

# VAT: CYPRUS' NO. 1 SOURCE OF PUBLIC REVENUE

MINISTER OF FINANCE HARRIS GEORGIADES OPENS FIRST-EVER VAT FORUM IN CYPRUS

Value Added Tax (VAT) is Cyprus' single most important source of public revenue, Minister of Finance Harris Georgiades revealed in his opening address at the first-of-its-kind Limassol VAT Forum, last week.

**THE FORUM** was organized at the Four Seasons hotel in Limassol on Friday, 9 June 2017 by the island's only VAT-dedicated consulting firm, Chelco VAT Ltd, to celebrate the official launch of its operations.

"The fact that VAT revenues were up by 7% in 2016 compared to the previous year, and that an even stronger performance is expected this year, is tangible confirmation of the strong rebound of our economy, which is now growing in excess of 3% of GDP," the Minister said, adding that "VAT has allowed us to maintain tax certainty and to promote tax breaks and incentives, which further have supported economic activity."

The Minister pointed out that the financial and business services sector of Cyprus had spearheaded the recovery of the island's economy, adding:

"For this sector to remain competitive it will have to continue relying on a well-trained and well-informed workforce, on the expertise and know-how of its professionals and on the high standards of services it offers. And this is exactly the significance of events like the one you are organising today."

"This is a Forum of the highest level and I congratulate Chelco VAT on this

initiative," Georgiades said, a joking that "you have managed to add colour to VAT."

Echoing the words of the Minister, the Commissioner of Taxation, Yiannis Tsangaris, who also addressed the Forum, described VAT as the most important international development in taxation in the last 50 years, one that plays an important role in Europe's single market, adding: "VAT is now levied in more than 160 countries and it typically contributes some 25%-30% of total tax revenue."

Tsangaris set the tone for the ensuing panel discussions of the Forum by saying that "the current VAT system, which was intended to be a transitional system, is fragmented, complex for the growing number of business operating cross-border and leaves the door open to fraud."

As a result of this fragmentation, the Commissioner added, the EU VAT gap, which is the difference between the VAT revenue expected and the VAT actually collected by national authorities, "in 2014 has reached the astronomical amount of nearly €160 billion lost in uncollected VAT revenues. It is estimated that at least €50 billion of this figure is attributed to cross-border VAT fraud."



Tsangaris also praised Chelco VAT for taking the initiative to organise the first-ever VAT Forum to be held in Cyprus, saying that, "I believe that the gathering of so many professionals in one place, as well as the interaction between them, can only have positive results for all parties involved."

He went on to say that the Forum would provide participants with a timely and invaluable opportunity to understand the strategy put forward by the European Commission to harmonize the European VAT system, and explore the sector-specific implications of forthcoming reforms.

The Managing Director of Chelco VAT, Alexis Tsielepis, said that since the introduction of VAT in Cyprus in 1992, such a Forum was "25 years overdue."

He said that he was thrilled to be paving the road towards the in-depth

study and understanding of this "ignored, even scorned, but ever so important" tax, adding that much should and must be done.

"It's important to have low tax rates but it is even more important to have a comprehensive package that attracts foreign business. We have made great strides with direct tax and we are at a satisfactory

level. When it comes to indirect tax, though, we still have a long way to go," Tsielepis pointed out and added:

"The EU VAT Directive has around 200 articles with 'may' provisions which are at the discretion of each Member State whether and how to apply. To date we have not paid particular attention to what could be achieved through the 'may' provisions of the Directive... it is time to start exploring those options further."

## FORUM SPONSORS

Sponsoring the event were Swiss EFG Private Bank with local offices in Nicosia and Limassol, leading law firm, Scordis, Papapetrou & Co LLC, Advocates & Legal Consultants, and S. Kaniklides (Cyprus) Ltd, Document Management Services experts.

## INDIRECT TAX IN THE SPOTLIGHT AT THE LIMASSOL VAT FORUM 2017

### A Chelco VAT Ltd Event

The current problems with the supply of goods within the EU and the proposed solutions through the new VAT Action Plan, VAT problems and solutions for the holding company and how Cyprus can make use of the EU Court of Justice were some of the issues that were addressed at the very first Limassol VAT Forum.

The invitation-only event was attended by close to 150 professionals from the island's legal, accounting and corporate services field, policy makers, tax administration officials, dignitaries, business leaders and others. VAT issues were discussed in the course of three high-level panel discussions delivered by an array of prominent VAT professionals and academics from Cyprus and abroad.

Those included Cyprus' Tax Commissioner Yiannis Tsangaris, Dr. Stefan Maunz, Partner with Küffner Maunz Langer Zugmaier in Germany, the renowned lawyer and professor of VAT, Dr. Ben Terra from the Netherlands and Raymond Feen, Founder and Director of ALLVAT in the Netherlands. Moreover, Prof. Patrick Wille, Founder and President of the international partnership of indirect tax professionals, VAT Forum, Belgium and Kyriacos Scordis, Managing Partner of Scordis, Papapetrou and Co LLC, also took part.

The key issues discussed included how the European Court of Justice works and how the Cypriot courts can benefit from starting to refer VAT questions to it, the pressing need to modernise and adapt the VAT system to the digital economy and to the needs of small and medium-sized enterprises (SMEs, and the swift implementation of a fraud-proof EU VAT system.

For more information and for the Forum presentations, visit [www.chelcoVAT.com/vatforum](http://www.chelcoVAT.com/vatforum).

## CONTACT INFORMATION:

**Chelco VAT Ltd**

**Address:** 221, Chr. Chatzipavliou Str., Helios Court, 1st Floor, 3036 Limassol, Cyprus

**Tel.:** +357 25871200

**Fax:** +357 25871220

**Email:** [info@chelcoVAT.com](mailto:info@chelcoVAT.com)

**Website:** [www.chelcoVAT.com](http://www.chelcoVAT.com)