



REPUBLIC OF CYPRUS

MINISTRY OF FINANCE

Minister's Office

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Dr. Werner Langen
Chair of PANA Committee
European Parliament
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Dear Dr Langen,

In response to your letter of the 23.11.2016 where you have requested information on behalf of the PANA Committee of the European Parliament, we note the following:

Administrative and criminal tax related offences and money laundering offences.

Under Section **49(1)** of the Assessment and Collection of Taxes Law (ACTL) every person that fraudulently or wilfully makes any incorrect income tax statement or return in respect of his/her income, is guilty of a criminal offence. In addition under section **49(2)**, any person that collaborates with, encourages or assists another person to commit such a criminal offence (as described above) is also guilty of a criminal offence. These offences are subject to a fine not exceeding €17,000 or to imprisonment not exceeding five years or to both. Under section **49(3)** the person involved in such offences should pay the relevant tax and is also chargeable by the Court with an additional penalty up to four times the tax. In the case of a legal entity, section **49(3A)** of the law, stipulates that the board of directors and other responsible for the financial administration of the legal entity, are liable for such offences, and the same penalties apply.

Section **51A** of the ACTL renders the fraudulent omission or delay in the payment of a tax as a criminal offence, liable to a monetary penalty not exceeding five thousand Euros (€5.000) or to imprisonment not exceeding two (2) years or to both of these penalties. In the case of a legal entity, apart from the entity itself, the board of directors and responsible managers for the financial administration of the legal

entity, are liable for such offences and the same penalties apply. Moreover, the law prescribes for an additional monetary penalty of up to twenty percent (20%) of the tax due.

In relation to indirect taxation, under Section **46** of the Value Added Tax Laws, any person knowingly concerned in, or in the taking of steps with a view to, fraudulently evade VAT by him or by any other person, shall be guilty of a criminal offence and liable to a fine up to fifty thousand Cyprus pounds or to imprisonment up to 3 years, or to both.

Predicate offences under the ambit of the Prevention and Suppression of Money Laundering Activities Law (AML/CFT Law), **Section 5A**, are defined as all criminal offences punishable with imprisonment exceeding one year, as a result of which proceeds have been derived. These relate to both natural and legal persons. Therefore all the above tax offences which are punishable with more than one year of imprisonment are also punishable under the AML/CFT law.

With respect to administrative penalties, the legal framework for tax provides for obtaining any kind of information either for direct or indirect taxes. Administrative penalties of €100-€200 are either imposed for late submission of returns (**section 50A(1) ACTL**), or for any document requested by the Tax Commissioner and not supplied, or any other obligation provided by the relevant tax legislation (**s 50A(c) and 50A(d)** of the ACTL). There are also interests, penalties and surcharges and another 5% (**Sections 26(1) 39 & 50A(e)**) for late payment. The **Collection of Taxes Law** also provides measures for non-payments, i.e. memo on immovable property (**Section 9d**), Writ (**Section 9**), garnishing of bank accounts (**Section 9b**) and moveable property (**Section 9c**).

The Tax Department and the Ministry of Finance have also prepared a draft amending bill and are pursuing its submission to Parliament, that will increase the maximum amount of administrative penalty to €20.000.

We note that the Tax Department maintains close cooperation with the Cyprus Police and the FIU. These institutions very frequently request tax information for the purposes of collecting evidence on cases they investigate. At least two requests per week are submitted to the Tax Department that may refer to a number of individuals or legal persons. The Tax Department supplies the information, giving access to the files of the investigated persons and its officers testify about the information provided.

