Quarterly Update on Regional Tax Developments

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Cyprus

1. Extension to the submission date of the Company's income tax return (T.D.4) and self- employed individuals (with audited financial statements) for the year 2016

The Cypriot Tax Department has granted an extension to the submission deadline for Income Tax Returns for Companies (T.D.4) and Self-Employed Individuals with audited financial statements (T.D.1 Acc) for the year 2016 until the 30th of June 2018.

2. Compulsory electronic submission of income tax returns for individuals via taxisnet for the year 2017

Following the instructions of the Cypriot Tax Department, the Income Tax Return (T.D.1) for individuals (employees / self-employed) for the year 2017 and onwards, will be submitted only electronically via TAXISnet system.

The Tax Department encourages the taxpayers to timely register to the TAXISnet system (https://taxisnet.mof.gov.cy) for the submission of their Income Tax Returns.

For the electronic registration via TAXISnet, a unique activation number should be used. This unique number has been sent by post to all taxpayers who are registered in the Tax Register, are active and are not TAXISnet users.

Further information on the electronic submission of the Income Tax Return for 2017, as well as instructions on how to register, will be uploaded on the Department's website at a later stage (www.mof.gov.cy/tax).

According to the existing legislation, the last date of submission of the Income Tax Return for individuals is 31 July 2018, however, if deemed necessary, the submission deadline will be extended until September / October 2018. The extension to the submission deadline will be announced at a later stage by the Tax Department.

3. Double tax treaties update

A new double tax treaty has been signed between Cyprus and the **United Kingdom**, which replaces the treaty signed between the two countries in 1974. It is expected that the new treaty will soon be ratified, thus it will become effective as from 1 January 2019.

The new treaty is generally based on the OECD Model Tax Convention framework with some modifications.

The treaty applies to taxes on income as well as on gains from alienation of movable or immovable property. In the case of the UK, the treaty covers the income tax, the corporation tax and the capital gains tax, whereas, in the case of Cyprus, it covers the corporate and personal income tax, the defense tax and capital gains tax.

Withholding tax rates

The treaty provides for zero withholding taxes on dividends in case the recipient is the beneficial owner of the income, except where dividends are paid out of income (including gains) derived directly or indirectly from immovable property by an investment vehicle which distributes most of this income annually and whose income from such immovable property is exempted from tax, in which case a withholding tax of 15% applies (other than where the beneficial owner of the dividends is a pension scheme established in the other Contracting State).

There is no withholding tax on interest and royalty payments, as long as the recipient of the interest or royalties is the beneficial owner of the income.

Gains from the sale of property rich companies are taxed in the country where the property is located (except for shares of companies traded on a stock exchange).

Limitation of benefits provision

There is a limitation of benefits provision under the treaty, which provides that no benefit will be granted under the treaty in respect of an item of income or a capital gain if it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit.

Greece

1. Changes on the real value of real estate prices

Adaptation of the real values of real estate prices from the 1st of Janurary 2018 will be triggered by the Ministry of Finance. Through the decision of the Minister of Finance, a 17-member working group of officials from the relevant departments is already set up at the Ministry of Finance having as main view to implement the commitment made by the Greek Government in it's Memorandum III, on the revision of the objective values, in order to bring these values into line with the levels of market prices.

This will result in a significant reduction in the taxable value of real estate in many parts of the country where, due to the prolonged economic crisis, real estate prices have fallen to levels significantly below of today's objective values. The reduction in the taxable value of real estate in many parts of the country will lead to a significant decrease in the tax burden on transfers, parental benefits, donations and inheritance of real estate, as well as to the Real Estate Fee paid through electricity bills for Municipalities.

2. Changes in the payment of inheritance tax

In an attempt to prevent the huge number of legacy renunciations caused by overpricing, the government's economic staff is considering a new package of measures that will bring changes in the payment of specific tax obligations.

In this way, the Ministry of Finance examines two critical interventions:

1. the increase of the number of installments for the payment of the inheritance tax. It should be noted that this legislation allows for the repayment of the inheritance tax in 12 installments at a minimum price of 500 Euro if the person is an adult and in 24 installments if it is a minor.

2. the adoption of an enforcement decision to allow taxpayers to pay inheritance tax as of part of the inherited real estate.

3. Tax Returns for the income of 2017

On 19 April 2018, the electronic application to TAXIS opened for the submission of tax returns by taxpayers for their income of 2017. Taxpayers have access to the application through the Independent Public Revenue Authority (aade.gr) website.

The changes for this year that taxpayers have to pay attention are:

- Expenditure made through plastic money or other forms of electronic transactions to cover the tax-free will be declared under codes 049-050 of E1. This is a tax credit of 1.900 – 2.100 euros.

- In order to facilitate this calculation, the Tax Administration posts the electronic information at its disposal and the taxpayers themselves having the burden of proof, indicate those that meet the required conditions.

- Spouses will jointly submit their tax returns. Separate tax returns shall only be submitted in the event that marital cohabitation is interrupted at the time of filing the declaration or one of the two spouses is bankrupted or has been the subject of legal aid.

- Those who have signed a cohabitation agreement have the option of submitting a joint tax return in order to have the same tax treatment as married couples.

