



CIRCULAR 12/2009 TO ALL MEMBERS

DATE	11 DECEMBER 2009
AUTHORS	RONNY VERHOEVEN
SUBJECT	DUTY FREE CARS BELONGING TO STAFF OF IBC'S

With this circular we want to update the diminishing group of IBC staff - owners of a duty free car - on the present procedures and expenses involved in the clearing of such cars.

HISTORY

Until 31/12/2002 staff members of eligible International Business Companies were entitled to purchase one or two (if their family was residing with them in Cyprus) duty free cars.

Upon disposal these cars could be sold, duty free, to any duty free eligible third person or they could be cleared and sold to a non-eligible third person.

When clearing a duty free car the owner was required to pay import and excise duty, a special tax based on the engine capacity for cars over 1.600 cc or 3.000 cc (SUV's) and VAT.

All the foregoing were based on the "fair market value" of the car which was obtained by depreciating the CIF value (= customs declared value when the car arrived in Cyprus) with 15% in the first year, 10% in the 2nd, 3rd and 4th year, and 5% in all the following years until a final residual value of 5% was reached after 14 years.

In case of change of employment the owner of a duty free car could not transfer it to his/her new company and had to clear it or sell it.

As from 24/11/2003 the method of calculation of excise duty changed and became exclusively based on the engine capacity and the mass of emitted carbon dioxide (CO₂), with a distinction of 3 categories of cars: saloons & four wheel drives, double cabins and vans. 15% VAT was charged on the total amount of the fair market value of the car + the excise duty and possible import and other duties, as before.

For all duty free cars which were in possession of expatriates of international business companies, and which would be cleared whenever and for whatever reason, excise duties were calculated according to the old and the new regulation and only the lower of the two amounts was to be paid.



The depreciation rates on the original CIF value remained 15% in the 1st year, 10% in the 2nd, 3rd and 4th year and 5% thereafter until reaching the residual value of 5% after 14 years.

As from 01/01/2004 the clause which obliged an expatriate member of an IBC to pay the relevant duties on his car and/or to sell it in case of change of employment was abolished, upon condition that the new employer was entitled to purchase duty free goods before 31/12/2002.

At the same time it became impossible for the owner of a duty free car to sell it duty free to an eligible third party.

In the second amendment of the **Customs Law of 2006** the possibility of choosing between the old (before 24/11/2003 – based on CIF value) and the new (based on engine capacity) system of calculation of duties was abolished and the depreciation percentages to assess the customs value were radically changed.

PRESENT

The total expenses to be paid now when clearing a duty free car, owned by a staff member of an IBC, are composed of the following elements:

1. Excise duty – increased or reduced according to the CO2 emission levels and reduced according to the type and age of the car.
2. Additional excise duty.
3. Import duty (if car was imported from a third country)
4. VAT on the customs value + the above mentioned duties.

Excise Duty – Additional Excise Duty

If you are not so much interested in details and numbers you can scroll down straight to page 4 and read the “Important Note”.

For the calculation of excise duty cars are being divided in the three known categories: Passenger cars (subdivided in cabrio, coupé, hatchback, sedan estate and SUV – Jeep), Double-cabins and Vans. The applicable excise duty for Passenger cars is shown in the following table:

Engine capacity	Excise Duty
Up to 1.650 cc	0,51 € per cc
1.651 – 2.250 cc	3,42 € per cc
2.251 – 3.000 cc	5,98 € per cc
Over 3.000 cc	7,69 € per cc



Differentiation for carbon dioxide emissions

The excise duty is differentiated according to the mass of CO₂ emissions as mentioned on a certificate (to be) issued by the Registrar of Motor Vehicles as follows:

Level of CO ₂	Differentiation
Up to 120 g/km	30% reduction
121 to 165 g/km	20% reduction
166 to 200 g/km	10% reduction
201 to 250 g/km	10% increase
Over 250 g/km	20% increase

If the above mentioned certificate is not presented, the CO₂ emissions are considered exceeding 250 g/km and the excise duty will be increased by 20%.

Differentiation according to the age of the car

The total excise duty payable on passenger cars is reduced in accordance with the type and the age of the car. By age is meant: the number of days elapsed between the date of the first registration (in any country) and the date of the actual clearing procedure.

