

Submission of Provisional Tax Return and Payment of 1st Instalment for 2020



We would like to kindly remind you that the deadline for submission of the provisional tax return (T.D.6 form) for the year 2020 to the Cyprus' Inland Revenue is the **31st July 2020 (due for submission and payment by 31st August 2020 with no interest or penalties)**

Background

As you may already be aware, Cyprus tax resident companies and individuals must submit a Temporary/Provisional Tax Return (Form I.R.6 for legal persons) by 31st of July each year, based on the estimated current year's taxable income, and pay the equivalent provisional tax in two equal instalments:

- 1st instalment: the latest by 31st of August 2020
- 2nd instalment: the latest by 31st of December 2020

The Cyprus' Inland Revenue does not impose any interest or penalties in the case that the Provisional Tax Return and first provisional tax instalment is paid by 31st August.

In the event that, based on your computation, there is no taxable income, you are not required to submit the Temporary Tax Return. It is important to note that NIL returns (i.e. when the company does not expect to have any taxable income) need not to be submitted. In such a case, we would appreciate your confirmation towards this.

Key matters to consider

If the taxable profit declared for temporary tax purposes is less than 75% of the taxable income, as finally determined, the taxpayer must pay, in addition to the normal tax, an amount equal to 10% of the difference between the final and the temporary tax. Estimated taxable income can be revised (upwards/downwards) by submitting a revised Temporary Tax Return any time prior to 31st of December of the tax year, the date the last provisional tax payment is due.

Any late payments of temporary tax are subject to:

- a 5% fine (flat rate), calculated on the principal amount of tax for each instalment, and
- interest at 2% p.a. on every completed month of delay, irrespective of when paid.

A final payment of any tax due must be made on or before 1st of August of the following year of assessment (for tax year 2019 the final payment must be made by 31 August 2020 with no interest or penalties), so as to bring the total instalment payments to the level of the actual liability due (as per the actual tax liability, as finally determined).

In completing your Temporary Tax Return for 2020, please take into consideration that any taxable losses brought forward from previous years can no longer be carried forward indefinitely. As per the Income Tax Law, tax losses cannot be carried forward after the lapse of five years from the end of the tax year during which the loss occurred (i.e. for tax year 2020, only the tax losses from 2015 and onwards can be utilised).

How we can help

We would be pleased to assist you in calculating your temporary tax regarding 2020, as well as facilitate the timely submission of the Provisional Tax Return to the Cyprus' Inland Revenue, and/or regarding settlement of the first provisional tax instalment.

We remain at your disposal for any further information / assistance in respect of the above.

Deadline Extension for submission of Income Tax Return for 2018



Background

On 22 May 2020 the Minister of Finance issued a Decree which enabled the Cyprus' Inland Revenue to provide an extension to the deadline for the submission of the Income Tax Return for Companies (T.D.4) and for Self-Employed individuals who are required to prepare audited accounts (T.D.1) for the tax year 2018, up to 30 June 2020.

The above represents the second extension granted by the Cyprus' Inland Revenue this year in light of the recent outbreak of the COVID-19 pandemic. For completeness, it is clarified that the original deadline concerning the electronic submission of the 2018 corporation income tax return was the 31st of March 2020.

Key matters to consider

As you should be aware, Cypriot companies which fail to submit their Income Tax Return before the submission deadline are liable to the following:

- ⦿ Upon conviction for failure to submit a return, a person shall be liable to a fine not exceeding €17 per day for as long as the failure continues, or to imprisonment for a term not exceeding 12 months, or both. Any person who omits any object of tax from the return shall be liable, on conviction, to a fine up to €3,417 plus the tax due, plus an amount equal to two times the difference between the amount of tax properly imposed and the amount of tax that would have been imposed had the assessment been based on the return.
- ⦿ Late submission results in the imposition of a penalty equal to €100. If the tax return for a specific year is requested in writing by the Tax Office and this is not submitted within the requested period, a penalty of €200 is imposed for every notice issued.

How we can help

Our audit team is fully equipped to assist you in the finalisation of your company's audited financial statements for the year ended 31 December 2018, which need to be available in time for the completion of the relevant corporate income tax return.

At the same time, our tax department is ready to advise on any tax matters arising as well as assist in the preparation of the corporate income tax return.



Nicosia Office

32, John Kennedy Avenue
DADLAW Business Centre, 2nd Floor
1087 Nicosia, Cyprus

Tel.: +357 22 300900

Fax: +357 22 300901

Limassol Office

8, John Kennedy Street
Iris House, 8th Floor
3106 Limassol, Cyprus

Tel.: +357 25 760500

Fax: +357 25 760501

For more information you may contact:

Vasilis Koufaris

Managing Director

Tel. ☎: +357 99 432000

Email ✉: vkoufaris@vgda.com.cy

Antonis Antoniou

Director, Head of Audit

Tel. ☎: +357 99 699664

Email ✉: aantoniou@vgda.com.cy

Constantinos Christodoulou

Director, Head of Advisory

Tel. ☎: +357 99 657028

Email ✉: cchristodoulou@vgda.com.cy

This document has been prepared by VGDA Accountants Limited ("VGDA"), a private limited liability company registered in Cyprus, and may not be published, reproduced, copied or stored in any medium, in whole or in part, without VGDA's prior written consent. All rights reserved.

It is sent as part of our marketing communications which provide access to our range of professional services, as well as our publications and events. If you do not wish to receive marketing communications from us, please notify us by sending an email to administrator@vgda.com.cy.

It is noted that the information contained in this document is of a general nature and is, therefore, not intended to address the circumstances of a particular natural person or legal entity. Whilst the information contained herein has been prepared in good faith, no representation, undertaking or warranty, expressed or implied, is given or will be made and no liability is accepted by VGDA as to the accuracy, reliability, adequacy or completeness of the information contained in this document. No one should act upon such information without appropriate professional advice and after a thorough examination of the particular situation.

VGDA would be pleased to advise recipients of this document on how to apply the principles set out herein to their specific circumstances and requirements.

info@vgda.com.cy

www.vgda.com.cy