



FAQS ON THE TRANSFER PRICING RULES ISSUED BY THE TAX DEPARTMENT

The Cyprus Tax Department has uploaded the new FAQs for the new Transfer Pricing rules. [You can find it here.](#)

With the new FAQs, there is a basic guidance on certain aspects of the new Transfer Pricing documentation rules that were introduced last year. Specifically, as from 1 January 2022 it is no longer valid the back to back financing transactions (which under certain conditions provided for a safe harbour return of 2% after tax on assets) as mentioned in the Interpretive Circular 3 dated 30 June 2017.

Frequently Asked Questions with reference to Article 33 & Article 33C of the Income Tax Law, Κ.Δ.Π. 314/2022 and Κ.Δ.Π. 273/2022 with effect as from 1st January 2022

Transfer Pricing FAQ 2023

1. If the controlled transactions in Category "A" cumulatively exceed €750.000 or shall exceed €750.000 on the basis of the arm's length principle as described in article 33(9)(a) of the ITL and at the same time the controlled transactions in Category "B" cumulatively do not exceed the €750.000 threshold in a tax year, is there an obligation to include the controlled transactions of Category "B" in the Cyprus Local File?

- No, there is no obligation to include Category's "B" controlled transactions in the Cyprus Local File.
- Only, the controlled transactions of a category which cumulatively exceed or shall exceed €750.000 on the basis of the arm's length principle during a tax year must be documented and analyzed in the Cyprus Local File.
- In this specific example, it will be Category's "A" controlled transactions only.

2. How is the €750.000 threshold being determined in the context of rental income activities during each tax year?

- The threshold is determined by reference to the total rental income on the basis of the arm's length principle in a tax year.

3. Do purchases and sales need to be aggregated for the purposes of assessing whether the threshold has been exceeded?

- Yes, the threshold is based on reference to the absolute values of the controlled transactions for each category occurring in a tax year.

For example, if total purchases and total sales amount to €400.000 and €500.000 respectively, the cumulative amount in this category is € 900.000. Thus the threshold in this category has been exceeded.

4. Is the Cyprus Local File and Summary Information Table prepared using the tax year or the accounting year of the company?

- The Cyprus Local File and Summary Information Table are prepared with respect to the tax year.

5. Under which category of the Summary Information Table Should Financial Guarantees be reported?

- Financial Guarantees should be reported under the category "Financial Transactions".

6. Should a Benchmarking study be prepared every tax year or only if something changes with regards to the intra group loans?

- A Benchmarking study should be prepared when an intra-group loan is initiated and updated when:
 - (i) new loans are provided or received by the company, or
 - (ii) significant terms of the existing loans change or amended, or
 - (iii) the functional profile of the company changes, or
 - (iv) the market and economic conditions change significantly (if applicable).

The above list is indicative and not exhaustive. Further guidance is provided in the OECD TP Guidelines.

Please note that in accordance with article 33(10) of the ITL, the master file (where applicable) and the local file shall be updated every tax year.

7. Who is responsible for the completion and the submission of the Summary Information Table?

- It is the responsibility of the taxpayer to complete the Summary Information Table. The Summary Information Table shall be submitted by the Statutory Auditor or Tax Consultant.

8. Is the circular dated 30/06/2017 with the title "Tax treatment of intra-group back-to-back financing transactions" still applicable following the enactment of the new TP Legislation and Regulations?

- The Back-to-Back circular was abolished as of 01/01/2022.

For more information about Transfer Pricing please contact us



COMPANY AND SELF-EMPLOYED TAX RETURN FOR 2021 SUBMISSION DEADLINE

The deadline for submitting the tax return for companies (TD 4) and self-employed individuals who have total turnover exceeding the amount of €70,000 and must prepare audited accounts for the year 2021 is **31st March 2023**.



FROM MARCH 27 VAT PAYMENTS WILL BE DONE THROUGH THE TAX FOR ALL PORTAL

The Tax Department announced that all VAT and VIES tax debt payments will be made through the Tax For All (TFA) Taxpayer Portal from March 27. As mentioned, until March 16, VAT and VIES tax debt payments can be made using the payment forms printed by TAXISnet - VAT.

