



**CHELCO
VAT**



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1.	Taxable Persons	1
1.1	VAT registration for domestic businesses	1
1.2	VAT registration for foreign businesses	3
1.3	VAT representative (Fiscal representative)	3
1.4	VAT grouping	3
1.5	VAT deregistration	4
2.	Simplification Measures	4
2.1	Consignment and call-off stock	4
2.2	Simplified triangulation rules	4
2.3	Transfer of business as a going concern	5
3.	Installation Supplies	6
4.	Distance Sales Threshold	6
5.	Acquisition Threshold	6
6.	Effective Use and Enjoyment	6
7.	Bad Debt Relief	7
8.	Special Rules	7
8.1	Postponed accounting on import	7
8.2	VAT warehouse	8
8.3	Bonded (customs) warehouse	8
9.	Reverse Charge	8
9.1	Reverse charge mechanism- B2B services	8
9.2	Reverse charge mechanism- non-resident suppliers	8
9.3	Reverse charge mechanism- supply of natural gas and electricity	9
9.4	Reverse charge mechanism- specific domestic rules	9
10.	Taxable Amount	9
10.1	Open market value	9
10.2	Cash Discounts	9
11.	VAT Rates	10

11.1	History and changes in the VAT rates in Cyprus	10
11.2	Reduced rates	10
11.3	Exemptions with right to deduction (zero rate)	11
11.4	Exemptions without right to deduction	11
<hr/>		
12.	Recovery of Input VAT	12
12.1	Non-recoverable input VAT	12
12.2	Excess input VAT	13
12.3	Capital goods- adjustment periods	13
12.4	VAT refund for foreigners	13
<hr/>		
13.	Invoicing	15
13.1	Invoice content	15
13.2	Time limits	15
13.3	Currency	15
13.4	Conversion and exchange rate	15
13.5	Self-billing	16
13.6	Storage of invoices	16
13.7	Electronic invoicing	16
<hr/>		
14.	VAT Compliance	16
14.1	VAT return period	16
14.2	Filing of VAT return and payment	17
14.3	VAT Information and Exchange System (VIES) (European sales listing)	17
14.4	National recapitulative statement	17
14.5	Tax assessment period	17
<hr/>		
15.	Penalties	18
15.1	Penalties for failure to meet VAT compliance obligations	18
15.2	Penalties for not paying VAT on time to the tax authorities	18
15.3	Penalties on VAT assessments when VAT is not reported correctly	18
<hr/>		
16.	Intrastat	19
16.1	Intrastat threshold	19
16.2	Intrastat data to be reported	19
<hr/>		
About Chelco VAT		20
<hr/>		



Cyprus

In Cyprus, the European Union (EU) VAT Directive has been implemented through the “Οι περί Φόρου Προστιθέμενης Αξίας Νόμοι Νόμος 95(Ι)/2000 όπως τροποποιήθηκε”. These will be referred to hereinafter as the 'VAT Laws'. VAT is referred to in Cyprus as “Φόρος Προστιθέμενης Αξίας” or “ΦΠΑ”.

[www https://goo.gl/v1a8W1](https://goo.gl/v1a8W1)

Throughout the Overview, reference is made to some of the more significant Interpretive Circulars issued by the Cyprus VAT Authorities. All circulars are in Greek and are referenced by the number and date of issue of the circular. All circulars can be found at the following link:

[www http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/EB4F13A5B6603053C225723C002A8DDF?OpenDocument](http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/EB4F13A5B6603053C225723C002A8DDF?OpenDocument)

1. Taxable Persons

A taxable person (υποκείμενο στο φόρο πρόσωπο) is defined in Articles 2 and 6 of the VAT Laws as any person that is registered, or is required to be registered, under the VAT Laws. It follows that a taxable person must be carrying out a business. A business is defined in Article 3 of the VAT Laws as ‘an economic activity carried out independently and in any place, whatever the purpose or the results of that activity’. It can be observed that the definition of ‘business’ follows the definition of taxable person as laid out in Article 9 of the EU VAT Directive. The additional requirement that the taxable person be registered or required to be registered is perhaps unnecessary. Its existence does not impede however, on the right of a foreign taxable person to claim back input VAT from the Cyprus VAT Authorities if such a right exists, even though that foreign taxable person may not meet the definition of a ‘taxable person’ under the Cyprus VAT Laws.

1.1 VAT registration for domestic businesses

Registration for VAT purposes is obligatory in the following circumstances as regulated by article 1 of the First Schedule of the VAT Laws and Information Leaflet 3 dated November 2001. The format of the VAT registration number issued from the Cyprus VAT Authorities will be: CY 123456789X

[www http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/C56A23F7D993B60DC225723C002AA1B1/\\$file/%CE%95%CE%A603.pdf?Openement](http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/C56A23F7D993B60DC225723C002AA1B1/$file/%CE%95%CE%A603.pdf?Openement)

1.1.1 Historic and future tests

Cyprus applies a special scheme for small enterprises, with the exemption limit set at EUR 15.600. As such, a business, that is established in Cyprus, must register for VAT if the value of its taxable supplies (including zero rated) exceeds the registration threshold of EUR 15.600 when applying either the historic test or the future test (explained below).

Registration using historic test

The historic test states that registration is required when at the end of any month, the taxable supplies for the last 12 months exceeded the registration threshold. In this case, the application for registration must be made within 30 days of the end of the month in which the threshold is exceeded and registration will be effective as of the next day following this 30 day period. Example 1 below is relevant.

Example 1:

Taxable supplies exceeded the registration threshold during the last 12 months from:	Registration application needs to be submitted by (within 30 days):	Date of registration is (next day after the 30 days have elapsed):
30 June	30 July	31 July

Registration using future test

The future test states that registration is required if there is reason to believe that the registration threshold will be surpassed at any point within the next 30 days. In this case, the application for registration must be made within 30 days from the relevant day and registration will be effective as of that same day. Example 2 below is relevant.

Example 2:

Date on which taxable supplies are expected to exceed the registration threshold during the following 30 days:	Registration application needs to be submitted by (within 30 days):	Date of registration is (on the day threshold is expected to be exceeded):
20 January	19 February	20 January

1.1.2 Provision of intra-Community B2B services

Where any person, based in Cyprus but not registered for VAT in Cyprus, makes intra-Community supplies of goods or services, to another person that is VAT registered (business-to-business (B2B)) in a different Member State (MS), then that person is obligated to register for VAT in Cyprus, regardless of the value of the supply. The reason is that the supply must be declared on the VAT Information Exchange System (VIES). **See Section 14.3.** In order to register for VIES, VAT registration is firstly required to be activated.

1.1.3 Distance sales

Where non-taxable legal persons, taxable persons exclusively engaged in exempt activities (such as universities) and flat-rate farmers, all of whom are not liable for payment of VAT on their intra-Community acquisition of goods, as well as private individuals, purchase goods, other than new means of transport, from a supplier established in another EU Member State, the supplier must apply the regime for distance selling if the goods are delivered by him or on his behalf. The distance selling threshold in Cyprus is EUR 35.000 per calendar year.

A taxable person of another Member State may opt for voluntary registration in Cyprus for its distance sales before the threshold is exceeded. The Cyprus VAT Authorities must be notified at least 30 days before initiating distance sales with evidence of notification of the Authorities in the home Member State. The option is applicable for the subsequent two calendar years from the date of exercising the option. Currently distance sales registrations are handled centrally in Nicosia. District offices cannot process distance sales registrations.

The Cyprus VAT Authorities have issued Information Leaflet 3A in the Greek language giving information regarding distance selling activities. The Leaflet can be accessed through the following link:

[www https://goo.gl/GsSNYN](https://goo.gl/GsSNYN)

1.1.4 Acquisitions from other Member States

Where a Cyprus established person is not liable to be registered for Cyprus VAT purposes (for example non-taxable legal persons, taxable persons exclusively engaged in exempt activities (such as universities) and flat-rate farmers), that person becomes liable to register where within a calendar year, he/she acquires goods from VAT registered persons established in other EU Member States, which exceed the threshold of EUR 10.251,61, and those goods are shipped to Cyprus. Registration is also necessary if there are reasonable grounds to believe that the value of acquisitions that person will be making in the following thirty days alone, will exceed the registration threshold.

The relevant information regarding this kind of acquisitions is also included in Information Leaflet 3A. **See Section 1.1.3** for a link to the Leaflet.

1.1.5 Registration for intra-Community supplies

There is no separate registration for intra-Community supplies i.e. to use the prefix 'CY'. This is done automatically following registration with the VAT Authorities.

1.1.6 Voluntary registration

It is possible to voluntarily register for VAT in Cyprus before an obligation arises. In this case, the person would have to prove to the VAT Authorities that they are carrying out taxable supplies which grant the right to deduct input VAT. The Cyprus VAT Authorities are becoming increasingly stricter with the evidence they are willing to accept in order to effect a voluntary VAT registration.

