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CORPORATE DEPARTMENT NEWSLETTER

JANUARY 2010

Welcome Statement of Mr. George Yiangou
Managing Partner

Although the tourism, property and construction sectors have been affected by the global crisis, the Cyprus economy has fared well compared to other European countries. Our law firm continues to expand its operations in the areas of corporate and banking & finance practice.

It is reassuring to see the business in our corporate department to continue to increase, in this financial climate. Our firm looks forward to further growth in 2010 and as a result we have expanded our Head Office in Cyprus in order to accommodate new lawyers.



Our computer and telecommunication systems have been upgraded to cope with the increased capacity and to provide the highest quality of services. May I take this opportunity to wish all our clients and colleagues a healthy and prosperous 2010!

Thank you for your continued support and collaboration.

NEWS

Official visit to Cyprus of Russian Foreign
Minister Sergei Lavrov

Russian Foreign Minister Sergei Lavrov paid an official one-day visit to Cyprus on 4th November 2009 to discuss bilateral relations as well as important international issues.

Mr Lavrov expressed his gratitude for the stance of the Republic of Cyprus regarding the upgrading of relations between Russia and the EU. "Cyprus' stance will contribute to the development of approaches by other member-states, which are interested in a closer cooperation between the EU and Russia" he said, and referred to the proposal of the Russian President Dimitri Medvedev for the creation of a new European Security Architecture.

For his part the Cyprus Foreign Minister Mr Kyprianou made reference to the "excellent" relations between Cyprus and Russia. "Traditionally there is a friendship both at the level of Governments and at the level of peoples, and this friendship transforms into cooperation at a bilateral, multilateral and international level", he said.

After the talks, the two Ministers signed a Programme of Cooperation between the Russian Federation and the Republic of Cyprus in the fields of Science, Education and Culture for the period of 2009-2012 and a Plan of Consultations between the Ministry of Foreign Affairs of the Republic of Cyprus and the Ministry of Foreign Affairs of the Russian Federation for the period 2010 - 2011.

NEWS FROM GREECE

The year 2009 was significant for our Athens office as several events had an important impact on the office's business.

First, we were happy to welcome 5 new qualified employees who reinforced our Athens team by contributing with their professional skills and knowledge in various specialised areas of the firm's practice.

The firm in Athens was divided into two legal entities: a pure local law firm under the name George Y. Yiangou & Associates Advocates – Legal Consultants, with the corporate activities being transferred under the scope of the new company Yiangos Corporate Services.

Yiangos Corporate Services provides a full range of services in all areas of corporate, banking & finance and taxation, and in collaboration with the Cyprus Head Office provides its clients the highest quality of services and solutions.

INTERNATIONAL TRANSACTIONS

Our active practice on international transactions during the last year has continued to be busy despite the swift decline in the corporate and finance markets worldwide. While in the first half of 2009 the focus of our work in the areas of corporate & commercial and banking & finance was on distressed deals and restructurings, we have experienced a strong "picking-up" of fresh deals starting with August/ September, culminating with the **successful closing of a 3 billion US\$ transaction at the end of the year.**

Our experienced and energetic team of lawyers has provided existing clients extremely useful solutions on how to better safeguard their position in the "vicious" market conditions, whilst the increasing amount of workload arising from abroad in the second part of the year has created the necessity of enlarging our team in order to respond in the same prompt and efficient manner to our new clients' needs.

Overall, our practice and expertise in these areas of law is "perfected" year by year and we are proud to see that our long established co-operations continue to be fruitful and that more and more international law firms, multinational corporations and most prestigious banking and financial institutions are actively seeking our services and are extremely satisfied with their choice of Cyprus counsel.



TAXATION NEWS

New Tax Law Amendments for Income Tax and Special Contribution for Defense (SDC) Effective as of the 1st of January 2009

Important Tax Laws have been amended by the Cyprus Parliament the 22nd of October 2009, which are effective as of the 1st of January 2009.

These amendments provide further tax incentives, improve Cyprus position as an attractive tax jurisdiction and focus on the tax treatment of interest income, foreign dividend income exemption and the Collective Investment Schemes (CIS).

Interest Income - tax treatment

Interest received by collective investment scheme is only taxed at 10% corporate income tax. Interest received from individuals and companies in the ordinary course of their business including interest closely connected to the ordinary course of business is taxed at 10% after deducting expenses.

