

TAX AND VAT MEASURES VOTED FOLLOWING THE CORONAVIRUS OUTBREAK

dba Alert #12
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Following our alert on the preliminary tax and VAT measures announced by the Cyprus Government following the Coronavirus outbreak (Issue 05/2020), the Cyprus Parliament proceeded with the voting of the relevant tax and VAT laws on 27 March 2020.

General Healthcare System (GHS- NHS) Law:

Decreased GHS contributions for April, May and June 2020

- As per the amending law, the contribution rates to the GHS that were applicable in the first phase (1 March 2019 to 28 February 2020), will also apply for the months of April, May and June 2020 (i.e. from 1 April 2020 until 30 June 2020).
- The increased contribution rates to the GHS that are applicable from 1 March 2020 (as per the second phase), will apply for the whole of March 2020, and then from 1 July 2020 onwards.

The below table clarifies the period of application of the relevant contribution rates to the GHS per contributor's category:

	Contributor's Category	Up to 29 February 2020	For March 2020	During the period 1 April – 31 May 2020	From 1 July 2020 Onwards
		%	%	%	%
A)	Employees/ Pensioners/ Income Earners/ persons holding an office	1,70	2,65	1,70	2,65
B)	Employers	1,85	2,90	1,85	2,90
C)	Self-employed individuals	2,55	4,00	2,55	4,00
D)	The Republic or natural/legal person responsible for the remuneration of Officers	1,85	2,90	1,85	2,90
E)	The Republic	1,65	4,70	1,65	4,70

Law Regulating the Settlement of Overdue Social Contributions: Deferral of payments that are due for the months of March and April 2020

- The above law is amended so that the payment of overdue social contributions (including social insurance contributions) in instalments for the months of March and April 2020, for taxpayers who were included in a scheme (as at 1 March 2020) for their settlement, is suspended and the repayment period is extended by two months.

VAT Law: Temporary deferral of VAT payable

- The initial VAT measures (decrease in VAT rates) announced on 15 March 2020 have been withdrawn. The final VAT measures are reflected in the amending VAT law which provides for the deferral of the VAT payable amounts for the periods ending 29 February 2020, 31 March 2020 and 30 April 2020, until 10 November 2020.
- The VAT returns need to be submitted on their normal due date

The temporary deferral would apply provided that:

- The taxable person submits the relevant VAT return by the statutory due date, and
- the VAT payable amount for the above periods is settled by 10 November 2020.

As long as these conditions are satisfied, the following will not be applicable for the above-mentioned periods:

- additional tax of 10% on VAT payable amounts;
- the annual interest of 1,75% thereof; and
- criminal sanctions against taxable persons for failure of VAT payments and submission of tax returns.

The deferral shall not apply to businesses with economic activities that belong to the following codes of economic activity in accordance with their registration certificate:

Code for economic activity	Description
35111	Producers of electricity power
36001	Collection and distribution of water (for the supply of water)
47111	Grocery and supermarkets mainly for food
47112	Kiosks - Mini markets
47191	Retail trade of a variety of goods in department stores where food, beverages and tobacco do not prevail
47211	Retail trade of fruits and vegetables

47221	Retail trade in meat and meat products including poultry
47231	Retail trade of fish and seafood
47241	Retail trade of bread and other bakery goods
47242	Retail trade in confectionery
47301	Retail trade of fuel
47411	Retail trade in computers, peripheral equipment and video games
47611	Retail trade of books
47621	Retail trade in newspapers and stationery
47651	Retail trade of toys of any kind other than video games
47731	Pharmacies
61101	Cyprus Telecommunications Authority (CYTA)
61201	Internet services
61301	Satellite telecommunications services
61901	Telecommunication services other than those provided by CYTA

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