

CbC Reporting Requirements in Cyprus

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Background

In the context of improving international tax compliance the Republic of Cyprus on 1st of November 2016 signed the Multilateral Competent Authority Agreement on the automatic exchange of country by country reports in accordance with BEPS Action 13 Report.

The Cyprus Minister of Finance issued a relevant Decree on 30 December 2016 pursuant to Article 6 (16) of Assessment and Collection of Taxes Law on Country-by-Country Reporting which introduces a mandatory Country by Country (“CbC”) reporting requirement.

The Decree and CbC Reporting Requirements

Multinational Enterprise (MNE) Groups whose consolidated annual turnover exceeds EUR750m must prepare and submit a CbC report.

MNE means any Group that (i) includes two or more enterprises the tax residence for which is in different jurisdictions, or includes an enterprise that is resident for tax purposes in one jurisdiction and is subject to tax with respect to the business carried out through a permanent establishment in another jurisdiction, and (ii) is not an Excluded MNE Group (ie a Group that is not required to file a CbC report).

According to the Decree, a Cyprus tax resident company who is the ultimate controlling party of an MNE needs to file an electronic CbC report to the Cyprus tax authorities annually . Such report includes financial information for each jurisdiction they operate in and more specifically: the amount of revenue, profit before tax, and corporate taxes paid and accrued, Capital, retained earnings and tangible assets, together with the number of employees, Identification of each entity within the group doing business in a particular tax jurisdiction, with a broad indication of its economic activity.

Cyprus tax resident entities belonging to an MNE group that have a non-Cyprus tax resident ultimate parent may under certain conditions be obliged to submit a CbC report in Cyprus (under the “secondary filing mechanism”) or be designated by the MNE Group as the sole substitute of the ultimate parent entity (under the “surrogate parent” mechanism).

A Cyprus tax resident company which is not the Ultimate Parent Entity of an MNE Group may be required to file a CbC report, if the following criteria are satisfied:

- (i) the entity is resident for tax purposes;
- (ii) and one of the following conditions applies: a) the Ultimate Parent Entity of the MNE Group is not obligated to file a CbC report in its jurisdiction of tax residence; or, b) the jurisdiction in which the Ultimate Parent Entity is resident for tax purposes has a current International Agreement to which is a party but does not have a Qualifying Competent Authority Agreement in effect to which is a party by the time specified; or, c) there has been a Systemic Failure of the jurisdiction of tax residence of the Ultimate Parent Entity that has been notified by the Country Tax Administration to the Constituent Entity resident for tax purposes.

Notification

All Cyprus tax resident companies part of an MNE should notify the Cyprus Tax Authorities on annual basis (but not later than the last day of the year) of the identity and tax residence of the reporting entity of their MNE group.

The deadline for filling the first notification for the year 2016 is on the 20th October 2017.

CbC Report Deadlines

The CbC report should be submitted 12 months after the end of each financial year of the MNE Group. The first financial year for which there is an obligation to file a CbC report is year 2016.

Administrative Penalties

Currently a penalty EUR100 is imposed upon failure to comply with the CbC requirements however this is expected to be revised in 2017.

How we can Assist?

Royal Pine can assist in the assessment and evaluation process and provide further administration assistance with regards to the filling of notifications and submission of the CbC reporting.



* This publication has been prepared as a general guide and for information purposes only. It does not purport to be comprehensive or to render professional advice. Before making any decision or taking any action that may affect you and/or your business, bespoke advice should be obtained.

About

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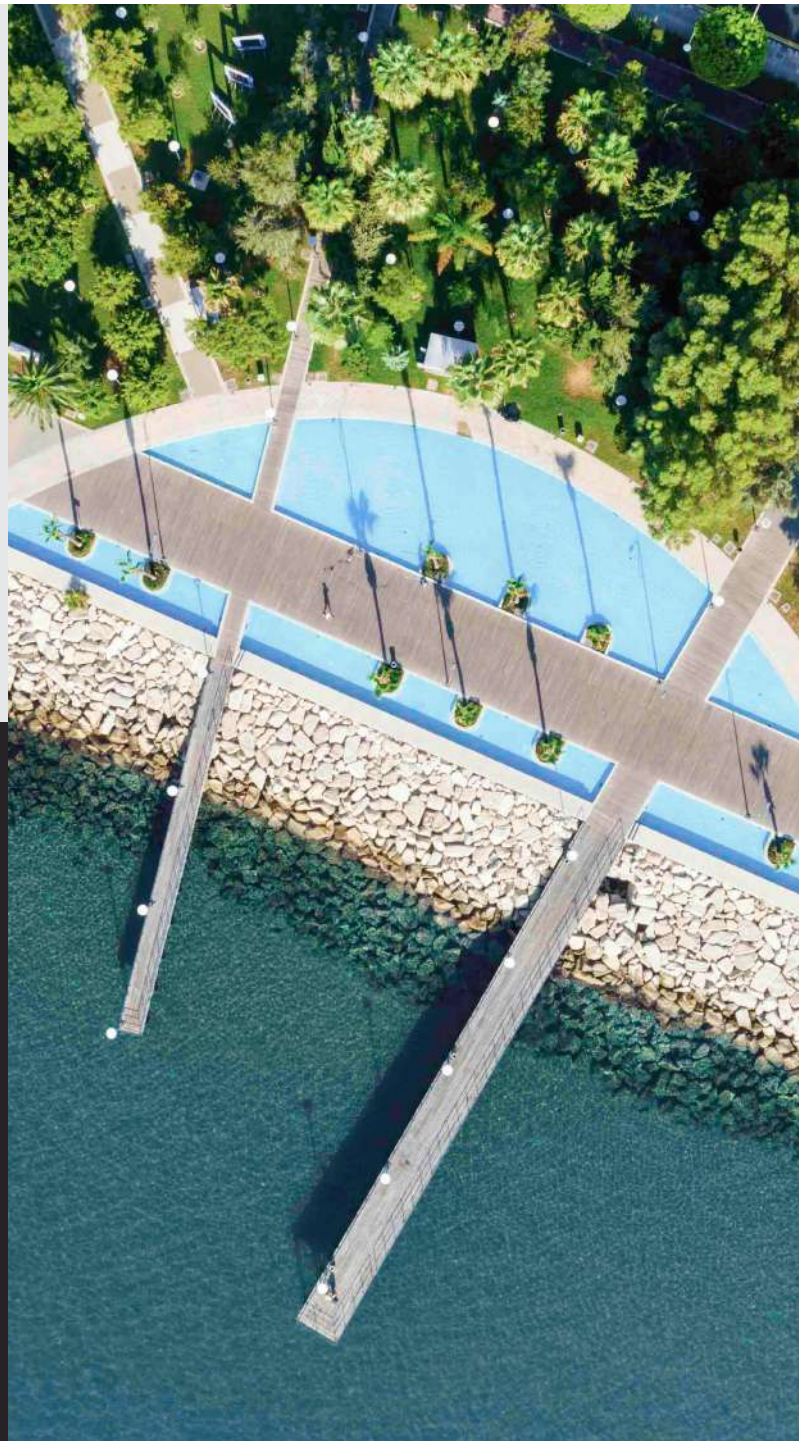
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