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# Cyprus implements country-by-country reporting



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## Corporate Tax, Cyprus

After approval by the Council of Ministers at its September 28 2016 meeting, Cyprus signed the Organisation for Economic Cooperation and Development's Multilateral Competent Authority Agreement for the Automatic Exchange of Country-by-Country Reports on November 1 2016. Following publication in the *Official Gazette* on December 30 2016, the agreement is now binding on Cyprus in accordance with Article 169.3 of the Constitution.

The agreement requires multinational enterprises to report specified information annually in respect of each tax jurisdiction in which they do business in a country-by-country report. As an EU member state, Cyprus must adopt the reporting procedure and templates prescribed in Annex III of EU Directive 2016/881/EU, amending EU Directive 2011/16/EU on administrative cooperation in the field of taxation. The procedure and templates apply to all multinational enterprises with an annual consolidated turnover of €750 million or more. The ultimate parent entity of such groups must submit a report in the prescribed form to the tax authorities of its country of residence, providing specified information on a country-by-country basis. This information is then forwarded to the tax authorities of other concerned countries. If the parent entity is resident in a country which has no obligation to file a country-by-country report, or if there is no effective mechanism for exchanging information with the country in which the parent entity is resident, the group must designate a surrogate parent entity in a jurisdiction within the reporting network which can provide effective information sharing.

On December 30 2016 a ministerial order was issued under Article 6(16) of the Assessment and Collection of Taxes Law prescribing the reporting requirements, which will apply from the 2016 tax year onwards. Cyprus-resident constituent entities of multinational enterprises subject to the reporting requirements must notify the Cyprus tax authorities before the end of the enterprise's financial reporting period if they are the ultimate parent entity or surrogate parent entity in terms of the reporting framework. If so, the local entity will be responsible for submitting the country-by-country report for the group to the Cyprus Tax Department, which will forward the information to the tax authorities of other countries which are party to the agreement. If the Cyprus entity is not responsible for submitting the country-by-country report, it must notify the Tax Department of the identity of the member of the group which is responsible within the same time limit.

In order to allow time to resolve any initial issues, the ministerial order has extended the submissions deadline for the first country-by-country report to October 20 2017.

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