



## VAT to the Rescue – New Measures Announced for Monthly Submissions and Prepayments

### *A short history*

On 2 April 2020, the Council of Ministers issued decree ΚΔΠ(Δ) 145/2020, published in the Cyprus Gazette, through which it obliged 20 categories of businesses to effect monthly VAT payments equal to 30% of the VAT liability. Payment was due within 15 days of the end of each month. Unfortunately, the wording really made no sense as it referenced months for which the VAT would have been fully paid, and months for which the VAT was just about to be paid. It also did not explain how the VAT would be calculated and paid. The decree itself did state that the method of payment would be published separately by the Ministry of Finance (“MoF”) in a notification in the Cyprus Gazette.

The categories of businesses were chosen presumably on the premise that they were cash businesses that would still function and have the ability to contribute to the treasury on a monthly basis.

The remaining businesses had been allowed from a previous parliamentary decree dated 27 March 2020, to postpone their VAT payment until 10 November, so long as they submitted their quarterly VAT declaration within the normal deadline (see our update [v.7 i.3](#)).

On 10 April 2020, the MoF announced that decree ΚΔΠ(Δ) 145/2020 will not apply. It clarifies that the taxable persons will not have the obligation to effect monthly payments based on that decree, and that the MoF would announce new measures.

### *The new measures*

On 16 April 2020, the Council of Ministers issued the new measures in decree ΚΔΠ(Δ) 170/2020, published in the Cyprus Gazette. The decree cancels the previous decree (ΚΔΠ(Δ) 145/2020) published on 2 April 2020. On the same date, the Tax Department (“TD”) issued explanations with regards to the decree. The new decree must be read in conjunction with the explanations in order to make sense.

### *The new measures provide for the following:*

#### *Summary*

The new measures only affect certain taxable persons that have been notified. These taxable persons are placed on monthly VAT periods as explained below. Where the affected taxable persons belong within a list of business categories (see table below), 100% of the VAT amount due must be

paid by the revised deadline. For all others, a 30% payment of all unpaid VAT must be made. This is further explained below.

### ***Taxable persons whose VAT periods are changed from quarterly to monthly***

The TD has sent an electronic message to the email address lodged on TAXISnet of the affected taxable persons. The email informs these taxable persons of a temporary change in their VAT periods, from quarterly to monthly. This works as follows:

- Whatever VAT quarters have been assigned to them, their current VAT quarter will be deemed to end on 31 March 2020, and thereafter the VAT quarters will be monthly up to and including 30 June 2020;
- For the affected businesses, the new date of submission of the VAT return, and payment of any relevant VAT, is the 27<sup>th</sup> day of the month following the end of the VAT period;
- For those who's had a VAT quarter ending on 31.03.2020, the date of submission and payment will now be 27.04.2020 instead of 10.05.2020.

To clarify this, the first VAT period for the affected businesses is as follows:

Previous VAT period	New VAT period	New due date of submission of VAT return and payment of VAT due
1.1.2020 - 31.3.2020	1.1.2020 - 31.3.2020	27.04.2020
1.2.2020 - 30.04.2020	1.2.2020 - 31.3.2020	27.04.2020
1.3.2020 - 31.5.2020	1.3.2020 - 31.3.2020	27.04.2020

Following the above first period, the remaining VAT periods covered by the new decree for the affected businesses will be as follows:

New VAT period	New due date of submission of VAT return and payment of VAT due
1.4.2020 - 30.4.2020	27.05.2020
1.5.2020 - 31.5.2020	27.06.2020*
1.6.2020 – 30.6.2020	27.07.2020

\*this falls on a Saturday so the due date shifts to the next working day

### ***The amount of VAT that affected taxable persons must pay***

#### **1. Taxable person that must pay each month 100% of the amount of VAT due**

If the affected taxable persons belong to a certain category of businesses (see below), they must pay the entire amount of VAT due for each new period by the new deadlines.

The table with the categories of business is the same as the one published on 27 March 2020, less four categories that were removed.

The categories for full payment by the new deadline are the following:

- Producers of electricity
- Collection and distribution of water (for water supply)
- Groceries and supermarkets that are mainly for food
- Convenience stores and mini markets
- Retail of fruit and vegetables – fruit shops
- Retail sale of meat and meat products including poultry
- Retail sale of bread, other bakery and confectionery products
- Retail sales of fuel
- Retail sale of computers, peripherals and software
- Retail sales of newspapers and stationary
- Pharmacies
- The Cyprus Telecommunications Authority (CYTA)
- Internet services
- Satellite telecommunications services
- Other telecommunication services, besides CYTA

The categories that were removed from the previous decree are the following:

- Retailing of a variety of goods in department stores where food, beverages and tobacco are not predominant
- Retail sale of fish and seafood-fish and molluscs
- Retail sale of books
- Retail sales of toys of all kinds except video games

## **2. Taxable person that will pay each month 30% of the amount of VAT due each month**

Businesses who also received the email notification and whose category of business does not fall in the above table are required to pay 30% of any remaining VAT amount due by the new date of submission. This includes the VAT due as per the new monthly periods, as well as any unpaid VAT from previous periods.

Any VAT that remains unpaid following the VAT payment on 27.07.2020, when the measures cease, will be paid by 10.11.2020, which is the date of the postponement of VAT, permitted under the decree of 27.03.2020.

