GLOBALSERVE INTERNATIONAL NETWORK

UPDATES

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Guernsey's zero-10 corporate tax regime has been deemed harmful by the EU's Code of Conduct Group on Business Taxation

The Code Group had previously ruled similarly in relation to both the zero-10 regimes of both Jersey and the Isle of Man

Guernsey had argued that the offending element from the Jersey and Isle of Man regimes, known as deemed distribution, was different in its tax system to the extent that the Island's zero-10 regime was actually compliant with the Code Group's criteria.

However, on the day following a General Election in the Island, a statement from Guernsey's Policy Council said: "Whilst accepting the operation and timing of Guernsey's deemed distribution regime differed to that of Jersey and the Isle of Man, the European Union's Code of Conduct Group on Business Taxation this week determined that its de facto effect was the same - and thus harmful.

"We expect to be formally notified of this conclusion shortly and provided a detailed explanation of the European Commission's technical assessment of the deemed distribution regime in due course. Once we have received detail of the assessment and the substance of the Code Group's discussion, Ministers will be able to meet to discuss what actions are appropriate to recommend to the next Policy Council and States [of Guernsey, the Island's parliament]."

Under Guernsey's zero-10 regime, all companies are taxed at 0%, except for the profits of specified banking activities which are taxed at 10% (and local utilities at 20%). However, Guernsey resident shareholders are taxed at 20% of profits from either actual or deemed distributions, where the latter include dividends, disposal of shares, migrations, liquidations and investment income.

It now looks certain that Guernsey will follow Jersey and the Isle of Man in removing deemed distribution as a way to retain the zero-10 regime as a whole. Guernsey also has a tax exempt regime for collective investment schemes and it is expected that later this year it will be extended further to apply to any vehicle which is part of a fund structure.

Foreign investors begin flight from India's anti-avoidance rule (GAAR)

As expected, the Indian federal Government's new retrospective general anti-avoidance rule is frightening private investment funds away from their traditional base of Mauritius, according to press reports.

The anti-avoidance rule (GAAR) was announced in the federal Budget in March. It was clearly inspired by the Indian tax Authority's defeat in the Vodafone case, in which the Supreme Court accepted that Vodafone's disposal of an Indian operating business via the Cayman Islands and Mauritius companies exempted it from paying a US$2.2 billion capital gains charge.

The UK's Chancellor George Osborne has also expressed disquiet about the retrospective taxation of overseas investments, saying it could damage India's investment climate. India's economic boom is heavily dependent on foreign direct investment, which jumped by 13 per cent to US$51 million in 2011, according to figures released in January. The USA is the leading investor, followed by Japan and the UK.

Now some of these prophecies are coming true. Private Equity (PE) funds that invest in India are often domiciled in Mauritius, because the island has no Capital Gains Tax (CGT). But some now fear they cannot rely on the India-Mauritius double taxation treaty to exempt them from Indian CGT too.

Early de-campers are said to include 3i, the largest quoted PE firm in Europe. Its Mauritius arm was in the process of raising a US$1.2 billion fund for direct investment into India, but now it will take the fund to Singapore instead, according to insiders.

Other funds said to be preparing a change of domicile are CX Partners and Edelweiss Capital.

Several foreign institutional investors, including the big broker CLSA, have announced they will no longer offer participatory notes on India (so-called P-notes) from Mauritius, and will issue them from Singapore instead. India has a bilateral tax treaty with Singapore.

Read more http://globalservenetwork.com/wp-content/uploads/2010/10/Foreign-investors-begin-flight-from-Indias-anti-avoidance-rule-GAAR.pdf

News

Globalserve Consultants Ltd with Hellenic Bank as the main sponsor, organized a taxation conference which took place on the 25th of April, hours: 9:00am to 16:00pm at Amathus Beach Hotel, 5*, Limassol, Cyprus.

The aim of the conference had been to invite professionals who are interested in the field of international tax planning and to analyze various case studies of the Cyprus Tax System, consider legal issues of Cyprus Companies and Cyprus International Trust, Discuss Cyprus funds and financial investment firms and to provide a unique opportunity for networking and sharing the knowledge and practical experience of accredited professionals.

Tax professionals from Italy, Switzerland and Luxembourg attended. The delegates shared their knowledge and expertise along with that of the presenters and the conference was found to be successful!

9-11 May **STEP CYPRUS LIMASSOL**, participant Dinos Antoniou, Managing Director, Globalserve Consultants Ltd

29-30 May STEP **ISRAEL, TEL AVIV** Annual Conference participant Phani Schiza Antoniou, Managing Director, Globalserve Consultants Ltd

China investing in Cyprus

In Cyprus in the end of April an extended meeting of Chinese and the Cyprus Chamber of Commerce was held. Mutual interest for the development of trade and industrial ties between the two countries were discussed. Chinese businessmen are considering Cyprus as a gateway for trade with the countries of European Union for a long time.

Globalserve Profile

Globalserve Consultants Ltd, is engaged in the area of international tax planning. We incorporate companies from a variety of 23 jurisdictions while focusing on the Cyprus Company which its use is very effective as an onshore jurisdictions with an excellent use towards international tax planning.
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