

CYPRUS TOPS CORPORATE TAX REGIMES POLL IN EUROPE

Cyprus, Ireland and Switzerland are the top three countries in a league table of European tax systems, compiled by KPMG International, in which major business organisations across Europe assessed the attractiveness of their domestic tax regimes.

All three countries were rated highly for their combination of consistency in interpreting tax legislation, stability in resisting frequent changes to tax laws and comparatively low tax rate.

The three least attractive countries were the Czech Republic, Romania and Greece. All three lost support for having high volumes of complex legislation, with frequent changes.

These views were compiled from more than 400 interviews of tax professionals in multinational

companies across Europe. Survey participants were asked how attractive they believed their country's tax regime was compared with other European states.

Taking the percentage of respondents who thought key aspects of their domestic systems were attractive and subtracting those who felt they were unattractive gives a net attractiveness score for each country. Taking these scores together gives the league table overleaf.

The survey also showed that being in a country with an unattractive tax regime is not simply an inconvenience for business. Almost 70 percent of respondents who thought their country's tax regime was unattractive also believed that this put their companies at a competitive disadvantage when competing with foreign companies.

In those countries with an attractive regime just 43 percent of respondents felt that this gave

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them a competitive advantage when competing overseas.

A leading international tax consultant commented: “I was interested to see that a complex tax regime is seen as a hindrance to competitiveness, but relatively few people felt that a simpler system with a low rate can help make businesses more competitive. Governments across the world have been using tax as a lever to encourage inward investment for many years, but these results help to confirm that a benign tax regime is only part of the package which makes a business competitive. Good infrastructure, a high quality workforce and access to raw materials and markets are all equally important”.

The survey explored participants’ attitudes to particular aspects of their home tax regime, including consistency, stability over time, volume of legislation, the tax rate and relations with tax authorities.

At a European level the most unattractive area was the volume of tax legislation, with a net attractiveness score of just 28 percent. But this concealed a huge variation at a country level, with 100 percent of respondents in Cyprus saying that the low volume of tax legislation there made the country attractive, and all of the Romanian respondents declaring that volume of legislation in their country was too high.

Relations with tax authorities were generally positive, with an average of 60 percent across Europe saying that this is an attractive part of their regime. The countries with the highest scores in this area were Ireland, Switzerland, Estonia, Finland, Denmark, Slovenia and Lithuania. Those with the poorest were Germany, Spain, Italy, the Czech Republic and Greece.

He also commented: “These results help to illustrate just how much businesses across Europe dislike uncertainty and complexity. The volume of tax legislation is huge and its interpretation is often opaque. Simplification presents a real challenge for European tax authorities. But it is very encouraging to see that relations between tax authorities and taxpayers are generally good. Our view is that it is only by cooperation and the building of trust between tax authorities, taxpayers and tax advisers that many of the problems with today’s complex tax regimes can be solved.”

Country	Ranking	Net Attractiveness
Cyprus	1	90%
Ireland	2	89%
Switzerland	3	83%
Malta	4	81%
Estonia	5	71%
Finland	6	66%
Austria	7	63%
Slovakia	8	61%
Luxembourg	8	61%
Netherlands	9	59%
Sweden	9	59%
Bulgaria	10	51%
Hungary	11	47%
Spain	11	47%
Belgium	12	16%
United Kingdom	12	16%
Denmark	13	44%
France	14	41%
Slovenia	15	39%
Latvia	16	37%
Portugal	16	37%
Germany	17	30%
Lithuania	17	30%
Poland	18	29%
Italy	19	28%
Czech Republic	20	26%
Romania	21	21%
Greece	22	14%



Best Place To Retire

Record numbers of Britons are fleeing the country for more appealing climates, lower taxes, more affordable property and fewer traffic jams. Latest figures from the Office for National Statistics show that 200,000 people left Britain for good last year, and the majority of them were retirees.

However, many of those who live the dream underestimate the financial implications. Many couples retiring to Spain, for example, think they will pay lower tax, only to be hit by a wealth tax of 0.2% to 0.5% of their worldwide assets. And many couples fail to realise that in Spain and France, unlike in Britain, inheritance tax can be levied on assets passed between a husband and wife – and the rate is 30% on average.

