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SETTLEMENT OF TAX LIABILITIES

Under the provisions of the Law which has been voted by the House of Representatives on Thursday 24 November 2011, and expected to come into effect as soon as it is signed by the President of the Cyprus Republic and published in the Official Gazette of the Republic, taxpayers who owe taxes with respect to the tax years up to year 2008, inclusive, may settle their tax liabilities by paying by 30 March 2012 the tax due plus a penalty of 5% on the amounts due instead of the penalty and the interest provided for by each relevant legislation.

This provision relates to the following taxes:

- ▶ Income tax
- ▶ Special defence contribution
- ▶ Capital gains tax
- ▶ Immovable property tax
- ▶ Inheritance tax
- ▶ Stamp duty
- ▶ Special contribution to the refugee fund.

The tax liabilities which may be settled under the new provisions are those that:

- ▶ Are due based on an assessment issued by the Inland Revenue Department ('IRD')
- ▶ Are due based on an assessment issued by the Court
- ▶ Are paid by way of self-assessment based on tax returns which have been submitted by the taxpayer prior to the commencement of the law and for which the IRD has not as yet issued assessments
- ▶ Are paid by way of self-assessment based on tax returns which will be submitted by taxpayers by 30 March 2012 and for which the IRD will not issue assessments

It is clarified that, in cases where the IRD has not examined a taxpayer's tax return and has not issued a final assessment, (even though the taxpayer paid the tax due based on his return), the IRD reserves the right to raise an additional assessment upon a future examination of the tax return. In this case, interest and penalties as provided for by the applicable law will be imposed only on the amount of the additional tax that has been assessed.