

Information Sheet No. 69

Procedure for relief on settlement of overdue taxes

Introduction

The new legislation for the procedure for settlement of overdue taxes came into effect on 3 July 2017 and taxpayers are given a 3 month time limit to apply for the scheme.

In a nutshell, taxpayers with overdue tax liabilities for years up to and including tax year 2015 may submit an application for settlement of their outstanding taxes through a series of instalments (application time limits stated below). Those who apply for the scheme stand to benefit from **relief** on the interest and penalties that have been imposed on the outstanding taxes. The level of this relief, ranging from 50% and all the way up to 95%, depends on the number of agreed instalments (the fewer the instalments, the higher the relief).

The time limit for an application for such settlement for relevant tax assessments that have already been issued shall be within 3 months from the date of entry into force of this law (i.e. 3 months from 3 July 2017). For assessments of relevant tax years issued subsequently, the time limit is 3 months from the assessment issuance date.

What is covered

The scheme applies to overdue tax liabilities arising under the following laws:

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

The provisions of the scheme do not apply in cases of undeclared amounts, deposits or remittances which took place / were traced either in Cyprus or abroad.

Who can apply

Taxpayers need to complete an application via the Government Gateway Portal "Ariadni" in order to be included in the arrangement. Details regarding the registration process can be found at this link:

<https://eservices.cyprus.gov.cy/EN/Pages/RegistrationProcessGuidelines.aspx>

The arrangement covers the following:

- a. All taxes due up to 31 December 2015, which have been assessed and recorded as payable by the Tax Department.
- b. All taxes which become payable following the submission of a self-assessment, which relates



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to the tax years up to 31 December 2015 provided that the relevant tax returns have been submitted but the due taxes have not been paid.

- c. Tax liabilities which arise out of assessments issued by the Tax Department after 3 July 2017, which is the date the Law came into force and relate to the years up to 31 December 2015. In such cases, the application must be submitted within three months from the date which the tax becomes payable.

Instalments and reliefs

Overdue taxes up to €100,000 can be settled through a maximum of 54 monthly instalments, with the minimum amount per instalment of €50. Overdue taxes in excess of €100,000 can be settled through a maximum of 60 monthly instalments, with the minimum amount per instalment of €1,852.

Relief from interest and penalties will be given on overdue taxes as follows:

Number of monthly instalments	% of relief from interest and penalties
1	95%
2-8	90%
9-15	85%
16-21	80%
22-28	75%
29-35	70%
36-42	65%
43-49	60%
50-56	55%
57-60	50%

No additional interest or penalties will be imposed on overdue tax liabilities regulated by the scheme.

Termination of arrangement

The arrangement will be terminated if any of the following occurs:

- a. Failure to submit relevant Income Tax and VAT returns during the period of the arrangement.
- b. Creation of overdue taxes relating to periods after 31 December 2015.
- c. Delay in the payment of any three of the installments.
- d. Delay in the payments of a single installment for over three months including the month of the installment that was due for payment.

If the arrangement is terminated for any of the aforementioned reasons, the balance of the tax due as per the original assessment becomes immediately payable.

NOTES:

The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained. P.G. Economides & Co Ltd will be glad to assist you in this respect. Please do not hesitate to contact us.

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