

VAT Newsletter: Controversy

September 2017

VAT Obligations - Company Directors' Liability:

Supreme Court imposing imprisonment for Directors' VAT criminal liability - Tax Department Treatment of Nominee Services

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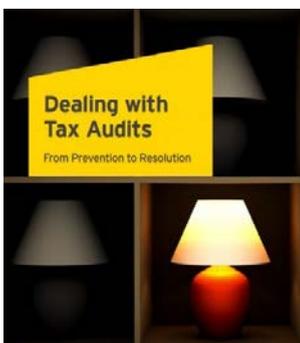
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[Link](#) to our Tax Audits Brochure:



Further to our recent [newsletter](#) on company officers' VAT criminal liability judgment, the Supreme Court of Cyprus ordered the imprisonment of those Directors for their entity failing to comply with the provisions of the VAT Law.

1. Decision Key Points

The Supreme Court, has announced a 4 month custodial sentence for two Directors whose entity failed to settle both accrued and assessed VAT and submit VAT returns.

The Court has emphasized that the VAT provisions are of paramount significance for the national economy and sentences to be imposed on non-compliant VAT persons must be of a deterrent character. Although the company might be under liquidation, this will not be regarded as a mitigating factor when Directors and company officials are personally responsible for return submission and VAT settlement.

It has been underlined that VAT persons stand as collectors of VAT entrusted by consumers and are obliged to account for tax to the state. Any incorrect or omitted VAT accounting has serious implications for company officers who might even be subject to imprisonment. This Judgment sets precedent on the stringent nature of the VAT legislation that can lead to criminal personal liability for company Directors whose entities are not complying.

2. Implications of the Decision

The Decision message is that VAT omissions might result in corporate and personal reputation damage and loss of clean record.

The Decision goes in line with the Tax Commissioner recent Letter to the Bar Association that those who undertake Directorship even in the provision of nominee services should ensure that their entities are compliant to mitigate any potential criminal tax liability.

3. Subsequent Steps: How EY Cyprus can assist

It is evident that VAT obligations should be carefully observed by Directors and since corrective actions are feasible, we are at your disposal to assist with:

- VAT Health - Diagnostic Checks
- Correction of Errors
- Advanced Rulings and Opinions for submitting appeals
- [Liaison with Authorities pre- and post-assessments](#) including advice to enhance defensive position
- Companies [under liquidation](#) will need to consider the above steps.

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