1.1.7 Registration Forms

VAT Registration is effected by submitting the relevant forms as required by the Tax Department. New forms have been compiled following the unification of the VAT Department with the Internal Revenue Department into the newly formed Tax Department. As of 1 January 2016, the new forms will be required to effect a VAT registration as noted below:

[www http://www.mof.gov.cy/mof/TaxDep.nsf/All/D6A89FF187DA709EC2257E2A003CCE1C/\\$file/%CE%A4%CE%A62001.pdf](http://www.mof.gov.cy/mof/TaxDep.nsf/All/D6A89FF187DA709EC2257E2A003CCE1C/$file/%CE%A4%CE%A62001.pdf)

[www http://www.mof.gov.cy/mof/TaxDep.nsf/All/C4CAE958B71331A1C225807900333B40/\\$file/%CE%A4%CE%A61101.pdf](http://www.mof.gov.cy/mof/TaxDep.nsf/All/C4CAE958B71331A1C225807900333B40/$file/%CE%A4%CE%A61101.pdf)

All registration application forms are only available in Greek and only a hard copy of the application form can be submitted at any of the regional Offices of the Tax Department. The registration forms will need to be accompanied by the following supporting documentation:

- memorandum
- articles of association
- copy of identity cards or passport of Directors
- evidence supporting that the value of taxable supplies have exceeded the registration threshold.

In the case of voluntary registration, evidence that the person is carrying out taxable supplies (such as copy of agreement, invoices, details of contracting parties etc).

The VAT Authorities usually assign the VAT number on the same day of receiving all the required documents, or the latest within three working days. The VAT certificate is mailed within 30 days from the date of assigning the VAT number.

1.2 VAT registration for foreign businesses

Cyprus applies a special scheme for small enterprises, with the exemption limit set at EUR 15.600, as detailed in Section 1.1 above. However, Article 283(1)(c) of the VAT Directive provides that a taxable person without an establishment in Cyprus cannot benefit from the small enterprises exemption. Therefore, where a foreign business, with no establishment in Cyprus, undertakes taxable supplies for which the place of supply is Cyprus, and the recipient is not obliged to undertake the reverse charge, then the foreign business should register in Cyprus. However, the wording of the Cyprus legislation in this matter is not clear. The Cyprus VAT Authorities have interpreted the legislation to allow foreign taxable persons, without an establishment in Cyprus, to benefit from the small enterprises scheme exemption.

Taxable persons established in other EU Member States with no establishment in Cyprus may register directly with the VAT Authorities. Non-EU taxable persons may register via the appointment of a fiscal representative (see 1.3. below).

1.3 VAT representative (Fiscal representative)

In Cyprus a fiscal representative is referred to as a VAT representative. The right to appoint a VAT representative is granted to taxable persons or persons carrying out taxable supplies, not established or resident in Cyprus, and which do not have a fixed establishment in Cyprus.

A physical person residing in, or a legal person incorporated in, another Member State, does not have to appoint a VAT representative in Cyprus. No obligation to appoint a VAT representative arises also for persons in a country with which Cyprus has entered into a mutual reciprocity agreement (currently such agreements exist only with Israel, Switzerland and Norway). It is possible for such persons to register directly with the Cyprus VAT Authorities.

A non-EU company would normally be obliged to appoint a VAT representative; however, the Commissioner of Taxation may instead register the company directly and accept a bank guarantee. By appointing a VAT representative, no tax advantages arise, when compared to registering with the VAT Authorities directly.

Where a VAT representative is appointed, this is done by virtue of Article 37 of the VAT Laws, as well as of Regulation 10 of Reg. (K) K.Δ.Π.314/01 and the decree based on regulation 10, via submission of the Form VAT 104, which can be accessed through the following link:

[www http://www.mof.gov.cy/mof/VAT/vat.nsf/All/640D8E1911D8B74BC22573C20028D29F/\\$file/104%20EURO.pdf?Openement](http://www.mof.gov.cy/mof/VAT/vat.nsf/All/640D8E1911D8B74BC22573C20028D29F/$file/104%20EURO.pdf?Openement)

Where a VAT representative is appointed, the Commissioner of Taxation must be notified within 30 days. The name of the VAT representative, together with the name of the person being represented, appear on the VAT Register. The VAT representative is jointly and severally liable to the VAT Authorities for any transactions undertaken by the company that may give rise to a VAT liability although the law limits his/her liability to cases of fraud, misconduct or negligence by the VAT representative.

1.4 VAT grouping

VAT Grouping is possible under Article 32 of the VAT Laws. Group registration is optional in Cyprus.

The wording of Article 32 of the VAT Laws was amended during 2012 to include the exact wording of Article 11 of the EU VAT Directive, defining financial, economic and organisational links. These criteria have made it more difficult to prove the existence of a group for VAT grouping purposes.

- Financial links exist where one entity controls, either directly or indirectly, the other, or if all entities to be included in the group are controlled by a third person.
- Economic links exist where the main economic activity of members are alike, or complementary, or mutually combined, or mutually beneficial.
- Organisational links exist where group members are under common management.

Only taxable legal persons incorporated in Cyprus may be part of a VAT Group. This excludes “pure” holding companies or companies exclusively involved in exempt supplies. Members of the group are jointly and severally liable for any VAT, interest and penalties that may be imposed. The supplies of goods or services between the members of a VAT group are ignored for VAT purposes.

Where two or more companies effect a group registration, their existing VAT numbers are cancelled and the group obtains a new common VAT number under the representative member's name. The representative member is responsible for filing a single VAT return on behalf of the group, and paying any VAT due. This will create a problem for validation purposes given that only the name of the representative member appears on the EU VAT number validation website. It will thus, not be possible to validate through the website the VAT registration number of the other members of the VAT group, given that their names do not appear on the validation confirmation. However, this obstacle can be overcome by producing documentary evidence that these companies form part of the VAT group.

1.5. VAT deregistration

A taxable person is obligated to deregister for VAT if he:

- ceases carrying out his economic activity;
- ceases to have any intention of carrying out taxable transactions;
- was never eligible to register in the first place.

A taxable person may voluntarily deregister for VAT if:

- his (taxable) turnover has been significantly reduced and is not expected to exceed €13.669 over the next 12 months.

The taxable person must notify the Commissioner within 60 days from the date of termination of obligatory registration. Failure to apply for deregistration within the 60 days limit will attract a one off €85 penalty.

VAT form 204 should be completed and submitted for the deregistration of a taxable person, which can be accessed through the following link:

[www http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/A5ADD55C51495CA5C22573C200276034/\\$file/204.pdf?Openement](http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/A5ADD55C51495CA5C22573C200276034/$file/204.pdf?Openement)

2. Simplification Measures

2.1 Consignment and call-off stock

Call-off stocks (αποθέματα ασφαλείας) are stocks used for and paid by one customer, for his own needs. Consignment stocks (αποθέματα που βρίσκονται υπό την ευθύνη του αποστολέα) are stocks transferred to Cyprus by a supplier established in another EU Member State, which remain under his control, and from which supplies will be made by him or on his behalf, within Cyprus.

For call-off stock received by a customer in Cyprus, from a supplier established in another EU Member State, the Cypriot customer must account for the acquisition on the movement of the goods, despite the fact that the right to dispose of the goods as owner has not yet passed to him. This applies where the customer will use the stock for his own purposes, or will use the stock to effect further supplies to his own customers. Where the non-Cyprus established supplier sends call-off stock to be used by more than one customer, then the procedures for consignment stock will apply (see below).

Where goods are transferred to Cyprus on a consignment basis i.e. to be placed in the consignee's care, and ownership to be passed at the same time that the stock is sold to the final customer, the consignor must register in Cyprus to report the intra-Community acquisition.

The (most important) conditions to apply a simplification for call-off stock are that the goods must be stored at the premises of the customer and used only by the customer. If goods are stored for more than one customer, then they must be dealt with as consignment stock i.e. VAT registration of consignor is required. The time of supply for call-off stocks is considered to be the earlier of the date of invoice or the 15th day of the month, following the month of delivery, despite the fact that ownership of the goods does not pass until the goods are used.

Where the supplier and the customer are based in Cyprus, and goods are held either on a consignment basis or a call-off basis, the goods are deemed to be supplied when the goods are taken out of the stock under consignment or call-off and the legal title is transferred to the customer. An automatic supply is deemed to take place if twelve months have passed from the date that the goods were transferred to the customer.

No simplification applies in case of imports. If the importer/consignee is registered, he may recover VAT charged on importation as input tax.