Data on Requests from Police and FIU, excluding EUROPOL requests

REQUESTS	2014		2015		TOTAL 2014 AND 2015	
	INDIVIDUALS	LEGAL PERSONS	INDIVIDUALS	LEGAL PERSONS	INDIVIDUALS	LEGAL PERSONS
CYPRUS POLICE	101	20	114	355	215	375
FIU	15	4	25	8	40	12
CYPRUS POLICE AFTER REQUEST FOR MUTUAL LEGAL ASSISTANCE	9	18	52	82	61	100
TOTAL	125	42	191	445	316	487
	167		636		803	

Usually, the threat of litigation and criminal sanctions against companies and individuals, are enough to elicit compliance. The general strategy of the Tax Department is to proceed with a limited number of criminal prosecutions on annual basis and publish the results.

Activities and the FIU and Suspicious Transactions Reports

The FIU (MOKAS) was established under Section 54 of the Prevention and Suppression of Money Laundering Activities Law No. 61(I) of 1996 and became operational in January 1997. Section 55 of the AML/CFT Law sets out in detail the composition and functions of the FIU. The FIU is a multidisciplinary unit established within the structure of the Law Office of the Republic composed of officials from the Attorney General's Office, the Police, the Customs as well as financial analysts. It is composed by a total number of 21 persons, including its Head and administrative staff and set to increase its personnel in 2017 with 7 additional posts comprising of lawyers and analysts. The FIU functions effectively and has adequate capacity, including enhanced IT facilities. It also has independence and autonomy to perform its activities. It is the authority responsible for the gathering, evaluation and analysis of suspicious transaction reports relevant to laundering offences, associated predicate offences and terrorist financing. It has access to financial, administrative and law enforcement information including to a joint Police database which allows the conduct of checks on targeted individuals.

The Unit disseminates to the Police and other Governmental Services, as the Tax Department and the Customs and Excise Department, when deemed desirable, information and material (a) for the purposes of conducting investigations whenever there are reasonable grounds that a money laundering offence, other offences or terrorist financing offences have been committed or (b) for intelligence purposes. Information may also be disseminated to Supervisory Authorities for possible actions in implementation of their competencies under the AML/CFT Law and for possible disciplinary actions.

It may issue instructions to persons engaged in financial and other business activities for the suspension or non-execution of a transaction, or the monitoring of the movement of a bank account, whenever there is reasonable suspicion that the transaction is connected with money laundering or terrorist financing. These powers may also be exercised in case of requests submitted to the FIU by foreign competent Authorities. Other functions of the FIU include application to the court for freezing and charging orders.

Reporting suspicious transactions

Persons engaged in financial or other business activities are obliged to report to the FIU any information or other matter when ascertained or have reasonable suspicions that another person is engaged in money laundering or terrorist financing or that the transaction may be connected to such activities. With regards to tax related predicate offences, the FIU, when receiving STRs with suspicions for such offences, following analysis, disseminates the information to the Tax Department for further utilisation.

Moreover, it transmits relevant information to counterpart FIUs if a connection is established or exchanges such information with other FIUs. During STR analysis the FIU has the power and the necessary arrangements are in place to conduct inquiries with the Tax Department in order to obtain information on the tax declarations or files of individuals or entities.

A comprehensive account of the activities of the FIU and statistics on suspicious activity/transaction reports, court orders, freezing of assets, exchange of information with counterparts and other activities, can be found in its latest annual report¹. We note that in this Annual Report, it is stipulated that according to statistics provided by the Police for the period 2011-2015, there were 403 prosecutions and 90 convictions for Money Laundering offences.

Panama Papers and actions of the authorities

In relation to the Panama Papers, the Tax Department has collected relevant information from the ICIJ database, and further to its processing, with the use of specialised software, has identified a number of these entities that might have a connection with Cyprus (Shareholders/Directors). Subsequently, in January 2017 and

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[http://www.law.gov.cy/law/mokas/mokas.nsf/B6860BF4E952069AC2257BDD0042692F/\\$file/MOKAS%202015-ENG.pdf](http://www.law.gov.cy/law/mokas/mokas.nsf/B6860BF4E952069AC2257BDD0042692F/$file/MOKAS%202015-ENG.pdf)

February 2017, based on risk profiling, the Tax Department has initiated tax investigations for around 700 persons (natural or legal) requesting information on assets and revenues. These investigations are currently ongoing.

