

Amendment of the Cyprus Poland Double Taxation Agreement

The protocol amending the double taxation agreement between Cyprus and Poland has been signed on behalf of both countries. The protocol makes a number of changes to the existing agreement, which dates back to 1992. The principal changes are outlined below.

Reduction of withholding tax on dividends

The maximum rate of withholding tax on dividends will be reduced from 10% to zero if the owner is a company (other than a partnership) resident in the other contracting state which has directly held at least 10% of the capital of the company paying the dividends for an uninterrupted period of twenty four months, and to 5% otherwise.

Reduction of withholding tax on interest

The maximum rate of withholding tax on interest will be reduced from 10% to 5%.

Beneficial ownership and withholding tax

In line with the latest OECD Model Convention the concept of beneficial ownership has been introduced in the articles relating to withholding tax on dividends, interest and royalties.

Directors' fees

Under the 1992 agreement directors' fees may be taxed in the state in which the director is resident and in the state of residence of the company. Once the protocol takes effect directors' fees will be taxable only in the state in which the director is resident.

Read more <http://globalservenetwork.com/wp-content/uploads/2010/10/Amendment-of-the-Cyprus-Poland-double-taxation-agreement2.pdf>

Reform of the Cyprus International Trusts Law of 1992

The long-awaited reform of the Cyprus International Trusts Law, a much-needed initiative, has finally become reality with the passing by the House of Representatives of the International Trust (Amending) Law of 2011.

When it was enacted in 1992, the Cyprus International Trusts Law gave Cyprus a "state of the art" international trusts regime, with excellent tax mitigation and asset protection features. However, the world has changed considerably in the intervening 20 years, and a number of restrictions and limitations contained in the original law are no longer necessary. New opportunities and investment practices have emerged, which the original law did not take into account. As a result, while the basic structure provided by the International Trusts Law remained sound, it required updating to adapt it to the needs of investors today and in the coming years.

The amending law makes numerous changes to the original law, many of which are of a relatively technical nature. The key changes are outlined in the following paragraphs.

■ Clarifying the provisions on residence

When the 1992 law was drafted, the availability of international trusts was restricted to non-resident settlors in order to prevent tax avoidance by Cyprus residents. It was not clear whether settlors could relocate to Cyprus after establishing a Cyprus International Trust, and the resultant uncertainty undoubtedly discouraged many of them from doing so. The amending law provides only that the settlor may not be a Cyprus tax resident in the year preceding the year of creation of the trust. It also removes the prohibition on resident beneficiaries and on ownership of immovable property in Cyprus, thus avoiding difficulties that might otherwise arise if the settlor or any beneficiary were subsequently to take up residence in Cyprus.

■ Exclusion of overseas law

The law as amended explicitly provides that any question relating to the validity or administration of an international trust or a disposition to an international trust will be determined by the laws of Cyprus without reference to the law of any other jurisdiction, and that the law relating to inheritance or succession in force in Cyprus or any other country will not in any way affect the validity of the international trust or any transfer or disposition of property to it. It also makes clear that the trustees' fiduciary powers and duties of trustees and the powers and duties of any protectors of the trusts are governed exclusively by Cyprus law. Furthermore, it provides that dispositions to a trust may not be challenged on the grounds that they are inconsistent with the laws of another jurisdiction, for example regarding family and succession issues, or on the grounds that the other jurisdiction does not recognise the concept of trusts.

Read more <http://globalservenetwork.com/wp-content/uploads/2010/10/Reform-of-the-Cyprus-International-Trusts-Law-of-1992.pdf>

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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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