Interest received from individuals and companies which does not satisfy the conditions prescribed immediately above is subject to Special Defense Contribution (SDC) without expense deduction at the rate of 10%.

Dividend Income – tax treatment

The new amendment abolishes the minimum participation requirement of 1% for the exemption of foreign dividends from taxation in Cyprus when received by a Cyprus tax resident company. This makes it easier for portfolio investors to benefit from the dividend participation exemption.

The exemption from dividends received from abroad does not apply when:

- a) more than 50% of the foreign paying company's activities result directly or indirectly in investment income, and
- b) the foreign tax burden is significantly lower than the tax rate in Cyprus, i.e. tax burden rate below 5%.

Disposal of securities - tax treatment

Proceeds arising on the disposal of a unit in the hands of any individual or/and company is exempt from corporation tax and SDC. Profits on the disposal of a unit in a collective investment scheme is exempt from tax in Cyprus.

Collective Investment Schemes (CIS)

The following provisions are not applicable to unit holders of CIS which are not tax residents in Cyprus:

- a) The SDC rate for dividend deemed distributions has been reduced from 15% to 3%,
- b) The SDC rate for dividend deemed distributions arising on liquidation has been reduced from 15% to 3% and
- c) Redemption of units in CIS or other interest does not constitute a reduction of capital and therefore is not subject to SDC.

New Cyprus - Czech Republic Tax Treaty

On the 26th of November 2009 the new Tax Treaty between Cyprus and the Czech Republic was ratified. This treaty was signed on the 28th of April 2009 and it has replaced the 1980 Cyprus-Czechoslovakia Tax Treaty.

The main changes to the treaty are the elimination of withholding tax on dividends (where holdings are 10% or more) and interest (previously 10%).

Withholding tax on royalty payments will increase from 5% to 10%; however, as from 1 January 2011, royalties paid to Cypriot companies will be exempt from Czech Republic withholding tax where the conditions of the EC Interest and Royalties Directive are satisfied.

Cyprus and Italy Sign Treaty Protocol

On the 4th of June 2009 Cyprus and Italy signed a protocol amending the Cyprus-Italy Income Tax Treaty signed on the 24th of April 1974.

The protocol was signed in Nicosia by the Cypriot Finance Minister Charliaos Stavrakis and the Italian Ambassador in Cyprus Luigi Napolitano.

The protocol will amend the Tax Treaty to facilitate the exchange of tax information between the two countries in accordance with the OECD standard. It will enter into force after it is signed and ratified by the two countries.

Cyprus - Germany Protocol to Tax Treaty

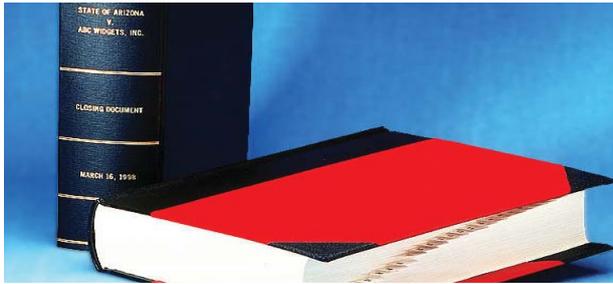
A new Protocol between Cyprus and Germany marked to their Tax Treaty signed on the 9th May 1974. This Protocol replaces Article 26 of the existing Tax Treaty on the Exchange of Information.

The Protocol is expected to come into force immediately after the ratification by both the Cypriot and German Parliaments. The new Tax Treaty Article 26 adopts the wording of the 2008 OECD Model Convention with one extension of scope.

The above stated extension of scope allows the Contracting State to use information received for non-tax purposes but only where the domestic laws of both countries (Cyprus and Germany) allow for this other use and also that the Supplying State authorises such use by the State that receives it.

It also provides for a comprehensive list of information to be provided by the Contracting State when making a request which follows Cyprus domestic tax law requirements for providing information and includes provisions for the protection of personal data.

LEGAL NEWS



Recent Amendment to the Cyprus Companies Law, Cap. 113

On 24th of July 2009, the House of Representatives has adopted important amendments to the Cyprus Companies Law, Cap.113 (the "Law"), the purpose of which is to modernize and update many aspects of the Law.

