

Corporate Tax - Cyprus

Parliament enacts tax amnesty law

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December 16 2011

Parliament recently passed a law that allows for a partial write-off of interest and penalties on overdue tax, provided that liabilities are settled by March 31 2012.

The law applies to liabilities of individuals and companies in respect of income tax, special defence contribution tax, immovable property tax, stamp duty and capital gains tax for periods up to December 31 2008. It provides for the waiver of any interest or penalties in excess of 5% of the principal amount owed, as long as the balance is paid by March 31 2012.

According to the tax authorities, outstanding tax arrears for 2008 and previous years amount to €355 million. The government believes that the waiver of fines and penalties will encourage taxpayers to settle their debts, resulting in the collection of these long overdue amounts.

The law was passed despite warnings from the Office of the Attorney General that it is inconsistent with Articles 24 and 28 of the Constitution, which provide that all persons are equal before the law and that every person is bound to contribute according to their means towards public burdens. A similar law passed in 2007 was found to be unlawful by the Supreme Court on the grounds that it discriminated against taxpayers who comply with their obligations in favour of those who do not.

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