

Diploma in Corporate Administration & Compliance

Cyprus Taxation System

Course Title	Cyprus Taxation System
Course Code	TXC210
Type of Course	Core/Required
Level of Course	Undergraduate, Second Cycle
Year of Study	Second
Semester	First
Credits (ECTS)	6
Prerequisites or co-requisites	TXF101
Recommended optional program components	None
Language of Instruction	English
Mode of Delivery	Face to Face

General Information

Description

Embarking on this detailed course, participants will navigate the essential pillars of taxation, with a focus on the unique context of Cyprus's tax system. The curriculum is carefully designed to unravel the complexities of taxation principles, starting from the foundational aspects of Corporation Tax and spanning to the nuanced areas of Special Defense Contribution, Payroll Management, Capital Gains Tax, and the intricacies of VAT compliance and planning.

The journey begins with a thorough exploration of Corporation Tax, dissecting its liabilities, and understanding the critical elements such as tax registration, sources of taxable income, and the implications of company residence. This foundation sets the stage for a deeper examination of how Special Defense Contributions are calculated and managed, illuminating the distinction between various income types and their respective tax treatments.

As the course progresses, you will delve into Payroll Management, a critical component for any business, learning to establish effective systems that ensure compliance and governance. This knowledge is vital for managing employee compensation and understanding the web of deductions and contributions that affect both employer and employee.

The exploration continues with Capital Gains Tax, where you will acquire strategies to optimize tax liability through exemptions and deductions, a skill that becomes particularly poignant when dealing with immovable property or shares in private companies.

A significant portion of the course is dedicated to mastering VAT legislation within Cyprus, offering insights into its scope, the legal framework, and compliance mechanisms. This includes a detailed look at taxable supplies, VAT registration requirements, and the strategic use of exemptions and deductions to minimize VAT liabilities.

In the realm of Corporation Tax Planning, the course culminates with advanced strategies and case studies that highlight recent developments, equipping you with forward-thinking approaches to tax planning. This section not only reinforces earlier learning but also encourages the application of knowledge in dynamic and complex scenarios.

This course aims to build a comprehensive understanding of tax legislation and strategic planning. It promises not just to impart knowledge but to inspire innovative thinking and practical application, preparing you to navigate the challenges and opportunities within the tax landscape confidently.

Course objectives

The core objective of this comprehensive course on Cyprus's taxation framework is to thoroughly equip you with the expertise required to navigate through the complex maze of tax regulations and planning with confidence and strategic insight. This endeavor is not merely about understanding the letter of the law but about mastering the practical application of tax principles to real-world situations, ensuring compliance, and optimizing financial outcomes.

At the heart of this course lies the ambition to provide an exhaustive understanding of various tax domains relevant to Cyprus, including but not limited to Corporation Tax, Special Defense Contribution, VAT, and Capital Gains Tax. This broad-spectrum coverage is designed to ensure you are well-versed in identifying, calculating, and managing the liabilities and opportunities each tax type presents.

Beyond the calculation of tax liabilities, this course aims to elevate your abilities to engage in sophisticated tax planning and compliance strategies. This involves leveraging legal provisions such as exemptions, deductions, and reliefs to craft tax-efficient strategies that align with corporate or individual financial goals while maintaining rigorous adherence to tax laws.

Understanding the operational dynamics of payroll management - spanning from deductions and contributions to benefits management - is critical. This course seeks to impart a robust framework for establishing and managing a compliant, efficient payroll system that serves both the organization and its employees effectively.

VAT compliance and strategic management represent key focal areas of this course, reflecting its complexity and impact on business operations. You will be guided through the intricacies of VAT legislation, including registration, refund processes, and the handling of international VAT scenarios, equipping them with the knowledge to manage VAT aspects confidently.

Recognizing that theoretical knowledge gains its true value when applied, this course emphasizes real-world applicability. Through detailed case studies and practical examples, you will explore how tax principles and strategies unfold in actual business contexts, enhancing your analytical and decision-making skills in tax-related matters.

Finally, the course is structured to provide insights into recent developments and future trends in tax legislation and planning. This forward-looking perspective is crucial for preparing you to anticipate changes, adapt strategies accordingly, and seize opportunities in a dynamic tax landscape.