- Non-dependent guests will be declared in codes 007-008 of Table 2 of E1.

- The income from short leases Airbnb type property should be declared on the form E2 and column 7.

Furthermore, the additional tax that may arise from the settlement of the tax return will be paid in three equal monthly installments as follows: 31st July, 28th September and 30th November.

Bulgaria

1. Bulgarian and Greek tax administrations enhance cooperation to combat tax evasion

The Bulgarian National Revenue Agency announced that the heads of the revenue agencies of Bulgaria and Greece have met in Athens in mid-January further to the visit in Sofia of Greek tax delegation in October 2017. The purpose of the meeting has been to continue and deepen the cooperation between the two tax administrations in the exchange of information and the countering of tax evasion.

Agreement between the heads of the two agencies has been reached:

- to start preparation of amendments to the Double Tax Treaty between the two states.
- to intensify exchange of information on specific control procedures and data on tax evasion and tax fraud, whereas the threshold would be reduced to BGN 5000 (approximately EUR 2500).
- to exchange data on acquired real estate and vessels owned by Greek individuals in Bulgaria and respectively Bulgarian owners of property and vessels in Greece.

2. The European Commission requests Bulgaria to change its VAT provisions applicable to trading with fuels and to the non-business use of companies' assets

On 8 March 2018, the European Commission decided to send formal notices to Bulgaria requesting it to bring the value-added tax (VAT) provisions into line with the European law.

- One of the cases is related to the fact that currently the small companies, trading with fuels, are obliged to pay in advance huge amount of money in order to secure their VAT payment ability. The big companies only have to deposit a guarantee to the amount equal to the VAT due for their transactions. The Commission considers that the national legislation of Bulgaria is incompatible with the European VAT law and with the freedom to conduct business.
- On a separate case, Bulgaria is requested to alter its rules on the calculation of VAT due in cases when business assets are being used for private or non-profit purposes and when business assets are transferred to another Member State.

In event that Bulgaria does not take any actions upon those two requests within the next two months, the Commission is entitled to send a reasoned opinion to the Bulgarian State authorities.

Our new office in Sofia, Bulgaria

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Romania

1. Social security contributions

The Agreement between Romania and the Republic of Serbia on social security, which was signed in Belgrade on 28th of October 2016, has been ratified.

The way of computing the social security contributions has been changed for the following:

i. employment income obtained by individuals exempt from paying the income tax, according to the Fisal Code

ii. health insurance indemnities

iii. employment income obtained on the basis of an individual employment contract with partial norm.

2. Income tax

The template and the content of the Fiscal Records Registry for individuals, taxpayers according to the Title IV "Income tax" of the Fiscal Code have been approved.

It has modified the fiscal system of declaring and paying for individuals and it has adopted the model, content, ways of submission and managing the statement in respect to income tax and social security contributions due by individuals.

The exemption of income tax for individuals that obtain employment income for performing activities for creation of computer programs is also granted to the employees who hold a baccalaureate diploma and attend the courses of an accredited higher education institution and that hold a diploma awarded after completing a short-term programme of higher education.

3. Profit tax and tax on microenterprise income

Through exception from the conditions mentioned in the Fiscal Code for a Romanian legal entity to be considered microenterprise, starting April 2018, microenterprises that have a minimum share capital of RON 45.000 and that have at least 2 employees can opt once to apply the provisions of Title II (Profit tax) starting with the quarter in which these conditions are fulfilled cumulatively, the option being final.

There are changes in respect to declarative obligation and deductibility of expenes with sponsorship and private scolarships.

4. The Multilateral Agreement for automatic exchange of information in respect to financial accounts

The list of reporting jurisdictions has been modified. There were excluded the following: Antigua and Baruda, Aruba, Bahamas, Bahrain, Barbados, Brunei Darussalam, Canada, Dominica, United Arab Emirates, Ghana, Grenada, Hong Kong (China), Marshall Islands, Kuweit, Macao (China), Nauru, Niue, Panama, Qatar, Saint Kitts and Nevis, Saint Martin (French overseas region), Trinidad and Tobago, Turkey, Vanuatu. There are introduced the following: Argentina, South Korea, Guernsey, Islanda, India, Jerseuy Island, Liechtenstein, South Africa, Columbia, Gibraltar, Feroe Islands, Man Island, Mexic, Norway, San Marino, Seychelles with the initial year of declaring the information 2017 and Montserrat and Groenlanda with the initial year of declaring the information 2018.

5. Double Tax Treaties

The Convention between Romania and Bosnia and Herzegovina in respect to avoidance of double taxation and prevention of fiscal evasion in respect to income taxes, signed at Sarajevo on 6th of December 2016 has been ratified.

The indirect methods of establishing the income, used by the tax authorities when verifying the personal tax situation, as well as the procedure of using these, have been approved.

6. VAT

The procedure of organizing and operating the registry of persons that apply the VAT split payment mechanism and created the VAT accounts in this respect has been approved.

The taxable entity established in Romania, that has an annual turnover, (declared or realised), lower than the threshhold of EUR 88.500, equivalent of RON 300.000, can apply the VAT exemption for operations taxable in Romania, except intracomunity deliveres of new transport means (exempt according to the Fiscal Code).

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