

## MODULE DESCRIPTOR

MODULE TITLE	CYPRUS TAXATION		
MODULE CODE	AC3101 (L6))	CREDIT VALUE	20 CREDITS / 10 ECTS
SCHOOL	SCHOOL OF BUSINESS AND MANAGEMENT		

### MODULE AIMS

This module aims to introduce students to the system of taxes in Cyprus. It will enable the students understand and apply the current Cyprus tax rules in practice, but it will also explore the historical, political, economic and international influences that have led to the current practice and will consider how these same influences may affect its future development. Current Cyprus tax practice will be covered in sufficient breadth and depth to ensure that those students who successfully complete the Module will be able to secure the appropriate exemptions from the Taxation Foundation papers of ACCA, ICAEW and CIMA.

### MODULE CONTENT

#### Technical content

- **Overview:**
  - The Cyprus tax system
  - The overall function and purpose of taxation in a modern economy
- **Different types of taxes**
  - Different types of capital and revenue tax
  - Difference between direct and indirect taxation
  - Types of taxes affecting physical and non-physical entities in each jurisdiction
- **Income Tax:**
  - residence and domicile
  - Jointly held assets
  - calculation of total income, tax payable and methods/timing of payment
  - income from employment – including benefits in kind, expenses payments and the mechanics of the PAYE system
  - Income from employment
    - Recognise the factors that determine whether an engagement is treated as employment or self-employment.
    - Recognise the basis of assessment for employment income
    - Compute the income assessable.
    - Explain the treatment of benefits received 'in kind'.
    - Recognise the allowable deductions.
    - Explain the PAYE system
  - Income from self-employment
    - Recognise the basis of assessment for self- employment income.
    - Describe and apply the badges of trade.
    - Recognise the expenditure that is allowable in calculating the tax-adjusted trading profit.
    - Capital allowances
  - Relief for trading losses
  - Partnerships and limited liability partnerships
    - Recognise the treatment of consideration received in respect of trading goodwill
      - Explain how a partnership is assessed to tax
      - Compute the assessable profits for each partner following a change in the profit sharing ratio
      - Compute the assessable profits for each partner following a change in the membership of the partnership
  - Prepare a net worth /capital statement for an individual
  - Other income, pensions and investment income
  - reliefs and allowances
- **National Insurance Contributions – all classes. Liability and calculation**
  - The Cyprus NIC System

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- The scope of social insurance contributions
  - Social insurance contributions for employed persons, made by employees and employers, and for self-employed persons
  - Social cohesion fund contributions
  - Compute the contributions made by self-employed persons
  
  - **Capital Gains Tax**
    - The basic principles of computing gains and losses
    - Explain the treatment of capital losses for both individuals and companies
    - Gains and losses on the disposal of immovable property
    - Gains and losses on the disposal of shares
    - The computation of the capital gains tax payable by individuals and companies
    - The use of exemptions and deductions in deferring and minimising capital gains tax liabilities
  
  - **Corporation Tax**
    - year of assessment' and 'accounting period
    - Explain how the residence of a company is determined
    - Define the term 'permanent establishment' and explain the consequences of an activity being so classified
    - Recognise the expenditure that is allowable in calculating the tax-adjusted trading profit
    - Explain the treatment of dividends, interest and property income
    - Understand how losses can be claimed against income of the current year of assessment
    - Understand how losses can be carried forward and set off in subsequent years
    - Explain how relief for double taxation is given on foreign sourced income
    - Compute the double tax relief available
    - Explain how exemptions and deductions can defer or minimise corporation tax liabilities
    - The effect of a group corporate structure for corporation tax purposes
  
  - **Value Added Tax**
    - European basis of the VAT rules
    - Registration/deregistration requirements
    - Types of supply
    - Recovery of input VAT
    - Time of supply
    - VAT returns
  
