

## **Cyprus Government announces further Value Added Tax (VAT) measures for addressing the effects of Coronavirus outbreak on the Cyprus economy**

7 April, 2020

Further to our previous VAT Updates regarding the decision taken by the Cyprus Government to use Value Added Tax (VAT) as a fiscal policy tool for restricting the adverse effects of Coronavirus (COVID-19), on the local economy, we would like to highlight the following:

### **Indirect Tax (VAT) Measures - VAT payments on account**

**On the 2<sup>nd</sup> April of 2020, the Council of Ministers issued a decree (Κ.Δ.Π. 145/2020) based on powers afforded to them in the VAT legislation (Article 23) with regards to effecting VAT payments on account.**

#### **VAT measures – VAT payments on account**

As per the new law, taxable persons whose activities fall within the below categories, will be obliged to pay the 30% of the VAT liability of each month by the 15th of the following month. The above-mentioned measure applies for the period from the 1st of January until the 31st of May 2020, to the categories of businesses that were excluded from the right to defer VAT payments due to the fact that are considered to be least impacted by the COVID-19 outbreak.

Codes	Description
35111	Producers of electricity
36001	Collection and distribution of water
47111	Supermarkets and grocery stores
47112	Mini markets
47211	Retailers of fruits and vegetables
47221	Butcheries including poultry retailers
47321	Retailers of fish and seafood
47241	Bakeries
47242	Retail sale of cakes, flour confectionary and sugar confectionery in specialized store
47301	Retailers of fuel
47441	Retailers of computers, peripheral equipment and software including video games
47611	Retailers of books
47621	Retailers of toys except video games
47731	Pharmacies
61101	Cyprus Telecommunication Authority
61201	Web based services
61301	Satellite Services
61901	Other telecommunications services

The method of payment is expected to be clarified through a separate decree by the Ministry of Finance.

## Our Opinion

In our opinion, the Cyprus Government, in order to make up the shortfall in monthly cash flow due to the suspension of payment of the VAT, now demands from the categories that are considered to be least impacted by the COVID-19, to pay 30% of the VAT payable every month, rather than pay the total amount within 40 days from the end of the VAT quarter, which is the current practice.

## Contact us

*Feel free to contact us if you wish to have a deeper discussion on how this development might affect you or your business.*