Learning Outcomes

On successful completion of the course, you will be able to:

1. Accurately assess corporation tax liabilities, including understanding the scope, tax registration, and the impact of company residence and permanent establishment on taxable income.
2. Differentiate income types under SDC, calculate SDC liabilities, and apply double tax relief and deemed distribution provisions effectively.
3. Establish comprehensive payroll departments, manage compensation, and understand deductions and contributions, enhancing payroll compliance and governance.
4. Compute capital gains and losses, applying exemptions and deductions to minimize capital gains tax liabilities and understand capital taxes like transfer fees and stamp duty.
5. Understand the VAT system's scope, compliance, and the implications of taxable supplies, enhancing their ability to manage VAT obligations and registrations.
6. Apply tax planning strategies for corporations, analyzing case studies and recent developments to optimize corporation tax positions.
7. Gain practical skills in assessing tax obligations, planning, and compliance across various domains, including corporation tax, SDC, payroll management, capital gains tax, and VAT, with a focus on Cyprus legislation.

Course Readings & Learning Activities

Required Readings

- Lecture notes, assignments, cases, and other useful information will be posted on the CLASSE.
- L. Einstein. Ideologies of taxation. Harvard university press. Latest Edition.
- S. Smith. Taxation: a very short introduction. Oxford press. Latest edition
- Cyprus Taxation P.J. Michael (latest edition)
- ACCA F6 Textbook Cyprus Taxation (latest edition)
- Many case studies can be found in the textbook.

Optional Readings

- Arthur Young Russell & Co :The Tax Laws of Cyprus
- Arthur Young Russell & Co.: Value Added Tax Laws of Cyprus
- Cyprus Inland Revenue Department: Tax Reforms, (Brochures)
- Melville, A., Taxation, 15th ed., FT Prentice Hall, latest version.
- Institute of Chartered Accountants in Enland and Wales, *Principles of Taxation*.
- Nellis, H., and Parker D., *The Essence of Business Taxation*, Prentice Hall
- Pritchard, B., *Taxation*, Pitman Publishing
- Bertram, D. and Cassel, E., *The Complete UK Tax Handbook*.
- Homer, A. and Burrows, R., *Torey Tax Guide*, Torey Publishing.

Planned Learning Activities and Teaching Methods

- **Case Study Method:** Uses real-world accounting scenarios to teach you how to apply accounting principles and concepts.
- **Simulation and Role-Playing:** You will simulate real-world accounting situations or role-play as accountants, clients, or auditors.
- **Computer-Assisted Learning:** Utilizing accounting software and tools in teaching to simulate real-life accounting processes.
- **Collaborative Learning:** You will work in groups on accounting projects or case studies, encouraging peer-to-peer learning.
- **Problem-Based Learning (PBL):** You will be presented with an accounting problem to solve, requiring them to research and apply various accounting principles.
- **Flipped Classroom:** You will learn basic concepts and theories through pre-class assignments and videos. Class time is dedicated to practical application, problem-solving, and discussions.
- **Guest Lectures and Industry Interaction:** Inviting accounting professionals and experts to speak or interact with you.
- **Interactive Lectures with Real-Time Feedback:** Using technology such as clickers or educational apps to allow you to answer questions or solve problems during lectures and receive immediate feedback.

Course Notes

Copies of lecture slides and other class information will be available through your CLASSE365 account.

Course Detailed Syllabus

Students should read the assigned chapter(s) **BEFORE** the associated lecture date.

Topics	
Section I: Corporation tax liabilities	
<p>Learning Objectives:</p> <ol style="list-style-type: none"> 1. Identify key concepts including tax scope, year of assessment, and the impact of company residence and permanent establishments. 2. Calculate taxable profits by distinguishing between allowable expenses, understanding capital allowances, and applying tax treatments for different types of income and losses. 3. Perform calculations to determine corporation tax liability, understand double taxation relief, and identify tax exemptions and deductions. 4. Evaluate the tax effects of various corporate structures, including group structures and controlled foreign companies, and apply tax reliefs. 5. Navigate complex tax issues related to investment companies, reorganizations, and strategic tax planning, applying case studies for practical understanding. 	
<p>Lectures 1</p>	<p>Introduction to Corporation Tax</p> <ul style="list-style-type: none"> • Corporation tax overview • Scope of corporation tax <ul style="list-style-type: none"> ✓ Year of Assessment and Accounting Period ✓ Tax Registration ✓ Sources of taxable income ✓ Company's residence and implications ✓ Permanent establishment and consequences

