

Opening Address by Minister of Finance, Harris Georgiades

Limassol 2017 VAT Forum, 9 June 2017

Ladies and Gentlemen,

Thank you for the invitation and let me say that I am truly honored to address such a distinguished audience.

As was mentioned, this is the first ever VAT Forum taking place in Cyprus and I should congratulate the organisers, Chelco VAT, and you personally Mr. Tsielepis, but also the sponsors and supporters of this event, for your initiative and for bringing together world-renowned VAT experts, business leaders, and professionals, from Cyprus and across Europe.

I know that Chelco VAT is actively involved in the organization of training seminars and work-shops but obviously, this Forum is of the highest level.

Cyprus is an international business center, in fact the financial and business services sector of Cyprus has demonstrated resilience and adaptability over the last few years, spearheading the recovery of our economy. For this sector to remain competitive it will have to continue relying on a well-trained and well-informed workforce, on the expertise and knowhow of its professionals and on the high standards of services which it offers. It will require a never-ending investment in our human capital. And this is exactly the significance of events like the one you are organizing today.

Ladies and gentlemen,

From the angle of the Finance Ministry, I should highlight the fact that the VAT is the single most important source of public revenue.

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 a tangible confirmation of the strong rebound of our economy, which is now growing in excess of 3% of the GDP. But achieving satisfactory tax revenues was also the means which has enabled us to maintain tax certainty, rendering any tax hikes during the last few years unnecessary, but rather enabling us to promote tax breaks and incentives which further supported economic activity. Essentially, what I am describing is a virtuous economic cycle which can only be achieved and maintained if tax policy and tax administration is efficient, effective and fair.

And this is exactly why we are keen to follow developments which relate to taxation in general and to VAT specifically.

Indeed, the importance of VAT as a revenue mechanism has been discussed repeatedly at the Eurogroup and the ECOFIN.

Our government is fully aware of the importance of the Action Plan on VAT initiated by the European Commission. We broadly share the concerns of the Commission and we believe that the Action Plan is in the right direction. A very significant aspect is the one relating to the VAT Gap which seems to have reached very high levels across the EU. We also share the objective of adapting the VAT system to the digital economy and also to the needs of small and medium-sized enterprises (SMEs). We need to enhance the trust between business and tax administrations, and also between EU tax administrations.

And we are satisfied with the policy direction of allowing member states more freedom to set VAT rates. All these policy objectives can be met through cooperation at EU level and also through a constructive dialogue with the private sector, always aiming to protect public interest.

Thank you for your attention and it is with great pleasure that I open the Limassol VAT Forum 2017, wishing you all every success.