

An aerial photograph of a busy beach. The top half of the image shows a large area of white sand covered with hundreds of blue beach umbrellas and people. In the background, there are buildings and palm trees. The bottom half of the image shows the turquoise sea with several people swimming and a few small boats. A rocky coastline is visible on the left side.

Cyprus

DAC 6 Domestic Implementation

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General Information

Territory	Cyprus
Tax authority	Tax Department of Cyprus
Status of legislation	<p>Not yet implemented but there is draft legislation in place (pending parliament approval).</p> <p>As per the draft legislation, the law will enter into force on 1 July 2020. Reportable transactions for which first implementation step took place between 25 June 2018 and 30 June 2020 need to be reported by 31 August 2020. However, due to Covid-19, an extension to the reporting deadline may be granted from EU (subject to the approval of Ecofin and the European Parliament).</p>
Taxes covered	Income Tax, Capital Gains Tax, Special Defence Contribution
Taxes excluded	VAT, Custom Duties, Excise Duties, Compulsory Social Security Contributions
Domestic transactions	No

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Definitions further clarified by guidance

Relevant taxpayer	Any person to whom a reportable cross-border arrangement is made available for implementation, or who is ready to implement a reportable cross-border arrangement or has implemented the first step of such an arrangement.
Associated enterprise	<p>A person who is related to another person in at least one of the following ways:</p> <p>a) a person participates in the management of another person and is in a position to exercise significant influence over the other person;</p> <p>b) a person participates in the control of another person through a holding that exceeds 25% of voting rights;</p> <p>c) a person participates in the capital of another person through a holding that (directly or indirectly) exceeds 25% of the capital;</p> <p>d) a person is entitled to 25% or more of the profits of another person.</p>

Marketable arrangement

Cross-border arrangement that is designed, marketed, ready for implementation or made available for implementation without a need to be substantially customised.

Cross-border arrangement

An arrangement concerning either more than one Member State or a Member State and a third country where at least one of the following conditions is met:

- a) not all of the participants in the arrangement are resident for tax purposes in the same jurisdiction;
- b) one or more of the participants in the arrangement is simultaneously resident for tax purposes in more than one jurisdiction;
- c) one or more of the participants in the arrangement carries on a business in another jurisdiction through a permanent establishment situated in that jurisdiction and the arrangement forms part or the whole of the business of that permanent establishment;
- d) one or more of the participants in the arrangement carries on an activity in another jurisdiction without being resident for tax purposes or creating a permanent establishment situated in that jurisdiction;
- e) such arrangement has a possible impact on the automatic exchange of information or the identification of beneficial ownership.

An arrangement shall also include a series of arrangements. An arrangement may comprise more than one step or part.

Intermediary

Any person that designs, markets, organizes or makes available for implementation or manages the implementation of a reportable cross-border arrangement. It also means any person that, having regard to the relevant facts and circumstances and based on available information and the relevant expertise and understanding required to provide such services, knows or could be reasonably expected to know that they have undertaken to provide, directly or by means of other persons, aid, assistance or advice with respect to designing, marketing, organizing, making available for implementation or managing the implementation of a reportable cross-border arrangement.

In order to be an intermediary, a person shall meet at least one of the following conditions:

- a) be resident for tax purposes in a Member State;
- b) have a permanent establishment in a Member State through which the services with respect to the arrangement are provided;
- c) be incorporated in, or governed by the laws of, a Member State;
- d) be registered with a professional association related to legal, taxation or consultancy services in a Member State.

Tax advantage

Tax advantage is considered one of the following:

- a) Relief or increased relief from tax
- b) Repayment or increased repayment of tax
- c) Avoidance or reduction of a charge to tax or an assessment to tax
- d) Deferral of a payment of tax or advancement of a repayment of tax
- e) Avoidance of an obligation to withhold tax

Made available for implementation

Currently, there is no specific guidance regarding the term 'made available for implementation'.

Hallmark

A characteristic or feature of a cross-border arrangement that presents an indication of a potential risk of tax avoidance.

3 Additional hallmarks

Additional hallmarks

None.

4 Operation of legal professional privilege (lpp)

Operation of legal professional privilege (LPP)

When the intermediary is bound by LPP, he/she is required to notify any and all other intermediaries that the reporting obligation automatically rests with them. If there are no other intermediaries, he/she should notify the relevant taxpayer that the reporting obligation rests with the taxpayer.

5 Reporting deadline

Intermediaries

Within 30 days following:

- a) the day after the reportable cross-border arrangement is made available for implementation; or
 - b) the day after the reportable cross-border arrangement is ready for implementation; or
 - c) the moment when the first step in the implementation of the reportable cross-border arrangement is made
- whichever occurs first.