In relation to the FIU, it has cross-referenced the data on its database and has identified an entity, not a tax resident of Cyprus, mentioned in the Panama Papers, for which a freezing of assets of around €15 mln had already taken place. It has also issued a circular to the competent supervisory authorities, to inform their supervised entities to review the business relationships with entities mentioned in the Panama Papers and should they identify any suspicious transactions report them to the FIU.

With regard to the relevant competent supervisory authorities of the financial sector (Central Bank of Cyprus, Cyprus Securities and Exchange Commission-CySEC, Institute of Certified Public Accountants-ICPAC, Cyprus Bar Association-CBA) they have contacted their regulated entities/issued circulars in relation to the Panama Paper leaks², prompting them to identify and report to the supervisors, whether they, or their customers had any links with Mossack Fonseca. They were also prompted to review their business relationship with these entities and report on the measures they have taken in mitigating AML/CFT risks. The supervisory authorities have also conducted targeted onsite inspections, on a number of regulated entities while the adequacy of the measures taken by them, will be assessed during the regular on-site inspection cycle. Supervisory administrative measures/sanctions have not yet been imposed as a result of this work, though we have been informed that in a number of cases where some deficiencies were identified, the issues were referred to the disciplinary bodies of the regulators for possible disciplinary actions.

General framework and evaluations of Cyprus on AML/CFT and tax transparency

We note that Cyprus is fully committed to the fight against money laundering and terrorist financing as well as tax evasion. This is attested from the positive evaluations of Cyprus by the international assessing bodies, MONEYVAL³ for AML/CFT and the Global Forum on Transparency and Exchange of Information for Tax Purposes^{4 5}(Global Forum).

² <http://www.cysec.gov.cy/CMSPages/GetFile.aspx?guid=b6e8df6d-df04-4f74-b1d4-f582bdb27e14>,
<http://www.cysec.gov.cy/CMSPages/GetFile.aspx?guid=6ec4a70d-4ece-4957-9391-92d09f92c0eb>,
http://www.icpac.org.cy/zePortal/WebFiles/SELK/WebDocuments/Announcements/2016/EE%207%202016/%CE%95%CE%95%207_2016%20The%20Panama%20Papers.pdf,
http://www.cyprusbarassociation.org/v1/files/epiglios_odigia_panama_pepers_12_5_16.pdf

³ http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Cyprus_en.asp

⁴ <https://www.oecd.org/tax/transparency/cyprus-supplementary.pdf>

⁵ <http://www.oecd.org/tax/transparency/GFratings.pdf>

We also note, that the Republic as of 24 June 2014, has been a member of the Automatic Exchange of Information Group, under the Global Forum mandate, known as the "early adopters group", which constitutes the first group of countries to implement the Common Reporting Standard (CRS) on automatic exchange of financial information from 2017, which we believe is a powerful tool against tax evasion. This exchange of information will be executed between the competent authorities of the Global Forum committed members and will cover persons who are residents of these countries and vice versa.

In conjunction with the above and for intensifying efforts to tackle tax avoidance and evasion as well as enhancing transparency at European level, the Cypriot tax authorities have put into trajectory the automatic exchange of information between the Member States: (a) on advance cross-border tax rulings and Advanced Pricing Agreements, which will provide to EU authorities with an insight on aggressive tax planning and (b) on country-by-country reporting where Multinational (MNE) Groups located in the EU or with operations in the EU, will be obliged to file to Tax authorities information on their global allocation of the income, economic activity and taxes paid.

These policy actions are in line with the initiatives outlined by the OECD against Base Erosion and Profit Shifting, known as BEPS Project, in the context of combating tax avoidance strategies by MNEs to transfer their profits to countries with more favorable tax regime. In parallel, the Cypriot authorities signed a bilateral agreement with the US authorities, known as FATCA, for the automatic exchange of financial information, which shall effectively apply from 1.1.2016.