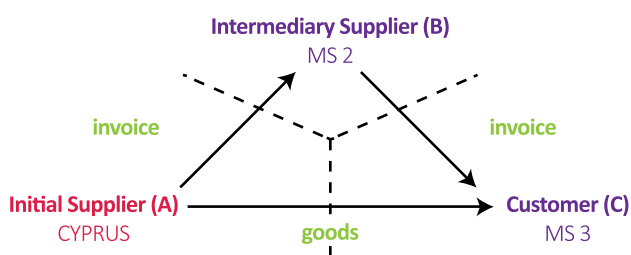
2.2 Simplified triangulation rules

Triangulation is regulated by Article 12E of the VAT Laws. The VAT Authorities have issued the following circulars, which are relevant: EE 88 (04.06.2004) and EE 88A (27.08.2004).

[www https://goo.gl/cLBJD](https://goo.gl/cLBJD)

[www https://goo.gl/m69ZsA](https://goo.gl/m69ZsA)

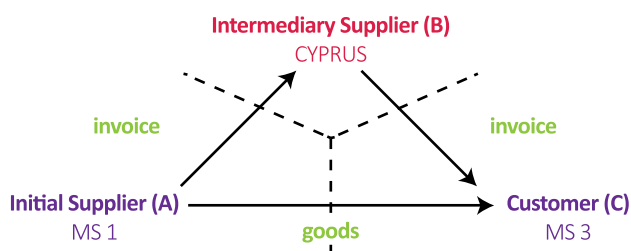
Where a taxable person who is the initial supplier is based in Cyprus, then:



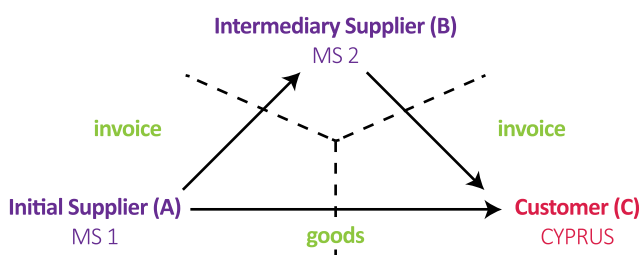
- Intra-Community (IC) supply made by A in Cyprus is exempt from VAT (subject to triangulation conditions being met);
- B must provide A with a valid VAT registration number in MS 2;
- B is reported as purchaser of goods on VIES completed by A, using B's VAT registration in MS 2;
- B cannot have a VAT registration number, or be established, in MS 1 (Cyprus);
- A can undertake the transport of goods.

Where the taxable person who is the intermediary supplier is based in Cyprus, then:

- B supplies his Cyprus (MS 2) VAT registration to A;
- simplification procedure applies if B proves it has made a subsequent supply to C in MS 3;
- B designates C as the person liable to pay VAT on local supply in MS 3;
- B reports the sale in column 10 and box 3 on its VIES declaration (denoting triangular trade);
- no VAT is paid by B in Cyprus (MS 2);
- B can undertake the transport of goods.



Where the taxable person who is the end customer is based in Cyprus, then:



- C is registered for VAT in Cyprus and is designated by B to apply the reverse charge procedure on the local supply made by B in Cyprus;
- thus IC acquisition made by B in Cyprus is exempt (if simplification conditions are met);
- B cannot have a VAT registration number, or be established, in MS 3 (Cyprus);
- C cannot undertake the transport of the goods.

2.3 Transfer of business as a going concern

The exemption on the transfer of business as a going concern has been implemented in Cyprus. The transfer of a business as a going concern is outside the scope of VAT, however, there are certain conditions that must be met:

- all, or an autonomous part, of a business (assets, stocks, goodwill) is transferred;
- the transferor is a taxable person;
- the transferee is or becomes a taxable person; and
- the transferee continues, without substantial differentiation, to carry out a business of the same nature.

In this case the transferor must not charge any VAT and the transferee is not allowed to deduct any VAT as input tax, even if the transferor has charged VAT by mistake. If, as a result of the transfer, the transferor terminates his/her taxable supplies, he/she must notify the VAT Authorities within sixty days by submitting an "Application for Cancellation of Registration" (Form VAT 204). The form can be accessed through the following link:

[www http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/A5ADD55C51495CA5C22573C200276034/\\$file/204.pdf?Openelement](http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/A5ADD55C51495CA5C22573C200276034/$file/204.pdf?Openelement)

The transfer of a business as a going concern will trigger an obligation for the transferee to register, if not registered already. He has 30 days within which he would need to inform the VAT Authorities by submitting an "Application for Registration" (Form DT1001). See Section 1.1.7 for a link to the form.

If both the transferor and the transferee wish, they may submit an "Application for the Transfer of VAT Rights and Obligations" (Form VAT 103), upon which, if approved, the transferor has to hand over his accounting books and records to the transferee and the transferee will take up all previous rights and obligations of the transferor. The form can be accessed through the following link:

The transfer of rights and obligations is allowed if the whole of the business is transferred, the transferor's registration is cancelled and the transferee is not already a registered person but becomes liable to be registered or is registered voluntarily.

3. Installation Supplies

VAT Directive Article 36 is not transposed word-for-word in the Cyprus legislation. The only reference to Article 36 is Article 12E(2) of the VAT Laws making reference to intra-Community supply of goods with installation/assembly.

Cyprus applies an extension of the reverse charge to the supply of goods with installation, as long as the supplier is VAT registered in another EU Member State, and is neither established nor VAT registered in Cyprus, and the customer is a taxable person, registered for VAT in Cyprus. In such a case, the customer will apply the reverse charge mechanism. The invoice from the supplier should make reference to 'Reverse Charge' and the supplier should notify the Cyprus VAT Authorities in writing.

4. Distance Sales Threshold

See Section 1.1.3.

5. Acquisition Threshold

See Section 1.1.4.

6. Effective Use and Enjoyment

Use and enjoyment provisions can be found in the Thirteenth Schedule of the VAT Laws. The Thirteenth Schedule is a result of Article 59a of the VAT Directive.

The use and enjoyment rule provides that:

- (a) Art. 59a(a): where the supply of relevant services would otherwise be regarded as made in Cyprus, but the effective use and enjoyment of those services is outside the Community, the supply is deemed to be outside of the Community, and
- (b) Art. 59a(b): where the supply of relevant services would otherwise be regarded as made outside the Community, but the effective use and enjoyment of the services is in Cyprus, the place of supply is deemed to be Cyprus.

The special provisions for effective use and enjoyment as per (a) and (b) above, apply to:

- transport of goods services, to a taxable person, other than intra-Community transport of goods;
- transport of goods (Articles 9, 12 and 13, Thirteenth Schedule of the VAT Law), hiring of means of transport, both long-term and short-term, whether B2B or B2C (Articles 3 and 14A, Thirteenth Schedule of the VAT Law);
- hiring of movable goods, other than means of transport, whether B2B or B2C (Article 7, Thirteenth Schedule of the VAT Law);
- telecommunications, radio and television broadcasting, whether B2B or B2C (Articles 8 and 18, Thirteenth Schedule of the VAT Law); and
- electronically supplied services, for B2B both (a) and (b) apply (Articles 10, Thirteenth Schedule of the VAT Law), and for B2C only (b) applies (i.e. only 59a(b)) applies of the VAT Directive (Article 18, Thirteenth Schedule of the VAT Law).

The special provisions for effective use and enjoyment as per (b) above only apply to: electronically supplied services to non-taxable persons (B2C).

The following table summarises the use and enjoyment provisions with specific reference to the Cyprus and EU legislation.

	B2B	B2C	Art. 59a(a)	Art. 59a(b)	Cyprus law article	EU Directive Article
Transport of goods	✓		✓	✓	Sch. 13(9)	44
Hiring of means of transport Short - Term	✓	✓	✓	✓	Sch. 13(3)	56
Hiring of means of transport Long - Term B2C		✓	✓	✓	Sch. 13(3), (14A)	56
Hiring of means of transport Long - Term B2B	✓		✓	✓	Sch. 13(3)	44
Hiring of movable goods (except means of transport)	✓	✓	✓	✓	Sch. 13(7)	44 (B2B) / 45(B2C)
Telecommunications, radio, TV and broadcasting from 1.1.2015	✓	✓	✓	✓	Sch. 13(8)[for 59a(a) and 59a(b)] / Sch. 13(18) [for 59a(b) B2C only]	44 (B2B) / 58(B2C)
Electronically supplied services B2C		✓		✓	Sch. 13(18)	58
Electronically supplied services B2B	✓		✓	✓	Sch. 13(10)	44

7. Bad Debt Relief

In Cyprus, bad-debt relief is available to taxable persons, provided that they can substantiate to the tax Authorities that the amount not yet paid by the customer became a bad debt within the, prescribed by the law, relevant period.

When claiming bad debt relief the following conditions must be met:

- the taxable person has supplied goods or services and has accounted for and paid the relevant output VAT on that transaction;
- the amount has been written-off in the accounting books of the taxable person, as a bad debt;
- a period of 12 months (beginning by reference to the chargeable event of the supply) must have elapsed;
- the claim for bad debt relief must be made within four years from the later of:
 - i. the date when the supply was due and payable to the supplier, or,
 - ii. the date the chargeable event had taken place;
- the taxable person must demonstrate that he/she has taken all the necessary measures to collect the amount due; and
- if the customer is a taxable person, the supplier must notify the customer of making the claim within a seven day period from the date the claim is made. A copy of the notification must be kept in the records of the applicant.

