



TAX NEWS

As from 1st of October 2011 some important administrative changes in the Cyprus Tax Laws will come into force. In July 2011 the Income Tax Office issued the explanatory circulars no 2011/3 and 2011/4. The main provisions of the explanatory circulars are analysed below. Non adherence of the below administrative changes will result in the payment of penalties even in cases of dormant or loss making companies.

► **Obtaining a Tax Identification Code**

Following the registration or the incorporation of a company with the Registrar of Companies, the company is obliged to submit an application for registration with the Inland Revenue Department and obtain a Tax Identification Code ('TIC') within 60 days. Similar rules apply in the case of companies incorporated outside Cyprus that become tax resident of Cyprus. There will be a penalty of €100 for the non registration with the tax office within the 60 days period.

Proposed Action: The secretary or a director of the company should contact Ernst & Young Cyprus to register the company with the Income Tax Office and obtain a tax identification code.

► **Notification of changes of the companies details as these are included in the Inland Revenue Form no. 162, ie registered office, activities, auditors etc.**

- The company is obliged to inform the tax office by submitting form IR 162 for any changes in the company's data.
- There will be a €100 one off penalty for non informing the tax office within the 60 days period of such changes.

Any changes effected prior to 31st of July 2011 and not communicated to the Tax Office by 1st of October will bear a penalty of €100. The penalty will be applicable on each change not communicated.

Example: During 2010 a company changed its registered office and its auditors, without communicating the changes to the tax office. The company will be liable to €200 penalty (2 changes not communicated at €100 each).

Proposed Action: The secretary or the director of the company should contact Ernst & Young Cyprus in order to submit a revised Form IR 162.

► Books and records to be kept

For businesses who are obliged to keep accounting books, the books should be updated not later than four months from the month the transaction was made. If the monthly transactions are not posted within the above time limit a penalty of €100 will be imposed (on a quarterly basis).

Example 1: A company does not record/post its January-March 2012 transactions within 4 months (ie by the end of July 2012) will be liable to €100 penalty irrespective of the date of subsequent posting of the transactions.

Example 2: By 31st May 2012 the company did not post at all any of its 2011 transactions. The company will be liable to €400 penalty (4 quarters at €100 per quarter).

Proposed Action: The secretary or a director of the company should contact the person maintaining/recording the accounting records of the company to ensure the above time limits are followed.

► Issuance of Invoices

The issuance of invoices must be made within thirty days from the date the transaction was made, unless the taxable person requests in writing from the Commissioner for an extension and an extension of the deadline is granted to him. If the monthly invoices are not issued within the above time limit, a penalty of €100 will be imposed. The penalty will be imposed on a monthly basis irrespective of the number of invoices failed to be issued within a specific month.

Example 1: A company which does not issue its July 2012 invoices within thirty days from the day of the transaction will be liable to €100 penalty irrespective of the date of subsequent issuance of the July invoices.

Example 2: As at 31st May 2012 the company did not issue at all any of its 2011 invoices. The company will be liable to a penalty of €1,200 (12 months at €100 per month).

Proposed Action: The secretary or a director of the company should contact the management of the company to ensure the above time limits are followed.

► Stock Taking

A business which has inventory must perform an annual stock-take and the records of such a stock-take should be available to the Inland Revenue Department upon request.

Proposed Action: The secretary or a director of the company should contact the management of the company to ensure the above procedure is followed.

Various Administrative penalties

Various administrative penalties are imposed in case of non timely submission of tax returns or provision of information to the tax office (€100 - €200 depending on the omission).

Example 1: Submission of tax returns concerning tax years prior to 2009 (including 2009) will be subject to €100 penalty.

If the tax return for a specific year is requested in writing by the tax office and this is not submitted within the requested period, then a penalty of €200 will be applicable for every tax return not submitted.

Example 2: The tax office requests in writing a specific information and this information is not provided within the requested period, then a €200 will be applicable.

5% Penalty on non payment of taxes

Any person omitting to pay timely the due tax by the due payment date (as this is determined in the law or within the time limit provided by the law) will be liable to 5% penalty on the due tax in addition to the applicable interest.

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