

M.P MULTI-COUNT SERVICES LIMITED

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Imposition of additional penalties as a result of amendment voted by the Cyprus Parliament on 14 December 2010 coming into effect 1/7/2011 (Extension of period to 30/9/2011)

The amendments voted by the Cyprus Parliament on 14 December 2010, aim to **simplify certain provisions of the Cyprus tax legislation and also to extend and strengthen the anti avoidance and anti evasion provisions** contained therein. These amendments also include the **imposition of additional taxes and penalties** for late payment of taxes and non-compliance with the legislation.

Administrative penalties amounting to €100 or €200 will be imposed for non submission of declarations, non provision of evidence or non performance of any compliance obligations within the relevant deadlines that apply. These penalties apply for Income Tax, Special Defence Contribution, Capital Gains Tax and Immovable Property Tax.

Also, in the case where a person does not pay, by the appropriate due date, the following taxes:

- (i) Income Tax
- (ii) Tax withheld with respect to payments to non Cyprus tax residents,
- (iii) SDC,
- (iv) Capital Gains tax,
- (v) Immovable property tax

an additional tax calculated at the rate of 5% on the unpaid tax will be imposed.

This provision **will enter into force after 6 months** from the date of publication of the relevant legislation in the Official Gazette of the Republic.

Examples of the imposition of the above penalties are as follows:-

1. Non submission of the return of any year if there is a duty to be submitted has as a result the imposition of the penalty. For example if the imposition of any return with date of submission of 31 December 2011 is submitted after that date has a penalty of €100

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2. For not making a stock take as at the end of the administrative period.
3. Update of accounting records within 4 months from the month of the transaction from self-employed with revenue over 70.000 or from companies. The penalty is every quarter with commencement of 1/1/2012.

For example. There is an audit of the accounting records from Inland Revenue at 30/11/2012 and it seems that the records have not been posted from the beginning of the period.

Quarter end	End date for posting	Penalty
31/3/2011	31/7/2012	€100
30/6/2011	31/10/2012	€100
Total		€200

4. The non-issue of Invoice within 30 Days from the date that the transaction has been finalized. There would be a penalty by month beginning from 1/1/2012.
 - The issue of invoices that have not been issued according to the rules. If invoices have not been issued according to the Inland Revenue rules they are not valid and therefore considered as not issued according to the legislation and within 30 Days. There is a penalty of €100

For example. There is an audit of the accounting records from Inland Revenue at 30/11/2012 and it seems that there were transactions that no invoice was issued.

Invoice number	Date of transaction	Date of invoice issue	Month of transaction	Penalty
1	5.1.2012	30.10.2012	1/2012	€100
2	15.5.2012	30.10.2012	5/2012	€100
3	30.5.2012	30.10.2012		
4	7.8.2012	30.10.2012	8/2012	€100
5	2.9.2012	30.10.2012	9/2012	€100
6	21.10.2012	30.10.2012	10/2012	
			Total	€400

5. Not been registered at Inland Revenue within the period of 60 Days from the date of registration (at registrar) for companies been registered after 1/7/2011 and for companies been registered (at registrar of companies) before the 1/7/2011 and not been registered at the Inland Revenue up to 30/6/2011. Commencement of penalties imposition extended to 30/9/2011.

Penalty €200

There is a penalty of €200 if a person denies, fails or neglects to

- Give notice
- Submit a return
- Give information
- Make any action that it is a duty or not in legislation

If the Inland Revenue director has requested so from 1/7/2011 and afterwards, the compliance within a period which is not less than 60 Days. For every notification that there is not any compliance there is a penalty of €200. Commencement of penalties imposition extended to 30/9/2011.

Example:-

Employee Income Tax Return (I.R.1.)

The return has to be submitted by 30/4 of the following year. There is a letter requesting the submission of the following returns with dead line for compliance 30/5/2011. The returns are submitted 30/12/2012. The penalty is calculated as follows:-

	2003	2005	2010	2011
Penalty as per section 50A(a) for the non submission	€100	€100	€100	€100
Penalty as per section 50A(b) for the non submission	€200 since only one notification			
Total penalty	€600			