	<p>Assessing Profits for Corporation Tax</p> <ul style="list-style-type: none"> • Taxable profits foundations <ul style="list-style-type: none"> ✓ Allowable and non-allowable expenditures ✓ Tax-Adjusted Trading Profits • Capital allowances (as for income tax) • Types of income and their treatment • Tax-free income <ul style="list-style-type: none"> ✓ Dividends, interest, and property income • Loss utilization • Offsetting losses against current-year income and future profits
<p>Lectures 2</p>	<p>Comprehensive Computation of Corporation Tax Liability</p> <ul style="list-style-type: none"> • Corporation tax liability calculation • Double taxation relief <ul style="list-style-type: none"> ✓ Relief mechanisms and calculations • Exemptions and deductions <ul style="list-style-type: none"> ✓ Strategies to minimize liabilities <p>Corporate structures and tax implications</p> <ul style="list-style-type: none"> • Group Structures <ul style="list-style-type: none"> ✓ Definition and tax reliefs for groups ✓ Computation of double taxation relief available. ✓ Controlled foreign companies • Exemptions and reliefs <ul style="list-style-type: none"> ✓ Use of exemptions and deductions in deferring and minimizing corporation

	tax liabilities.
Lecture 3	<p>Corporation Tax: Advanced Topics</p> <ul style="list-style-type: none"> • Taxation of Investment companies • Reorganisations: Tax considerations • Research and development expenditure • Arm's length principle • Losses on change of ownership • Notional interest deduction (NID) • The intellectual property regime • The taxation of insurance and shipping companies. • Tax planning for corporations
Section II: Special Defense Contribution	
<p>Learning Objectives:</p> <ol style="list-style-type: none"> 1. Identify the scope, applicable incomes, and exemptions under the SDC, distinguishing between different income types. 2. Accurately compute SDC for individuals and companies, including tax liabilities, payment schedules, and compliance. 3. Apply deemed distribution provisions and double tax relief to minimize SDC liabilities effectively. 	
Lecture 4	<p>Introduction to Special Contribution for the Defence (SDC)</p> <ul style="list-style-type: none"> • Overview of SDC <ul style="list-style-type: none"> ✓ Legal framework governing SDC • Scope of SDC

	<ul style="list-style-type: none">✓ Description of the scope✓ Types of income subject to SDC✓ Exemptions and exclusions <p>Income Classification and SDC Computation</p> <ul style="list-style-type: none">• Distinguishing income types<ul style="list-style-type: none">✓ Income subject to withholding at source vs. accounted for by assessment✓ Case studies for clarification• Computation of SDC Liabilities<ul style="list-style-type: none">✓ Calculating income subject to SDC✓ SDC liability computation for individuals✓ SDC liability computation for companies✓ Payment dates and compliance requirements <p>Double Tax Relief and Deemed Distribution Provisions</p> <ul style="list-style-type: none">• Understanding Double Tax Relief<ul style="list-style-type: none">✓ Principles of double tax relief✓ Computing double tax relief for SDC• Deemed Distribution Provisions<ul style="list-style-type: none">✓ Explanation of deemed distribution✓ Computation of tax liability under deemed distribution✓ Impact on dividend distributions and reinvestments
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Section III: Payroll Management

Learning Objectives:

1. Get to know why we have taxes and what they aim to achieve.
2. Look at how taxes are planned to meet their goals.
3. Learn about the systems that collect and enforce taxes.
4. Explore how to make people more willing to pay taxes.
5. Understand how countries work together on tax issues.