Cyprus tops the list of destinations because it has an income-tax rate

of just 5% on pensions for retired residents, as well as low property prices and no inheritance tax. It also scores highly on related issues such as ease of gaining residency, low property buying and selling costs and benefits for pensioners.

Nick Clark, managing director of Homebuyer Events, said: “Not only does Cyprus offer a warm, sunny climate, it also benefits from favourable taxation and healthcare policies.”

Cyprus is a four and a half hour flight from Britain. It is favoured by retirees because of its hot, dry summers and mid winters - not to mention its preferential 5% tax rate on pensions.

English is widely spoken and they even drive on the same side of the road as in the UK.



Retired residents from overseas are taxed on their pensions at the rate of 5% above about €3,417 (£2,554) a year, whether it is a state, company or personal pension. To qualify for the low rate, you must have lived in the country for at least 183 days.

Alternatively, you can pay the normal rates, in which case the first €19,500 is tax free, rising to 30% on €36,301. So the smaller your income, the better off you are under the normal system.

Remember that if you continue to have assets in Britain, such as bank accounts or an investment

portfolio, you will still be liable for UK tax on any income, even if you are resident in Cyprus. Many retirees therefore move their assets offshore, and then bring the income into Cyprus, in which case there would be no tax to pay, according to Jonathan Spring-Rice of adviser Towry Law.

British retirees will also be attracted by the fact that Cyprus abolished inheritance tax in 2000. However, to benefit from this, expatriates will have to prove they have severed all links with Britain.

(extract from The Sunday Times, 20 January 2008)

New Registrations

Cyprus is an attractive place for direct investment and setting up. Indicative of this is the table with new registrations set-out below.

The strategic location of the island, its excellent climate, the well developed infrastructure and the plentiful supply of high quality, well trained labour are some of the advantages Cyprus has to offer. In addition, the favourable tax regime makes Cyprus an ideal location for manufacturers, especially those with Middle East and north African export activities.

Therefore, investment structures which have the least tax leakage are preferred by investors and are recommended by the advisors. As such, a Cypriot investment vehicle can in many cases collect income, which is a charge against high tax income. Foreign withholding tax is eliminated or reduced under double tax treaties or under EU directives. The rate of tax in Cyprus is low. The income can then be repatriated in any form the investor wishes without any Cypriot withholding tax.

This investment vehicle is suitable both for EU inbound or outbound investments. There are no investment activities that are inappropriate for the Cypriot tax environment. However, there are investment activities which are ideally suited to Cypriot tax environment such as:

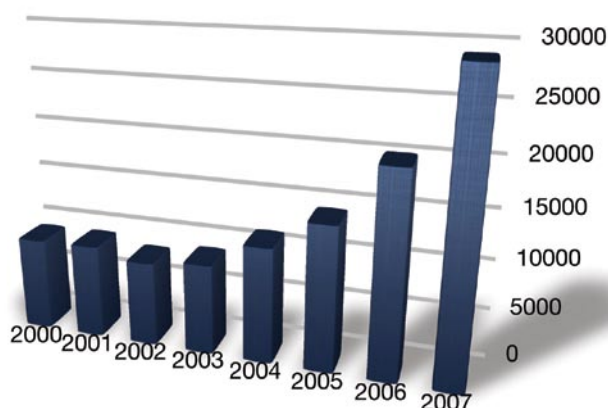
- holding companies
- finance companies
- royalty companies
- investment funds

- south Europe, Middle East, central and eastern Europe
- head office operations

European enlargement and the accession of Cyprus opened up a new gate to investors. Cyprus is no longer just the traditionally strong link of investments in and out of Central and Eastern Europe and Russia, but it is also a strong connecting link of investments in or out of the EU.

Company Registrations

Year	2000	2001	2002	2003	2004	2005	2006	2007
New Comp.	9,362	9,432	8,496	9,080	11,586	14,494	20,280	29,145





Redomiciliations

On 28 July 2006, a new Law has been enacted in Cyprus as an amendment to the Companies' Law, cap. 113 by which foreign companies can be redomiciled in Cyprus and Cyprus registered companies can be redomiciled abroad. The relevant regulations required for the application of this law have been published in the Government Gazette on 6 July 2007.