We remain at your disposal for any additional questions you might have.

Yours sincerely,



Harris Georgiades
Minister of Finance

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Appendix - Excerpts from Legislation referenced in text (unofficial translation)

Assessment and Collection of Taxes Law

Section 49 False statements etc.

49. (1) Any person who fraudulently or wilfully –

- (a) makes any incorrect statement or return in respect of his income; or
- (b) makes any incorrect statement or return in connection with any claim for any allowance, deduction or relief; or
- (c) submits to the Director any incorrect accounts; or
- (d) furnishes, gives, produces or makes any incorrect information, certificates, documents, records, list or declaration in connection with the ascertainment of his liability to tax, shall be guilty of an offence.

(2) Any individual who aids, abets, assists, counsels, incites or induces a person –

- (a) to make, deliver or furnish under this law any return, statement, claim, list accounts or particulars which is or are false in any material particular; or
- (b) to keep or prepare any account or document which is false in any material particular concerning any object of the tax on which tax is payable, shall be guilty of an offence.

(3) Any person who commits any offence specified in sub-section (1) or (2) shall be liable on conviction to a fine not exceeding ten thousand pounds or to imprisonment for a term not exceeding five years or to both such fine and imprisonment, and being a person convicted of an offence specified in sub-section (1) shall, in addition –

- (a) pay the amount of tax lost as a result of his fraudulent or wilful act; and
- (b) be chargeable by the Court with a further sum not exceeding four times the additional tax properly chargeable on the object of the tax for such year.

The additional sums specified in paragraphs (a) and (b) shall be collected in the manner provided in this Law.

(3A) In case the person who acts in accordance to subsections (1) and (2) is a legal person, then the executive director, the members of its board of directors and any other officer who has responsibilities relating to the financial management of the

legal person or any other person that appears to act under any such capacity, shall be considered to participate in the commitment of an offence and they shall be held guilty of such, provided that it is proven that they fraudulently coerced in the execution of the offence.

(4) For the purposes of sub-section (2) a return, statement, claim, list, account, document or particulars shall be deemed to be false in a material particular if any information or amount which should properly be included therein is wilfully omitted there from.

(5) Notwithstanding the provisions of any Law in force for the time being, the President of a District Court or a Senior District Judge or a District Judge shall have jurisdiction to try any offence under this section and to impose the sentences specified thereby.

Section 39 on additional tax and interest for non payment of tax in time

Additional sum and interest for non-payment of tax in time

- (1) If the tax is not paid by the date prescribed in this law, it shall be collected with interest at nine per cent per annum (9%) from the prescribed date on the original amount of the tax due.
- (2) Where the delay in making an assessment is due to the taxpayer's unreasonable default, a sum equal to five per centum on the amount of tax due as well as interest at the rate of nine per centum per annum shall be payable from the 1st day of December of the year to which the assessment relates, irrespective of the year in which such assessment was actually made :

Provided that the interest payable with regard to any year of assessment preceding the year of assessment beginning on the 1st January 1978, shall be at the rate of six per centum per annum :

Provided further that as from the year of assessment 1979 and until the year of assessment 1988, the annual interest at 9% shall be payable as from the 1st July of the year next following the year of assessment to which the assessment refers.

Provided even further that as from the year of assessment 1989 and until the year of assessment 2005, the annual interest of 9% shall be paid from the 1st August of the year next following the year of assessment to which the assessment relates.