Lecture 5

Establishing a Payroll Department

- Understanding payroll management
- The evolution of payroll
- Payroll governance
- Establishing a payroll department: policies and procedures manual
- Establishing a payroll department: controls and audits
- Establishing a payroll department: further considerations
- Preparing payroll

Employees Compensation

- Understanding compensation
- Benefits in kind
- Use of car
- Use of assets, accommodation, and relevant costs
- Other benefits in kind
- Explanation of debit balance maintained in a company by a director/shareholder

Lecture 6**Deductions, Contributions**

- Social insurance contributions and deductions
 - ✓ The social insurance fund
 - ✓ Types of benefits provided
 - ✓ Social insurance scheme
 - ✓ Benefit & contribution year
 - ✓ Insurable benefits
 - ✓ Employed person's SI deductions & employer's contribution
 - ✓ Employer's redundancy fund contribution
 - ✓ Employer's human resource development fund contribution
 - ✓ Employer's social cohesion fund contribution
 - ✓ Employer's annual holiday fund contribution
 - ✓ Other deductions
 - ✓ Summing up social insurance
 - ✓ Liability for the payment of contribution
 - ✓ Additional charges
 - ✓ Record keeping
 - ✓ Inspection of employers
- The European social security system
 - ✓ International business
 - ✓ Bilateral agreements
 - ✓ EU social security coordination
- GESY

	<ul style="list-style-type: none">✓ Definition of GESY✓ Authorized agencies for the collection of contributions for GESY✓ Who is required to pay GESY contributions✓ Types of income subject to GESY contributions✓ Contribution rates✓ Maximum contributions✓ GESY collection methods✓ Refund of Contributions <p>PAYE – Individual Income Tax</p> <ul style="list-style-type: none">• Definition• Tax residency• Imposition of tax• Implementing PAYE• PAYE administration• Exemptions• Deductible expenses• Personal tax allowance• Other income tax considerations:<ul style="list-style-type: none">✓ Special modes of taxation of certain kinds of income✓ Income from Employment✓ Income from Self-Employment, Partnerships✓ Other Income: i.e. Rents, Pensions and Investment Income• Tax computation
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Lecture 7	Payroll Reporting <ul style="list-style-type: none"> • Completing payroll process • Statutory reports • Internal reports • Analytics • Performance assessment
MIDTERM EXAMINATION	
Section IV: Capital Gain Tax	
<p>Learning Objectives:</p> <ol style="list-style-type: none"> 1. Identify the scope of CGT, recognize chargeable disposals, and understand the criteria that constitute a taxable event under CGT regulations. 2. Calculate capital gains and losses for immovable property and shares in private companies, applying exemptions, deductions, and reliefs available to both individuals and companies to accurately determine CGT liabilities. 3. Understand and calculate transfer fees and stamp duty obligations, and employ exemptions, deductions, and strategic exchanges of properties to defer and minimize capital gains tax liabilities effectively. 	
Lecture 9	Capital gain tax framework <ul style="list-style-type: none"> • Scope of capital gains tax • Understanding what constitutes a chargeable disposal • Computation of capital gains and losses on the disposal of immovable property and on the disposal of shares in private companies for individuals and companies • Exemptions available to individuals, treatment of gifts and donations, treatment of deductions and indexation allowance, relief of capital losses

	<ul style="list-style-type: none"> • Exchange of properties. • Calculation of capital gains tax liability and payment dates. • Use of exemptions and deductions in deferring and minimizing capital gains tax liabilities. <p>Capital Taxes</p> <ul style="list-style-type: none"> • Transfer fees • Stamp duty
Section V: An Overview of Cyprus VAT Legislation	
<p>Learning Objectives:</p> <ol style="list-style-type: none"> 1. Grasp VAT's definition, scope, and framework underpinning obligations and charges, emphasizing the EU VAT system's role. 2. Identify types of taxable supplies, including standard, reduced, zero-rated, and exempt supplies, and distinguish between goods and services. 3. Learn the criteria for VAT registration, the significance of accurate invoicing, and maintaining compliant records, alongside mastering the timing of supply. 4. Understand VAT's application to international trade, including reverse charge mechanisms, VAT triangulation, and handling of cross-border goods and services. 5. Apply principles for calculating VAT input and output, completing VAT returns, and understanding VAT refunds, assessments, and objections.. 	
<p>Lecture 10</p>	<p>VAT Basics</p> <ul style="list-style-type: none"> • Definition • Scope and nature of VAT • Basic explanations • How is VAT obligations determined?

