



Indirect Tax Update

Issue 167 – 16 April 2020 | New Decree of the Council of Ministers in relation to the change of prescribed tax periods and time of payment of all or part of the due amount.

Following the withdrawal of the Decree issued on 2 April 2020 concerning the prepayment of 30% of the VAT due by taxpayers referred to in the Amending Law (No. 2) of 2020 (hereinafter 'Amending Law'), the Council of Ministers proceeded on 16 April 2020 to the issuance of a new [Decree](#) which essentially requires a number of taxpayers to submit monthly instead of quarterly tax returns.

The new decree seeks to strengthen the government's cash liquidity while taking into account the cash needs of affected companies. As in the case of the previous Decree, which was withdrawn, the new Decree was issued on the basis of Article 23, which the Council of Minister may invoke during times of economic crisis.

This new Ministerial Decree (MD) affects the tax obligations of the following two categories of taxpayers:

- Those whose economic activity code is referred to in the Amending Law (**Category A**); and
- Those whose economic activity code is not included in the Amending Law but according to the data held by the Tax Department (TD) are considered as large taxpayers (**Category B**).

Taxpayers falling under the above categories **will receive a notification** from the TD which will give directions as to the time of submission of the tax returns and how to pay the VAT due.

It is pointed out that taxpayers who fall into **category B** will be asked to pay **30%** of the amount due in each case as opposed to those who fall into **category A** who will be required to pay **the full amount** due.

It is clarified that the decree does not mention how long it will be valid for but the notification of the TD will specify that the monthly submission will be effected for the months of March until June 2020.

Category A

Category A mainly includes companies whose activities have not been suspended as a result of the recent Government Decrees concerning Covid-19 and therefore continue their activities uninterrupted either physically or through an electronic platform.

Based on the MD, this category, **after receiving the relevant notification**, will be required to submit monthly tax returns and pay the amount due by the 27th of the month following the expiration of the prescribed tax period.

Example 1– Stagger 3 (1/12 - 29/2)

Assuming the taxpayer's quarter falling in category A ends on February 29, his next tax period based on the MD will end on March 31 instead of May 31. Because the date of submission and payment of the amount due for the tax period that ended on February 29 has passed and the due amount should normally have been paid by 10 April 2020, the only amount due on 27 April is the amount resulting from the March VAT return.

The taxpayer will then continue to submit monthly returns for the months of April, May, and June and will pay the tax due by the 27th of the following month. Following the submission of the June return, he will return to his assigned quarterly returns.

Example 2 - Stagger 1 (1/1 - 31/3)

If the quarter of the business that falls into category A ends on March 31, its next return must be submitted by 27 April and the full amount due must be paid instead of 10 May.

The taxpayer will then continue to submit monthly returns for the months of April, May, and June and will pay the tax due by the 27th of the following month. Following the submission of the June return, he will return to his assigned quarterly returns.

Example 3 - Stagger 2 (1/2 - 30/4)

If the quarter of a business falling under category A expires on April 30, it will have to submit a return covering the period from February to March and pay the amount due by 27 April.

The business will then continue to submit monthly returns for the months of April, May and June and will pay the tax due by the 27th of the following month. Following the submission of the June return, he will return to his assigned quarterly returns.

Category B

Category B will include taxpayers which, according to the data held by TD, fall under the big taxpayers and are not included in category A.

Based on the MD, this category **will receive a notification** from the TD to submit monthly instead of quarterly returns as in the case for category A. However, the difference between this category and category A lies in the amount due for payment.

Example 1 - Stagger 3 (1/12 – 29/2)

The quarter of the business falling into category B ends on 29/2/20. It follows that based on the amending law, it should have submitted a VAT return for this quarter on 10/4/20 and if exercised the election given by the Amending Law would pay the amount due until 10/11/20.

However, based on the MD, the business must now submit a VAT return for the month of March and pay 30% of the total amount due resulting from both the prescribed tax period ending on 29/2 and the one ending 31 March.

If e.g. the amount due for February quarter is €1,000 and in March €200, the business will have to pay 30% of €1,200 i.e. €360 by 27 April. The remaining amount due of €840 (€1,200 - €360) is transferred as opening amount due to be added to the amount due for the next monthly return. If the due amount of the April's return is €150, the amount of €297 (€840 + €150) X30%) must be paid by 27 May.

VAT due after the expiration of the MD must be paid by 10 November 2020, as provided in the Amending Law.

Example 2 - Stagger 1 (1/1 – 31/3)

The prescribed quarter of this business falling under category B ends on 31 March. The submission of monthly statements in relation to this Stagger starts from April. Under normal circumstances, the amount due to this Stagger will have to be paid on 10 July. However, due to the MD, part of this amount will be paid on the 27th of the month following the period of the VAT return as shown in the table below:

	March	April	May	June
Balance brought forward	-	280	406	424
Amount due for the period	400	300	200	200
Total due	400	580	606	624

Payable 30%	120	174	182	187
Balance carried forward	280	406	424	437

Total VAT due as at 30 June 2020 (€437 in the above example) must be paid by 10 November 2020, as provided in the Amending Law.

Example 3 – Stagger 2 (1/2– 30/4)

If a Company who falls under the above stagger receives a notification from the MD, then it will have to submit a return covering a period from February to March and pay 30% of VAT due by 27th of April. Going forward, monthly returns will have to be submitted by the 27th of the following month.

The table below sets out the amounts to be paid on the 27th of the following month:

	March	April	May	June
Balance brought forward	-	210	287	341
Amount due for the period	300	200	200	200
Total due	300	410	487	541
Payable 30%	90	123	146	162
Balance carried forward	210	287	341	379

Total VAT due as at 30 June 2020 (€379 in the above example) must be paid by 10 November 2020, as provided in the Amending Law.

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How can KPMG assist?

Should you like to further discuss the content and potential impact of the Circular to your business, please contact one of our trusted advisors from the Indirect Tax Department at KPMG Cyprus.

KPMG's Indirect Tax team provides advice and assistance at the Cyprus and international level. We structure our effort to dovetail with your business issues and strategy. Our focus is on supplying value adding and pragmatic advice rather than just a list of recommendations.

Our tax professionals are able to review your company's current tax position and provide relevant advice and planning on a range of indirect taxes, including VAT, customs duties and excise taxes (such as tax audits, reorganizations and acquisitions, etc.). Furthermore, we can help your company with its administrative obligations and contacts with administrative bodies.

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