



REGULATION FOR PAYMENT OF TAX ARREARS

The Cyprus Parliament has recently introduced new laws regarding the payment of tax arrears including the possibility of paying in instalments.

Arrangement

Applicants may enter into an arrangement with the Tax Department whereby overdue taxes (including interest and penalties) may be settled in equal instalments as follows:

- 54 instalments for tax arrears up to €100,000 with a minimum instalment amount of €50
- 60 instalments for tax arrears over €100,000 with a minimum instalment amount of €1,852

No additional interest and penalties will accrue on the tax arrears under the arrangement and no legal proceedings will commence for the duration of the arrangement.

Moreover, the taxpayer will be exempted from the payment of interest and penalties proportionately and the amount of such relief will depend on the number of instalments agreed.

Taxes affected

The arrangement applies to tax arrears including penalties, interest and other charges arising under the following laws:

- Income Tax
- Special Defence Contribution
- Capital Gains Tax
- Inheritance Tax
- Immovable Property Tax
- Special Contribution
- Stamp Duty
- VAT

Tax Years

The arrangement will apply to tax arrears arising in designated periods that precede the entry into force of the Law. The relevant tax years covered are expected to be set in a notification that will be issued by the Tax Department and will be published in the Official Gazette.

Procedure

The taxpayer may file with the Tax Department, within 3 months from the entry of the law into force, an application requesting the regulation of taxes. The applicant must submit all tax returns for the periods falling under the arrangement.



The Tax Department will then examine the application within 15 days of receipt and inform the applicant of its decision together with a detailed statement of the amounts of overdue taxes, related interest/penalties and the number and amount of each monthly instalment. The applicant must submit an acceptance of the arrangement within a period of 15 days.

If the Tax Department does not notify the taxpayer within 15 days, the application is considered as accepted and the applicant's suggestions are adopted.

The applicant has the right to object to the Tax Department's decision to decline the application within 15 days from the date the rejection decision is notified to the applicant. The objection must be assessed by the Tax Department within a further period of 30 days.

Finally, the arrangement is automatically cancelled if the taxpayer delays the payment of:

- Any instalment for a period of 3 months, or
- 3 cumulative instalments, or
- Upon failing to submit tax returns during the period of the arrangement and settle any taxes arising

Entry into force

The date of entry into force shall be specified in a notification to be issued by the Tax Department that will be published in the Official Gazette.