Provided even further that the obligation to pay 5% per annum of the amount of tax payable does not apply where the taxpayer has submitted the required returns and information for years of assessment prior to 1988, before 30 June 1995:

Provided that, in relation to the tax year 2006 onwards, the interest which is determined pursuant to the Common Public Overdue Interest Laws of 2006 and 2012, shall be paid:

- (i) in the case where the deadline for the submission of the return is the 30th of June of the year immediately following the tax year, as of the 1st of July of the year immediately following the tax year referred to in the return;
- (ii) in the case where the deadline for the submission of the return is the 31st of December of the year immediately following the tax year, as of the 1st of August of the year immediately following the tax year referred to in the return;
- (iii) in the case where the deadline for the submission of the return is the 30th of April of the year immediately following the tax year, as of the 1st of July of the year immediately following the tax year referred to in the return;

Provided even further that regarding the year of assessment 2006 and thereafter, when the return of the object of tax was submitted within the deadlines defined by this law, as well as the tax was paid within the deadline defined in this law, and the Director issued an assessment 3 years after the date specified for the submission of the return of the object of tax, the obligation to pay interest according to this subsection does not apply:

Provided further the imposition of the additional tax of five percent

5% pursuant to this subsection, does not apply for the year of assessment 2006 and thereafter.

- (3) The Court shall also have power, where on any recourse it should determine that a particular tax is due, to adjudge a sum equal to five per centum of the amount of the tax due and interest on that amount at the rate of nine per centum per annum from the date on which such tax becomes payable.

- (4) The provisions of this Law relating to the collection of tax shall apply to the collection of the additional sum and interest mentioned in sub-sections (1) and (2).
- (5) The Director may proceed to enforce payment under the law in force for the time being in the Republic relating to the collection of taxes or as provided in section 38.
- (6) The Director may, to the best of his judgment, in the case of tax due on or before the 15th July, 1974 reduce the interest payable by such rate and for such period beginning as from the 15th July, 1974 as he may specify, and he may also make arrangements for the payment of the tax due by instalments, if a person's ability for the payment of his tax liabilities has been affected by reason of the abnormal situation created as from the 15th July, 1974 and thereafter to such an extent that that person cannot meet the same in time:

Provided that if a person from whom the Director has agreed to accept payment of the tax by installments fails to pay the tax according to the arrangement made, the same shall be automatically cancelled and thereupon any balance of the tax due shall become payable together with interest from the date of the cancellation of the arrangement.

- (7) For the purpose of this section annual interest is calculated on the basis of the completed months for which the payment of tax is in arrears.

Section 50A on Administrative Penalties

Notwithstanding the provisions of section 50 of this Law –

- (a) Any person who refuses, fails or neglects to notify or to render any returns or to furnish any particulars or to perform any duty, which is expressly provided for in this Law, within the deadline provided or expressly set by this Law, is subject to a penalty of €100;
- (b) Any person who refuses, fails or neglects to notify or to render any returns or to furnish any particulars or to perform any duty, for which this Law provides for a deadline for compliance and the Director requests from such person to comply within the deadline expressly set in a notice duly given to that person and which should not be shorter than (60) days, is subject, in case of non compliance, to a penalty of €200;

- (c) Any person who refuses, fails or neglects to notify or to render any returns or to furnish any particulars or to perform any duty, for which this Law does not provide for a deadline for compliance and the Director requests from such person to comply within the deadline set in a notice duly given to that person and which should not be shorter than (60) days, is subject, in case of non compliance within the deadline set in the notice, to a penalty of €200;
- (d) Any person who refuses, fails or neglects to notify or to render any returns or to furnish any particulars or to perform any duty, for which this Law does not provide for a deadline for compliance and the requested notice or return or evidence relates to another person and the Director requests from this person to comply within the deadline set in a relevant notice duly given to that person and which should not be shorter than (60) days, is subject, in case of non compliance within the deadline set in the notice, to a penalty of €100;
- (e) Any person who fails to pay the tax due by the deadline set by this Law or by the deadline set in a Director's notice, is subject to a monetary charge equal to five per cent (5%) of the tax due.