The most important amendments which have been introduced by Law 99(I) of 2009 are the following:

Registration of amendments, assignments or other changes with respect to registered charges:

(a) Any amendment, assignment or other change to a charge which has been registered with the Registrar of Companies (under s.90), it is now obligatory and clear that it is possible to be registered without the need to register such change as a new charge.

(b) The need to register with the Registrar of Companies of certain charges has been abolished:

(i) there is no need to register with the Registrar of Companies pledges over shares in Cypriot companies when the pledgor is a Cyprus company.

(ii) There is no need to register with the Registrar of Companies charges which come within the Cyprus legislation adopting the EU Financial Collateral Directive.

Exception to the rule of Prohibition of Financial Assistance:

Prohibition of Financial Assistance Section 53 has been amended introducing an exception to the general rule which had strictly prohibited a Company from providing financial assistance, directly or indirectly, for or in relation to the acquisition of its own shares or of the shares of its parent company.

Accordingly, a private company may now by means of loan, guarantee or otherwise, offer financial assistance whether directly or indirectly for purchase of its own shares provided that: (i) The private company is not a subsidiary of a public company; and (ii) The arrangement proposed has been approved at any time by way of a resolution passed by the general meeting of the company by a majority of 90% of all issued shares of the Company.

Corporate Seal:

The need of affixing the common seal on documents which under English law would require the common seal to be affixed (i.e. deeds) has been abolished.

It is noted, however, that in case a company opts to affix its common seal on any document, the affixing of such seal should be done in accordance with the relevant procedure set out in its articles of association.

Clarification of the provisions relating to issue of redeemable shares:

Issue of Redeemable Preference Shares Section 57 (1) of the Law has been re-worded to allow for the issue of redeemable preference shares, provided the articles of association of the Company authorize the issue of preference shares, on terms that allow redemption either (i) at the option of the company; or (ii) at the option of the member.

Transfer of shares of Cyprus companies traded in a foreign market:

The requirement for the production of a duly executed instrument of transfer to be delivered to the Cyprus company for a valid transfer of shares or debentures of it has been abolished by the introduction of a new provision, provided that the transfer is effected in compliance with the law and regulation governing the operation of the foreign market in which the shares or other securities in the Cyprus company are traded.

It has also been made possible for a Cyprus company to *keep register abroad* and transfer of a share registered in a register situated outside Cyprus is deemed to be a transfer of Company property situated outside Cyprus.

LEGAL ARTICLES

CYPRUS HOLDING COMPANY

Cyprus is a long established reputable International Financial Centre. It has gained this enviable position through its attractive taxation system and its excellent infrastructure facilities and services.

Cyprus accession into the European Union on 1st May 2004 has created an ideal gateway for European inbound and outbound investments through Central and Eastern Europe, Russian, Asia and Africa. Offering the lowest tax rate in the European Union and complying with the European requirements Cyprus rendered as one of the best and safest holding companies jurisdiction in the world.

The advantages of using a Cyprus holding company to hold overseas investments are many and presented below:

- 10% corporate tax;
- exception from tax in most cases of dividends;
- exception from tax in most cases of profits from foreign permanent establishments;
- exception from tax on sale of titles
- exception from withholding tax on the repatriation of income either in the form of dividends, interest and on almost all royalties;
- extensive double tax treaties network;
- minimal anti – avoidance rules;
- no legal requirements as to the minimum or maximum share capital of a Cyprus holding company.

The unique feature of Cyprus Holding Company is that the above advantages are applicable for both, EU and non-EU residents, which is making Cyprus the most attractive jurisdiction for holding companies in the Europe.



INTERNATIONAL COLLECTIVE INVESTMENT SCHEMES (ICIS)

The International Collective Investment Schemes Law, (47(I)/1999) has provided the legal framework for the registration, regulation of operations and supervision of International Collective Investment Schemes (ICIS).

An ICIS can take legal form of an (i) International fixed capital company; International variable capital company; (iii) International unit trust scheme, or (iv) International investment limited partnership.

The sole object of an ICIS must be the collective investment of funds of the investors / shareholders. The shares issued by an ICIS must be, at the option of the investors redeemed or repurchased directly out of the assets of the ICIS. The ICIS may be established with unlimited or limited duration.

Taxation:

ICISs are subject to tax in an identical manner as any other Cyprus company (see preceding article).

