

## **LEGAL UPDATES (MARCH 2019)**

### **1. Registration of Charges – Section 90 of the Companies Law, Cap. 113 (the “Law”)**

The Registrar of Companies (the “ROC”), following an opinion made by the General Attorney, proceeded on 15 March 2019 to make a clarification of a previous announcement (made on 8 January 2019) relating to section 90 of the Law. Specifically, the ROC clarified that the charges which will be capable of registration will be those relating to pledges of certificates of shares of foreign companies, or pledges stemming from them, as was the practice of the ROC prior to this opinion.

The ROC also noted that charges relating to pledges of certificates of shares of companies registered in the Republic of Cyprus, or pledges stemming from them, are not capable of registration.

### **2. Amending the Income Tax Law, N. 118(I)/2002 for the Tax Treatment of Accumulated Losses in Special Cases**

On 15 March 2019, the Income Tax (Amending) (No.2) Law, N. 28(I)/2019 (the “**Amending Law**”) was passed, seeking to clarify tax treatment with respect to accumulated losses in special circumstances. These circumstances exclusively entail situations where financial institutions have transferred or disposed assets, rights or obligations to other institutions and where the accumulated losses have been acquired by the acquiring financial institution, which owns deferred tax assets from any off-setting that took place pursuant to section 13 of the Income Tax Law. The application of the aforementioned tax treatment is specified by the addition of section 9D.

### **3. Debt Restructurings and Related Tax Law Amendments**

On 15 March 2019, the below amendments to the provisions of the tax legislative framework regarding loan restructuring transactions involving immovable property in Cyprus, were published in the Official Government Gazette:

#### **(a) Extension of the Definition of ‘Borrower’**

The definition of ‘borrower’ was amended to as to capture within its ambit of application ‘connected person(s)’, who are connected to the principal lender (as defined in section 33 of the Income Tax Law, N. 118(I)/2002. However, it is reserved that the amended definition will apply to circumstances where the disposal and transfer of immovable property occurs for the benefit of the borrower.

This amended definition was included in the following laws:

- (i) Capital Gains Tax Law, N.52/1980;
- (ii) Collection of Taxes Law, N. 31/1962;

- (iii) Income Tax Law, N. 118(I)/2002;
- (iv) Land and Surveys Department (Fees and Taxes) Law, Cap. 219;
- (v) Special Contribution for the Defense of the Republic Law, N.117(I)/2002;
- (vi) Stamp Duty Law, N.19/1963; and
- (vii) Value Added Tax Law, N. 96(I)/2000.

(b) Calculation of Income Tax, Capital Gains Tax and Available Reliefs

The Income Tax (Amending) Law, N. 27(I)/2019 and the Capital Gains Tax (Amending) Law, N. 23(I)/2019 (together the “**Amending Laws**”), aimed at amending the old regime relating to the application of available reliefs under the debt restructuring provisions. Prior to the Amending Laws, the income tax, the capital gains tax and the special defense contribution reliefs did not apply to the amount returned to the borrower where transactions were effected under the debt restructuring framework.

However, from 15 March 2019, in cases of either restructuring, or disposal of immovable property by the borrower under restructuring, income tax and capital gains tax will be relieved on a *pro rata* basis by reference to the amount not returned to the borrower as a percentage of the total sales proceeds of the transaction.

(c) Exemption from Capital Gains Tax until the End of 2019

The Capital Gains Tax Law, N.52/1980, was amended to extend the exemption from capital gains tax on the transfer or sale of a primary residence for up to EUR 350,000 (made within the framework of debt restructuring) to 31 December 2019.

**4. Extension Relating to the Deadline for the Submission of Tax Return Statements**

By the Assessment and Collection of Taxes Notification in accordance with Regulation 5(1A) of the Assessment and Collection of Taxes Laws of 1989 as amended by (No.2) of 2018, K.Δ.Π. 105/2019, the deadline for submission of tax return statements is extended until the 30 April 2019 for:

- (a) Companies [Form T.D.4]; and
- (b) Self-employed persons whose turnover exceeds EUR 70,000 and have an obligation to prepare audited accounts [Form T.D.1 self-employed].