The claim is via the quarterly VAT return, shown as an increase in the input VAT claimed for that period. The Cyprus VAT Authorities have issued Information Leaflet 14 dated January 2002 and circular 204 (12.07.2016) on the subject of bad debt relief. The Leaflet can be accessed through the following link:

[www http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/B792DC784CDB1996C225723C002AA1E1/\\$file/EE14.pdf?Openement](http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/B792DC784CDB1996C225723C002AA1E1/$file/EE14.pdf?Openement)

8. Special Rules

8.1 Postponed accounting on import

Import VAT must be (pre)paid upon the importation of any goods from places outside of the EU, regardless of whether it is undertaken:

- by a taxable or a private person;
- for business or private purposes; or
- for a consideration or not.

VAT chargeable on importation is paid to the Customs Authorities as if it were a customs duty; normal rules then apply for the right of deduction for taxable persons.

There are certain exceptions to the payment of VAT on importation. The main exceptions are the following:

- for gas and electricity imported through a specific distribution system. For these kinds of importations self-billing will apply;
- for importation of non-commercial aircrafts to be used for business purposes by a taxable person (a bank guarantee may be requested by the Commissioner). Self-billing will also apply;
- in certain cases, deferral of the VAT payable may be granted by the Commissioner for 30 days, upon request by the taxable person and written approval, and upon receipt by the Commissioner of a bank guarantee for the amount of VAT due. This exception emanates not from the VAT Laws but from the Customs legislation (*Customs Regulation Κ.Δ.Π. 329/2005, under Article 40 of the Customs Code Law 94(I)/2004*);
- for personal belongings:
 - following migration to Cyprus;
 - on return to Cyprus following studies; or
 - obtained through procedures of a will.
- for certain goods received by charitable organisations;
- for commercial samples;
- for wedding gifts on return to Cyprus following an overseas wedding.

8.2 VAT warehouse

Cyprus implements EU VAT Directive Article 157, with regards to VAT warehousing regime, through Articles 13A-13E of the VAT Laws.

Goods that can be placed in a VAT warehouse include:

- products listed in Annex V of the EU VAT Directive;
- all imported goods for which the relevant VAT has been paid or suspended; and
- goods that are subject to special excise duties for which the relevant duty has been paid or suspended.

A taxable person not established in Cyprus can also place goods in a VAT warehouse. Where required, a taxable person can register or appoint a VAT representative (**See Section 1.3**) to store goods in, or remove goods from, the warehouse. A supply of goods, intended to be placed within a VAT warehouse, is, if certain conditions are met, not subject to VAT and thus no VAT registration is required. The buyer must provide the supplier with a certificate that he/she intends to place the goods in a VAT warehouse. This must be done not later than the time of acquisition or supply, and the certificates should be kept in the records of the taxable person.

The VAT warehouse keeper must record all receipts of goods into the warehouse and maintain a detailed record of all stock kept in the warehouse. There are detailed requirements relating to the movement of the stock. The services of the warehouse keeper relating to the safeguarding of goods, as well as any maintenance or repackaging services on those goods, are zero rated.

VAT becomes chargeable at the moment when the goods are withdrawn from the warehouse regime. Certain withdrawals are not subject to VAT such as exports, or the temporary removal for the purpose of repair, processing or treatment, but in such instances prior authorisation is required.

8.3 Bonded (customs) warehouse

Cyprus has the following customs warehouse schemes:

- bonded warehouse: Suspension of import duties and VAT for all goods imported from 3rd territories.
- tax warehouse: Suspension of excise duties and VAT for intra-community acquisitions of excise goods (i.e. alcohol, tobacco, energy products).

9. Reverse Charge

The reverse charge is governed by Articles 11, 11A-C of the VAT Laws.

9.1 Reverse charge mechanism – B2B services

Cross-border services supplied to a person that is engaged in an economic activity will be, as a general rule, subject to reverse charge, as long as the place of supply of the service is Cyprus, and such services are not zero-rated or exempt as per the Sixth, Seventh or Eighth Schedules of the VAT Laws. The reverse charge mechanism applies even if the customer also carries out non-economic activities or exempt supplies. The customer will be regarded as a taxable person in respect of all services rendered to him/her, unless, he/she does not carry out an economic activity, such as in the case of a pure holding company. See also **Section 13** regarding what reference is required on the invoice when applying reverse charge.

9.2 Reverse charge mechanism – non-resident suppliers

In Cyprus the reverse charge applies on supplies of goods and/or services by non-established entrepreneurs if the recipient is a taxable person resident or established in Cyprus, and the transaction is not exempt or zero-rated in Cyprus (Article 11 of the VAT Laws). The

application of this reverse charge is obligatory. Where the non-resident supplier is registered for VAT in Cyprus no reverse charge will apply, unless the transaction falls within the scope of those described in **Section 9.4** below.

However, in addition to B2B services mentioned above, the reverse charge may apply to the following supplies when they are made by non-residents, who are not established in Cyprus:

- installation supplies (**See Section 3**) and more generally to any services deemed to be supplied where carried out;
- services relating to immovable property;
- transportation of passengers;
- transportation of goods;
- services relating to hiring of goods when the use and enjoyment provisions apply;
- telecommunications services, where the use and enjoyment provisions apply; and
- short-term hiring of means of transport.

9.3 Reverse charge mechanism – supply of natural gas and electricity

The reverse charge mechanism applies to B2B supplies of natural gas and electrical energy from a provider situated outside of the Republic (Article 11A of the VAT Laws). The natural gas or electricity must be supplied through the existing grid system. Currently there is no grid for natural gas in Cyprus.

9.4 Reverse charge mechanism – specific domestic rules

9.4.1 Reverse charge on local construction services

From 21 March 2012, reverse charge applies to services, or services with a supply of goods, supplied for the construction, alteration, demolition, repair or maintenance of a building or of any civil engineering work (Article 11B of the VAT Laws).

The VAT Authorities have issued extensive guidance over which services, or services with goods, are included within the meaning of Article 11B. This guidance is included in the following Interpretive Circulars: EE 164 (21.03.2012), 165 (06.04.2012), 166 (14.05.2012), 169 (16.07.2012), 174 (30.01.2013) and 184 (12.03.2014).

[www http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/68446AE0E07E0AC7C2257A0700471C1F/\\$file/ERM%20EGK%20166.pdf?Openement](http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/68446AE0E07E0AC7C2257A0700471C1F/$file/ERM%20EGK%20166.pdf?Openement)

9.4.2 Reverse charge on supplies of used metals and scrap

From 11 October 2013, when a taxable person supplies scrap metals or waste to another taxable person which is allocated a specific economic transaction code (issued by the Customs office), and the supply is a domestic one, then the buyer must apply the reverse charge (Article 11C of the VAT Laws).

The VAT Authorities have issued interpretive circular 179 (29.10.2013) explaining the reverse charge application on scrap metals and other waste.

[www http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/6CB714ADFF382BCEC2257C240030569C/\\$file/ERM%20EGK%20179.pdf?Openement](http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/6CB714ADFF382BCEC2257C240030569C/$file/ERM%20EGK%20179.pdf?Openement)

10. Taxable Amount

10.1 Open market value

The Cyprus VAT Laws have implemented only Article 80(1)(a) of the VAT Directive in determining the open market value for supplies between closely connected persons.

To this effect, the VAT Authorities may consider the taxable amount to be the open market value where the consideration is lower than the open market value and the recipient of the supply does not have a full right of deduction.

The above applies only where the consideration is expressed in monetary terms. The VAT Authorities may adjust within 3 (three) years from the time of the supply.

10.2 Cash discounts

The Cyprus VAT legislation provides that in cases where the supplier offers a discount for early settlement, the taxable amount shall be the amount after the discount is applied, regardless of whether the payment is made within the said time limits or not.

See Example below:

Supply of goods with a cash discount if due amount paid within 14 days

Net Value:	€1.000
Discount @ 2%	€20
Net amount after discount:	€980
VAT @ 19%	€186.20
Gross amount	€1,166.20

Regardless of whether payment is made within the 14 days and the discount is granted, the taxable basis and relevant VAT amount will be the amounts after the discount is applied. Should the payment be made within the 14 days a credit note for the correction of the value needs to be issued, although this is not a credit note for VAT purposes but a corrective accounting document for the value of the supply.

11. VAT Rates

11.1 History and changes in the VAT rates in Cyprus

The standard rate is applicable on all taxable transactions for which either of the reduced rates do not apply, and the transaction is not zero rated (i.e. exempt with right of deduction – **Section 11.3 below**) or exempted (without right of deduction – **Section 11.4 below**). The table below summarises the rates and their history.

