

CYPRUS VAT UPDATE

VAT CHANGES ON THE TREATMENT OF SERVICES RELATING TO BOARD MEMBERS, DIRECTORS AND OTHER COMPANY'S OFFICIALS

In October 2016 the VAT Office issued circular 205 (amending VAT circular 151) which explains the changes effected in relation to the VAT treatment for services provided by persons as Directors, Board Members and company's officials.

The most important aspects of this VAT circular are summarized below:

1. Where a lawyer, accountant or similar professional is appointed as a director, secretary or treasurer of a company and at the same time continues to practice his profession or participates in any other economic activity, then he/she is considered to be carrying out an economic activity and his fee is subject to VAT at the standard VAT rate of 19%.
2. As an exception to the above, the following do not comprise an economic activity for VAT purposes:
 - Appointments on purely personal grounds.
 - Appointments not made in the context of any profession or occupation or any other commercial activity.
 - Appointment of a person (including a retired person) who does not offer any other professional services beyond his/her appointed role.
 - Appointments of employees to the Board of their employer.
 - Appointments in a banking institution in accordance with the "Directive to licensed credit institutions for the evaluation of the capacity and suitability of the members of the administrative body and the directors of licensed credit institutions".
3. Where an employee of one company is appointed as a member of the board of directors of another then the former must charge VAT at the rate of 19% on the fees it receives.

CONTACT DETAILS

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► For an in-depth discussion of how these new laws impact your business and the planning opportunities that may exist, please contact:

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4. In a group context, an individual may carry out the role of a Director in a number of group companies whilst receiving remuneration from only one. As such, unless there is a contractual agreement between the companies to charge for that employee's services, then such services are treated as being provided directly by the individual to each company and are not subject to VAT since there is no provision of services from one company to the other.
 5. Where an employee of one company provides such services to any other company in his/her personal capacity and receives fees for so doing then that individual will be obliged to register for VAT if the remuneration for such services exceeds the VAT registration threshold (currently €15.600).
 6. Where a person (legal or physical) that is a shareholder in a company exercises a legal or contractual right to appoint a director to the board of directors of that company, then as long as the director does not provide any expert advice and does not participate in the actual management of the business then there is no Vatable supply of services by that director. If on the other hand, the director is appointed because he has specialized knowledge or provides advisory or management services to the company then such service comprises a Vatable supply subject to VAT at the rate of 19%.