



Think Ahead

Taxation (CYP)

Sample Questions – September 2020

Get to know your exam

These graphical representations are intended to give an indication of past exam requirements and associated question content.

Please note that you will not be able to complete answers within these documents and in isolation they will not sufficiently prepare you for your exam.

We encourage you to visit the ACCA Practice Platform in order to attempt up to date practice exams within the computer-based exam environment.

Introduction screen

Taxation - Cyprus (TX - CYP) Sample Questions - September 2020



Introduction

This practice exam indicates how the live exam will be structured and assessed, and the likely style and range of questions that could be asked.

You should use the practice exam to become familiar with the question types and the features and functionality contained within the live exam.

The practice exam is reflective of the live exam experience but has some differences:

- The live exam will be timed, however there is no time limit in this exam.
- If you want to sit this exam in exam style conditions you should answer the questions presented within the time allowed for your live exam.
- Once you have started this exam you are able to leave at any time by closing the browser window. When you return, anything you have entered into the response options will be saved and you can continue sitting the exam.
- In the live exam your answers to the constructed response questions will be expert-marked. At the end of this exam, all objective test questions (OTs) be auto-marked however you should use the solution material provided to assess your performance in the constructed response questions.
- You will be able to access solution material at the end of this exam when using the Self-Marking resources which include a Marking Guide and/or Sample Answer for each question. If you wish to access these without completing the questions, click on **End Exam** on the Item Review Screen and navigate to the Marking tab on the Dashboard to Self-Mark.

Next →

Instruction screens

Taxation - Cyprus (TX - CYP) Sample Questions - September 2020


Instructions (1 of 4)

The instructions displayed below are representative of those displayed in the live exam. Where there are differences between this exam and the live exam these are explained.


General Instructions

- In this exam, the instruction screens are not timed however in the live exam they will be available for a maximum of 10 minutes prior to the exam starting.
- In the live exam, the stated exam time will automatically start once the 10 minute period has passed (or earlier if you choose to start the exam within the 10 minute period).
- A copy of the instruction screens can be accessed at any time during the exam by selecting the Help button provided.

Answering and Navigating

- Please read each question carefully.
- The question number you are viewing is displayed in the top display bar. You can hide or restore this display by selecting .
- You can navigate between screens by selecting **Next →** or **← Previous**, or by clicking on a question number from the Navigator or Item Review screens.
- A warning message will display to remind you that you cannot navigate away from a question if you have not viewed all of the question content. Ensure that you use all scrollbars and/or open any on-screen exhibits before navigating from each question.
- Some questions have the scenario and answer area divided by either a horizontal or vertical splitter bar. You can move this splitter bar to see more or less of the scenario or answer area.
- Please ensure you provide an answer for all elements of each question.
- You can revisit questions and change your answers at any time during the exam.

Flag for Review

- If you wish to revisit/review a question later in the exam, click  **Flag for Review**
- Click the button again if you no longer wish to revisit/review the question later in the exam.

← Previous Next →

Instruction screens (continued)

Taxation - Cyprus (TX - CYP) Sample Questions - September 2020

Instructions (2 of 4)

Help

- Click the **Help** button provided to access:
 - A copy of these exam instructions.
 - Help and guidance on constructed response questions. (in the constructed response section of the exam only).
 - Formulae sheets/tax tables if your exam requires these. Note that the name of the Help button will indicate if formulae sheets/tax tables are available i.e. [Help](#), [Help/Formulae Sheet](#) or [Help/Tax Tables](#)

Calculator

- You have the option to use the on-screen standard or scientific calculators by selecting [Calculator](#)
- Note that in the live exam you are also permitted to use your own calculator providing it does not have the facility to store or display text.

Highlight and Strikethrough

- You can highlight key phrases or figures in the question scenario by selecting [Highlight](#)
- You can strikethrough text in the question scenario by selecting [Strikethrough](#)
- Highlighted and strikethrough text will be displayed on all questions relating to the scenario.

