GLOBALSERVE INTERNATIONAL NETWORK

UPDATES

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Cyprus to modernize antiquated trust law

Cyprus is gearing up to amend its antiquated International Trust Law in an effort to catch up with global and regional competitive jurisdictions.

Trusts on the island are governed by the Cyprus International Trust Law, which was enacted in 1992 and remains unaltered ever since.

The shortcomings of the regulatory framework have been further underpinned by the modernization and successful emergence of other competitive trust jurisdictions, such as Malta, which has adopted a robust and highly attractive trust law framework, opening the way for substantial foreign investments to be channeled in or through the country.

The proposed changes to the Trust law include, inter alia, the introduction of efficient "firewall" provisions and modern jurisdictional protection clauses that address the security concerns expressed by existing and new foreign investors. The amendment also proposes that permanent residents of Cyprus are allowed to set up an international trust and even hold immovable property on the island. The amendment also addresses issues of confidentiality, trust duration, the application of foreign jurisdictional laws and more. The proposals take into account the realities of the Cyprus economy today and are in compliance with EU law and directives.

Cyprus's Parliament passed a bank tax

The funds will protect investors' deposits

Cyprus's parliament passed last month legislation imposing a 0.095 percent tax on deposits of banking institutions, saying part of it would help create a financial stability fund. Lawmakers passed the government bill unanimously.

The measure is expected to bring in 120 million euros ($175 million) in the next two years. Some 60 percent of the amount, or 70 million euros, will go to the state. The remainder will be directed to a bank stability fund to be created by the Cypriot Central Bank.

Greece enacts new tax laws

Law 3943/2011, ratified by the Greek Parliament on 29 March 2011, makes a number of changes to the tax rules governing both companies and individuals

The measures are effective 31 March 2011 (the date of publication) unless a specific article provides otherwise. Below are highlights of the most important changes. The new law amends the taxation of profits of Greek corporations. All profits will be taxed at a rate of 20% for accounting periods ending on or after 1 August 2011.

As from 1 January 2012, profits distributed to domestic or nonresident shareholders will be subject to a 25% withholding tax. The law introduces a quasi-participation exemption on dividends received from EU entities. Under the new law, dividends from EU subsidiaries are exempt from corporate tax and should be sheltered in a tax-free reserve account.

A new provision allows taxpayers to deduct payments to "non-cooperating" (i.e. black list) countries if the taxpayer can prove that the transaction with the entity in the black list jurisdiction is bona fide. The original text of the law introducing the anti-avoidance measure would have disallowed a deduction for any payment to an entity in a black list jurisdiction, irrespective of whether the taxpayer was engaged in a tax avoidance or evasion scheme.

The new law also revises the definition of a jurisdiction with a "favorable tax regime": countries with a corporate income tax rate equal to or lower than 60% of the Greek tax rate (i.e. 60% of 20% = 12%) are considered to have a favorable tax regime.

Tax amnesty still provides for funds that should have been declared or taxed in the past can be declared by 30 September 2011 and will be subject to a tax rate of 8%. However, the funds need not be repatriated to Greece for the taxpayer to benefit from the amnesty. "Funds" include not only savings accounts, but also investment accounts managed by financial institutions or insurance companies.

News

Globalserve is glad to announce the Moscow Conference on **"INTERNATIONAL TAXATION & ASSET MANAGEMENT IN TURBULENT TIMES"** which takes place on the 2nd of June. Bank of Cyprus is sponsor of the conference. For more information visit our website

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