

Country by Country Reporting obligations

dba Alert #10
September 2019

31st December 2019 is the submission deadline for Country-by-Country (“CbC”) Reporting obligations in Cyprus:

- Submission of CbC Reports for the fiscal year 2018
- Submission of CbC Notifications for the fiscal year 2019

Who has a CbC Reporting obligation?

CbC Reporting requires large multinational enterprises (“MNE”) to file a CbC Report that will provide a breakdown of the amount of revenue, profits, taxes and other indicators of economic activities for each tax jurisdiction in which the MNE group does business. CbC Reporting only applies to MNE groups with annual consolidated group revenue of €750 million or more in the preceding fiscal year (“MNE Groups”).

Who will be required to file a CbC Report in Cyprus?

CbC Reporting requirements apply to MNE Groups with consolidated group revenue of €750 million or more in the immediately preceding fiscal year.

The following constituent entities will be required to file CbC Reports in Cyprus with respect to fiscal years beginning on or after 1 January 2016:

- A Cyprus tax resident ultimate parent entity of an MNE Group; and
- A Cyprus tax resident surrogate parent entity of an MNE Group (a surrogate parent entity can only be appointed in specific circumstances)

Demetriou & Associates Business Advisers Ltd – All rights are reserved

This is for general information only. It is essential to take advice on specific issues. No liability can be accepted, either by DFK International or the author of the letter, for any action taken or not taken arising from the information provided. Contact a dba Adviser or other qualified professional before acting on any comment herein.

When can a surrogate parent entity be appointed?

A surrogate parent entity can be appointed by an MNE Group to file the CbC Report instead of the ultimate parent entity where both A and B below are satisfied:

- A. One or more of the following circumstances applies:
- The ultimate parent entity of an MNE Group is not required to file a CbC Report in its jurisdiction of tax residence;
 - The jurisdiction in which the ultimate parent entity of that MNE Group is resident for tax purposes does not have a qualifying competent authority agreement in effect with Cyprus (by the due date for filing the CbC Report) that provides for the exchange of CbC Reports; or
 - There has been a systemic failure by the jurisdiction of tax residence of the ultimate parent entity of that MNE Group to exchange the CbC Reports in its possession and the Cyprus Tax Department has notified the Cyprus tax resident constituent entity that such a failure has occurred; and
- B. The jurisdiction in which the surrogate parent entity is resident for tax purposes:
- Requires the filing of CbC reports;
 - Has a qualifying competent authority agreement in effect with Cyprus (by the due date for filling the CbC Report) that provides for the exchange of CbC Reports;
 - Has not notified the Cyprus Tax Department of an event of systemic failure;
 - Has been notified of the identity of the surrogate parent entity; and
 - A notification has been provided to the Cyprus Tax Department setting out the name and jurisdiction of tax residence of the surrogate parent entity and its tax identification number.

What are the obligations of a Cyprus tax resident constituent entity which has been appointed as a surrogate parent entity?

Where a Cyprus tax resident constituent entity is appointed as a surrogate parent entity, the Cypriot CbC Reporting legislation applies as if that entity were an ultimate parent entity. Therefore, a Cyprus tax resident constituent entity which has been appointed as a surrogate parent entity must file a CbC report to the Cyprus Tax Department on behalf of the entire MNE Group.

Demetriou & Associates Business Advisers Ltd – All rights are reserved

This is for general information only. It is essential to take advice on specific issues. No liability can be accepted, either by DFK International or the author of the letter, for any action taken or not taken arising from the information provided. Contact a dba Adviser or other qualified professional before acting on any comment herein.

What is the secondary reporting mechanism?

The secondary reporting mechanism requires a constituent entity of an MNE Group, which is neither the ultimate parent entity nor the surrogate parent entity of the MNE Group, to file a CbC Report in certain circumstances.

When does the secondary reporting mechanism apply in Cyprus?

The secondary reporting mechanism applies where no surrogate parent entity has been appointed and one or more of the following circumstances apply:

- A. The ultimate parent entity of an MNE Group is not required to provide a CbC Report in its jurisdiction of tax residence;
- B. The jurisdiction in which the ultimate parent entity of that MNE Group is resident for tax purposes does not have a qualifying competent authority agreement in effect with Cyprus that provides for the exchange of Cbc Reports; or
- C. There has been a system failure by the jurisdiction of tax residence of the ultimate parent entity of that MNE Group to provide the CbC Reports in its possession and the Cyprus Tax Department has notified the Cypriot tax resident constituent entity that such a failure has occurred.

The secondary reporting mechanism applies for fiscal year beginning on or after 1 January 2017.

What notifications are required for CbC Reporting purposes in Cyprus?

A constituent entity of an MNE Group that is tax resident in Cyprus will need to notify the Cyprus Tax Department whether it is the ultimate parent entity or the surrogate parent entity or a constituent entity performing local CbC Reporting in Cyprus due to the secondary filing mechanism.

If the Cyprus tax resident constituent entity is not acting in such a capacity, it shall file a notification with the Cyprus Tax Department containing the identity and tax residence of the ultimate parent entity and the Reporting Entity of the MNE Group.

The CbC Reporting notifications in Cyprus are due on the last day of the reporting fiscal year (i.e. assuming a 31 December year-end for an MNE Group, the 2019 Fiscal year CbC Reporting notification is due by the 31st December 2019).

Demetriou & Associates Business Advisers Ltd – All rights are reserved

This is for general information only. It is essential to take advice on specific issues. No liability can be accepted, either by DFK International or the author of the letter, for any action taken or not taken arising from the information provided. Contact a dba Adviser or other qualified professional before acting on any comment herein.

What is the mechanism to submit the CbC report and notifications?

CbC reports and notifications are filed through the [Ariadni Government portal](#). Each constituent entity that makes a filing needs to be registered with this portal for CbC purposes.

What are the penalties for non-compliance?

A penalty up to **€10,000** and **€5,000**, in respect of each CbC report and notification respectively, may be imposed on a Cypriot Constituent entity for late filing. Under certain circumstances each penalty may increase up to **€20,000**.

How can dba assist you

If you want any assistance for preparation of CbC report or notification, do not hesitate to contact us.

Contact us

Demetris Demetriou

Managing Director

d.demetriou@dbacy.com

Iacovos Raoukkas

Tax Department

i.raoukkas@dbacy.com

Elias Demetriou

Audit & Assurance

e.demetriou@dbacy.com

Address:

1 Salaminos Avenue, 1045, Nicosia Cyprus, P.O. Box 26800, 1647 Nicosia, Cyprus

Telephone number +357 22799900 Fax +357 22799899

Demetriou & Associates Business Advisers Ltd – All rights are reserved

This is for general information only. It is essential to take advice on specific issues. No liability can be accepted, either by DFK International or the author of the letter, for any action taken or not taken arising from the information provided. Contact a dba Adviser or other qualified professional before acting on any comment herein.