Section 51A Criminal liability in relation to the omission of payment of tax

51A - (1) (a) A person who is proven to fraudulently omit or delay to pay the tax payable by him which does not fall within the category of taxes referred to in paragraph (b), or

(b) A person who omits or delays to pay the tax payable by him, which is withheld pursuant to the Income Tax Laws of 2002 to 2014, the Special Contribution for the Defence of the Republic Laws of 2002 to 2013 and the Special Contribution of Employees, Self-employed and Pensioners in the Private Sector Laws of 2011 to 2013, is guilty of an offence and in the event of conviction shall be subject to:

- i. As far as a company is concerned, to a monetary penalty not exceeding five thousand euros (€5.000).
- ii. As far as a natural person is concerned, to a monetary penalty not exceeding five thousand euros (€5.000) or to imprisonment not exceeding two (2) years or to both of these penalties.

Provided that, in the case of a submitted on behalf of a taxpayer, pursuant to section 20 of the present law, of a written objection for the purposes of re-examining and re-assessing imposed taxation, which results to an agreement between the Director and the person submitting the objection, pursuant to subsection 4 of section 20, or the determination on behalf of the director of the object of taxation of the person objecting, pursuant to subsection 5 of section 20, a time limit of three months is given to the taxable person in which he is obliged to pay the agreed or determined amount of tax:

It is further provided that if the above time limit elapses without the person taking any action, then that person is guilty of an offence and in the event of conviction is subject to the sentences provided in subsection (1).

(2) In case of conviction of any person, according to paragraph (1), the person in addition to any other fine for which he is subject, is obliged to pay the amount of tax that he omitted or delayed to pay.

(3) (a) When the offence provided for in paragraph (a) of subsection (1) is committed by a legal person, the responsibility for this offence does not only rest with that legal person but also with the executive director, the members of the board of directors and any other officer who has responsibilities relating to the financial management of the legal person or any other person that appears to act under any such capacity, provided that it is proven that they fraudulently coerced in the commitment of the offence and in the event of conviction they are subject to:

- i. For a total amount of the tax due of one thousand seven hundred euros (€1.700) and below, to a monetary penalty of up to twenty percent (20%) of the due tax; and
- ii. For due tax over the amount of one thousand seven hundred euros (€1.700), in addition to the sentence provided in subsection (i), to a prison sentence not exceeding two (2) years or to both of these sentences:

Provided that, in the case of tax which was assessed prior to the coming into force of the Assessment and Collection of Taxes (Amending) (No.2) Law of 2004, the due date

for the payment of such tax for the purposes of this subsection is deemed to be the date which expires within three (3) months after the application of the said law.

(b)When the offence provided in paragraph (b) of subsection (1) is committed by a legal person, the responsibility for this offence does only rest with that legal person, but also with the executive director, the members of the board of directors and any other officer who has responsibilities relating to the financial management of the legal person or any person that appears to act under any such capacity and in the event of conviction they are subject to:

- (i) For a total amount of the tax due than one thousand seven hundred euros (€1.700) and below, to a monetary penalty of up to twenty percent (20%) of the due tax; and
- (ii) For due tax over the amount of thousand seven hundred euros (€1.700), in addition to the sentence provided in subsection (i), to a prison sentence not exceeding two (2) years or to both of these sentences:

Provided that, in the case of tax which was assessed prior to the coming into force of the Assessment and Collection of Taxes (Amending) (No.2) Law of 2004, the due date for the payment of such tax for the purposes of this subsection is set the date which expires three (3) months after the coming into force of the said law.

(4) (a) Irrespective of the provisions of any other law, a court which finds a person guilty of any offence pursuant to this section, has the authority apart from the imposition of a sentence, to issue a court order, ordering the person owing the tax to pay to the Director the referred to amount plus interest and monetary charges.

(b)Irrespective of the provisions of any other law, the court order which is issued pursuant to paragraph (a) is considered to be a decision of a civil court and may be drafted, signed and executed as a judgment, in accordance to the provisions of the Civil Procedure Rules.