Date	Reduced rate (1) %	Reduced rate (2) %	Standard rate %
01/07/1992	-	-	5
01/10/1993	-	-	8
01/07/2000	5	-	10
01/07/2002	5	-	13
01/01/2003	5	-	15
01/08/2005	5	8	15
01/03/2012	5	8	17
14/01/2013	5	8	18
13/01/2014 onwards	5	9	19

11.2 Reduced rates

Cyprus applies two reduced rates (1) and (2) on renovation of private residences, pharmaceuticals et al, and restaurants, hotels and catering services et al, respectively.

11.2.1 Reduced rate of 5%

The first reduced rate is subject to the provisions of the Fifth Schedule of the VAT Laws and applies mainly to:

- the supply of food and beverages when sold as take-away or with delivery, except soft-drinks and alcoholic beverages;
- construction, erection or supply of housing used as a permanent residence; The VAT Authorities have issued the following interpretive circulars on this topic: EE 155 (07.10.2011), EE 158 (14.11.2011), EE 167 (12.06.2012) and EE 168 (10.07.2012);
- renovation and repairing of private dwellings, excluding materials which account for more than 50% of the value of the services supplied; The VAT Authorities have issued the following circulars on this topic: EE 118 (18.10.2007), EE 119 (19.11.2007), EE 132 (23.01.2009), EE 192 (14.06.2015) and EE 199 (29.12.2015);
- admission to theatrical performances, circuses, cinemas, cultural and sporting events;
- use of sporting facilities;
- performances by performing artists, services of composers, artists and writers;
- books, magazines and newspapers;
- supply of gas in cylinders. The VAT Authorities have issued the following circular on this topic: EE 196 (21.10.2015);
- supply of water;
- certain food and medicines;
- certain animal foodstuffs;
- hairdressing services;
- equipment used by disabled persons (i.e. Braille typewriter, wheelchairs);
- children's car seats when adapted for use in land bound vehicles for persons up to 12 years of age;
- medical and dental care (if not exempted). Operations of purely cosmetic and aesthetic nature are standard rated;; and
- works of art wholly executed by the artist.

11.2.2 Reduced rate of 9%

The second reduced rate is subject to the provisions of the Twelfth Schedule of the VAT Laws and applies mainly to:

- accommodation provided for in hotels and similar establishments, including the provision of holiday accommodation; The VAT Authorities have issued the following circular on this topic: EE 134 (23.04.2009);
- restaurant and catering services, including alcoholic beverages; The VAT Authorities have issued the following circulars on this topic: EE 138 (12.01.2010) and EE 146A (10.01.2011); and
- domestic transport of passengers, by taxi, bus, or sea vessel and their accompanying luggage;

11.3 Exemptions with right to deduction (zero rate)

The zero rate is subject to the provisions of the Sixth Schedule of the VAT Laws and applies mainly to:

- services relating to imports of goods;
- exports of goods;
- services in the framework of inward processing on behalf of principals resident outside the EU;
- certain supplies of, services and ancillary services relating to, sea vessels and aircrafts, with the exception of vessels for inshore fishing with foodstuffs;
- supply of gold to the Central Bank of Cyprus;
- supply of goods to non-profit organisations which subsequently export the goods for humanitarian, educational or charitable reasons;
- transport of goods to and from Madeira and the Azores;
- services of intermediaries relating to transactions carried out outside the EU;
- goods under customs control or VAT warehousing arrangements;
- services to goods under customs control;
- supply of travel package which is enjoyed outside of the EU; and
- any supplies of goods for the provisioning of commercial sea vessels and warships.

Intra-Community supplies of goods are not specifically mentioned in the Sixth Schedule. As such, these supplies will be considered as outside the scope of Cyprus VAT with the right of deduction.

Given that Cyprus is an island, proving a zero-rated supply (export or intra-Community supply) is normally not a problematic issue. The following combination of documents would suffice for proving the transaction:

- original VAT invoice;
- transport documentation (bill of lading / CMR);
- validated VAT number of customer for intra-Community supply;
- purchase order;
- copy of export declaration; and
- correspondence with the contracting party.

11.4 Exemptions without right to deduction

Exemptions without right to deduction are found in the Seventh and Eighth Schedules of the VAT Laws.

The Seventh Schedule is divided into Table A and Table B. Table A lists supplies which are generally in the public interest. Table B lists exempt financial services. However, a right to deduction exists for most of the Table B services where the recipient of the service is based outside of the EU, in accordance with Article 169(c) of the EU VAT Directive (and Article 21(2)(c) of the VAT Laws).

The Eighth Schedule details exemptions without the right to deduction relating to immovable property.

11.4.1 Exemptions for supplies in the public interest

Exemptions without the right of deduction are mainly provided for the following supplies (the list is not exhaustive but covers the main supplies):

- services of the Postal Service;
- certain hospital services, including medical, paramedical and services of registered doctors (medical examinations and operations purely of a cosmetic or aesthetic nature are standard rated);
- ambulance services;
- supply of human organs, blood and human milk;
- services relating to the protection of children;
- education offered by registered public or private schools, universities, music schools, ballet schools or examination centres, including private tuition;
- services by non-profit organizations to their members relating to cultural, religious, union, philosophical or charitable purposes, provided that this does not result in any distortion of competition;

- cultural services (e.g. libraries, museums, theatres) by non-profit organizations provided that this does not result in any distortion of competition; and
- the transactions of the Cyprus Broadcasting Corporation except those of a business nature.

11.4.2 Other exemptions

Other exemptions include services of insurance, financial and management of mutual funds. The Cyprus VAT Authorities have issued for insurance and financial services circulars EE 14 (27.11.1996), EE 72 (19.03.2002), EE 92 (12.08.2004), EE 203 (16.05.2016) and for mutual funds EE 124 (22.08.2008) and EE 143 (19.11.2010).

In addition, the letting or leasing of immovable property is exempt for Cyprus VAT purposes, but the granting of a license for use-of-space is subject to VAT. EE 3 (15.11.1996)

Article 12(1)(b) of the EU VAT Directive is not as yet implemented so the sale of building land continues to be exempt from VAT. The sale of buildings is also exempt if the first occupation of the property has passed, or if the application for the issue of a building permit was submitted, duly completed, before 1 May 2004. A draft law for the imposition of VAT on building land has been circulated but at the time of this publication has not been enacted.

11.4.3 Option for taxation

Cyprus applies Article 135(1)(l) of the EU VAT Directive, regarding exempting leasing and letting of immovable property, without any exceptions allowed under Article 135(2). At the same time, it does not make use of Article 137(1)(d) of the EU VAT Directive in offering an option to tax the leasing and letting of immovable property. Neither is it possible to opt for VAT in case of other exempt real estate transactions or financial transactions mentioned in Article 137(1) of the EU VAT Directive.

A proposal to include an option to tax commercial property used for business purposes is currently being examined by the VAT Authorities.

12. Recovery of Input VAT

Cyprus applies the general principle that a taxable person has an immediate right to deduct input VAT.

A taxable person has the right to deduct input VAT through the VAT return for the period in which the right to deduct has arisen. However input VAT is only deductible when the necessary documentation is available, including:

- original VAT invoice for supply of goods or services;
- copy of import declaration and original Customs teller's ribbon;
- any other documents approved by the Commissioner of Taxation.

VAT expenditure is only deductible up to the proportion of the asset's use for business purposes. Cyprus applies this principle to immovable, movable property, as well as to intangible assets.

Input VAT is also available for recovery for the period before registration:

- three years for goods (unless the goods were consumed before the date of registration);
- six months for services.

The VAT Authorities have issued the following circular on this topic: EE 114 (09.05.2007).

12.1 Non-recoverable input VAT

Input VAT is not recoverable in the cases noted below. More guidance can be found in Information Leaflet 10 of November 2001:

[www http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/B3F2214A3DA9AA4EC225723C002AA1DA/\\$file/%CE%95%CE%A610.pdf?Openement](http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/B3F2214A3DA9AA4EC225723C002AA1DA/$file/%CE%95%CE%A610.pdf?Openement)

- entertainment expenses, except where these are solely for employees or business representatives;
- purchase of saloon car unless used for qualifying purposes (i.e. resale, passenger transport for reward (taxi, bus), rental, or for driver instruction);
 - however, input VAT on running and maintenance expenses of saloon cars is allowable, to the extent the saloon car is used for business purposes;
- accommodation and subsistence expenses for entertainment purposes other than for employees and business representatives;
- remuneration-in-kind, as well as on fringe benefits for staff (provision of food and drink, accommodation, sporting and recreational facilities, salaries, transport for personal use, etc.);

- corporate gifts exceeding EUR 17 in value per gift;
- input VAT not in the name of the taxable person;
- input VAT which was incorrectly charged to the taxable person;
- any goods for which the taxable person is making use of any margin scheme; and
- input VAT that is directly or indirectly attributable to insurance services or financial transactions, unless the recipient is based outside of the EU, or unless the entire input VAT is covered by the de minimis rules.