Workings/Scratch Pad

- You may use an on-screen Scratch Pad to make notes/workings by selecting [Scratch Pad](#)
- The Scratch Pad retains all notes/workings entered for all questions and these are available for the duration of the exam. They will not be submitted for marking after your live exam.
- You will also be provided with paper for notes/workings for your live exam, should you prefer to use it. This will not be submitted for marking. It will be collected at the end of the exam and must not be removed from the exam room.
- Important:**
 - The notes/workings entered onto the Scratch Pad or your workings paper during the live exam will not be marked.
 - If you want the marker to see any notes/workings for questions in the constructed response section of the live exam you must show them within the answer areas.

[< Previous](#) [Next >](#)

Instruction screens (continued)

Taxation - Cyprus (TX - CYP) Sample Questions - September 2020

Instructions (3 of 4)


Copy and Paste

- You can copy and paste from the Scratch Pad or question scenario into your answers in the constructed response section of the exam by using the Ctrl-C (Copy) and Ctrl-V (Paste) shortcuts. **Note:** When pasting into a spreadsheet in the live exam you must double-click the cell or paste directly into the formula bar. In this exam you can also paste into the spreadsheet by selecting the cell.


Symbol

- You can add a selection of currency symbols to your answers in the constructed response section of the exam by selecting **\$ Symbol** on the top toolbar.

Navigator Screen

- The Navigator screen can be accessed at any time during the exam by selecting  **Navigator**
- This screen allows you to jump to any question number in the exam.
- It also allows you to see the status of questions and whether they have been viewed, are complete or incomplete, or have been flagged for review.

Close All

- You can close each window (eg. Calculator or Scratch Pad) individually or you can close multiple windows by selecting  **Close All** on the top toolbar.

Reviewing the Exam

- You can review your exam once you have attempted any, or all, of the questions.
- To do this:
 - Navigate to the **last question** in the exam.
 - Click **Next→**
- This takes you to the Item Review screen.

← Previous **Next →**

Instruction screens (continued)

Taxation - Cyprus (TX - CYP) Sample Questions - September 2020

Instructions (4 of 4)

Item Review Screen

- This screen gives you an opportunity to see the flag and completion status of all questions before you exit the exam.
- You can select individual questions you wish to revisit, or quickly access groups of questions from the Item Review screen.
- During the item review period Navigator is not available however you can navigate to questions by selecting **Next →**, **← Previous** or **Review Screen**.
- When reviewing questions you can change your answer and click **Review Screen** to view any updated status on the Item Review screen.

Ending the Exam

- Once you have completed your item review and wish to finally end the exam click **End Exam**.
- Once you end the exam, you cannot revisit any questions.

Select **Next** to move to the Exam Summary screen.

← Previous **Next →**

Exam summary screen

Taxation - Cyprus (TX - CYP) Sample Questions - September 2020

Time allowed: This sample exam is not timed.

This exam is divided into two sections:

Section A

- 15 objective test (OT) questions, each worth 2 marks.
- 30 marks in total.

Section B

- Six constructed response questions that may contain a scenario which relates to one or more requirement(s).
- Each constructed response question is worth 10 or 15 marks in total.
- 70 marks in total.

All questions are compulsory.

Select **Next** to start your exam.

← Previous Next →

Sample exam questions

Section A – summary screen

Taxation - Cyprus (TX - CYP) Sample Questions - September 2020

Flag for Review

Section A

This section of the exam contains **15 objective test (OT) questions**.

Each question is worth **2 marks** and is compulsory.

This exam section is worth **30 marks** in total.

Important:

1. Calculations and workings need only be made to the nearest whole unit of currency, unless instructed otherwise.
2. All apportionments should be made to the nearest month.

Select **Next** to continue.

Navigator Next →

Section A - questions

Taxation - Cyprus (TX - CYP) Sample Questions - September 2020

1 of 23

\$ Symbol ▼ Highlight ✕ Strikethrough 📊 Calculator ✎ Scratch Pad

Close All Flag for Review

Which of the following statements are true?

