

Corporate Tax - Cyprus

Cyprus signs agreement with United States under Foreign Account Tax Compliance Act

Contributed by **Andreas Neocleous & Co LLC**

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On December 2 2014 the Cypriot finance minister and the US ambassador to Cyprus formally signed the intergovernmental agreement between Cyprus and the United States under the Foreign Account Tax Compliance Act (FATCA). The act is a US tax measure enacted in 2010 to prevent and detect tax evasion on income derived by US persons (citizens or residents) from sources outside the United States, improve taxpayer compliance and create greater transparency by strengthening information reporting and compliance with respect to US accounts and assets held overseas.

Like other EU members, in 2013 Cyprus undertook to enter into a Model 1 intergovernmental agreement (under which institutions subject to FATCA report information to their own tax authorities for onward transmission to the US authorities). Prior to the formal signature of the agreement, Cyprus was treated as having an agreement in effect from April 22 2014, which enabled foreign financial institutions resident in Cyprus to register on the Internal Revenue Service/FATCA website.

The intergovernmental agreement is in English and will be translated into Greek and published in the *Official Gazette*. As the reporting authority under the agreement, the Inland Revenue Department will issue guidelines for interpreting the agreement in due course. In addition, the Assessment and Collection of Taxes Law will be amended to include the collection and automatic exchange of information in line with FATCA.

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