Redomiciliation of a foreign company in Cyprus

A foreign company may apply to continue existing as a legal entity in Cyprus provided that the laws of its country of current domicile so permit. The redomiciliation takes place with the prior permission by the Cyprus Registrar of Companies. To this effect an application must be filed with the Registrar to attain the necessary consent containing a prescribed list of documents and information.

Once the necessary documents are submitted, the Cyprus Registrar certifies that the foreign company is temporarily registered as a continuing entity and within 6 months from temporary registration, the foreign company must present to the Cyprus Registrar evidence that it has ceased from being a company registered in the country of initial incorporation.

As soon as the Registrar receives proof that the company has ceased to be registered in the country or jurisdiction of origin, he will issue a certificate of continuity confirming that the company has been



registered as a company continuing its domicile in Cyprus.

Redomiciliation of Cypriot company to a foreign jurisdiction

A Cyprus company may apply to continue existing as a legal entity in another country or jurisdiction provided that the laws of that other country or jurisdiction so permit. The redomiciliation can only take place with the prior permission by the Cyprus Registrar of companies. To this effect, an application must be filed with the Registrar to attain the necessary consent containing a prescribed list of documents and information.

The Registrar will consent to the redomiciliation provided that the company, among others, provides a duly signed solvency declaration confirming the solvency of the company and confirming that the directors are not aware of any circumstances that would negatively influence the company's solvency within the next three years, submits special resolution and interim financial statements to the Registrar.

Stamp Duty

A recent amendment was voted by the House of Representatives in Cyprus and is applicable on all written stampable agreements whereby a ceiling of €17.086 was introduced. The amendment is effective for stampable documents signed on 14 August 2007 or later. The following rates are applicable as from this date:

0 - €170,860	0.15%
€170.861 - €8.543.000	0.20%
Over €8.543.000	€17.086

According to Cypriot stamp duty legislation written agreements (including share sale and purchase agreements) are subject to stamp duty if they relate to assets situated in Cyprus or things or matters that take place in Cyprus, irrespective of where they are signed.

Agreements relating to international transactions and not involving assets situated in Cyprus would generally be exempt from stamp duty. In all cases, specialist advice should be sought.



DOUBLE TAX TREATIES

Paid to Cyprus

The table below provides a summary of the withholding taxes applicable for payments to Cypriot companies from double tax treaty countries.

Country	Dividends	Interest	Royalties
	%	%	%
Austria	10	-	-
Armenia	-	-	-
Belarus	10/5	5	5
Belgium	10/5	10	-
Bulgaria	5/10	-/7	10
Canada	15	-/15	-/10
China	10	10	10
Czech Republic	10	-/10	-/5
Denmark	10/15	-/10	-
Egypt	15	15	10
France	10/15	-/10	-/5
Germany	10/15	-/10	-/5
Greece	25	10	-/5
Hungary	5/15	-/10	-
India	10/15	-/10	10/15
Ireland	-	-	-/5
Italy	15	10	-
Kuwait	10	-/10	-/5
Kyrgyzstan	-	-	-
Lebanon	5	5	-
Malta	-	-/10	10
Mauritius	-	-	-
Moldova	-	-	-
Norway	-/5	-	-
Poland	10	-/10	5
Romania	10	-/10	-/5
Russia	5/10	-	-
Seychelles	-	-	5
Singapore	-	7/10	10
Slovakia	10	-/10	-/5
Slovenia	10	10	10
South Africa	-	-	-
Sweden	-/15	-/10	-
Syria	-/15	-/10	10/15
Tajikistan	-	-	-
Thailand	10	10/15	5/10/15
Ukraine	-	-	-
United Kingdom	15	10	-/5
United States of America	5/15	-/10	-
Uzbekistan	-	-	-
Former Yugoslavia*	10	10	10

*includes Serbia and Montenegro

Paid from Cyprus

No withholding taxes exist for dividend, interest or royalty payments which are made to non tax residents of Cyprus

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