(1) Aggressive tax planning is not illegal but can be viewed as unethical
(2) Tax avoidance means using the taxation regime to the taxpayer's advantage
(3) Failure to submit an income tax return is not considered as tax evasion
(4) Choosing not to declare rental income received because it is less than €19,500 per year is not considered tax evasion

☐ 1 and 2
☐ 1 and 4
☐ 2 and 3
☐ 3 and 4

Dusan, a sole trader, had a profit before tax of €25,000 for the year ended 31 December 2019 after deducting the following items:

	€
Gifts of USB sticks to customers bearing the business' logo	2,500
Gifts of trade samples to clients	1,200
Gifts to customers' weddings	500
Write-off of a loan given to an employee	1,500
Payment for improvements made to the business shop	4,000

What is Dusan's tax adjusted profit for the year ended 31 December 2019?

☐ €27,000
☐ €32,000
☐ €31,000
☐ €28,700

Section A – questions (continued)

Anama Ltd had a profit before tax for the year ended 31 December 2019 of €65,000 after taking into account the following items:

- Cost price of goods taken by the company's director of €2,500. The company's profit margin is 20%.
- A loss on the disposal of a motor van of €4,000. The motor van had been purchased in 2015 for €25,000 and depreciated at the rate of 20% per annum.
- General provision for repairs to the company's building €2,000.

What is Anama Ltd's chargeable profit subject to corporation tax for the year ended 31 December 2019?

- ☐ €74,000
- ☐ €70,125
- ☐ €66,125
- ☐ €69,625

Wizard Ltd, a Cyprus tax resident trading company, recorded an accounting profit for the year ended 31 December 2019 of €50,000. The accounting profit was calculated before taking into consideration the following items:

	€
Unrelieved foreign taxes	8,000
Depreciation	5,000
Additional depreciation due to revaluation of immovable property	2,000
Profit from revaluation of investments	4,000
Corporation tax for the year	3,000
10% additional tax for underestimating temporary tax	300

What is Wizard Ltd's accounting profit for the year ended 31 December 2019 for deemed dividend distribution purposes?

- ☐ €40,700
- ☐ €33,700
- ☐ €42,000
- ☐ €35,000

Section A – questions (continued)

Which of the following statements, in relation to capital gains tax (CGT), are true?

- (1) The calculation of inflation should start from the day that the capital expenditure is incurred rather than the day of contract completion
- (2) The agricultural land exemption is given if agricultural land is disposed of, regardless of the owner's occupation
- (3) All owners of immovable property are eligible to claim a life-time exemption
- (4) Immovable property acquired during the year 2016 is exempt from CGT

- ☐ 1 and 3
- ☐ 1 and 4
- ☐ 2 and 3
- ☐ 2 and 4

Arestia is employed by Sif Ltd and paid a monthly gross salary of €2,200. The employer contributes to the central holiday fund. Arestia was absent for five out of the 20 working days of August 2019.

What is the total of Arestia's and Sif Ltd's social insurance contributions, including General Health Scheme contributions, for the month of August 2019?

- ☐ €557
- ☐ €742
- ☐ €554
- ☐ €494

Constantina is a sole trader who did not submit her value added tax (VAT) return for the quarter to 31 March 2019 by the due date. The return was submitted on 20 June 2019 and on the same day she paid the tax due according to the return, which was €12,000.

What are the total penalties and/or interest arising as a consequence of the late payment of the VAT?

- ☐ €1,309
- ☐ €1,229
- ☐ €1,280
- ☐ €1,440

Section A – questions (continued)

Berry Ltd submitted its income tax return for 2017 on time but paid the due tax of €8,000 on 15 April 2019.

What are Berry Ltd's total fines, interest and penalties payable in respect of the unpaid tax for the year 2017? Assume there are no penalties for temporary tax.

Note: The interest rate on unpaid tax in 2018 was 3.5%

- ☐ €1,120
- ☐ €557
- ☐ €957
- ☐ €1,240

Dan, a non-Cyprus tax resident, is the sole shareholder of Profile Ltd, a Cyprus tax resident company.

On 1 July 2019 Profile Ltd received a loan of €100,000 from a commercial bank with an interest rate of 6% per annum. On the same day, Profile Ltd loaned €50,000 to Dan without any interest. Dan was in Cyprus for a total of 100 days for the year 2019.

What is the deemed benefit chargeable to Dan for the tax year 2019?