Depreciation percentages differ according to the type of passenger car: cabrio, coupé, hatchback, sedan, estate and SUV (Jeep type vehicles) and the percentages are as follows:

Age	Cabrio		Coupé		Hatchback		Sedan		Estate		SUV	
	%	Cum.	%	Cum.	%	Cum.	%	Cum.	%	Cum.	%	Cum.
1 year	16	16	20	20	23	23	20	20	17	17	12	12
2 years	15	31	15	35	15	38	15	35	15	32	15	27
3 years	3	34	3	38	3	41	3	38	3	35	3	30
4 years	11	45	11	49	11	52	11	49	11	46	11	41
5 years	9	54	12	61	11	63	12	61	12	58	11	52
6 years	8	62	7	68	8	71	10	71	8	66	8	60
7 years	0	62	1	69	1	72	1	72	0	66	0	60
8 years	1	63	1	70	0	72	1	73	1	67	1	61
9 years	3	66	3	73	4	76	3	76	3	70	3	64
10 years	5	71	5	78	4	80	5	81	5	75	5	69
11 years	4	75	4	82	5	85	4	85	4	79	5	74
12 years	5	80	5	87	5	90	5	90	5	84	4	78
13 years	5	85	4	91	4	94	4	94	4	88	5	83
14 years	4	89	4	95	1	95	1	95	5	93	4	87
15 years	5	94							2	95	5	92
16 years	1	95									3	95

Iris House, 8th floor, John Kennedy Street, 3106 Limassol

Mailing address : P.O. Box 54917, CY3729 Limassol

Tel. 25-583400 Fax 25-581531 e-mail ciba@ciba-cy.org website www.ciba-cy.org



Additional excise duty

An additional excise duty is levied on any kind of the above mentioned cars amounting to 0,02€uro flat per cc of cylinder capacity.

Important note

If you have all the required particulars at hand you can calculate the total amount of Excise Duty and Additional Excise Duty yourself, using an easy and excellent software for this purpose made available on the website of the Department of Customs and Excise by following this link::

<http://www.mof.gov.cy/mof/customs/customs.nsf/All/56C4D9A3AB5A5B0AC2257488003A6B03?OpenDocument>.

If you send us the required information (copy Registration Certificate + exact type of car) we will be happy to make the calculations for you.

Import duty

The rate of import duty on goods imported from third countries is provided uniformly by TARIC, (http://ec.europa.eu/taxation_customs/dds/tarhome_en.htm), the electronic tariff of the European Union for all member states. The most common rate for cars imported from third countries (= non-EU) is 10%.

This means that if your duty free car has been imported from a third country import duty shall be charged on the customs value at the time of clearance.

For the calculation of the customs value at the time of clearance, the original CIF value (upon arrival in Cyprus) is depreciated according to the same percentages as for calculation of the excise duty (see table above).

VAT

Finally VAT of 15% has to be paid on the total amount of:

- the Customs Value at the time of clearing
- the Excise Duty
- the Additional Excise Duty
- the Import duty (if any)

In case you paid VAT on the invoice value at the time of purchase of your car, VAT will be levied only on the amount of import and excise duties payable.



Example (fictitious)

Mercedes ML320 (considered to be an SUV – 4WD)
 Date of first registration 28/06/1999
 Manufactured in/imported from USA
 Engine capacity: 3.199 cc.
 CO2 emissions: over 250 g/km.
 Purchase price: 45.000 Euro / CIF Value on arrival: 35.500 Euro.

- The excise duty according to the customs software is 8.698,00 Euro and the depreciation percentage (age of car 3.810 days) stands at 70,75%.
- Import duty is 10% on the customs value (35.500 Euro – 70,75%) of 10.383,75 Euro is 1.038,38 Euro.
- VAT 15% on (Customs value of 10.383,75 + Excise duty 8.698,00 Euro + Import duty 1.038,38 Euro =) 20.120,13 Euro makes 3.018,02 Euro.

The total cost of clearing of this car would be **12.754,40 Euro**.

- Excise duty + additional excise duty	8.698,00 Euro
- Import duty	1.038,38 Euro
- VAT 15 %	3.018,02 Euro

Important remark

According to article 139 paragraph 5 of the Excise Duty Laws 2004-2009, any person who contests the amount of excise duty imposed on a certain motor vehicle, may apply in writing to the Director of Customs within a period of 60 days from the date of taxation for reassessment of the excise duty paid, providing the necessary evidence to support this request.

This means, referring to the example above: if the market value of the car, duty paid, is less or close to the amount of duties one should:

- ask the local customs department for a full calculation,
- order a valuation report from an independent valuator (your insurance agent can give you names and telephone numbers)
- address a letter to the **Director of Customs, Customs Headquarters, 1440 Nicosia**, attaching a copy of the Certificate of Registration of the car, a copy of the disposal permit and the customs calculation, a copy of the valuation report, and request the Director to kindly review the amount of duties, based on the actual market value of the car.

However not provided by the above laws, we know that in practice this request for reassessment can also be done before clearance of the car and before payment of the duties.