12.2 Excess input VAT

Excess input VAT shows up as a credit balance on the quarterly statements, automatically sent by the VAT Authorities to the taxable person. In order to obtain a refund, the taxable person must submit a refund request for each quarter separately, using Form VAT 4B. There is no time limit after which the taxable person loses the right to request a refund. The form can be found online at the following web address:

[www http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/ECF7EFA6405D00C4C22573D700445929/\\$file/vat4b2008.pdf?Openelement](http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/ECF7EFA6405D00C4C22573D700445929/$file/vat4b2008.pdf?Openelement)

VAT refunds are regulated by Article 20 of the VAT Laws. A refund is provided in cases where:

- the taxable person is not likely to cover excess input VAT with output VAT; or
- excess input VAT relates to zero rated supplies or supplies made outside of Cyprus (with right to deduct) or fixed assets.

Where excess input VAT has existed for more than eight months, this should be reclaimed immediately upon submission of Form VAT 4B. The Cyprus VAT Authorities have been known to delay several months any VAT refund. One of the main reasons was that there were no penalties for delaying, such as interest on the refund in favour of the taxable person. This was corrected with an amendment to the VAT Laws on 19 February 2013.

From 19 February 2013, refunds are returned with interest based on the Unified Public Interest Rate for Overdue Payments (**See Section 15.2**). This only applies to VAT periods following the date of publication of the law which was 19 February 2013 i.e. VAT quarters commencing 1 March 2013. The law provides that interest is calculated from the 4th month following the date of application of the refund (using Form VAT 4B – see link above), and only if the VAT Authorities are not to blame for any delay. The four month period is extended to eight months if the VAT Authorities instigate an investigation.

Prior to the above amendment in the legislation, the only other time where interest was provided on VAT refunds, and this continues to exist, is as follows:

- in the event of a positive decision by the Minister of Finance, following an objection by the taxpayer (Article 53(6) of the VAT Laws); or
- in the event of a positive decision by the Cyprus High Court, following a recourse by the taxpayer (Article 54 of the VAT Laws).

12.3 Capital goods – adjustment periods

Movable goods and immovable property are subject to the capital goods scheme. Intangible assets such as copyrights, patents, licenses, trademarks and similar rights, including goodwill, are also subject to the capital goods scheme provided that:

- they are used for more than one accounting period; and
- their value exceeds EUR17.086

Adjustment periods are 5 (five) years for movable goods and intangible assets and 10 (ten) years for immovable property.

The VAT Authorities have issued the following circulars on this topic: EE 107 (02.05.2006) and EE 170 (01.11.2012).

12.4 VAT refund for foreigners

The VAT Authorities have issued in English, Information Leaflet 8, dated December 2008, on the topic of VAT refunds to EU and non-EU businesses. The Leaflet can be accessed through the following link:

[www http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/B8DF92ADB6C35F41C225723C002ACD66/\\$file/8-VAT%20ENGL..pdf?Openelement](http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/B8DF92ADB6C35F41C225723C002ACD66/$file/8-VAT%20ENGL..pdf?Openelement)

12.4.1 VAT refund to EU businesses

The refund application must be submitted electronically through the portal of the tax Authorities of the country in which the claimant is established. The relevant portal for Cyprus exists in English and can be found at the following link:

[www https://refund-eu.vat.mof.gov.cy/VATiSee/index_cyprus_vat_en.html](https://refund-eu.vat.mof.gov.cy/VATiSee/index_cyprus_vat_en.html)

Annual minimum limit (for claims that are made for a calendar year or the remainder of a calendar year) is EUR 50. Interim minimum limit (for claims that are made for less than a calendar year but at least three months) is EUR 400.

Minimum period for making a claim is three consecutive calendar months in one calendar year, unless it is a remainder of the year. Maximum period for making a claim is one calendar year.

The deadline for making the claim is 30 September of the year following the year over which a claim is made. It is possible to submit a claim within five calendar years from the end of the calendar year in which the VAT was incurred, but if the claim is filed after the deadline of 30 September then no appeal can be filed.

Supporting documents (e.g. the original invoices / copies of invoices) are generally not required, although the Commissioner of Taxation has the right to request original documentation in examining a refund request.

The tax Authorities must issue a decision on the refund claim within four months of receipt of the claim. The period in which the Authorities must make a decision will be extended to six months or eight months where the Authorities request additional information.

If a refund is granted, it will be processed within ten business days and paid to the bank account provided to the tax Authorities. If the applicant disagrees with the decision of the Commissioner of Taxation, he/she can appeal to the Minister of Finance within sixty days from the date that the decision was notified to the applicant, or to the Cyprus Supreme Court within seventy five days. The final decision of the Minister of Finance can also be appealed to the Cyprus Supreme Court within seventy five days.

The input VAT is not recoverable in cases discussed in **Section 12.1** above.

12.4.2 VAT refund to non-EU businesses

It is possible for businesses outside of the EU to reclaim input VAT on the purchase of goods and services in Cyprus, or VAT that was imposed on imports in Cyprus, provided that the business:

- does not have a residence in any EU Member State;
- is not registered, liable or eligible to be registered for VAT in Cyprus;
- has no place of business or other residence in Cyprus; and
- does not make any supplies in Cyprus, other than those subject to reverse charge by the recipient, including international transportation of goods services.

Cyprus will only allow reclaim of input VAT if there are reciprocity arrangements in place, i.e. that country has similar concessions to Cyprus traders. Currently, reciprocity arrangements are in place only with Israel, Switzerland and Norway.

The non-EU business must have proof of the VAT that it paid, notably correctly completed VAT invoices from the supplier, or import documents. In order to effect the refund application, originals of all invoices and/or import documents are required to be provided. Copies or photocopies are not acceptable.

Claims for refund must be submitted no later than six months after the end of the 'prescribed year' in which the input VAT was incurred. Prescribed year means the 12 month period beginning with the 1st July and ending the 30 June of the following calendar year. As such claims must be made by 31 December. In no case can a claim for VAT be made outside of the prescribed year dates.

Claims can be made by the businesses themselves or through an agent / VAT representative. The Cyprus VAT Authorities may request the nomination of a VAT representative.

The claim is made by submitting form VAT 109. The form can be accessed through the following link:

[www \[http://www.mof.gov.cy/mof/vat/vat.nsf/All/ED7A70F245797474C22573C200291E11/\\\$file/109%20EURO.pdf?Openement\]\(http://www.mof.gov.cy/mof/vat/vat.nsf/All/ED7A70F245797474C22573C200291E11/\$file/109%20EURO.pdf?Openement\)](http://www.mof.gov.cy/mof/vat/vat.nsf/All/ED7A70F245797474C22573C200291E11/$file/109%20EURO.pdf?Openement)

Documentary evidence should be attached to the form. For the first claim, the business should include a certificate from the official authority of the business's country, showing that it is registered for business purposes in that country. Such certificates are valid for 12 months from their date of issue. Once a certificate expires, a new one will need to be furnished with future claims.

Once a claim has been submitted, it will be examined, and if approved, a credit transfer to a nominated account will be made. If the claim is refused, the VAT Authorities will state this in writing, along with the reasons of refusal.

The minimum claim is EUR 205,03 if it covers a period of less than 12 months. This minimum becomes EUR 25,63 in the following situations:

- where that period represents the final part of the prescribed year; or
- where the claim covers the period of a prescribed year.

The following VAT suffered in Cyprus cannot be reclaimed:

- non business supplies (but, if the supply covers business and non-business purposes, then it is possible to reclaim VAT on the business part of the supply);
- any supply or import of ordinary passenger cars;
- certain second hand goods, e.g. cars and antiques, for which the VAT margin scheme is used;
- all business entertainment/hospitality expenses, but does not include the provision of entertainment to (a) employees of the business, (b) if the business is a body corporate, to its directors or persons otherwise engaged in the management, unless the provision of entertainment to persons such as those mentioned in sub-paragraph (a) and (b) above is incidental to its provision to others;
- any goods or services used or to be used to make a supply in Cyprus; and
- goods and services, such as hotel accommodation, that the business bought for resale and which are for the direct benefit of travellers.

