

# VAT News

16 September 2020



## Amendments to the "VAT Laws"

On August 20, 2020, the House of Representatives on July 31, 2020 voted for the amendment of the VAT Law (amending law 3 and 4) The relevant amendments have been published in the Official Gazette of the Republic.

The above, introduces various amendments to the Basic Law, which are listed below:

### Write off VAT debts

With the replacement of paragraph 11 of the Tenth Schedule of the basic law, debts subject to VAT legislation, if cannot be collected, will no longer be written off by the Tax Commissioner but will be written off according to its provisions on Accounting and Financial Management and Financial Control Law.

### Amendment and introduction of a new definition of "legal entity"

With the amendment of Article 2 in the basic law, a new definition for "legal entity" is introduced, including a company, partnership, club, association, organization or any other association of persons, whether or not established in accordance with the provisions of any law or regulation.

### Article 11B – Extension of application

With the amendment of paragraph 4(a) the provisions of the Article shall be applied by any person (instead of a taxable person) who provides services or services with goods in the context of construction, demolition, repair or maintenance, or any civil engineering project.

## Reverse charge on specific high value goods

With the addition of Article 11E if the recipient of the following goods is a taxable person at the time of the transaction, who acquires the goods in the course of a business activity, that person is responsible to account for VAT under the reverse charge provisions:

- i. Mobile phones,
- ii. Other devices operating in networks, microprocessors, central processing units,
- iii. Gaming consoles, tablets and laptops

## Suspension of VAT credit balance refund

By adding paragraph 5A to Article 20 of the basic law, the refund of VAT credit balances to taxable persons will be suspended, in case whereby the date the claim for refund is submitted, the above person has failed to submit an income tax return. For the period of suspension, no interest will be due.

In addition, under the provisions of the new Article 6A, it will not be possible to apply for a refund of the credit balance after 6 years from the end of the specified tax period, except in cases where the Tax Officer deems the circumstances reasonable.

## Increase in penalties – Article 45

With the amendment of paragraph 2, the financial burden for the untimely submission of a declaration has been increased, from € 51 that was valid until now, to € 100.

Also with the addition of paragraph 7B, a penalty of € 200 per tax period will be imposed in cases where the provisions of reverse charge are not properly applied in cases of receiving services from abroad (Article 11), or receiving services and / or goods from other Cypriots traders (Articles 11A – 11E), or the acquisition of goods by other EU Member States (Article 12A). Please note that the total penalty will not exceed € 4,000.

### **Deadline for submitting an objection to the Tax Commissioner – Article 52A**

With the addition of paragraph 2, the submission of an objection to the Tax Commissioner can be submitted within 60 days.

### **Registration and / or deletion of a non-established person in the Republic**

With the addition of Part IA to the First Schedule of the Basic Law, persons who are not established in the Republic, ie do not have a business or other permanent establishment in the Republic in relation to their activities, provided that the conditions referred to in paragraph 1 are met, have the obligation to register for VAT purposes.

The conditions for the cancellation of the registration are also mentioned, as well as the exemption from the registration obligation.

### **Change of the term "renovation" for the imposition of a reduced rate of 5%**

The new definition given in the Fifth Schedule of the basic Law (Table B, paragraph 11) in the term "renovation" gives the possibility to impose the reduced rate (5%) to any additions of private residence in which at least 3 years have passed since its first occupation.

The new definition is: "renovation means intervention with additions, improvements, repairs in a private home, which is considered old, ie at least three years have passed since its first occupation."

### **Imposition of zero rate for international transport**

With the addition of sub-paragraph (e) to paragraph 5 of the Sixth Schedule of the basic Law, it is determined that for the transport of passengers from within the Republic abroad or vice versa, to the extent that the transport is carried out within the Republic, VAT will be imposed at zero rate.

### **Application date**

The above applies as from 20 August 2020, except in the following:

- i. 1 October 2020 – Provisions of Article 11E, concerning the application of the provisions of the reverse charge on specific goods.
- ii. 1 July 2021 – provisions of Article 7B, which concern incorrect application of the provisions of the reverse charge.

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