- ☐ €3,000
- ☐ €4,500
- ☐ €1,233
- ☐ €2,250

Hardy Ltd, a Cyprus tax resident company, has a profit before tax of €250,000 for the year ended 31 December 2019 after taking into consideration the following items:

	€
Profits from a permanent establishment in France whose main activity is general trading	35,000
Amortisation of goodwill	(5,000)
Interest payable for acquisition of non-current assets for business purposes	(4,000)
Provision for obsolete inventory	(12,000)
Mortgage fees	(1,000)

Ignoring any possible elections, what is Hardy Ltd's chargeable income subject to corporation tax for the year ended 31 December 2019?

- ☐ €267,000
- ☐ €254,000
- ☐ €233,000
- ☐ €237,000

Section A – questions (continued)

In relation to the special defence contribution (SDC), which of the following statements are true?

- (1) Overseas dividends are exempt if received by Cyprus tax resident individuals
- (2) Interest received by Cyprus tax resident individuals is always liable to 30% SDC
- (3) Overseas rents, less 25% deduction, are taxed at 3% SDC
- (4) Interest earned from current accounts is not liable to SDC

- ☐ 1 and 2
- ☐ 1 and 4
- ☐ 2 and 3
- ☐ 3 and 4

Jack exchanged a house, which he had purchased, for a three-bedroom flat which had been purchased by Diana. The market value of the properties at the date of exchange was €500,000 for the house and €400,000 for the flat. The indexed value of the house and the flat were €350,000 and €325,000 respectively.

What is the roll over relief available to Jack in relation to the exchange of properties?

- ☐ €50,000
- ☐ €75,000
- ☐ €0
- ☐ €150,000

Which of the following companies are required to register for value added tax (VAT) in Cyprus?

- (1) Company A, a Cyprus tax resident, which acquired goods for €11,000 from a supplier who is resident in another EU Member State
- (2) Company B, which is resident in a country not in the EU, and made distance sales of €50,000 to Cyprus
- (3) Company C, a Cyprus tax resident, which made no taxable sales within a period of 12 months and acquired services from a supplier who is resident in another EU Member State for €16,000
- (4) Company D, a Cyprus tax resident, providing services for €10,000 to VAT registered clients in another EU Member State

- ☐ 1, 2 and 3
- ☐ 1, 3 and 4
- ☐ 1 and 3 only
- ☐ 3 and 4 only

Section A – questions (continued)

Which of the following statements, in relation to partnerships, are true?

- (1) The partners are jointly liable for the taxation of the partnership's profits
- (2) The partners are jointly liable for social insurance contributions of the partnership's employees
- (3) Partnerships are exempt from VAT and each partner must charge VAT as a separate sole trader
- (4) Trading goodwill related to partnerships is taxed under income tax

- ☐ 1 and 3
- ☐ 1 and 4
- ☐ 2 and 4
- ☐ 2 and 3


Which of the following statements regarding corporation tax are true?

- (1) Non-Cyprus resident companies are never taxed in Cyprus
- (2) Cyprus tax resident companies are not taxed on accrued income
- (3) One of the criteria for the term "resident in the Republic" is for companies to have offices in Cyprus
- (4) In order for a company to be considered as tax resident in the Republic, all of its directors must reside in Cyprus

- ☐ 1 and 3
- ☐ 2, 3 and 4
- ☐ 2 and 4 only
- ☐ None of the above

Section B – summary screen

Taxation - Cyprus (TX - CYP) Sample Questions - September 2020

 Flag for Review

Section B

This section of the exam contains **six constructed response questions**.

Each question may contain a scenario which relates to one or more requirement(s) which may be split over multiple question screens.





Each question is worth **10 or 15 marks** and is compulsory.

This exam section is worth **70 marks** in total.

Important:

1. Calculations and workings need only be made to the nearest whole unit of currency, unless instructed otherwise.
2. All apportionments should be made to the nearest month.
3. In your live exam you must:
 - Enter your answer for each question in the response area provided for that question. Any answers entered into a response area provided for a different question will not be marked.
 - Show all notes/workings that you want the marker to see within the response area provided for the question. Remember, any notes/workings made on the Scratch Pad or on your workings paper will not be marked.





Select **Next** to continue.

 Previous  Navigator  Next 

Section B – questions

Scenario 1

Taxation - Cyprus (TX - CYP) Sample Questions - September 2020

\$ Symbol  Highlight  Strikethrough  Calculator  Scratch Pad


The tax partner in your firm has asked you to assist her in preparing a presentation on the Cyprus taxation system. Her requirements are as noted.









