

CYPRUS

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AT A GLANCE

Name of the tax	Value Added Tax
Local name	••••• •••••
Date introduced	1 July 1992
Date of membership in EU	1 May 2004
Administered by	Ministry of Finance (www.mof.gov.cy)

VAT rates

Standard	19%
Reduced	5% and 9%
Other	Exempt for certain goods or services

VAT Number format	CY 10279672D
VAT return periods	Quarterly
Thresholds registration	EUR 15,600
Recovery of VAT by non established Businesses	Yes

HISTORY OF VAT

Cyprus introduced a Value Added Tax (VAT) system on the 1st of July 1992. The VAT legislation, which was in effect until the 31 January 2002, consisted of the Value Added Tax Laws of 1990 through 2000, Regulations, Orders and Notifications. On the 1st of February, 2002, the VAT Law 95(•)/2000 has been approved and came into effect from the 1st of February 2002. On the 1st of May, 2004, the VAT Law 95(I)/2004 amending L. 95(I)/2002 came into effect. The VAT legislation forms the legal basis for the imposition of the tax. The VAT system of Cyprus is based on the European model of VAT (Sixth VAT Directive 77/338/EEC).

SCOPE OF VAT

VAT is imposed on the supply of goods and provision services in Cyprus, as well as on the acquisition of goods from the European Union (EU) and the import of goods in Cyprus.

REGISTRATION

Registration is compulsory for businesses with (a) turnover subject to VAT in excess of €15.600 during the 12 preceding months or (b) expected turnover subject to VAT in excess of €15.600 within the next 30 days. Businesses with turnover of less than €15.600 or with supplies that are outside the scope of VAT but for which the right to claim the amount of the related input VAT is granted, have the option to register on a voluntary basis.

An obligation for registration also arises for businesses which make acquisition of goods from other EU Member States in excess of €10.251,61 during any calendar year. In addition as from 1 January 2010 an obligation for VAT registration arises for businesses engaged in the supply of intra-community services for which the recipient must account for VAT under the reverse charge provisions. Furthermore an obligation for VAT registration arises for businesses carrying out economic activities from the receipt of services from abroad for which an obligation to account for Cyprus VAT under the reverse charge provision exists subject to the registration threshold of €15.600 per any consecutive 12 month period. No registration threshold exists for the provision of intra-community supplies of services.

VAT RATES

The following **rates** are provided in Cyprus legislation:

- Zero rate (0%)
- Reduced rate of 5% for books, medical supplies etc.
- Reduced rate of 9% as from 13 January 2014 for restaurants, hotel accommodation etc.
- Standard rate of 19%

PLACE OF SUPPLY RULES

Supply of services

The supply of any services is treated as made in the Republic if the person supplying them is in the Republic.

As an exception, the legislation provides that the supply of certain services should be treated as taxable even if made by a person who is in another country and received by a registered person who is in the Republic

Supply of goods

The supply of any goods is treated as made in the Republic if the goods are in the Republic.

TIME OF SUPPLY RULES

A supply of goods is treated as taking place at the time of the removal of the goods or at the time when the goods are made available to the person to whom they are supplied.

A supply of services is treated as taking place at the time when the services are performed.

As an exception to the above, if an invoice is issued or a payment is received before or an invoice is issued within 14 days after the removal of the goods and the performance of services, the supply of goods or services is treated as taking place at the time the invoice is issued or the payment is received.

EXEMPTIONS

Certain goods or services are **exempt** from VAT. They include:

- the letting of immovable property (the letting of immovable property with the right of purchase is not exempt);
- most banking and financial services and insurance services;
- most hospital, medical and dental care services;
- certain cultural educational and sports activities;
- supplies of real estate (except supply of new buildings before their first use) including supplies of land and of second-hand buildings;
- postal services provided by the national postal authority;
- lottery tickets and betting coupons for football and horse racing;
- management services provided to mutual funds

RECOVERY OF INPUT VAT

Immediate refund of excess input VAT can be obtained in the following cases:

- input VAT which cannot be set off against output VAT until the last VAT period of the year which follows the year in which the VAT period in which the credit was created falls
- the input VAT relates to zero rated transactions
- the input VAT relates to the purchase of capital assets of the company
- the input VAT relates to transactions which are outside the scope of VAT but would have been subject to VAT had they been carried out within Cyprus.
- the input VAT relates to exempt financial and insurance services provided to non EU resident clients (services for which the right to recover the related input VAT is granted)

COMPLIANCE OBLIGATIONS

As a general rule, every registered taxable person who

- makes taxable supplies of goods or services to other taxable persons in Cyprus
- makes a supply of goods or services, other than an exempt supply, to a person in another member state
- receives a payment on account from a person in another member state for a supply that he has made or intends to make

is required to provide its customers with VAT invoices.

This obligation does not apply if the supply involved is:

- zero-rated;
- made for no consideration;
- made by a taxable person that uses the Profit Margin Scheme.

Registered retailers may issue the "retail invoice", if the customer is a taxable person and asks for a tax invoice, provided that the consideration is below €85.

VAT returns must be submitted quarterly and the payment of the VAT must be made by the 10th day of the second month that follows the month in which the tax period ends.

SPECIAL CASES

Legislation provides for special arrangements that establish Special Regimes for specific persons.

The Special Regimes-Schemes according to the VAT legislation are the following:

- Special Regime for Farmers
- Special Regime for Taxis
- Special Regime for Travel Agencies and Tour Operators

- Special Regime for Retailers – Retail Schemes

Other special arrangements are:

- Profit Margin Schemes for Second-hand Goods Scheme
- Retail Export Scheme

RIGHTS OF THE TAX PAYER AND THE VAT AUTHORITIES

Rights of taxpayer

Under the VAT Legislation a taxable person has, among others, the following rights:

- Entitlement to registration: If a person makes taxable transactions the value of which does not exceed the thresholds of registration as defined in the legislation, he is entitled to apply to be registered voluntarily.
- Entitlement to cancellation of registration: Where any registered person notifies the VAT Service that the value of taxable supplies in one year has fallen below €13.668,81 and the VAT officer is satisfied of that fact, then the registration is cancelled.
- Right to deduct or refund of input tax: under the prerequisites set by the legislation.
- Right to file an objection to the Minister of Finance. Additionally, right to file an objection to the VAT Commissioner, a request to the VAT Commissioner for reconsideration of a decision (Section 29 of the Constitution), an appeal to the Supreme Court (Section 146 of the Constitution), a complaint to the Ombudsman.
- Right to choose a Special Scheme: Retail Schemes, Second-hand Goods Schemes, Retail Export Scheme, Special Schemes for Farmers

Rights of VAT authorities

A tax assessment is issued where the VAT Commissioner concludes that:

- a taxable person has failed to make the returns required,
- a taxable person has failed to keep any necessary documents and afford facilities to verify such returns,
- it appears such returns are incomplete or incorrect,
- an amount was paid to a taxable person in the form of refund of tax and such amount should not have been paid,
- an amount was credited in the interest of a taxable person and such amount should not have been credited,
- a taxable person fails to give account for any goods he acquired or imported in the course or furtherance of his business.

The tax assessment is an executory administrative act of the VAT Commissioner, for which an objection may be submitted to the Minister of Finance or an appeal to the Supreme Court may be filed.

EU DECLARATIONS

VIES:

In case of sales of goods or sales to EU VAT registered customers monthly VIES returns need to be submitted. No threshold applies.

INTRASTAT:

In case of dispatches/arrivals of goods from EU monthly Intrastat returns need to be submitted. The thresholds for 2015 are: arrivals €100.000; dispatches €55.000. Thresholds are reviewed annually.