



Cyprus Tax News

New Law Regulating the Settlement of Overdue Taxes

On 27 January 2017, the Cyprus Parliament approved a new Law ("the Law") which provides a scheme that regulates the settlement of overdue taxes. The Law was published in the Gazette on 3 February 2017 and its main provisions are analyzed below:

What taxes are within the scope of the regulated settlement scheme?

The provisions of the Law apply to tax liabilities that relate to periods which precede the effective date of the Law and arise under the following laws:

- Income Tax Law
- Special Defence Contribution Law
- Immovable Property Tax Law
- Capital Gains Tax Law
- Inheritance Tax Law
- Special Contribution Law
- Stamp Duty Law as well as
- VAT Law

The effective date of the Law as well as the relevant periods are expected to be set in a notification that will be issued by the Commissioner of Taxation and published in the Gazette.

What is the settlement on offer by the regulated scheme?

The overdue taxes will have to be settled in equal instalments, the number of which should not exceed:

- 54 instalments for overdue taxes not exceeding €100.000, provided that each instalment is not less than €50;
- 60 instalments for overdue taxes exceeding €100.000, provided that each instalment is not less than €1.852.

For overdue taxes which are regulated under the provisions of the Law, no new interest and/or penalties will accrue and no criminal proceedings will commence.

In addition, taxpayers may be relieved of interest and/or penalties already imposed on the overdue taxes. However, the amount of such relief will depend on the number of instalments agreed. Further details with regards to the amount of this relief are expected to be communicated by the Commissioner and published in the Gazette.

Application process to enter the regulated settlement scheme

A taxpayer who wishes to enter the scheme, should file an application to the Tax Department within 3 months from the date the Law enters into force.

The format of the application and the method of its submission are expected to be communicated by the Commissioner and published in the Gazette.

Assuming the request is made within the specified time frame and the tax returns of the applicant for all the relevant periods are submitted, the Commissioner examines the application form and communicates its decision to the applicant within 15 days from the date of his decision together with a detailed statement showing:

- a breakdown of the overdue taxes,
- the corresponding interest and/or penalties,
- the number of monthly instalments and
- the amount of each monthly instalment.

Upon receiving the Commissioner's decision, the taxpayer has to reply within 15 days either by accepting the decision if he/she is happy with the decision or by objecting it. The acceptance should be in a format that will be communicated by the Commissioner and published in the Gazette. A taxpayer not satisfied with the Commissioner's decision has the right to object, giving reasons for the objection and accompanying it with the necessary supporting documents. The Commissioner must respond within 30 days from receipt of the objection.

If the Commissioner does not respond to the taxpayer's request in accordance with the procedure described above, this constitutes acceptance of the taxpayer's proposal. A statement of acceptance will have to be anyway submitted by the taxpayer even in the absence of a notification of the Commissioner's decision.

Details with regards to the payment process

The instalments will need to be paid to the Tax Department in the manner specified in the Commissioner's decision. The instalments are first allocated to the oldest overdue taxes.

The first instalment shall be paid not later than the last day of the month in which the applicant submitted its acceptance statement, while each next instalment will need to be paid not later than the last day of the month to which the instalment relates to.

If an instalment is not paid on time, the taxpayer is expected to repay the instalment together with the next, otherwise the amount of the late instalment is spread equally to the remaining instalments of the arrangement.

Cancellation of a regulated settlement scheme

The Law provides for the cancellation of a regulated settlement scheme in the following cases:

- the taxpayer delays to pay an instalment for more than 3 consecutive months, including the month the instalment was due **or**
- delays to pay any 3 instalments **or**
- fails to file its tax returns and/or to settle current tax liabilities within the period prescribed in the relevant tax laws

Other provisions

- The Law may apply to taxpayers that are under criminal prosecution or where the execution of a court decree is still pending against them in relation to overdue taxes as long as the Commissioner obtains the approval of the Attorney General.
- The Law does not apply in cases relating to undeclared amounts, deposits or remittances made in Cyprus or abroad.
- The provisions of the Law do not affect arrangements for the repayment of overdue taxes in instalments, under an agreement reached between the Commissioner and any taxpayer that was put in place before the entry into force of this Law.

The Law gives the opportunity to taxpayers to pay overdue tax liabilities through a regulated instalment scheme with some relief of interest and/or penalties. However, many of the details with regards to the practical application of the Law are expected to be clarified in notifications to be issued by the Commissioner and published in the Gazette.



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