

## Cyprus is still the most competitive jurisdiction for the Russian market

A lot of discussion has been made upon signing the protocol between Cyprus and Russia. The new Double Tax Treaty which comes into effect on January 2013 has maintained the favorable withholding tax rates between Cyprus & Russia and has withdrawn Cyprus from the Black List.

The most important matter is that Cyprus is still the most competitive jurisdiction for the Russian market compared to Switzerland and Luxembourg who have also signed favorable Double Tax Treaties with Russia as the comparative table shows and most importantly it offers reasonable incorporation and maintenance costs compared to Switzerland and Luxembourg companies.

	<b>Cyprus</b>	<b>Switzerland</b>	<b>Luxembourg</b>
<b>Dividend WHT</b>	5% for direct investments over €100.000	5% if 20% holding requirement and direct investment over CHF 200.000	5% if 10% holding requirement and direct investment over €80.000
<b>Interest WHT</b>	0%	0%	0%
<b>Royalty WHT</b>	0%	0%	0%
<b>Capital Gains</b>	Gains from sale of real estate company shares may be taxed where the real estate is situated <b>4 year period exemption</b>	Gains from sale of real estate company shares may be taxed where the real estate is situated <b>With immediate effect</b>	Gains from sale of real estate company shares may be taxed where the real estate is situated <b>With immediate effect</b>
<b>Limitation of Benefits</b>	Applicable only for non-Cyprus registered companies	Applicable all cases	Applicable all cases

## Changes in Cypriot Tax Legislation

In an effort to make Cyprus even more applying to foreign investors, new tax laws have been voted by the House of Representatives affecting the below:

1. Taxation of income to intellectual property rights
2. Increase Capital allowances for certain categories of fixed assets
3. Deduction of interest expenses related to acquisition of shares

In addition, in order to encourage investments and discourage distribution of dividends the so called deemed distribution rules have been amended.

Lastly, the VAT law has been amended so as to encourage the acquisition of residential property in the Republic by individuals who are not residing in Cyprus and at the same time the provisions of the law whereby no or refused land registry fees are paid in the case of first sale of property have been extended to 31<sup>st</sup> December 2012.

### Taxation of IP rights

The law introduces an "intellectual property rights box" regime which is somewhat similar to regimes applicable in certain other jurisdictions. The cost of the acquisition or development of the intangible assets (being of a capital nature) is amortized equally over a five periods, i.e. the year of assessment in which the costs have been incurred and the four subsequent years.

This provision shall be applicable for every expenditure for the acquisition or development of intangible assets incurred by a person carrying on a business, including those defined in the Patent Law no. 59 of 1998 (as amended), in the Intellectual property right Law no. 59 of 1976 (as amended) and in the Trademark Law, chapter 268 (as amended). Effectively, this provision covers an extremely wide variety of types and categories of intangible assets.

According to the changes, eighty per cent (80%) of the profit arising from the use of the intangible assets (including compensation for improper use of such assets) as well as out of the profit on their sale is deemed as an expense in arriving at the taxable income.

The 80% deduction would apply on the profit after deducting all direct expenses, such as amortization of the assets, interest expenses to finance the acquisition or development of the assets, as well as any other direct expenses.

### Deductibility of interest expenses related to the acquisition of shares

According to the existing Cypriot legislation and its interpretation by the Cypriot tax authorities, a Cypriot tax resident company cannot deduct interest expense incurred in connection with acquisition of shares.

Read more: <http://globalserve.com.cy/wp-content/uploads/2010/04/Changes-in-Cypriot-Tax-Legislation.pdf>

## News

2 - 3 July 2012, Business Travel Warsaw (Poland). Mrs. Phani Schiza Antoniou, Managing Director, Globalserve Consultants Ltd.

10 - 11 September 2012, Intax Expo Conference, Moscow (Russia). Mr. Dinos Antoniou, C.E.O., Globalserve Consultants Ltd.

12 - 15 September 2012, KEBE Business Forum Chelyabinsk and Tyumen (Russia), Mr. Dinos Antoniou, C.E.O., Globalserve Consultants Ltd.

15-16 November 2012, Intax Expo - Cyprus Congress, Limassol (Cyprus). Mr. Dinos Antoniou, C.E.O., Globalserve Consultants Ltd.

## 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.

[www.globalserve.com.cy](http://www.globalserve.com.cy)

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