From March 27, all payments will be made through the Tax For All Taxpayer Portal using a credit / debit card, through Commercial Banks, with Internet Banking, as well as at the cash desks of the Banks that offer this service.

It is also noted that from March 27 the payment reference code for each debt will be available exclusively through the TFA Taxpayer Portal, for payments at Bank cashiers it is necessary to print the new payment slip, which is also available exclusively through the TFA Taxpayer Portal, while all existing forms as well as existing VAT payment codes are abolished, and VIES.

Due to the transition period to the new Tax For All system, it is recommended that taxpayers make their payments with the existing VAT debt payment codes and VIES until March 16, 2023.

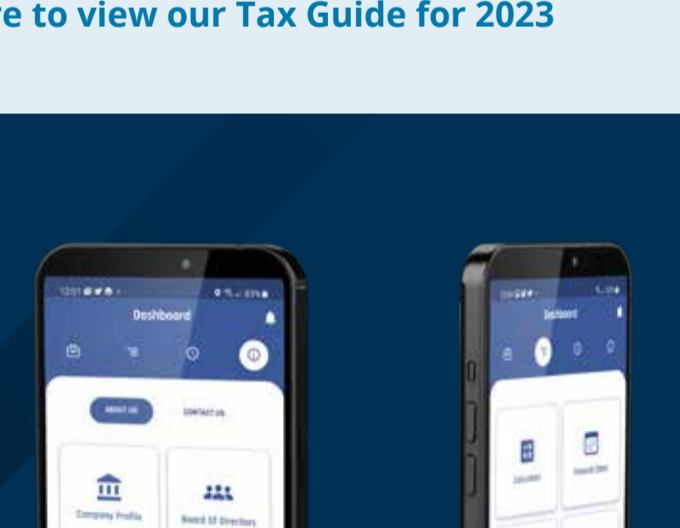


CYPRUS TAX GUIDE 2023

A & C CHRISTOFI LTD is a fast-growing professional services company based in Limassol, Cyprus. The company is a member of the Institute of Certified Public Accountants in Cyprus (ICPAC), and holds the relevant practicing certificate needed for auditing in Cyprus. We offer a variety of professional services to our clients, adapting to their requirements and needs as they develop. As your partner, we function as part of your business.

With personalized attention to your business and the high-quality services we offer, we can navigate you and your company through all the important financial dates of 2023. This way, you and your company will always be up to date and know exactly your tax-due dates and plan accordingly.

[Click here to view our Tax Guide for 2023](#)



NEW VERSION OF OUR APP AVAILABLE FREE ONLINE!

ACC CY is a simple and easy-to-use mobile application that helps you calculate your income and taxes and keep you up to date with the latest financial news in Cyprus. Whether you are self-employed or work at a company, this application is tailored to your needs.

The app also offers the ability to keep track of any key dates and to set important reminders to your calendar for Cyprus Tax, VAT and Social Insurance deadlines. There is also a description of the penalties and interests regarding the Income TAX, VAT, Social Insurance and Annual Levy for companies in Cyprus.