13. Invoicing

13.1 Invoice content

The content of a VAT invoice is governed by Regulation 12(1) of (Κ)ΚΔΠ 314/01. A VAT invoice must contain:

- unique sequential identification number;
- time of supply of transaction or date of cash receipt;
- date of issue;
- name, address and VAT registration number of supplier;
- name and address of customer;
- sufficient description to identify goods or services;
- for each description, the unit price or quantity, as well as the VAT rate, and the net payable in Euro;
- the gross total amount payable, net of VAT;
- the amount of any cash discount provided;
- each VAT rate and the total VAT amount for each different rate, in Euro;
- the total VAT amount in Euro;
- name, address and VAT registration number of VAT representative where applicable;
- reference to self-billing or “αυτοτιμολόγηση” where this is the case;
- reference to reverse charge or “αντίστροφη χρέωση” if the VAT is payable by the recipient;
- reference to triangular transaction or “τριγωνική συναλλαγή” where the invoice is issued as an intermediary in triangulation;
- where a special scheme is used, reference to that scheme should be included. Specifically, where applicable, reference should be made to:
 - cash accounting or “καθεστώς ταμειακής λογιστικής”;
 - Travel agents margin scheme or “καθεστώς περιθωρίου – ταξιδιωτικά πρακτορεία”;
 - Second-hand goods margin scheme or “καθεστώς περιθωρίου κέρδους – μεταχειρισμένα αγαθά”;
 - Works of art margin scheme or “καθεστώς περιθωρίου κέρδους – έργα τέχνης”; and
 - Collector’s items and antiques margin scheme or “καθεστώς περιθωρίου κέρδους – αντικείμενα συλλεκτικής και αρχαιολογικής αξίας”.

13.2 Time limits

An invoice must be issued within thirty days of the time of the supply.

However, with regards to transactions for the intra-Community supply of goods as well as for transactions for the supply of services for which the VAT is due by the recipient, invoices must be issued by the fifteenth day of the month, following the month of supply as required by Article 222 of the VAT Directive.

13.3 Currency

Invoices can be issued in foreign currencies. However, the total amount of VAT must also be stated in Euros.

13.4 Conversion and exchange rate

Given that VAT declarations are completed in Euros, where the value of a supply is denominated in a foreign currency, the taxable person must convert that value to Euros. Depending on the transaction, such a conversion can only be made using the exchange spot rate as per the European Central Bank (“ECB”), or the Customs legislation, which provides for using the exchange rate of the Department of Customs and Excise (see EE 189 (01.12.2014)). The table below summarises when to use which rate:

Type of transaction	Rate to be used
Amounts reported in VIES returns	Customs rates
Output VAT reported in VAT returns	Customs rates
Services received from abroad which are subject to the reverse charge provisions in Cyprus	Customs rates
Intra-community acquisitions	ECB

www **ECB rates:** <http://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html>

www **Customs rates:** <http://www.mof.gov.cy/mof/Customs/customs.nsf/All/8D4A06CC3E78B1A9C22572C10039CB3D?OpenDocument>

The use of ECB reference rates was introduced following the implementation of the Invoicing Directive (Directive 2010/45/EC) into the VAT Laws, which occurred on 20 December 2013. Prior to this date only the rates published by the Department of Customs and Excise could be used. Currently the VAT Law contains two provisions which contradict each other:

- Article 8(1), Part (I), Fourth Schedule, VAT Law – Provides that all supplies of goods and services are translated using Customs & Excise Department rates.
- Para. 4, Regulation 12, ΚΔΠ 314/2001 – Regulates invoice contents and provides that for purposes of calculating the excise value, the translation is made using ECB published rates.

13.5 Self-billing

Self-billing is permitted where there is an agreement in writing between the supplier and the customer and notification has been provided to the VAT Office. Paragraphs 3-3E, Regulation 11, ΚΔΠ 314/2001 regulate the provisions and requirements to apply self-billing.

13.6 Storage of invoices

Invoices, and other relevant documents for VAT compliance, must be stored for the minimum period of six years.

Invoices should be stored in the same form as they were received or issued i.e. invoices received in paper must be stored in paper form and invoices received electronically must be stored in electronic form. For electronic invoices, the authenticity of origin, integrity of content and readability must be guaranteed during the storage period.

Original paper invoices must be stored at the premises of the business. Electronic invoices can be stored elsewhere, even overseas. However, in such cases, the Tax Authorities must have the right to access those invoices, and to download them in a legible format, and within a reasonable period of time.

13.7 Electronic invoicing

The taxable person can choose any form of electronic invoicing as long as the authenticity of origin, integrity of content and readability are guaranteed. A client is allowed to refuse to accept an electronic invoice.

14. VAT Compliance

14.1 VAT return period

A VAT return period covers three calendar months i.e. four quarterly periods in a year. Which quarters will apply will depend on the type of business carried out by the taxable person, i.e. all businesses involved in the construction industry will have the same VAT quarters, as will all businesses providing audit services. The applicable VAT periods are made known to the taxable person at the stage of registration and will fall under one of the following stackers.

Stacker code / Category 1 VAT Period	Submission Date
01/01 – 31/03	10/05
01/04 – 30/06	10/08
01/07 – 30/09	10/11
01/10 – 31/12	10/02

Stacker code / Category 2 VAT Period	Submission Date
01/02 – 30/04	10/06
01/05 – 31/07	10/09
01/08 – 31/10	10/12
01/11 – 31/01	10/03

Stacker code / Category 3 VAT Period	Submission Date
01/03 – 31/05	10/07
01/06 – 31/08	10/10
01/09 – 30/11	10/01
01/12 – 28(29)/02	10/04

Traders may apply for monthly or yearly returns if they are in a position of continuous refunds or limited transactions. Electronic filing is permissible but not obligatory although the Authorities are working towards obligatory electronic filing.

14.2 Filing of VAT return and payment

Every taxable person is obliged to submit a tax declaration, being the VAT return Form VAT4, and pay the tax that may be due. Form VAT4 only exists in the Greek language.

VAT returned must be submitted, and any VAT that is due must be paid, within 1 (one) month and 10 (ten) days following the end of the reporting period. If the due date falls on a weekend, or on a public holiday, then the due date for filing and payment is moved to the next working day.

The VAT Authorities dispatch the tax declarations to the last known address of a registered person. The liability to submit tax declarations exists regardless of whether the relevant form has been received or not by the taxable person. Thus, if it has not been received on time, the taxable person should contact the District VAT Office and request for the form to be reissued.

As of 2 May 2017 electronic filing of VAT returns via the Taxisnet system will be mandatory for all taxable persons VAT registered in Cyprus with the exception of those registered under the special scheme of taxis and farmers. Registration to Taxisnet may only be effected electronically through the relevant website.

Payment can only be made at approved credit institutions (banks) or through a direct wire-transfer to the account of the VAT Authorities with the Central Bank of Cyprus for non-Cyprus established taxable persons. Where there is VAT to be paid, payment must be effected first, and then the form can be submitted electronically (or at the District VAT Office for taxable persons under the special scheme of taxis and farmers). At present, payment can only be made at local banks although the VAT Authorities are now examining allowing electronic payments.

14.3 VAT Information and Exchange System (VIES) (European sales listing)

The European sales listing is referred to in Cyprus as the VAT Information and Exchange System or VIES.

In order to register for VIES, a VAT registration with the VAT Authorities is firstly required. Registration with the VIES system may either be effected automatically with a company's VAT registration or via submission of form TAXISnet 01 after a VAT registration has been effected. This registration can now be effected electronically.

A VIES declaration must be submitted by the 15th day of the month, following the reporting month. If the due date falls during a weekend or on a public holiday, it can be submitted on the next working day. It can only be submitted electronically. There is no threshold for VIES meaning that if a Cyprus-based supplier who is not VAT registered, supplies a service to a taxable person in another Member State, and the VAT is due in that Member State, then the Cyprus supplier must register with the Cyprus VAT Authorities in order to further register for VIES and declare the transaction therein. The VAT Authorities have issued in Greek, Information Leaflet 17, dated July 2013, on VIES. The Leaflet can be accessed through the following link:

[http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/A871AD15FD2FE3C8C225797C002DB643/\\$file/manual%20vies%20final%20july%202013.pdf?](http://www.mof.gov.cy/mof/VAT/VAT.nsf/All/A871AD15FD2FE3C8C225797C002DB643/$file/manual%20vies%20final%20july%202013.pdf?)

14.4 National recapitulative statement

Cyprus has no national recapitulative statements.

14.5 Tax assessment period

The VAT Authorities have the right to issue a VAT assessment within six years from the end of the VAT period, or the date of importation or acquisition, under review. In the case of fraud or purposeful omission, the period of assessment can be extended to twelve years.

15. Penalties

Penalties for non-compliance are governed by Articles 45-48 of VAT Laws.