(a) Briefly explain how the Cyprus government uses taxation policy and different types of taxes to achieve the redistribution of wealth. (4 marks)

(b) Explain the nature and function of tax circulars issued by the Cyprus Tax Department. (3 marks)

(c) State the powers of the Commissioner of Taxation to require information, on receipt of an objection by a taxpayer. (3 marks)

(10 marks)



Paragraph        

Section B – questions (continued)

Scenario 2

Taxation - Cyprus (TX - CYP) Sample Questions - September 2020

\$ Symbol

▼ Highlight

✖ Strikethrough

🧮 Calculator

📝 Scratch Pad

This scenario relates to requirement (a) only.

Sweater Ltd, is a company registered in Cyprus for value added tax (VAT) purposes, which sells standard rated goods.

The following information relates to the quarter ended 31 December 2019. All figures are stated exclusive of VAT:

	Note	€
Sales of goods in Cyprus		150,000
Export of goods to Russia (non-EU)	1	30,000
Purchases of goods from Cyprus suppliers		55,000
Imports of goods from China (non-EU)	1	15,000
Imports of goods from Greece (EU)	1	10,000
Irrecoverable debts written off	2	3,000
Consultancy services received from a German consultant		2,000
Staff party held at a local restaurant		1,500
Entertaining Cyprus customers		500
Purchase of saloon car used solely for business purposes		12,000
Purchase of motorcycle for the company's courier		5,000
Purchase of magazines and newspapers for staff		250

Notes:

(1) All import and export declarations were made.

(2) Irrecoverable debts relate to the sale of goods in Cyprus which were written off in December 2019. The original sales invoice was due to be paid by 1 February 2017.

Help/Tax Tables

Section B – questions (continued)

Requirements for Scenario 2

(a) Calculate the VAT payable by/refundable to Sweater Ltd for the quarter ended 31 December 2019.

Note: You should list all of the items referred to in the question, indicating by the use of zero (0) any item which is not subject to VAT.

(7 marks)

Edit Format

100%

A1

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
19																	
20																	
21																	
22																	
23																	
24																	
25																	
26																	
27																	
28																	
29																	
30																	
31																	
32																	
33																	
34																	
35																	
36																	
37																	
38																	
39																	
40																	
41																	
42																	
43																	
44																	
45																	
46																	
47																	
48																	
49																	
50																	
51																	
52																	

Sheet1

Requirements for Scenario 2

(b) Briefly explain the conditions for the relief of irrecoverable debts which is available for VAT purposes

(3 marks)

(10 marks)

Section B – questions (continued)

Scenario 3

Taxation - Cyprus (TX - CYP) Sample Questions - September 2020

\$

Symbol

▼

Highlight

⏏

Strikethrough

🧮

Calculator

📝

Scratch Pad

This scenario relates to two requirements.

Crayon Ltd, a Cyprus tax resident company, acquired a factory on 15 June 2008 for €450,000 (including land then valued at €85,000). Crayon Ltd commenced using the factory for business purposes immediately.

On 12 July 2012, Crayon Ltd paid an additional €100,000 for factory renovations which were capital in nature.

On 20 March 2019, Crayon Ltd sold the factory for €950,000 (including land valued at €150,000).

The following information relating to the factory is also available:

- On 15 June 2008, Crayon Ltd paid transfer fees of €20,000.
- The factory was acquired by obtaining a business loan of €200,000. The total interest paid on the loan, over the period of ownership, was €10,000.
- Crayon Ltd incurred the following expenses relating to the sale of the factory in March 2019:
 - Valuation fee €2,000
 - Commission paid to the company Estate Commission Ltd of €25,000 for finding the purchaser
 - Accountant's fees for preparing and submitting the capital gains tax return, €1,000
 - Legal fees regarding the factory sale, €800

?

Help/Tax Tables

Requirements for Scenario 3

(a) Calculate the balancing statement of Crayon Ltd resulting from the disposal of the factory on 20 March 2019.

(4 marks)

(b) Calculate the capital gains tax payable by Crayon Ltd on the disposal of the factory on 20 March 2019.