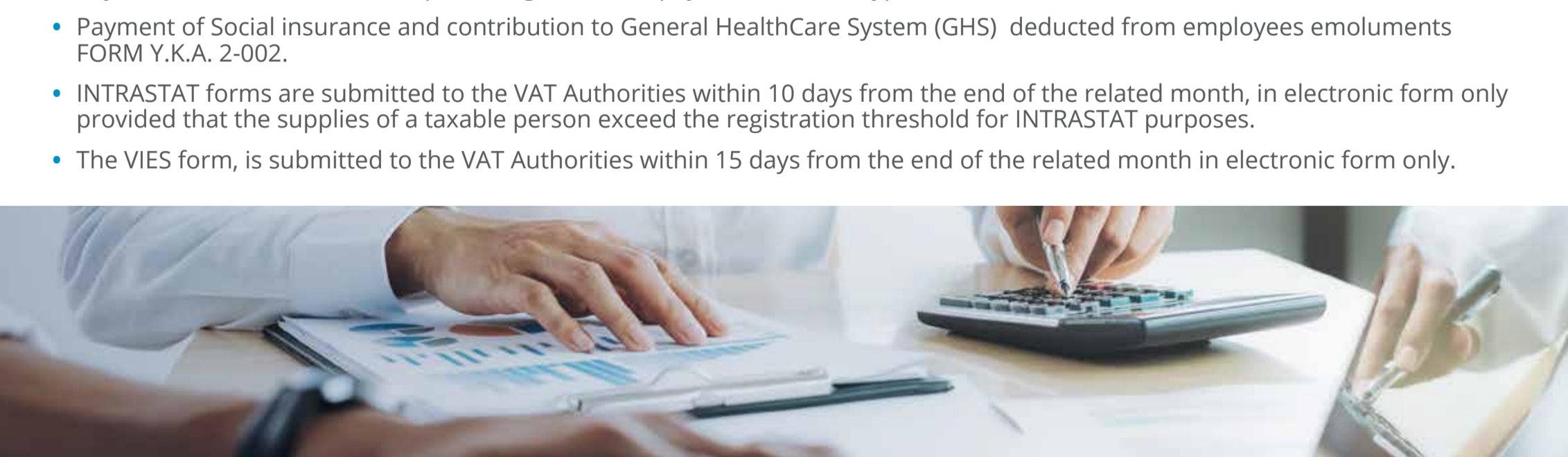
UPCOMING SUBMISSION DEADLINES

By March 31st

- Electronic submission of the corporation tax return (FORM TD4) for 2021.
- Electronic submission of the income tax return of individuals preparing audited financial statements (FORM TD1) for 2021.

By the end of the month

- Payment of tax deducted from employees salary (PAYE) in the preceding month.
- Payment of Special Contribution for Defence (SDC) and contribution to General HealthCare System (GHS) withheld on payments of dividends, interest or rents (when the tenant is a company, partnership, the state or local authority) made to Cyprus tax residents in the preceding month.
- Payment of tax withheld in the preceding month on payments to non-Cyprus residents.
- Payment of Social insurance and contribution to General HealthCare System (GHS) deducted from employees emoluments FORM Y.K.A. 2-002.
- INTRASTAT forms are submitted to the VAT Authorities within 10 days from the end of the related month, in electronic form only provided that the supplies of a taxable person exceed the registration threshold for INTRASTAT purposes.
- The VIES form, is submitted to the VAT Authorities within 15 days from the end of the related month in electronic form only.



DIRECT AND INDIRECT TAX SERVICES

Here at A & C CHRISTOFI LTD, we know that it's not always easy to stay on top of tax planning and organisation. That is why we offer a range of tax-related services that will assist with compliance and ensure that you are not paying more than you must.

Of course we don't just help you with paying and regulating the taxes but also filing a return when you need it the most. According to what Cyprus law outlines: "Based on the result of their annual financial statements, a Cypriot company may apply for tax returns. In order to have a clear picture of the company's situation it is advisable to request the legal services of a Cypriot law firm ..."

You see that? A&C CHRISTOFI LTD is the Cypriot tax management firm your business needs for great tax related advice and outcomes!

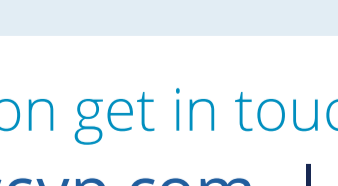
What expert Tax Management looks like – Our Services

- Tax planning for companies and individuals
- Preparation and submission of tax returns
- Preparation and submission of capital statements
- Advice for double tax avoidance
- Negotiation of tax cases with tax authorities
- Request for tax clearance certificates
- Payment of taxes
- Capital gains tax services
- International tax planning
- Social insurance contribution services
- Preparation and filing VAT returns
- Help with compliance with VAT regulations
- International VAT planning

For more information get in touch with us!

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WHO WE ARE

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A & C CHRISTOFI LTD is a full-service accounting and auditing firm that focuses primarily on clients' needs. We offer accounting, payroll, and tax preparation services for businesses and individuals as well as tax planning and business advisory services. We focus on serving the unique needs of our clients on a one-to-one basis. We are accessible, flexible, and personal, and we make your business our business. We are dedicated to professionalism, integrity and our clients' complete satisfaction.

A & C CHRISTOFI LTD

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