



# LSTS

## Requirements to Transfer Pricing Documentation in Cyprus

+357 25 102 593



[www.lsts.com](http://www.lsts.com)  
[info@lsts.com](mailto:info@lsts.com)



Office A5 | 367, 28 October Avenue  
3107 Limassol | Cyprus



On 30th June 2022, the Cyprus Parliament approved the amendments to the Cyprus Income Tax Law (118(I)/2002) through introduction of New Regulations for Transfer Pricing (“TP”) mandatory documentation requirements and compliance obligations, which enhance the compliance under the mandate set out by OECD TP Guidelines (as amended).

The following provisions are effective from 1st January 2022.

The amendments to the Income Tax Law and new regulations are summarised as follows:

## **TP Documentation Obligations and Advanced Pricing Agreement (“APA”) Procedure**

### **1. Scope**

The following transactions raise requirements for mandatory TP documentation:

- i. transactions between Cyprus tax resident companies,
- ii. transactions between permanent establishments (“PE”) in Cyprus of non - tax resident companies and their head office or related companies of the head office established outside Cyprus,
- iii. transactions between Cyprus tax resident companies and their foreign PEs.

**Related Parties:** It is noted that the New Regulations specify related parties as follows:

- a) Two companies, if the same person (and its related persons) or group(s) of persons (under certain conditions) directly or indirectly:
  - i. hold 25% of the voting rights or share capital of both companies, or
  - ii. have the right to at least 25% of both companies’ income.

- b) A company is related to a person (and its related persons) that directly or indirectly:
  - i. hold 25% of its voting rights or share capital, or
  - ii. have the right to at least 25% of its income.
- c) Two or more persons, if they, directly or indirectly:
  - i. hold 25% of the voting rights or share capital, or
  - ii. have the right to at least 25% of the profit of a company.

### 1.1 Exemption

Small and medium-size activities, are exempt from maintaining the documentation file and submitting the summary table, provided that the accumulated intragroup transactions per category (e.g., sale/purchase of goods, provision / receipt of services, financing transactions, receipt / payment of IP licensing / royalties, etc.), based on the arm's length principle are, or should have been, equal or below the amount of **EUR 750,000** per tax year.

## 2. Recordkeeping

The mandatory records that must be kept are as follows:

- a) TP Documentation File :
  - i. Master Transfer Pricing File (to be maintained by the ultimate Parent Company in Cyprus),
  - ii. Cyprus Local Transfer Pricing File
- b) Summary Information Table of Transactions, falling into the scope of the New Regulations.

The Cyprus Tax Department will be issuing a relevant Notification to announce (amongst others) the required detailed contents of the Master File and Cyprus Local File.

### 3. Provisions of New Regulations

- ✓ The TP Documentation File must be updated annually, adjusting to market fluctuations and macroeconomic events, and must be submitted for Review by the submission deadline of the Income Tax Return for the respective tax year.
- ✓ The TP Documentation File must be audited by a person who holds a professional certificate from the Association of Chartered Accountants of Cyprus or another body of auditors recognized by the Council of Ministers in the Republic, at the latest by the date of the obligation to submit the Income Tax Return for the respective tax year.
- ✓ The TP Documentation File must be retained by the taxpayer and submitted to the Cyprus Tax Department within 60 days from such request received from the Tax Department.
- ✓ The Summary Tables must be submitted electronically together with the Income Tax Return for the relevant year.
- ✓ Cyprus tax resident persons and non-Cyprus tax resident persons that have a PE situated in Cyprus may submit to the Cyprus Tax Department an APA Request with respect to current or future domestic or cross border transactions, which fall into the scope of the New Regulations.

## Administrative Penalties

The following administrative penalties apply in event of non-compliance with the New Regulations:

Failure to submit a Summary Table of Controlled Transactions Information	Five hundred euros (€500)
Delayed provision of TP Documentation File, following the request of the Tax Department (i.e., exceeding 60 days):	
Between the sixty-first (61st) and the ninetieth (90th) day from the notification	Five thousand euros (€5,000)
Between the ninety-first (91st) and one hundred and twentieth (120th) days from the notification	Ten thousand euros (€10,000)
Over one hundred and twenty-first (121st) day from the notification	Twenty thousand euros (€20,000),

## LSTS Assistance for the compliance with the New Regulations

- ✓ LSTS team provides ongoing support to its clients, to ensure proper and timely compliance with the governing regulations. Our team can assist in the following services:
- ✓ Preparation of the documentation relating to the Local and Master Transfer Pricing Files
- ✓ Preparation and submission of the Summary Information Tables
- ✓ Representation for the purposes of negotiation with the Tax Authorities for the settlement of disputes in relation to intra-group transactions
- ✓ Preparation of documentation with regards to Advanced Pricing Agreements (APAs)
- ✓ Provision of quality assurance services on the TP Documentation File

## CONTACT US

**Lambros Teklos**  
Tax Director

 +357 25 102 593

 [lambros.teklos@LSTS.com.cy](mailto:lambros.teklos@LSTS.com.cy)

 [www.lsts.com.cy](http://www.lsts.com.cy)