



Cyprus Tax News

Cyprus transposes DAC6 into domestic legislation

On 18 March 2021 the Cyprus Parliament voted into law the provisions of the [EU Council Directive 2018/822](#) (“the Directive”), known as “DAC6”. The amending Law on Administrative Cooperation in the field of taxation is expected to be published in the Official Gazette in the coming days.

The Directive is intended to increase transparency in the area of direct taxation, with a view of combating tax avoidance and tax evasion in the EU. On that account, the obligation to report potential aggressive tax planning aims to balance the asymmetry of information between Tax Authorities and taxpayers, thus enabling EU Member States to prevent harmful tax practices and close any loopholes.

Notwithstanding the fact that the Law was only voted recently, DAC6 has a retroactive application, being in force as of 25 June 2018. This implies that intermediaries and taxpayers must review the necessary information relating to transactions implemented on or after that date, in order to fulfil their reporting obligations.

It is noted that while the domestic Law reflects the spirit of the Directive, in many areas uncertainty remains. The Cyprus Tax Authorities (CTA) recognise the complexity and intend to issue further guidance to provide clarifications.

Further to our previous [alert](#) on DAC6 which provides in detail the requirements of the Directive, we provide below the key provisions of the domestic Law:

In a nutshell: DAC6 requires from EU intermediaries and taxpayers to submit information to the Tax Authorities with which they have an EU nexus, in respect of cross border arrangements that meet at least one of the “hallmarks”. (follow the link [here](#) to access Deloitte Hallmarks Card)

Reporting deadlines: These are fully aligned with the deadlines set by the Directive. Following the COVID-19 pandemic, the deadlines were initially extended by six months and the CTA has further [announced](#) that there will be no imposition of administrative fines for overdue submission of DAC6 information that will be submitted until **30 June 2021**, in the following cases:

- Reportable cross-border arrangements (RCBAs), the first step of which was implemented between **25 June 2018 and 30 June 2020** (“the transitional period”) and had to be submitted by 28 February 2021;
- RCBAs held between **1 July 2020 and 31 May 2021**, that had to be submitted within 30 days from the date they were made available for implementation or were ready for implementation or the first step in the implementation was made, whichever occurred first;
- RCBAs for which secondary intermediaries provided aid, assistance or advice, between **1 July 2020 and 31 May 2021** and had to submit information within 30 days beginning on the day after they provided aid, assistance or advice.

As from 1 June 2021, a 30 day rolling window for submission of RCBAs will apply.

Filing process: Information on reportable cross-border arrangements has to be filed with the CTA through the Government Gateway Portal “[Ariadni](#)”.

As from 5 January 2021, intermediaries/taxpayers are able to [register](#) in Ariadni and upon validation, information can be submitted by uploading an [XML](#) file.

Legal professional privilege (LPP): Practising lawyers are excluded from the obligation to file information to the CTA, where such information falls within the scope of “legal professional privilege”.

They are nevertheless required to notify, within 10 days, any other intermediary involved in the RCBA, or if there is no such other intermediary, the relevant taxpayer of their reporting obligation.

Right to ask for information: For the purposes of ascertaining whether there is compliance with the provisions of the legislation, the competent authority may require with written notice to receive within 14 days information from the intermediary or the relevant taxpayer.

Administrative fines: Penalties for non-compliance vary depending on the infringement, with a maximum of €20.000 per arrangement.

Concluding remarks and next steps

Intermediaries as well as taxpayers engaging in cross-border arrangements need to continuously monitor their disclosure obligations under DAC6 legislation.

In order to secure compliance with these new requirements and minimise the exposure to monetary as well as reputational damages, affected parties should take a series of holistic and robust actions. The implementation of specific procedures may be essential to ensure compliance with this new chapter in tax reporting obligations.

How can we help?

Deloitte offers a complete solution package that would promise to an organisation absolute compliance with the new DAC6 requirements. Such package would include:



Impact assessment: Identifying transactions or services potentially affected by the hallmarks (reporting triggers) and considering where a reporting obligation would arise.



Policies and procedures: Assisting with the development of internal policies and procedures which will be used to guide the Organisation's personnel in the implementation of DAC6.



Training: Raising awareness within the business through bespoke training programs delivered to the personnel.



Review of arrangements: Assessment of the impact of DAC6 requirements as well as any reporting obligations relating to cross-border arrangements engaged by affected intermediaries and taxpayers.



Monitoring: Tracking regulatory changes and making the relevant source information accessible to affected intermediaries and taxpayers.

Furthermore, Deloitte has developed a tool ([EU MDR Reporter](#)) that offers a solution to capture arrangements, ensuring that the data aligns with local requirements and integrates with reporting. The tool was designed to make the assessment process simple, transparent and efficient providing intermediaries and taxpayers with one place to go to address all of their compliance needs to meet the DAC6 regulations.

Reach out

Our DAC6 dedicated team is at your disposal to discuss the implications that the new requirements may have on your business in more detail.

Get in touch



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