

Country-by-country reporting: deadline approaching for Cyprus companies

Country-by-Country reporting is a commitment undertaken by all OECD and G20 countries within the framework of Action 13 (Transfer Pricing Documentation and Country-by-Country Reporting) of the Base Erosion and Profit Shifting (BEPS) initiative. It requires multinational enterprises (**MNE**) belonging to a group whose annual consolidated revenue equals or exceeds €750 million to report annually in respect of each tax jurisdiction in which they conduct business. In compliance with this, Cyprus signed on 1 November 2016 the Multilateral Competent Authority Agreement for the automatic exchange of country-by-country reports, which was subsequently published as a decree in the Official Gazette on 30 December 2016.

In accordance with the provisions of the decree, (which apply retroactively from 1 January 2016), a Cyprus tax resident company that is the ultimate parent of an MNE group must submit a country-by-country report if the annual consolidated revenue of the group exceeds the set threshold. A Cyprus tax resident company that is not the ultimate parent of the MNE group may still be liable for country-by-country reporting as a “surrogate parent company” if any one of the following conditions are met:

1. the ultimate parent company is not resident in Cyprus
2. the ultimate parent company is not required to file a country-by-country report in its country of residence
3. the country of residence of the ultimate parent company does not have in place an effective automatic exchange of information programme with Cyprus with respect to country-by-country reporting
4. the country of residence of the ultimate parent company has been reported for systematic failure to exchange information.

If any of the above conditions are met, the Cyprus tax resident company is deemed to be a “surrogate parent company” and it must submit the country-by-country report in lieu of its ultimate parent company. As signatory to the multilateral competent authority agreement on the exchange of these reports, any such report submitted in Cyprus will be exchanged with the tax authorities in the jurisdictions that the MNE group transacts provided the latter are also signatories to the multilateral competent authority agreement.

Importantly, any Cyprus tax resident constituent of an MNE group, whether a company or a permanent establishment, must notify the Cyprus tax authorities with the identification of the reporting entity no later than the last day of the reporting fiscal year of the group. The deadline for the filing of the notification for the first country-by-country report is 20 October 2017.

Cyprus tax resident constituents of an MNE group, whether parent, surrogate or member, must establish appropriate mechanisms to ascertain their eligibility and submit the relevant report and/or notification in the prescribed form by the above deadline.

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