

Corporate Tax - Cyprus

Tax amnesty extended but benefits reduce with further payment delay

Contributed by **Andreas Neocleous & Co LLC**

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The tax amnesty introduced in November 2011 (for further details please see "[Parliament enacts tax amnesty law](#)"), which applies to both individuals and companies, has been further extended until the end of 2013.

The November 2011 law capped penalties and interest on unpaid taxes accrued up to December 31 2008 at 5% of the unpaid taxes, provided that the arrears were settled in full by the end of March 2012. In April 2012 the settlement deadline was extended to October 31 2012 (for further details please see "[Amnesty for late payment of tax penalties extended](#)"). It has now been extended again to December 31 2013.

However, the benefits of the amnesty will now reduce the longer settlement is delayed. Penalties and interest on arrears settled by the end of October 2012 were capped at 5% of the unpaid taxes. This surcharge has increased to 6% for amounts settled in November 2012 and will continue to increase by one percentage point for each month in which settlement is delayed.

Until the end of March 2013, in order to benefit from the fixed-rate penalty, the whole amount due in respect of a particular year of assessment must be settled at one go. However, with effect from April 1 2013, part payments will also qualify for the amnesty. For example, if there is an unpaid liability of €150,000 (before penalties and interest) for 2007 and the taxpayer pays €100,000 plus 11% in April 2013, the liability will be reduced to €50,000. If the taxpayer then pays this €50,000 plus 13% in June 2013 the debt will be extinguished.

A tax amnesty law introduced in December 2007 was challenged as being unconstitutional and was overturned by the Supreme Court in May 2008. As yet, there has been no objection to the current series of tax amnesty laws.

For further information on this topic please contact [Philippos Aristotelous](#) at [Andreas Neocleous & Co LLC](#) by telephone (+357 25 110 000), fax (+357 25 110 001) or email (aristotelous@neocleous.com).

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Author

Philippos Aristotelous