15.1 Penalties for failure to meet VAT compliance obligations

The following table summarises the main compliance penalties imposed under the VAT Laws:

Non compliance	Penalty
Late registration	EUR 85 per month
Late deregistration	EUR 85 one off
Late submission of VAT return	EUR 51 per return
Late submission of VIES return	EUR 50 per return
Late submission of Intrastat return	EUR 15 per return
Late correction of mistake on VIES return	EUR 15 per return
Failure to issue a lawful receipt	20% of the value of the supply

15.2 Penalties for not paying VAT on time to the VAT Authorities

Failure to settle the VAT payable amount by the due date will attract a 10% one off penalty on the VAT payable amount. Interest will also be charged at the rates noted below for each complete month the outstanding VAT amount is not settled. The rate of interest on unpaid taxes, contributions or charges payable to the Government is interest based on the Unified Public Interest Rate for Overdue Payments which is fixed annually by the Minister of Finance by virtue of section 4(1) of the Unified Public Interest Rate for Overdue Payments Law of 2006, Law 167(I)/06. The historic rates of interest on unpaid taxes are as follows:

Date	Interest Rate
2006 and prior years:	9,00% p.a.
2007-2009:	8,00% p.a.
2010:	5,35% p.a.
2011-2012:	5,00% p.a.
2013:	4,75% p.a.
2014:	4,50% p.a.
2015-2016:	4,00% p.a.
2017:	3,50% p.a.

15.3 Penalties on VAT assessments when VAT is not reported correctly

The following penalties can be imposed:

- additional VAT of 10% on the output VAT due but not accounted for;
- annual interest (see 14.2 above) calculated on both the output VAT due and the 10% additional tax; and
- criminal penalties of up to 300% of the output VAT if tax evasion is detected.

In case of fraudulent evasion of VAT, the penalty is up to three years' imprisonment and/or a fine up to three times the amount of VAT payable. In case of receipt of goods on which VAT was evaded, the penalty is up to twelve months' imprisonment and/or a fine of EUR 8.543. If VAT shown in an assessment issued by the Commissioner of Taxation is not paid, the penalty is up to twelve months' imprisonment and/or a fine of EUR 8.543.

Directors and officers, including secretary, of a legal entity are considered liable for any criminal obligations of the company.

16. Intrastat

In Cyprus a separate monthly Intrastat return must be submitted to the Cyprus VAT Authorities by the tenth day of the month, following the reporting month. It can only be submitted electronically.

16.1 Intrastat threshold

The 2017 reporting thresholds are provided below. Readers can refer to the Cyprus VAT Authorities' website for updated information in English, using the following link:

<http://www.mof.gov.cy/mof/vat/vat.nsf/All/F019FFA45855DF6FC2257289004298FC?OpenDocument>

For both arrivals and dispatches, there are two reporting thresholds to bear in mind. The exemption threshold is the threshold under which no declaration is required. There is also the simplification threshold. If the total value of the relevant commercial transactions since 1st of January falls between the two thresholds, then only limited information is required on the Intrastat form. If the value of the transactions exceeds the simplification threshold, then all the information is required.

For arrivals:	For dispatches:
Exemption threshold is EUR 100.000	Exemption threshold is EUR 55.000
Simplification threshold is EUR 1.850.000	Simplification threshold is EUR 5.800.000

A trader may appoint an agent to file Intrastat returns.

16.2 Intrastat data to be reported

The information which needs to be reported for both the arrivals and the dispatches is the following:

- the Member State of dispatch or destination;
- VAT number;
- the reference period (i.e. the reporting month);
- the nature of the movement of the goods (i.e. arrival or dispatch);
- the HS Code (eight-digit harmonised commodity code according to Combined Nomenclature (CN));
- the invoice value of the goods;
- the statistical value;
- the quantity of the goods (i.e. net weight in kilograms);
- other measure for certain goods (e.g. litres, m², or number of pieces);
- the country of origin (e.g. where the goods are produced or made or processed);
- the nature of the transaction (e.g. purchase, sale, return of goods, reparation etc.); and
- mode of transport, for instance "by road" or "by sea".



About Chelco VAT Ltd

Chelco VAT Ltd was formed in 2012 by highly accomplished indirect tax professionals with a combined 35 years of experience in the field.

Based in the business capital of Cyprus, Limassol, Chelco VAT is now considered one of the foremost authorities on indirect tax matters in Cyprus. It has founded its success on the provision of specialised, highly customised and practical VAT solutions that are based on years of experience, knowledge and expertise in the field.

Moreover, Chelco VAT is also a leader in the organisation of training seminars and workshops for businesses and professionals alike. The firm's professional development program includes general conferences, specialised training seminars and in-house technical courses and workshops.

The firm maintains strong and durable relationships with the island's key public and private organisations, including the Cyprus Tax Department, as well as professional bodies and decision makers and is frequently consulted on VAT and other industry policy-making decisions.

Chelco VAT also works closely with an alliance of like-minded indirect tax specialists in jurisdictions around the world, allowing it to offer a wide range of VAT solutions to a local and international clientele.

About the Author

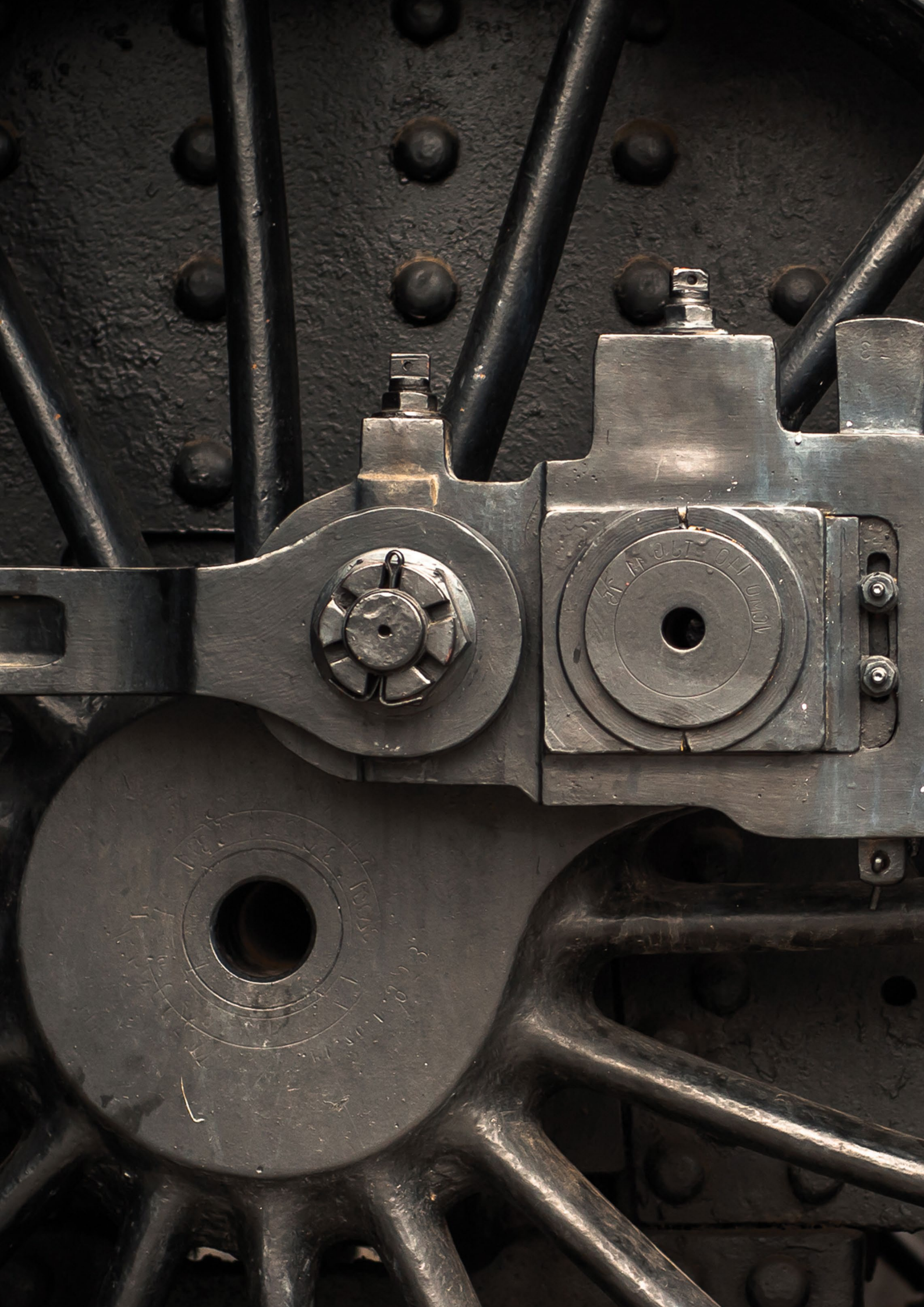
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He is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW) and a member of the Institute of Certified Public Accountants of Cyprus (ICPAC). He also holds the coveted Expert in European Value Added Tax Degree from the VAT Forum after achieving the highest grade ever awarded in the history of the course.

Alexis sits on various committees charged with VAT matters and has authored a number of tax syllabuses. He advises domestic and international clients, as well as reputable international professional bodies on EU VAT.

He lectures extensively on VAT and has written a number of tax syllabuses, chapters and articles on matters pertaining to Cyprus and EU direct and indirect tax. He is the author of the book "An in-depth analysis of the Fixed Establishment concept and a comparison with the Permanent Establishment concept".

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