As such, for the businesses not belonging to the categories as per the table above, payment would be made as follows:

Due date	27.04.2020	27.05.2020	27.06.2020	27.07.2020
<b>Amount of VAT that should be paid</b>	30% of the amount of VAT that remained unpaid as at 31.03.2020	30% of the amount of VAT that remained unpaid as at 30.04.2020,	30% of the amount of VAT that remained unpaid as at 31.05.2020,	30% of the amount of VAT that remained unpaid as at 30.06.2020,

		which includes 30% of the VAT for the period 01.04.2020- 30.04.2020 + 30% of the <i>unpaid</i> VAT for all previous periods that remains unpaid.	which includes 30% of the VAT for the period 01.05.2020- 31.05.2020 + 30% of the <i>unpaid</i> VAT for the period 01.04.2020- 30.04.2020 + 30% of the VAT for all previous periods that remains unpaid.	which includes 30% of the VAT for the period 01.06.2020- 30.06.2020 + 30% of the <i>unpaid</i> VAT for the period 01.05.2020- 31.05.2020 + 30% of the VAT for all previous periods that remains unpaid.
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### Example 1

Let us take an example of a business that had an amount of VAT payable €50.000 for the period 01.12.2019-29.02.2020. This amount was payable normally by 10.04.2020. However, following the decree for deferral of VAT until 10.11.2020, the business chose not pay the VAT by 10.04.2020, deferring it until 10.11.2020.

Now the business has received the email notification through the TAXISnet system that its VAT periods have been changed to the new monthly periods. It does **not** belong to the category of businesses for which 100% of the VAT must be paid.

For the period 01.03.2020 – 31.03.2020, the VAT amount payable is €10.000. As such, on 31.03.2020, it has unpaid VAT of €60.000, being the VAT from the period 1.12.2019-29.02.2020 of €50.000 + the VAT from the period 01.03.2020-31.03.2020 of €10.000. This €60.000 will be paid as follows:

	27.04.2020	27.05.2020	27.06.2020	27.07.2020	10.11.2020
Amount of VAT due (brought forward)	€60.000	€42.000	€29.400	€20.580	€14.406
Amount of VAT Paid (30% of due balance)	€18.000	€12.600	€8.820	€6.174	€14.406

New Balance due (carried forward)	€42.000	€29.400	€20.580	€14.406	nil
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### Example 2

A business has the following VAT quarters:

- 1 May - 31 July
- 1 August - 30 October
- 1 November -31 January
- 1 February - 30 April

It has now received the email notification through the TAXISnet system that its VAT periods have been changed to the new monthly periods. It does **not** belong to the category of businesses for which 100% of the VAT must be paid.

It has the following VAT payable arising for each period:

New VAT period	VAT Amount arising <i>for the period</i>
01.02.2020 - 31.03.2020	€15.000
01.04.2020 - 30.04.2020	€10.000
01.05.2020 - 31.05.2020	€8.000
01.06.2020 - 30.06.2020	€12.000

Payment of the VAT will be effected as follows:

	27.04.2020	27.05.2020	27.06.2020	27.07.2020
Amount of VAT due (brought forward)	€15.000	€10.500	€14.350	€15.645
New VAT payable for the period	nil	€10.000	€8.000	€12.000
<b>TOTAL</b>	<b>€15.000</b>	<b>€20.500</b>	<b>€22.350</b>	<b>€27.645</b>
Amount of VAT Paid (30% of due balance)	€4.500	€6.150	€6.705	€8.293,50
New Balance due (carried forward)	€10.500	€14.350	€15.645	€19.351,50

As the legislation stands now, the balance of €19.351,50 will be payable by 10.11.2020.

### Example 3

A business has the following VAT quarters:

- 1 May - 31 July

- 1 August - 30 October
- 1 November - 31 January
- 01 February - 30 April

It has now received the email notification through the TAXISnet system that its VAT periods have been changed to the new monthly periods. The business belongs to one of the categories of businesses for which 100% of the VAT must be paid.

It has the following VAT payable arising for each period:

New VAT period	VAT Amount arising <i>for the period</i>
01.02.2020 - 31.03.2020	€22.000
01.04.2020 - 30.04.2020	€19.000
01.05.2020 - 31.05.2020	€13.000
01.06.2020 - 30.06.2020	€17.000

Payment of the VAT will be effected as follows:

	27.04.2020	27.05.2020	27.06.2020	27.07.2020
Amount of VAT due (brought forward)	€22.000	nil	nil	nil
New VAT payable for the period	nil	€19.000	€13.000	€17.000
<b>TOTAL</b>	<b>€22.000</b>	<b>€19.000</b>	<b>€13.000</b>	<b>€17.000</b>
Amount of VAT Paid (100% of due balance)	€22.000	€19.000	€13.000	€17.000
New Balance due (carried forward)	nil	nil	nil	nil

***Make sure you check the email address you have lodged with TAXISnet to confirm whether you are one of the affected businesses so you can plan ahead to avoid unnecessary liquidity pressures and penalties. Chelco VAT Ltd will notify you of any updates as they are made available.***

#### Note:

**Chelco VAT Ltd** is the first VAT-dedicated consulting firm in Cyprus and specialises in strategic VAT planning and VAT compliance. The above is issued as guidance only and should not be solely relied upon to structure business and other transactions without expert advice. Our experienced team at Chelco VAT Ltd, supported by our leading network of associates around the world, is ready to help you handle all your VAT needs and requirements.