses or fails or neglects or delays to pay an agreed tax due that falls within the provisions of Article 9A and exceeds €3.000, except for taxes for which:

- i. The objection deadline has not yet expired or the objection procedure has not yet been completed against a tax assessment or against the Commissioner's decision or against the Tax Council's decision or
- ii. The Commissioner has agreed for the tax due to be paid in installments, and the installments are paid in a timely manner or
- iii. The Cabinet of Ministers has decided that the amount due will be forgiven or written off , or the procedure to reach such a decision is currently under way or

- iv. The Commissioner is satisfied that the guarantees provided are adequate for the collection of the outstanding tax due

the Commissioner has the authority, with the written consent of the Attorney General, to request from the credit institutions operating in Cyprus at which the relevant person holds bank deposits, to freeze an amount equal to the outstanding tax payable plus interest and penalties. Following a specific procedure and timeframe (to be governed by regulations to be issued), the appropriate amount due is paid to the responsible tax authority.

It should be noted that according to the Law, the amount which will be frozen, should not under any circumstances leave the taxpayer's available credit bank balance below €2.000.

The credit institution, after freezing the funds should notify the taxpayer who has the right to either file an objection against the freeze to the Commissioner or to apply to the Court for a lift of this order within 15 days from the date such notification is received.

## Seizure and sale of other movable property

According to Article 9C, in case a person refuses or fails or neglects or delays to pay an agreed amount of tax due, in accordance to the provisions of Article 9A, that exceeds €3.000 (except for taxes that are specifically exempt – same as in Article 9B referred to above), the Commissioner has the authority to seize and sell property owned by that person except for immovable property, up to twice the value of the outstanding tax due plus interest and penalties, without the prior consent of the Court, except when the taxpayer files a written objection to the Commissioner regarding the confiscation of the movable property.

The Council of Ministers may issue Regulations with regards to the procedures and conditions under which the seizure and sale of movable property would take place.

## Registration of an encumbrance on immovable property and the right of sale via a Court order

According to Article 9D in case a person refuses or fails or neglects or delays to pay an agreed amount of tax (as per Article 9A) exceeding €5,000 that remains outstanding for a period of more than 30 days from its due date, except for taxes for which:

completed against a tax assessment or against the Commissioner's decision or against the Tax Council's decision or

- ii. The Cabinet of Ministers has decided that the amount due will be forgiven or written off , or the procedure to reach such a decision is currently under way or
- iii. The Commissioner is satisfied that the guarantees provided are adequate for the collection of the outstanding tax due

the Commissioner has the authority to contact the Department of Land and Surveys and register an encumbrance on immovable property owned by that person without having to previously obtain Court approval. The encumbrance would prohibit the owner of alienating the immovable property and would act as a guarantee for any agreed taxes due.

The value of the immovable property that will be used as a guarantee can be up to twice the value of the taxes payable plus interest and penalties. The immovable property may be sold via a Court order for the settlement of the agreed taxes due.

The taxpayer has the right to file an objection to the Commissioner or apply to the Court for the lifting of the encumbrance within 30 days from the date of receipt of the notice regarding the registration of an encumbrance on the immovable property.

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