



VAT to the Rescue – VAT advance payments suspended

The Ministry of Finance (MoF) has suspended the application of the Decree which required certain categories of businesses to effect monthly VAT advance payment (see our VAT Update [v.7 i.5](#)).

In an [announcement](#) issued by the Tax Department, it is stated that the MoF will announce in due course possible new VAT implications for the categories of businesses, as it states, “of which their liquidity has not been affected” by the Decrees issued by the Ministry of Health to combat the coronavirus (Covid-19) pandemic.

Opinion

Ever since the Decree was published in the Cyprus Gazette on 2 April 2020, obligating certain categories of businesses to prepay VAT in monthly instalments, VAT advisors have been discussing how the prepayment should work. The Decree itself made reference to a future Decree of the MoF that would stipulate the procedure of payment. However, the initial Decree was worded badly, creating an array of possible interpretations. Affected taxable persons had to try and decipher the new rules in order to program their cash flow given that potentially, a first payment would be due on 15 April. In addition, this date is 5 days following the due date for the payment of the VAT for the quarter ending 29 February 2020.

Now, more than ever, taxable persons require certainty on what their obligations are. In these difficult times, the ability to look after the cash flow of the business is paramount. To this extent, the lawmakers need to offer clear instructions and guidance. This is the second time in the space of 2 weeks, that the MoF makes announcements and then retracts them. The first was the declaration for the reduction of the standard rate of VAT. That was never passed into law, although a number of small and medium sized businesses started incorrectly charging the reduced rate. The requirement to pay 30% VAT on account each month, was however legislated, just the wording was ambiguous and so businesses were at a loss of what to do. This is not what is needed. The MoF must cease such erratic responses. VAT professionals are ready to assist. The MoF is urged to use them as an available planning tool.

Chelco VAT Ltd will notify you of any updates as they are made available.

Note:

Chelco VAT Ltd is the first VAT-dedicated consulting firm in Cyprus and specialises in strategic VAT planning and VAT compliance. The above is issued as guidance only and should not be solely relied upon to structure business and other transactions without expert advice. Our experienced team at Chelco VAT Ltd, supported by our leading network of associates around the world, is ready to help you handle all your VAT needs and requirements.