In addition, intermediaries are also required to file information within 30 days beginning on the day after they provided, directly or by means of other persons, aid, assistance, or advice.

Reportable transactions for which first implementation step took place between 25 June 2018 and 1 July 2020 need to be reported by 31 August 2020 (subject to the possible extension by the EU as discussed above).

For marketable arrangements, the intermediary is required to file a periodic report with all new reportable cross-border arrangements every 3 months.

Users (where LPP applies)

Within 30 days following:

- a) the day after the reportable cross-border arrangement is made available for implementation; or
- b) the day after the reportable cross-border arrangement is ready for implementation; or
- c) when the first step in the implementation of the reportable cross-border arrangement has been made, whichever occurs first.

Reportable transactions for which first implementation step took place between 25 June 2018 and 1 July 2020 need to be reported by 31 August 2020 (subject to the possible extension by the EU as discussed above).

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Reporting principles for intermediary

Circumstances in which intermediary is obliged to report

An intermediary is obliged to report information that is within their knowledge, possession, or control on reportable cross-border arrangements.

Obligation to inform user what data was communicated

No

Priority of reporting where multi member state reporting obligations exist

Where the intermediary is liable to file information on reportable cross-border arrangements with the competent authorities of more than one Member State, such information shall be filed only in the Member State that features first in the list below:

- a) the Member State where the intermediary is resident for tax purposes;
- b) the Member State where the intermediary has a permanent establishment through which the services with respect to the arrangement are provided;
- c) the Member State which the intermediary is incorporated in or governed by the laws of;
- d) the Member State where the intermediary is registered with a professional association related to legal, taxation or consultancy services.

Circumstances under which intermediary not required to report

In case of multiple reporting obligations, the intermediary shall be exempt from filing if it has proof, in accordance with national law, that the same information has been filed in another Member State.

The intermediary shall also be exempt from filing the information if he/she is bound by legal professional privilege and has notified the other intermediaries or in absence thereof, the relevant taxpayer.

What will the tax authorities provide for the notification received

Further guidance to be provided by Cypriot Tax Authorities.

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Reporting principles for taxpayer

Circumstances in which taxpayer is obliged to report

The relevant taxpayer is obliged to report if:

- a) no intermediary was involved in the design, marketing, organizing or making available for implementation or managing the implementation of a reportable cross-border arrangement; or
- b) he has been notified by the intermediary that the intermediary is bound by legal professional privilege.

Priority of reporting where multiple taxpayers are involved

Where the relevant taxpayer has an obligation to file information on the reportable cross-border arrangement with the competent authorities of more than one Member State, such information shall be filed only with the competent authorities of the Member State that features first in the list below:

- a) the Member State where the relevant taxpayer is resident for tax purposes;
- b) the Member State where the relevant taxpayer has a permanent establishment benefiting from the arrangement;
- c) the Member State where the relevant taxpayer receives income or generates profits, although the relevant taxpayer is not resident for tax purposes and has no permanent establishment in any Member State;
- d) the Member State where the relevant taxpayer carries on an activity, although the relevant taxpayer is not resident for tax purposes and has no permanent establishment in any Member State.

Circumstances under which taxpayer not required to report

Where there is a multiple reporting obligation, the relevant taxpayer shall be exempt from filing the information if it has proof that the same information has been filed in another Member State.

Proof that reporting obligation is satisfied by other taxpayer

Currently, there is no guidance as to what documentation/evidence is required in order to prove that the reporting obligation was satisfied by the other taxpayer.

8 Reporting principles applicable to all

Language

One of the official languages of the European Union.

9 Penalties

Circumstances in which penalties may apply

Incomplete, incorrect, late - or non-filing.

Amount

EUR 10.000 to EUR 20.000 for non-filing.

EUR 1.000 to EUR 5.000 for late filing up to 90 days / EUR 5.000 to EUR 20.000 for late filing more than 90 days.

EUR 10.000 to EUR 20.000 if the intermediary that is exempt from filing does not inform the relevant taxpayer or other intermediary regarding their filing obligation.

EUR 1.000 to EUR 5.000 for late disclosure up to 90 days by the intermediary that is exempt from filing to the relevant taxpayer or other intermediary.

EUR 5.000 to EUR 20.000 for late disclosure more than 90 days by the intermediary that is exempt from filing to the relevant taxpayer or other intermediary.

EUR 1.000 to EUR 10.000 for incomplete/incorrect filing.

EUR 1.000 to EUR 10.000 for non-filing of evidence, documentation or any information required from the Tax Authorities within the deadline.

If a penalty is imposed as per the above and is not settled within 30 days from the date of notification, the said penalty may be increased up to a maximum of EUR 20.000 (at the discretion of the Tax Authorities).

10 Country specifics

Country specifics / deviation from EU

None.



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