

Declaration of Quality Assurance Review for Cyprus Local Files by Auditors

On 24 May 2024, the Cyprus Tax Authorities published an announcement regarding the new requirement for auditors to submit a declaration of quality assurance review of the Cyprus Local Files.

BACKGROUND

On 30 July 2022, the Cyprus Parliament voted to introduce Transfer Pricing Regulations in Cyprus, effective from 1 January 2022. The Transfer Pricing Regulations require Cyprus taxpayers involved in related party transactions exceeding EUR 5.000.000 in the financing category and EUR 1.000.000 in other categories to prepare a Cyprus Local File by the tax return and SIT submission deadline.

The SIT submission must be completed electronically via the Tax for All (TFA) portal by the tax return deadline, which is 31 March.

A licensed auditor is required to undertake a quality assurance review of the Local File before the tax return and SIT submission deadline.

BRIEF POINTS TO NOTE

On 24 May 2024, the Cyprus Tax Authorities announced that the company's licensed auditor is obliged to submit the declaration of quality assurance review of the Local File.

This declaration must:

- a.** Confirm that the quality assurance review of the Local File has been completed;
- b.** Include the results of the Local File and indicate whether these results meet the requirements or not for each category outlined in the SIT.;
- c.** Be signed by an auditor who is an ICPAC member and who undertook the quality assurance review of the Local File by the tax return and SIT submission deadline;
- d.** Be submitted only in Greek; and
- e.** Be submitted via the Tax for All (TFA) portal, together with the SIT.

The declaration form will include a table as shown below and will be in Greek. The wording of the table shall not be altered, except for the highlighted column, which the auditor will update accordingly:

		Results
1	Compliance with paragraphs 3 and 7 of article 33 of the Income Tax Law	Satisfactory Non-satisfactory
2	Compliance with the Regulations 314/2022 concerning the preparation of Cyprus Local Files	Satisfactory Non-satisfactory
3	Reasonable characterisation of the related parties that is aligned with the accurate delineation of the controlled transactions that have been recorded in the Cyprus Local File	Satisfactory Non-satisfactory
4	Reasonable characterization of the related parties aligned with the accurate delineation of the controlled transactions recorded in the Cyprus Local File.	Satisfactory Non-satisfactory
5	Reasonable and sufficient comparability analysis in relation to: i) the application of the most appropriate Transfer Pricing method, ii) process of identify internal comparables, search strategy for external comparables and choice of the accepted/rejected matrix of comparables; iii) Determination of comparability adjustments (if applicable); iv) Determination of the arm's length range.	Satisfactory Non-satisfactory

It is important to bear in mind that the Cyprus Tax Authorities will undertake thorough inspections of the information documented in both the SIT and the Cyprus Local Files. These inspections serve to ensure compliance with tax regulations and the accuracy of reported financial data. Such scrutiny underscores the significance of maintaining meticulous records and adhering to regulatory requirements.

D. HOW WE MAY 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.

DISCLAIMER

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