Note: You should list all of the items referred to in the question, indicating by the use of zero (0) any items which are not taxable/deductible.

(6 marks)

(10 marks)

Edit Format

11 100% B I U A D E F G H I J K L M N O P Q R S T U V W X Y Z AA AB AC AD AE AF AG AH AI AJ AK AL AM AN AO AP AQ AR AS AT AU AV AW AX AY AZ BA BB BC BD BE BF BG BH BI BJ BK BL BM BN BO BP BQ BR BS BT BU BV BW BX BY BZ CA CB CC CD CE CF CG CH CI CJ CK CL CM CN CO CP CQ CR CS CT CU CV CW CX CY CZ DA DB DC DD DE DF DG DH DI DJ DK DL DM DN DO DP DQ DR DS DT DU DV DW DX DY DZ EA EB EC ED EE EF EG EH EI EJ EK EL EM EN EO EP EQ ER ES ET EU EV EW EX EY EZ FA FB FC FD FE FF FG FH FI FJ FK FL FM FN FO FP FQ FR FS FT FU FV FW FX FY FZ GA GB GC GD GE GF GG GH GI GJ GK GL GM GN GO GP GQ GR GS GT GU GV GW GX GY GZ HA HB HC HD HE HF HG HH HI HJ HK HL HM HN HO HP HQ HS HT HU HV HW HX HY HZ IA IB IC ID IE IF IG IH II IJ IK IL IM IN IO IP IQ IR IS IT IU IV IW IX IY IZ JA JB JC JD JE JF JG JH JI JJ JK JL JM JN JO JP JQ JR JS JT JU JV JW JX JY JZ KA KB KC KD KE KF KG KH KI KJ KL KM KN KO KP KQ KR KS KT KU KV KW KX KY KZ LA LB LC LD LE LF LG LH LI LJ LK LL LM LN LO LP LQ LR LS LT LU LV LW LX LY LZ MA MB MC MD ME MF MG MH MI MJ MK ML MN MO MP MQ MR MS MT MU MV MW MX MY MZ NA NB NC ND NE NF NG NH NI NJ NK NL NO NP NQ NR NS NT NU NV NW NX NY NZ OA OB OC OD OE OF OG OH OI OJ OK OL OM ON OO OP OQ OR OS OT OU OV OW OX OY OZ PA PB PC PD PE PF PG PH PI PJ PK PL PM PN PO PP PQ PR PS PT PU PV PW PX PY PZ QA QB QC QD QE QF QG QH QI QJ QK QL QM QN QO QQ QR QS QT QU QV QW QX QY QZ RA RB RC RD RE RF RG RH RI RJ RK RL RM RN RO RP RQ RR RS RT RU RV RW RX RY RZ SA SB SC SD SE SF SG SH SI SJ SK SL SM SN SO SP SQ SR SS ST SU SV SW SX SY SZ TA TB TC TD TE TF TG TH TI TJ TK TL TM TN TO TP TQ TR TS TT TU TV TW TX TY TZ UA UB UC UD UE UF UG UH UI UJ UK UL UM UN UO UP UQ UR US UT UU UV UW UX UY UZ VA VB VC VD VE VF VG VH VI VJ VK VL VM VN VO VP VQ VR VS VT VU VW VX VY VZ WA WB WC WD WE WF WG WH WI WJ WK WL WM WN WO WP WQ WR WS WT WU WV WW WX WY WZ XA XB XC XD XE XF XG XH XI XJ XK XL XM XN XO XP XQ XR XS XT XU XV XW XX XY XZ YA YB YC YD YE YF YG YH YI YJ YK YL YM YN YO YP YQ YR YS YT YU YV YW YX YY YZ ZA ZB ZC ZD ZE ZF ZG ZH ZI ZJ ZK ZL ZM ZN ZO ZP ZQ ZR ZS ZT ZU ZV ZW ZX ZY ZZ

Section B – questions (continued)

Scenario 4

Taxation - Cyprus (TX - CYP) Sample Questions - September 2020

\$ Symbol

Highlight

Strikethrough

Calculator

Scratch Pad

This scenario relates to two requirements.