- How is it charged?
- Calculating VAT
- The legal framework
 - ✓ External Influences
 - ✓ The need for an EU VAT System
 - ✓ EU VAT Directive
 - ✓ EC's role in the application of the EU VAT system
 - ✓ VAT application by EU countries
 - ✓ EC's interventions
- Taxable supplies
 - ✓ Supply of goods vs supply of services
 - ✓ Transactions overview
 - ✓ Within the scope of VAT
 - ✓ Standard-rated supplies
 - ✓ Supplies with reduced rates of 5%
 - ✓ Supplies with reduced rates of 9%
 - ✓ Zero rated supplies
 - ✓ Exempt supplies
 - ✓ The three types of exempt supplies
 - ✓ Zero – rated Vs Exempt supplies
 - ✓ Outside the scope of VAT supplies
 - ✓ Note I: Immovable property
 - ✓ Note II: Transfer of business as a going concern

	✓ Note III: Vouchers
Lecture 11	VAT Compliance <ul style="list-style-type: none">• VAT Registration<ul style="list-style-type: none">✓ When must register?✓ The historic test✓ The future test✓ EU acquisitions✓ Distance sales✓ Other registration requirements✓ Who must register?✓ Voluntary registration✓ Documents required for VAT registration in Cyprus✓ Failing to register✓ De-registration requirements• VAT Invoices & Accounts<ul style="list-style-type: none">✓ Types of invoices✓ Content of invoices✓ Electronic invoices✓ Conversion and exchange rates✓ Discounts✓ Other aspects• Books & Records• Time of supply

	<ul style="list-style-type: none"> ✓ How the tax point is decided? ✓ Continuous supply of services ✓ Special situations • VAT Input & Output <ul style="list-style-type: none"> ○ Output VAT due ○ Input VAT ○ Recoverability of VAT ○ Bad debts relief ○ Pre-registration expenses
Lecture 12	VAT Overseas Aspects <ul style="list-style-type: none"> • Overseas aspect <ul style="list-style-type: none"> ✓ Trading of goods and VAT ✓ Place of acquisition – Cyprus ✓ Time of acquisition ✓ EU Transactions ✓ Intracommunity sales ✓ Intracommunity purchases ✓ VAT triangulation regime – what does it means? ✓ VAT triangulation – simplified example ✓ VAT Triangulation – How is applied? ✓ Imports ✓ Exports ✓ Supply of Services to overseas customers

	<ul style="list-style-type: none"> ✓ Receipt of Services from overseas suppliers ✓ International transactions outside the scope of Cyprus VAT • Reverse Charge <ul style="list-style-type: none"> ✓ Definition ✓ How does it work? ✓ Why use reverse charge? • Reverse Charge for Domestic Transactions <p>VAT Completion</p> <ul style="list-style-type: none"> • VAT Return Completion • VAT Refund • VAT Assessments & Objections
Section VI: Corporation Tax Planning	
<p>Learning Objectives:</p> <ol style="list-style-type: none"> 1. Acquire the skills to strategize tax planning for corporations, focusing on optimizing tax efficiency and compliance within current legal frameworks. 2. Evaluate recent developments in corporation tax through case studies, understanding their impact on tax planning and corporate tax obligations. 	
Lecture 13	<ul style="list-style-type: none"> • Tax Planning for Corporations • Corporation Tax Case Studies <ul style="list-style-type: none"> ✓ Recent Developments in Corporation Tax
Revision	
Lecture 14	Course Revision & Practical Application

	<ul style="list-style-type: none">• Case study scenarios• Applying knowledge to real life scenarios
FINAL EXAMINATION	

Assessment Method and Criteria

Type of Assessment	Weight
Final Examination	60%
Mid Term Examination	30%
Class Attendance and Participation	10%

Assessment Criteria

Numerical Grade	Grade	Meaning
90-100%	A	Excellent
85-90%	B+	Very Good
80-84%	B	Good
75-79%	C+	Above Average
70-74%	C	Average
65-69%	D+	Below Average
60-64%	D	Poor

Below 60

F

Failure
