

23/03/2022

LOCAL AND ADMINISTRATIVE TAX UPDATES

1. Deadline extension for the submission of declarations on SDC and GHS contributions withheld on Interest and Dividend payments

On [26 January 2022](#), the Cyprus Tax Department announced that the deadline for the electronic submission of the declarations for Special Defence Contribution (SDC) and General Healthcare System (GHS) contributions withheld on Interest and Dividend payments (Forms T.D. 602 and T.D. 603) has been extended to **31 March 2022**. For more information, see the official announcement.

2. The Ministry of Finance announces the default interest rate for year 2022

The Ministry of Finance issued [Decree 552/2021](#) on the default interest rate for year 2022 which has been set at 1.75%, effective as from 1 January 2022.

3. Guidelines for the issuance of Certificate of settlement of tax liabilities in respect to Government guarantees

Further to Decree 476/2021 of the Cyprus Ministry of Finance on Government guarantees to credit institutions for the granting of loans to companies and self-employed persons, on [3 January 2022](#) the Cyprus Tax Department issued guidelines for the issuance of a Certificate of settlement of tax liabilities by the Cyprus Tax Department and the relevant procedures to be followed. For more information on the relevant Government guarantees, see the below links:

- [Ministry of Finance Press Release – 29 December 2021](#)
- [Ministry of Finance Press Release – 04 January 2022](#)

4. Clarifications on the tax treatment of interest rate subsidies for new business loans due to COVID-19

On 20 January 2022, the Ministry of Finance issued clarifications on the tax treatment of interest rate subsidies for new business loans due to COVID-19 through written communication with the Institute of Certified Public Accountants of Cyprus (ICPAC) on the request of the latter. For more information, contact our Tax Team.

5. Tax Residency in Cyprus based on the 60-days rule of residence

On 1 February 2022, the Cyprus Tax Department issued **Circular 1/2022** which provides clarifications on tax residency of a physical person in Cyprus based on the 60-days rule and withdraws [Interpretative Circular 8](#) dated 22 September 2017 and [Interpretative Circular 36](#) dated 22 February 2019. For more information, see the Circular [here](#).

6. Publication of the ten-year government bond yields as at 31 December 2021

During February 2021, the Cyprus Tax Department announced the publication of the ten-year government bond yield rates as at 31 December 2021 for a number of countries, which increased by 5%, represent the “reference rates” for the purposes of granting tax allowance on new capital (i.e., Notional Interest Deduction (NID) on equity) in accordance with Article 9B of the Income Tax Law N.188(I)/2002, as amended. For more information, see the below links:

- [3 February 2022 announcement](#)
- [14 February 2022 announcement](#)
- [List of the ten-year yield rate of Government bond of each country](#)

7. The Council of Ministers of Cyprus issues Decrees 51/2022 and 52/2022

During February 2022, the Council of Ministers of Cyprus issued the below Decrees:

- [Decree 51/2022](#) (on Personal tax return exemption) through which natural persons whose total gross income is below €19.500 are exempted from the obligation to prepare and submit a personal income tax return for the year 2021, and
- [Decree 52/2022](#) (on payment beneficiaries obliged to accept card payments) providing an additional code of economic activity (49.32 Taxi operation) of payment beneficiaries who are obliged to accept card payments.

For more information, see the relevant Decrees as published in the Cyprus Government Gazette in the above links.

8. Clarifications on the tax treatment of compensation payable for retroactive appointment or promotion in the public sector

On 15 February 2022, the Cyprus Tax Department issued **Circular 4/2022** providing clarifications on the tax treatment of compensation payable for retroactive appointment or promotion in the public sector as a result of an annulment court decision. For the Circular, see [here](#).

9. Cyprus Tax Department FAQs publications

On 24 January 2022, the Cyprus Tax Department issued two publications with answers to Frequently Asked Questions (FAQs) with respect to the below:

- [Interpretive Circular 3](#) dated 30 June 2017 (the “Circular”) on the **tax treatment of intra group back-to-back financing transactions**.

The answers to the FAQs apply for all transactions that fall within the scope of the Circular and relate to loan agreements concluded as at the date of the issue of the FAQs and thereof (that is, 24 January 2022), as well as to those loan agreements which were concluded prior to that date and have not been examined by the Cyprus Tax Department by that date. For the access to the Circular’s FAQs, see [here](#).

- On the **tax treatment of Benefits in Kind** (“BIKs”). For access to the BIKs FAQs, see [here](#).

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