The following information relates to Mr Derek, a retired Cyprus tax resident person, for the tax year 2019:

(1) He received a 13-month state pension of €1,300 gross per month.

(2) He received rental income of €9,600 (€800 per month) from renting a flat in Limassol, Cyprus. The flat was acquired in 2000 for €200,000, including the cost of land of €15,000. During the year, Mr Derek paid €1,500 to repair the flat and €800 interest on a loan which he had taken to acquire the flat.

(3) He cancelled his life insurance policy which he has had since January 2015. The insurance policy had an annual premium of €2,000 and he had obtained income tax relief in each of the years since 2015 in respect of this insurance premium.

(4) On 31 December 2019, he received net interest of €350 from a bank deposit held with a Cyprus bank and net interest of €250 from Cyprus government saving bonds.

Help/Tax Tables

Requirements for Scenario 4

Note: See page 29 for example view of full CBE constructed response workspace

Section B – questions (continued)

Scenario 5

Taxation - Cyprus (TX - CYP) Sample Questions - September 2020

\$ Symbol

▼ Highlight

⏏ Strikethrough

🧮 Calculator

📝 Scratch Pad

This scenario relates to requirement (a) only.

Athena was a non-Cyprus tax resident until 1 January 2019 when she moved to Cyprus. On 1 July 2019 she was employed by Local Co Ltd, a Cyprus tax resident company, as its managing director.

The following information relates to Athena for the tax year 2019:

	Note	€
Gross salary (€10,000 gross salary per month)	1	60,000
Net dividends received on 30 June 2019 from a company listed on the China Stock Exchange (net of 10% withholding tax)		1,800
Life insurance premium paid	2	(4,000)
Medical insurance paid		(1,100)
Approved provident fund contributions paid		(1,800)
Donations paid	3	(500)
PAYE deducted		(1,000)

Notes

(1) Local Co Ltd is exempt from contributing to the central holiday fund.

(2) The insurance premiums are for Athena's life policy for the amount of €50,000.

(3) Donations comprise of €150 for purchasing a season ticket for her favourite football team and €350 to approved charities. Athena lost the receipt for a €50 donation made to an approved charity, which is included in the €350 total.

Additional information

Athena uses a new saloon car which was provided by Local Co Ltd on 1 July 2019. The saloon car is used both for business and private purposes. The cost of the saloon car was €15,000 (excluding VAT). All car expenses are paid by Local Co Ltd.

Help/Tax Tables

Scenario 5 (continued)

Section B – questions (continued)

Requirements for Scenario 5

(a) Calculate Athena's income tax payable/refundable for the tax year 2019.

Note: You should list all the income and expense items referred to in the question, and notes, indicating by the use of zero (0) any which are not taxable/deductible.

(12 marks)

Edit Format

11 100%

A1

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
1																	
2																	
3																	
4																	
5																	
6																	
7																	
8																	
9																	
10																	
11																	
12																	
13																	
14																	
15																	
16																	
17																	
18																	
19																	
20																	
21																	
22																	
23																	
24																	
25																	
26																	
27																	
28																	
29																	
30																	
31																	
32																	

Sheet1

(b) Explain the term "resident in the Republic" as applied to individuals for the purposes of income tax.

(3 marks)

(15 marks)

Paragraph

Section B – questions (continued)

Scenario 6

Taxation - Cyprus (TX - CYP) Sample Questions - September 2020

\$ Symbol

▼ Highlight

✖ Strikethrough

🧮 Calculator

📝 Scratch Pad

This scenario relates to one requirement.

Apricot Ltd is a Cyprus resident private limited company. Its principal activity is the provision of professional services.

