

Extension of deadline for Transfer Pricing compliance and Tax return submission for tax year 2022

A. INTRODUCTION

On 23 February 2024, the Cyprus Tax Authorities, published an announcement in relation to the extension of the deadline of the Corporate Income Tax Return (TD4) and the Summary Information Table (SIT).

B. BACKGROUND

On 30 of July 2022, the Cyprus Parliament has voted for the introduction of the Transfer Pricing Regulations in Cyprus, effective as from 1 January 2022.

The Transfer Pricing regulations oblige all Cyprus taxpayers engaged in related party transactions to submit a SIT, summarising these transactions under the relevant category for each tax year. This submission must be done electronically by the deadline for TD4, which is March 31st.

Furthermore, the regulations require that Cyprus taxpayers involved in related party transactions exceeding the threshold of EUR 5.000.000 in the financing category and EUR 1.000.000 in the rest categories, to prepare a Cyprus Local File by the TD4 and SIT submission deadline.

C. BRIEF POINTS TO NOTE

On 23 February 2024, the Cyprus Tax Authorities announced an extension to the submission deadline for the TD4 and the SIT only for entities with related party transactions, as defined in Section 33 of the Income Tax Law, for the tax year 2022.

The new deadline has been extended to **30 November 2024**. It's important to note that this deadline extension applies exclusively to entities obligated to submit the SIT.

The SIT submission will be made electronically via the Tax for All (TFA) portal. Since the deadline for preparing the Cyprus Local Files aligns with the submission date of the SIT, which coincides with the due date for TD4, the deadline for Local File preparation for the tax year 2022 is also extended to 30 November 2024.

It should be highlighted that further to the publication of the Frequently Asked Questions (FAQ) by the Cyprus Tax Authorities, the below two types of related party transactions shall not be reported in the SIT and no documentation with respect to these transactions in the Local File is required:

1. Loans or any other monetary facilities including cash withdrawals (but excluding any balances arising from commercial transactions) granted by companies to the persons described in article 5(1)(z) & 5(2)(z) of the Income Tax Law L. 118 (I), provided the company which is granting the loans or any other monetary facilities including cash withdrawals to its directors or to its shareholders who are individuals or their spouses or to their relatives up to and including the second degree of kinship does not have as a taxable activity the provision of financing(Question&Answer11);and
2. The shares with acquisition cost that fall under the definition of “titles” as per article 2 of the Income Tax Law L. 118 (I)/ 2002 and circular 2008/13, to the extent that the interest incurred does not constitute a tax deductible expense in accordance to the provisions of articles 11(15)

and 11(16) of the Income Tax Law L. 118 (I)/ 2002 and any other related Tax Circular that is in force (Question & Answer 12).

D. HOW MAY WE ASSIST

- ✓ Assess if the intragroup transactions of an entity exceed the threshold;
- ✓ Categorize the transactions;
- ✓ Prepare and submit the Summary Information Table (SIT);
- ✓ Prepare the required documentation (Local File, Master File) and relevant Benchmark Analysis;
- ✓ Prepare the required simplified transfer pricing documentation;
- ✓ Perform and submit a transfer pricing study for your intragroup financing transactions before the tax year 2022;
- ✓ Prepare an APA and liaise with tax authorities to enable the client to secure a pricing in advance;
- ✓ Assist in the formation of the internal transfer pricing policy;
- ✓ Representation arrangements in a transfer pricing dispute with the tax authorities.

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