



# Cyprus

Effective since 1 of January 2015.

According to paragraph 18 of the Thirteen Schedule of the Cypriot VAT Law, digital services provided B2C by foreign companies are subject to Cypriot VAT if the location of the customer is Cyprus.

## VAT Standard rate

The standard VAT rate in Cyprus in 2023 is 19%.

## VAT calculation peculiarity

VAT= Total revenue \* 19/119.

## VAT Reduced rate

In Cyprus, no reduced VAT rates apply with respect to telecommunications, broadcasting, and electronic services provided to non-VAT taxable persons.

## Threshold

The revenue threshold is €0 for digital services. Cyprus has implemented rules under its domestic legislation whereby taxable persons are released from the payment of the VAT where the amount due is less than €1.70.

## Pieces of evidence

To identify customer location merchant has to collect at least two items on non-contradictory evidence. And if two of them are in Cyprus, the customer may be determined as Cypriot:

- Customer's permanent address;
- Billing address (bank or electronic payment operator);
- IP address;
- Telephone number;
- The location of the customer's fixed landline through which the service is supplied to him;

- Other commercially relevant information.

## E-services list

A digital product is any product that's stored, delivered, and used in an electronic format. These are goods or services that the customer receives via email, by downloading them from the Internet, or through logging into a website, in particular:

- E-books, images, movies, and videos, whether buying a copy from Shopify or using a service like Netflix. In tax language, these products are in a category usually called, «Audio, visual, or audio-visual products»;
- Downloadable and streaming music, whether buying an MP3 or using a service like SoundCloud or Spotify. Of course, these products also fall into the audio category;
- Cloud-based software and as-a-Service products, such as Software-as-a-Service (SaaS), Platform-as-a-Service (PaaS), and Infrastructure-as-a-Service (IaaS);
- Websites, site hosting services, and internet service providers;
- Online ads and affiliate marketing.

## Exemptions

- Supplies of lotteries, betting (including horse races or football matches), and other gambling activities are VAT-exempt supplies. For purposes of neutrality, the exemption applies even if these bets are supplied electronically;
- According to the Cypriot VAT legislation, the supply of education by an eligible body (i.e., school, university, or college) is an exempt supply with no right to input VAT deduction. The same provisions apply to E-learning services.

## Registration procedure

Registration for the MOSS may be made online. For VAT registration non-resident businesses can apply to the Tax Department (Form T.D.2001) can be submitted either through the PSC Cyprus or by post/hand to the local Tax Department Office.

The application should be accompanied by the following documents:

- A copy of a certificate of incorporation, a copy of a certificate of registered office address, a copy of a certificate of directors and secretary, and a copy of a certificate of shareholders;
- A copy of a certificate of registration of the business name (in case of business/trade name);
- Questionnaire for the registration of international business entities (registered companies in the Republic of Cyprus whose main business activities are carried out abroad).

The VAT registration number is issued within one or two days. The certificate of registration is provided within 5 to 10 days.

If a company is liable to be registered, it is obliged to notify the VAT Commissioner of his liability by submitting the application for registration before the end of the thirty-day period to which the liability arises and the registration is effective as from the beginning of this period.

## **Keeping records**

In Cyprus, the possibility to issue batches of electronic invoices is available. Cypriot VAT invoices must be issued within six months after you delivered the product or service. Then you need to store these invoices electronically for ten years. Yes, that sounds excessive, but you must keep them on file in case any authority wants to verify your tax history.

## **VAT payment date**

A company involved in intra-community transactions must submit VIES declarations to the VAT Office for every calendar month by the fifteenth (15th) day of the month which follows the month for which it relates.

## **Filing VAT returns**

EU VAT returns are due quarterly. At the end of each quarter, you have 20 days to file and pay whatever the company owes:

- 20 April, for the first quarter ending 31 March;
- 20 July, for the second quarter ending 30 June;
- 20 October, for the third quarter ending 30 September;
- 20 January, for the fourth quarter ending 31 December.

## **Penalties**

If there are mis-declarations or late filings of Cyprus VAT returns, foreign companies may be subject to penalties:

- The penalty for late registration is €85 per late month;
- Late filings are subject to a charge of €51 per return.

If the payment is delayed, there is a further charge of 10% on the VAT due, with additional interest on the unpaid amount which is currently set at 4.5% p.a.

If VAT is reported incorrectly, a penalty of an additional 10% on the output VAT due is imposed as well as annual interest on the output VAT and the 10% penalty charge.

Penalties of up to 300% of the value of the output VAT will be charged for tax evasion.

There is a six years statute of limitations for Cyprus VAT, except for fraud, in which case it is extended to twelve years.



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