The purpose of this alert is to inform you on the recent amendments to the VAT Law adopted by the Government of the Republic of Cyprus in the context of assisting businesses to manage their cash flow due to Covid-19.

The amendments concern Articles 45 and 46 A of the VAT Act and relate to the deferral of payment of VAT due until 10 November 2020 for VAT periods ending 29/2/2020, 31/3/2020 and 30/4/2020 respectively.

**Deferral of VAT payment until 10 November 2020**

The deferral of payment of VAT due, only applies to periods ending on 29 February 2020 (1/12/2019 - 29/2/2020), 31 March 2020 (1/1/2020 - 31/3/2020) and 30 April 2020 (1/2/2020 - 30/4/2020), provided that:

a. The relevant VAT returns will be timely submitted (10/4, 10/5 and 10/6 respectively) and

b. Taxable persons do not fall into the specific categories specified in the amending law (refer to Schedule A here below).

Provided that the above conditions are met and the amount due is paid by 10 November 2020, neither administrative penalties or interest will be levied, nor will the taxable persons be prosecuted.

**Example 1**

A company which is engaged in the construction business must submit its VAT return for the period 1/12/2019 – 29/2/2020 by April 10, 2020 also making a payment for the VAT amount due of €28,500.

Since the VAT amount payable relates to a tax period covered by the amending Act, the VAT return must be filed by April 10, 2020. However, if the business does not fall into the excluded categories, the VAT amount owed of €28,500 can be paid to the Tax Authorities by November 10, 2020. In such case the business will not be charged with any administrative penalty (10%) or interest due to late settlement of output VAT due.

**Example 2**

A company which is engaged in the food retailing industry must submit its VAT return for the period 1/1/2020 – 31/3/2020 by May 10, 2020, also making a payment for the VAT amount of €50,000.

In this particular case, the company will be obligated not only to submit its VAT return by 10/5/2020 but to also complete the payment of the output VAT amount due of €50,000 by the same date as it falls into the category of businesses which are excluded from the deferral of VAT payment.

If the VAT amount due is not paid within the prescribed period, the provisions of the VAT Act regarding the imposition of administrative penalties and annual interest together with the legal prosecution of the taxpayer shall be applied.
Schedule A*

Categories of businesses which are excluded by the amending Act

(a) Producers of Electricity power, (35111)
(b) Collection and distribution of water (for irregation), (36001)
(c) Grocery stores and supermarkets mainly for food, (47111)
(d) Mini Market Kiosks, (47112)
(e) Retailing of a variety of goods in department stores where food, beverages and tobacco are not predominant, (47191)
(f) Retail sale of fruit and vegetables - fruit markets, (47211)
(g) Retail sale of meat and meat products including poultry, (47221)
(h) Retail sale of fish and seafood - fish, molluscs, (47231)
(i) Retail sale of bread and other bakery products, (47241)
(j) Retail sale of confectionery, (47242)
(k) Fuel Retailing, (47301)
(l) Retail sale of computers, peripherals and video game software, (47411)
(m) Retailing of books, (47611)
(n) Retail sale of newspapers and stationery, (47621)
(o) Retailing of toys of all kinds other than video games, (47651)
(p) Pharmacies, (47731)
(q) Cyprus Telecommunications Authority (CYTA), (61101)
(r) Internet Services, (61201)
(s) Satellite telecommunications services, (61301)
(t) Other telecommunications services other than CYTA, (61901)

*Note that the above categories do not include payments made to other Member States under MOSS (Mini One Stop Shop).

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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