Value Added Tax Laws of 2000 – 2016

46.(1) Any person knowingly concerned in, or in the taking of steps with a view to, the fraudulent evasion of VAT by him or by any other person, shall be guilty of a criminal

offence and liable to a fine up to fifty thousand Cyprus pounds or to imprisonment up to 3 years, or to both.

(2) Any reference to subsection (1) above or to subsection (6) below to the evasion of VAT includes the obtaining of –

- (a) the payment of a VAT credit; or
- (b) a refund under section 27 of this Law or section 27 of the Law of 2000 or section 31 of the Law of 1990; or
- (c) a refund under regulations issued under article 12D(5)
- (d) a repayment under section 30;

and any reference in those subsections to the amount of the VAT shall be construed –

- (i) in relation to VAT itself or a VAT credit, as a reference to the aggregate of the amount (if any) falsely claimed by way of credit for input tax and the amount (if any) by which output tax was falsely understated, and
- (ii) in relation to a refund or repayment falling within paragraph (b) or (c) above, as a reference to the amount falsely claimed by way of refund or repayment.

(3) Any person who –

- (a) with intent to deceive produces, furnishes or sends for the purposes of this Law or otherwise makes use for those purposes of any document which is false as to a material aspect; or
- (b) in furnishing any information for the purposes of this Law makes any statement which he knows to be false as to a material aspect or recklessly makes a statement which is false as to a material aspect,

shall be guilty of a criminal offence and liable to a fine up to fifty thousand Cyprus pounds or to imprisonment up to 3 years or to both.

(4) The reference in subsection 3(a) above to furnishing, sending or otherwise making use of a document which is false as to a material aspect, with intent to deceive, includes a reference to furnishing, sending or otherwise making use of such a document, with intent to secure that a machine will respond to the document as if it were a true document.

(5) Any reference in subsection 3(a) or (4) above to producing, furnishing or sending a document includes a reference to causing a document to be produced, furnished or sent.

(5A) Given the provisions of section (3) and (5), any person which for the purposes of this Law:

- (a) furnishes or sends for the purposes of this Law or otherwise makes use for those purposes of any document which is false as to a material aspect or
- (b) in furnishing any information makes any statement which he knows to be false as to a material aspect,

is guilty of an offence and is liable to a penalty of one thousand pounds.

(6) Where a person's conduct during any specified period of time must have involved the commission by him of one or more offences under the preceding provisions of this section, then, whether or not the particulars of that offence or those offences are known, he shall be guilty of a criminal offence and liable to a fine upto fifty thousand Cyprus pounds or to imprisonment upto 3 years or to both.

(7) Any person who acquires possession of or deals with any goods, or accepts the supply of any services, having reason to believe that VAT on the supply of the goods or services or on the importation of the goods into the Republic has been or will be evaded, shall be guilty of a criminal offence and liable to a fine upto five thousand Cyprus pounds or to imprisonment upto 12 months or to both.

(8) Any person who supplies goods or services in contravention of any condition imposed under paragraph 3(2) of the Tenth Schedule, shall be guilty of a criminal offence and liable to a fine up to five thousand Cyprus pounds or to imprisonment up to 12 months or to both.

(9) Any person who fails to pay the VAT shown on his tax return as payable in respect of any period within the time limit provided for by regulations made under section 20(1), shall be guilty of a criminal offence and liable to a fine up to five thousand Cyprus pounds or to imprisonment upto 12 months or to both.

(10) Any person who fails to submit a tax return for the prescribed tax period within the due date provided by the regulations issued under section 20(1), shall be

guilty of a criminal offence and liable to a fine upto five thousand Cyprus pounds or to imprisonment up to 12 months or to both.

(10A) Any person who fails to pay the amount of additional tax or penalty or interest provided by this Law or regulations under this law shall be guilty of a criminal offence and liable to a fine of up to 10% of the amount due.

