

Important amendments in Vat Law

On 20 August 2020, a law with important amendments in VAT Law was published in the Official Gazette. The main changes are the following:

1. New definition of legal person (Amendment of Article 2 of the main Act.)

The amendment introduces a new definition of “legal person to clarify that the term includes the companies, partnerships, clubs, associations, organizations and any other associations of persons, regardless of whether they have been established or not in accordance with the provisions of any law or regulation.

2. Amendment of Article 11B of the VAT Act

The amendment concerns the subparagraph 4 (a) of Article 11B with the replacement of the phrase ‘taxable person’ with the phrase ‘any person’. This means that even if the supplier is not a taxable person registered for VAT purposes, the recipient (VAT registered person) would still have an obligation to apply the reverse charge on services or services together with goods falling under Article 11B (i.e. certain supplies of services or services together with goods in the construction industry or in the context of civil engineering work).

Prior to the amendment, the article 11B was applied only if the supplier was a taxable person for VAT purposes.

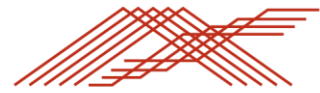
3. Introduction of New Article 11E (method of reverse charge to cover certain categories of goods)

The purpose of the introductions of Article 11E is to extend the method of reverse charge to cover certain categories of goods. Under Article 11E, the recipient of the below goods will be responsible to account for VAT under the reverse charge provisions when these are acquired in the course of business activity.

- Mobile phones
- Integrated circuit mechanisms such as microprocessors before incorporation into other end products
- Game consoles, computer tablets and laptops (personal computers are not included i.e. personal computers with tower)

The person who is falling under Article 11E must keep a record of all his purchases and sales for a period of six (6) years from the date that the goods were delivered to the recipient. The Tax Department has issued a relevant directive in Greek and you can find it [here](#)

Effective date: 1 October 2020



4. VAT Refund Amendment of Article 20 by adding paragraph 5A

In the event the taxpayer submits an application for VAT refund, the VAT Commissioner has the right to suspend the refund in case where the taxpayer has defaulted on its obligations to submit income tax returns according to the provisions of the Assessment and Collection of Taxes Law. The Vat Commissioner may suspend the payment of the credit balance until the taxpayer complies with his obligation. No interest is payable on a VAT refund for the period during which the refund is suspended.

Amendment of Article 20 by adding new paragraph 6A after paragraph 6

VAT refund applications cannot be submitted after six years from the end of the relevant VAT period in which the credit balance was created. Any request submitted after the period of six (6) years will be allowed at the discretion of the Tax Commissioner.

5. Increase of penalties

The penalty for late submission of the VAT return increases from €51 to €100.

The failure to apply the reverse charge provisions as per Articles 11, 11A, 11B, 11C, 11D, 11E or 12A, will result in a penalty of €200 per VAT return. The total penalty may not exceed €4.000.

The analysis of the above Articles is as following:

Article 11: Acquisitions of taxable services by persons not established in the Republic

Article 11A: Acquisition of Gas and electricity supplies by persons not established in the Republic

Article 11B: Acquisition of services or services together with goods in the context of construction, conversion, demolition, repair or maintenance of a building or any civil engineering project

Article 11C: Purchase of goods from persons whose economic activity falls within Combined Nomenclature code 46771 and consisting of second-hand metals

Article 11D: Transfer of a building or part thereof as well as non-developed buildable land from the borrower to the lender in the context of a loan restructuring

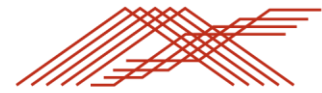
New Article 11E: Purchase of mobile phones, PC tablets, integrated circuits, laptops and game consoles

Article 12A: Acquisition of goods from other member states

Effective date: 1 July 2021

6. Deadline for submitting an objection (Amendment of Article 52A by adding the paragraph 2)

The new paragraph 2 sets the deadline for submitting an objection to the Tax Commissioner at 60 days from the date of the notification of the decision of the Commissioner to the taxpayer.



7. Definition of “renovation” (Amendment of paragraph 11 of Table B of Schedule Five)

The term “renovation” is modified to include in the transactions eligible for the reduced VAT rate of 5%, any additions to an old private home. The difference with the previous definition is that the new definition includes additions to a private home whereas prior to this amendment, the 5% VAT was applicable only on any improvements and repairs.

The private home is considered old when at least three (3) years have passed since its first occupation.

8. International passenger Transportation Services (Amendment of paragraph 5 of Schedule Six by adding the subparagraph e)

Passenger transportation services to and from the Republic are subject to the zero rate VAT to the extent the transport takes place within the Republic. Such services relate to the transport of passengers to airports and ports. With this addition, the person providing the relevant services will be required to register for vat purposes.

9. Undeveloped buildable land (Amendment of paragraph 1(a)(vi) of Schedule Eight).

The purpose of the amendments is to include the undeveloped buildable land in the taxable leases and not only the buildings

10. Non-resident taxpayers – VAT registration/de-registration obligation

The amendment introduces new provisions relating to the VAT registration and de-registration of “non- established” persons carrying out taxable activities in Cyprus. A non-established person is a person that does not have a business establishment or any other fixed establishment in the Republic of Cyprus related to the business being carried out.

As mentioned above, the new provisions refer to the cases where a non-established person in the Republic has the obligation to register for Cyprus Vat purposes when he carries out taxable transactions in the Republic.

The new provisions are divided in the following sections:

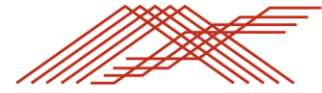
1. Obligation to register

The person has the obligation to register if the following four conditions are met:

- Makes or intends to make taxable transactions within 30 days
- The transactions or any of them are within the context of a business or promotion of the business it carries out
- it has no business establishment or any other fixed establishment in the Republic
- it is not registered under the VAT act

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2. Notification for obligation for registration and registration

The non-established person who has the obligation for registration should notify the Commissioner of Taxation within thirty (30) days from the day the first transaction was made. There is no registration threshold.

3. Notification for cancellation of registration

A non-established person who ceases to carry on taxable transactions must notify the Commissioner of Taxation within sixty (60) days from the day of the last transaction was made.

4. Cancellation of registration

The Commissioner of Taxation may cancel the registration when:

- He is satisfied that the person has no obligation to register
- It is requested by the non-established person to cancel the registration

5. Exemption from registration

The Non-established person can be exempted from the registration in the below cases:

- the transactions are subject to the zero VAT
- would be subject to the zero rates if the person were VAT registered
- are such which could have the same treatment

6. Supplementary provisions

Any notice that must be submitted to the Commissioner of Taxation is submitted in such form and shall contain such information as specified in regulations of the Council of Ministers.

The above amendments are effective as from 20 August 2020 unless it is stated otherwise above.

We are at your disposal to discuss the above and assist you to meet your tax obligations on time.

Contact

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