

Cyprus postpones MDR reporting deadlines for six months

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Executive summary

On 27 July 2020, the Cypriot Tax Authority (CTA) issued an [official announcement](#) confirming that Cyprus has adopted a six-month deferral related to the European Union (EU) Directive on the mandatory disclosure and exchange of cross-border tax arrangements (referred to as DAC6 or the Directive).

This announcement follows the adoption of the Directive¹ on 24 June 2020 by the Council of the EU allowing EU Member States an option to defer, for up to six months, the time limits for the filing and exchange of information on cross-border arrangements under DAC6.

Detailed discussion

Under DAC6, intermediaries and taxpayers are required to report cross-border reportable arrangements from 1 July 2020. However, reports retrospectively cover arrangements where the first step is implemented between 25 June 2018 and 30 June 2020.²

On 24 June 2020, the EU Council amended the Directive 2011/16 in order to provide Member States with an option to defer, for up to six months, the time limits for the filing and exchange of information on cross-border arrangements

under DAC6. The amendments also provide the possibility of one further extension for a maximum additional three months, by unanimous decision of the Council, depending on the evolution of the COVID-19 pandemic.³

On 27 July 2020, the CTA issued an official announcement that according to the amendment of the EU Directive 2011/16, the deadlines for the reporting and exchange of information on reportable cross-border arrangements will be deferred by six months. This had been already unofficially confirmed by the Cypriot Ministry of Finance in a number of instances during July 2020. The (deferred) deadlines for the reporting and exchange of information on reportable cross-border arrangements are included in the text of the draft Cypriot Mandatory Disclosure Rules (MDR) law (the draft Bill).

The draft Bill is broadly aligned to the minimum requirements of the Directive. The key highlights of the Cypriot MDR legislation were summarized in an earlier EY Global Tax Alert.⁴

The draft Bill is currently subject to the formal legislative process (i.e., it has been recently submitted to the Cypriot House of Representatives for discussion and voting) and is expected to be enacted into law after the reopening of the Cypriot House of Representatives in September 2020.

Official guidance (in the form of a Circular) is expected to be issued by the CTA alongside the enactment of the final law in September 2020 to provide clarification on the interpretation of the specific terms and provisions under the Cypriot MDR legislation.

The new reporting deadlines and the amended draft Bill are as follows:

- ▶ Cross-border arrangements of which the first step of implementation took place between 25 June 2018 and 30 June 2020 must be reported by 28 February 2021 at the latest.
- ▶ For cross-border arrangements that are made available for implementation or are ready for implementation, or where the first step in their implementation has been made between 1 July 2020 and 31 December 2020, the period of 30 days to report the arrangements will begin on 1 January 2021.

For intermediaries who have provided, directly or by means of other persons, aid, assistance or advice between 1 July 2020 and 31 December 2020, the period of 30 days to report the arrangements will also begin on 1 January 2021.

- ▶ For cross-border arrangements that are made available for implementation or are ready for implementation, or where the first step in their implementation has been made on or after 1 January 2021, the period of 30 days to report the arrangements will begin on the day after the arrangements are made available for implementation or are ready for implementation, or when the first step in their implementation has been made, whichever occurs first.

For intermediaries who have provided, directly or by means of other persons, aid, assistance or advice on or after 1 January 2021, the period of 30 days to report the arrangements will also begin on the day after they have provided such aid, assistance or advice.

- ▶ In the case of marketable arrangements, the first periodic report must be made by the intermediary by 30 April 2021 at the latest.

Finally, in accordance with the amended draft Bill, the first exchange of information on reportable cross-border arrangements must be made by 30 April 2021 at the latest.

Next steps

Notwithstanding that the final Cypriot MDR legislation is expected to be broadly aligned to the text and the minimum requirements of the Directive and that the DAC6 reporting deadlines have now been officially deferred, determining if there is a reportable cross-border arrangement, as well as when and how to report, raises complex technical and procedural issues for both taxpayers and intermediaries. Taxpayers and intermediaries who have operations in Cyprus should review their policies and strategies for recording and reporting tax arrangements so that they are fully prepared for meeting these obligations.

Endnotes

1. [Council Directive \(EU\) 2020/876 of 24 June 2020 amending Directive 2011/16/EU to address the urgent need to defer certain time limits for the filing and exchange of information in the field of taxation because of the COVID-19 pandemic.](#)
2. See EY Global Tax Alert, [EU publishes Directive on new mandatory transparency rules for intermediaries and taxpayers](#), dated 5 June 2018.
3. See EY Global Tax Alert, [Council of the EU adopts amendments for deferral of MDR filing deadlines](#), dated 24 June 2020.
4. See EY Global Tax alert, [Cypriot draft MDR bill officially enters public consultation procedure](#), dated 24 October 2019.

For additional information with respect to this Alert, please contact the following:

Ernst & Young Cyprus Limited, Nicosia

- ▶ Petros Krasaris petros.p.krasaris@cy.ey.com
- ▶ Panayiotis Tziogouros panayiotis.tziogouros@cy.ey.com
- ▶ Stavros Karamitros stavros.karamitros@cy.ey.com

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