(11) Every person who fails or refuses to pay to the Commissioner, within fourteen days from the receipt of any relevant notification, any amount of VAT assessed under the provisions of section 49 or 49A of any amount of additional tax or levy or interest imposed under the provisions of the present Law or regulations issued under this Law, shall be guilty of a criminal offence and is liable to a fine upto five thousand Cyprus pounds or to imprisonment upto twelve months or to both such fine and imprisonment.

(11A) Any person who fails to issue a legal receipt and handover such a receipt is liable to a fine upto €1700 or to imprisonment up to 3 years or to both such fine and imprisonment.

(11B) Any person who fails to submit a Recapitulative statement under article 42C(2) is guilty of an offence and liable to a fine up to €850.

(12) Notwithstanding the provisions of any other Law, the criminal court declaring any person guilty of omission to pay to the Commissioner any amount due under the provisions of this Law, including fines and interest, has the power, further to the imposition of the prescribed punishment, to issue an order by which the convicted person pays to the Commissioner the said amount.

(13) Notwithstanding the provisions of any other law, the order issued under subsection (12) is considered to be a decision of a civil court.

(14) The provisions of the Customs and Excise Law, relating to Customs prosecution, proof of certain matters and power to compound offences shall, mutatis mutandis, apply to the criminal offences under this Law as they apply in relation to offences under the provisions of that Law, and accordingly any reference in those sections to duty or tax shall be construed as a reference to VAT.

(15) Subject to the provisions of the previous subsections of this section, any person who refuses or omits or neglects to abide by the obligations imposed under the provisions of the Tenth Schedule of the present Law, or any regulations or orders issued under that Schedule, shall be guilty of a criminal offence and is liable to a fine

of five thousand Cyprus pounds or to imprisonment of up to twelve months or two both such fine and imprisonment.

Prevention and Suppression of Money Laundering Activities Laws

Sections 4 and 5

“4.-(1) Every person who-

(a) knows or (b) at the material time ought to have known that any kind of property constitutes proceeds-

(i) and converts or transfers or removes such property, for the purpose of concealing or disguising its illicit origin or of assisting in any way any person who is involved in the commission of the predicate offence to carry out any of the above actions or acts in any other way in order to evade the legal consequences of his actions;

(ii) conceals or disguises the true nature, the source, location, disposition, movement of and rights in relation to, property or ownership of this property;

(iii) acquires, possesses or uses such property;

(iv) participates in, associates, co-operates, conspires to commit, or attempts to commit and aids and abets and provides counselling or advice for the commission of any of the offences referred to above;

(v) provides information in relation to investigations and are carried out for laundering offences for the purpose of enabling the person who acquired a benefit from the commission of a predicate offence to retain the proceeds or the control of the proceeds from the commission of the said offence, commits an offence punishable by fourteen years' imprisonment or by a pecuniary penalty of up to €500.000 or by both of these penalties in the case of (a) above, or by five years' imprisonment or by a pecuniary penalty of up to €50.000 or by both in the case of (b) above.

(2) For the purposes of sub-Section (1)-

(a) it shall not matter whether the predicate offence is subject to the jurisdiction of the Cyprus Courts or not;

- (b) a laundering offences may be committed by the offenders of a predicate offence as well;
- (c) the knowledge, intention or purpose which are required a elements of the offences referred to in subsection (1) may be inferred from objective and factual circumstances.”

The money laundering offence extends to any type of property regardless of its value that directly or indirectly represents property from a predicate offence that carries one-year’s imprisonment. Predicate offences, as defined in Section 5 of the AML/CFT Law are the following:

“5. Predicate offences are:

- (a) All criminal offences punishable with imprisonment exceeding one year, as a result of which proceeds have been derived which may constitute the subject of a money laundering offence as defined by section 4.
- (b) Financing of Terrorism offences as these are specified in Article 4 of the Financing of Terrorism (Ratification and other provisions) Laws of 2001 and 2005, as well as the collection of funds for the financing of persons or organisations associated with terrorism.
- (c) Drug Trafficking offences, as these are specified in section 2 of this law.”