

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

---

Further to our VAT Updates of 19 March 2020 and 23 March 2020 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**

**The VAT measures which have been taken by the Cyprus government for addressing the effects of Coronavirus outbreak on the Cyprus economy were enacted by the House of Representatives on 27 March 2020.**

### **VAT measures – Suspension of Obligation to pay VAT**

Temporary suspension of the obligation to pay VAT for reasons of business liquidity, without the imposition of any penalties and interest (including penalties) with regards to the payment of any due VAT for the VAT quarters ending:

- 29 February 2020 (due 10 April 2020)
- 31 March 2020 (due 10 May 2020)
- 30 April 2020 (due 10 June 2020)

but only if

- a)** The relevant VAT return is submitted by the due date, and
- b)** Any VAT payable is paid by 10 November 2020.

Consequently, the penalty for the late submission of the VAT return will continue to apply. The application of the legislative amendments does not apply to certain categories of businesses as follows:

- Producers of electricity
- Collection and distribution of water (for water supply)
- Supermarkets and groceries stores
- Mini markets and convenience
- Retail sale of a variety of goods where food, beverages and tobacco are not predominant
- Retail sales of fruit and vegetables - fruit shops
- Retail sales of meat and meat products including poultry
- Retail sales of fish and seafood-fish
- Retail sales of bread, other bakery and confectionery products - bakeries
- Retail sales of fuel
- Retail sale of computers, peripheral equipment and software including video games
- Retail sale of books
- Retail sales of newspapers and stationary
- Retail sales of toys of all kinds except video games
- Pharmacies
- The Cyprus Telecommunications Authority (CYTA)
- Internet and web based services
- Satellite telecommunications services
- Other telecommunication services, besides CYTA

#### **VAT – other measures**

The following restrictions that had been previously announced have been removed:

- Limit of the suspension of VAT payment to businesses with a turnover of less than €1m or
- Limit of the suspension of VAT payment to businesses that have suffered a reduction in turnover of more than 25%,

The reduction in VAT rates that had been initially announced has been aborted for now.

## **Our Opinion**

There are certain essential problems present, as follows:

There is a suspension for the payment of the VAT liability but not for the submission of the VAT return. However, there are practical difficulties as the businesses are currently facing staff shortage or workplace lock down due to coronavirus. Consequently, the VAT returns that will be submitted may be erroneously incomplete.

Furthermore, where the net effect of the corrections (output less input VAT) exceeds €1,708, a business has to apply for the correction in writing to the Tax Department and wait for the authorities' written reply.

The question is what a business should do when the reply of the Tax Department is not received by the 10 November.

## **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.*