

AMENDMENT OF THE SPECIAL DEFENCE CONTRIBUTION LAW FOR TAX WITHHELD ON RENTS – PAYABLE EVERY SEMESTER

On 01 June 2023, the Parliament has approved an amendment of the Special Defence Contribution ('SDC') law with regards to the payment of withheld SDC on rents to the Tax Department in two yearly installments instead of monthly payments.

The SDC law, provides that any company, partnership, Government or local authority, which pays dividends or interest or rents, should withhold SDC on such amounts as prescribed within the article 3 of the same law on each payment made to the earner and pay such SDC to the Tax Department along with a statement which includes the details governing the SDC calculation and withholding.

As per the amendment of Article 4 (1), the above persons who pay rent should settle the SDC attributed to the first and second semester by 30 June and 31 December respectively.

Additionally, article 4 (3) was further amended to provide that where the SDC on rents is not withheld or is not paid to the Tax Department within the month following the 30 June and 31 December with respect to the first and second semester, interest will be imposed using the Public Interest Rate as per the decree issued annually by the Minister of Finance. The Public Interest rate for 2023 is 2,25%.

It is noted that the SDC Law already provides for a penalty of 5% on the due tax in such instances where the due tax is not timely paid.

Taking this opportunity, we would like to remind you of the obligation of earners of income which arises outside Cyprus are in certain cases subject to SDC (i.e. on rental income, interest income or dividend income). These persons should to settle the SDC attributed to such income through self-assessment. The liability for self-assessment is due in two payments, one on the 30 June for the first semester and one on the 31 December for the second semester.

We are at your disposal to discuss how the above incentives may affect your business and your personal investment plans. For further tax assistance, please contact tax@hlb.com.cy.



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GET IN TOUCH

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