  - **Special Contribution for the Defence**
    - The scope of the special contribution for the defence (SDC)
    - The comprehensive computation of special contributions for the defence liabilities for individuals and companies
    - Deemed Distribution Provisions and the comprehensive computation of the tax liability
  
  - **Stamp Duties**
  - **Administration of taxes – powers of IRD; rights and obligations of taxpayers/agents**
    - Penalties for non-compliance
    - The time limits for the submission of returns, information, objections, claims and payment of tax
    - The systems for self and temporary assessment and the making of returns
    - The procedures relating to enquiries, objections and appeals

The Module will ensure that the content is sufficiently broad and deep to maintain the professional exemptions. Some topics will be explored in further depth where they assist in the wider appreciation of fundamental principles or of current issues in taxation; these topics will vary from year to year to ensure that the Module reflects the latest developments in the field, whether academic, political or economic.

#### Wider aspects of taxation

- History, current features and future prospects of the tax system
- Sources of tax law and practice
- Economic theories of taxation – in particular, the traditional ideas of what makes a “good” tax system along with more recent developments in behavioural economics
- International influences
- The morality of tax avoidance and tax evasion

#### Professional Ethics

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## INTENDED LEARNING OUTCOMES

**On successful completion of this module a student will be able to:**

1.	Explain the operation and scope of the Cyprus tax system and communicate this information to lay and professional audiences
2.	Explain and compute the liabilities of individuals and companies to the main Cyprus taxes to a level equivalent to that required for relevant professional accountancy accreditation
3.	Identify and explain the obligations of tax payers and/or their agents and the implications of non-compliance
4.	Critically evaluate justifications and criticisms of the current tax system made by politicians, lobbyists, interest groups or the media and evaluate proposals for reform of the tax system
5.	Recognise moral dilemmas and identify appropriate tools for resolving (or at least coping with) them, recognizing the significance of professional integrity with the standards expected by professional accounting and taxation bodies.

## TEACHING METHODS

The teaching will integrate the development of the specific (and very probably ephemeral) knowledge and skills required of those working practically with Cyprus taxes, with the more lasting, non-subject- specific learning outcomes.

So, for example, discussions of economic theory or the “fairness” of taxation will be based on practical examples which reflect the concepts that will be tested in the final, largely computational examination. On the other hand, seminars which largely concentrate on detailed practice of computations will be constructed around examples which also throw up questions of tax planning, ethics or historical developments.

Depending on the topic, lectures will be used to introduce the subject (with students following this up with further study) or to expand on the preparatory reading that students will have been asked to complete beforehand. Seminars will be used to develop discussions of theoretical and moral issues and to allow guided in practice in the more difficult and technical computational aspects.

As far as possible, students’ independent learning will be structured to mirror the methods they will be required to master if they are to go on to study for further professional examinations whether independently or with an employer.

The Coursework will consist of two pieces of work. Typically, these might consist of:

- a) A short case study that will require the students to gain familiarity with the resources available to tax practitioners and small businesses while researching their answer. Students will then need to apply their research to the facts presented, and provide the “client” with both accurate computations and an explanation in layman’s terms.
- b) An evaluation of a recent or proposed tax reform. The students will be required to analyse this based on theories of taxation and empirical evidence (derived from academic

sources). They will be required to produce an essay which will be assessed using normal academic criteria.

c) A written coursework test

The Coursework will develop the skills that would be required of a tax adviser or similar professional – in particular those skills required to research a technical issue, apply the theory to a practical situation and to communicate the results to both lay and professional audiences. This will give the students the opportunity to enhance the graduate attributes of communication, literacy, numeracy; analysis and decision-making skills; and ethical and professional understanding. Feedback for the Coursework will be given to help students reflect on and improve these skills, in addition to assisting their mastery of the technical aspects of taxation.

The examination will be designed to test the technical knowledge of the students to the level and in the style required by the professional bodies. It will be mainly computational but will also have a discursive element of up to 20%.

## **ASSESSMENT METHODS**

This module is assessed through a coursework (40%) and a written examination (60%).