Apricot Ltd's profit before tax for the year ended 31 December 2019 was €27,000 after taking into consideration the following items:

	Note	€
Interest received	1	2,500
Dividends received	2	27,000
Finance income	3	22,500
Finance cost	4	(16,800)
Staff expenses	5	(8,600)
Annual Levy paid to the Registrar of Companies		(350)
Depreciation	6	(28,000)
Irrecoverable debts	7	(3,700)
Car expenses	8	(3,600)
Special defence contribution paid		(5,100)
Fines for late payment of temporary tax	9	(650)

Notes:

(1) Interest received comprised of:

	€
Gross interest received from trade receivables	1,500
Gross interest received from bank deposit account	1,000

(2) Dividends received comprised of:

	€
Dividends received from 100% owned overseas subsidiary actively engaging in investment activities	12,000
Dividend received from 100% owned subsidiary company in Cyprus	15,000

Scenario 6 (continued)

(3) Finance income comprised of:

	€
Government grant	20,000
Realised exchange profit	2,500

(4) Finance cost comprised of:

	€
Loss on the sale of investment property	8,000
Interest paid on loan made in 2010 in order to purchase a 100% subsidiary company	2,000
Bank overdraft interest at 4%	5,000
Unrealised exchange loss	1,800

(5) Staff expenses comprised of:

	€
Party for the company's directors	1,900
New Year party for the staff	2,600
Entertaining of customers	4,100

(6) Depreciation was calculated on assets held by the company at 31 December 2019. The cost of these assets is as follows:

	Cost
	€
Computer hardware acquired during the year 2016	8,000
Computer application software acquired during the year 2019	500
Furniture & fittings acquired during 2005	40,000
Saloon car acquired during the year 2016	20,000
Office building which was built by the company in 1990 (including €50,000 for the cost of land)	350,000

(7) Irrecoverable debts comprised of:

	€
Loan provided to one of the company's directors, now written off	3,300
Gifts to clients	400

(8) Car expenses comprised of:

	€
Saloon car expenses used solely for business purposes	1,200
Motor van expenses used solely for business purposes	2,400

(9) Apricot Ltd paid temporary tax for the year 2019 on an estimated taxable income of €20,000 without taking into consideration any overseas withholding taxes.

Additional information

(i) Apricot Ltd's total income for the year 2019 was €500,000, out of which €200,000 resulted from the provision of professional services in Romania.

(ii) Apricot Ltd suffered withholding taxes of 2% in Romania.

Section B – questions (continued)

Requirements for Scenario 6

Calculate Apricot Ltd's corporation tax payable/(refundable) for the year 2019.

Note: You should list all of the items referred to in the question, indicating by the use of zero (0) any item which does not require adjustment.

(15 marks)

Edit Format

100%

11

A1

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
1																	
2																	
3																	
4																	
5																	
6																	
7																	
8																	
9																	
10																	
11																	
12																	
13																	
14																	
15																	
16																	
17																	
18																	
19																	
20																	
21																	
22																	
23																	
24																	
25																	
26																	
27																	
28																	
29																	
30																	
31																	
32																	
33																	
34																	

Sheet1

Example view of full CBE constructed response workspace

Taxation - Cyprus (TX - CYP) Sample Questions - September 2020

S Symbol Highlight Strikethrough Calculator Scratch Pad

This scenario relates to one requirement.

Apricot Ltd is a Cyprus resident private limited company. Its principal activity is the provision of professional services.

Apricot Ltd's profit before tax for the year ended 31 December 2019 was €27,000 after taking into consideration the following items:

	Note	€
Interest received	1	2,500
Dividends received	2	27,000
Finance income	3	22,500
Finance cost	4	(16,800)
Staff expenses	5	(8,600)
Annual Levy paid to the Registrar of Companies		(350)
Depreciation	6	(28,000)
Irrecoverable debts	7	(3,700)
Car expenses	8	(3,600)
Special defence contribution paid		(5,100)
Fines for late payment of temporary tax	9	(650)

Notes:

(1) Interest received comprised of:

	€
Gross interest received from trade receivables	1,500
Gross interest received from bank deposit account	1,000

(2) Dividends received comprised of:

	€
Dividends received from 100% owned overseas subsidiary actively engaging in investment activities	12,000
Dividend received from 100% owned subsidiary company in Cyprus	15,000

(3) Finance income comprised of:

	€
Government grant	20,000
Realised exchange profit	2,500

Calculate Apricot Ltd's corporation tax payable/(refundable) for the year 2019.

Note: You should list all of the items referred to in the question, indicating by the use of zero (0) any item which does not require adjustment.

(15 marks)

Edits Format

11 100%

A1

2 A B C D E F G H I J K L M N O P Q

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

Sheet1

Help/Tax Tables Previous Navigator Next