Procedure for establishing ICIS:

ICISs must be approved by the Central Bank of Cyprus which is the regulatory and supervising authority for the schemes and for their managers and their trustees. In this respect a written application to the Central Bank must be made accompanied with the required supportive documentation. To grant the recognition, the Central Bank must be satisfied of the competence and honesty of the ICIS's management and officers and of the compliance of the ICIS's constitutional and documentation relevant to subscription or investment with the requirements prescribed by the law.

Our firm's assistance:

Our firm provides all the necessary assistance in the establishment and administration of ICIS as from the early stages of the application for recognition and through their on-going operations. This includes assistance in the completion and submission of the application, drafting of all relevant constitutional or other documentation and agreements, offering administrative services including nominees, office facilities and assistance as to accounting and audit.

VAT CHANGES FROM THE 1ST OF JANUARY 2010

The European Council has adopted new VAT legislation that will change the so-called place of supply rules for cross-border services. The new rules will take effect January 2010:

A. Changes regarding the place of the provision of the services between business-to-business (B2B) – Directive 2008/08/EU

Under the new rules cross-border business-to-business supplies of services will be taxed where the customer is situated or where the supply is consumed, rather than where the supplier is situated which is the current basic place of supply rule until 31st of December 2009.

Changes apply for all services except from the services below:

(1) Services related directly to the immovable property; (2) Restaurant services and services supplied in the course of catering (3) Leasing of means of transport (4) Cultural, Athletic, Entertainment, Scientific, Educational and related services.

B. Changes regarding the place of the provision of the services between business-to-consumers (B2C) – Directive 2008/08/EU

For business - to - consumer supplies of services, the place of taxation will continue to be where the supplier is established. If the services are provided from a fixed establishment in a place other than the place where the supplier has established its business, the place of supply will be the place where that fixed establishment is located.



Exemptions continue to exist to the general rule. These exemptions are based on the existing criteria and the principle of taxation at the place of consumption.

Examples of the exemptions are as follow (1) Short-term hiring of a means of transport - place of supply is the place where the means of transport is actually put at the disposal of the customer - subject to optional 'use and enjoyment' rules (2) Intermediary services - the place of supply of the underlying transaction (3) Electronically Supplied Services received from outside the EU - the place where the customer is established.



C. Changes in the time of supply of services – Directive 2008/08/EU

The time of supplies of services which are subject to VAT by the recipient under the reverse charge provisions will as from 1 January 2010 be the earlier of the: (1) Date in which the supply of the service was completed, and (2) Date of payment.

In the case of supply of services continuously over a period more than one year, for which no obligation for periodic payments exists, the VAT will be due at the end of calendar year. The VAT that will be due will be the VAT which is attributable to the value of the service provided.

D. Declarations VIES II – Directive 2008/09/EU

From 1 January 2010 all businesses will be required to complete and submit the new declaration VIES II for cross-border supply of services which are taxed under the reverse charge provisions in another Member State (MS).

The services which must be included in the new declaration are solely the services which will be taxed for VAT purposes in the other MS. Services which are supplied to persons established outside the EU must not be included. Services which are exempt from VAT in the country of the recipient must not be included in the new declaration for intra-community supply of services.

The new declaration will be submitted on a monthly basis. In accordance with the provisions of the proposed legislation the declaration will be submitted by the tenth day of the month which follows the month for which it relates. For example, the first declaration for January 2010 has to be submitted by 10 February 2010.

E. Refund of VAT paid in another MS– Directive 2008/09/EU

As from 1 January 2010 the existing procedure for refund of VAT paid in another MS will be replaced with a new electronic procedure.

The purpose is faster refund of the VAT to the claimants. In addition in case of delay in the refund of the VAT by a MS, interest will be paid to the business for the period of the delay. The deadline for the submission of the claim for VAT refund is extended by 3 months from 30 June of the next year to 30 September.



THEOFANIA, RELIGIOUS CEREMONY HELD AT THE RESIDENCE OF MR. YIANGOU

Keeping with the usual tradition, a special ceremony was held at the swimming pool of Mr. Yiangou for the local parish community of Nisou for Theofania.

Every year, on the 6th of January, throughout Cyprus, a special ceremony takes place where the religious cross is thrown into the river and retrieved by members of the parish.

The ceremony symbolizes the baptism of Christ and 'courageous' members of the congregation dive into the 'icy' water to retrieve the cross. As the river in Nisou has been dry for several years, it has become tradition for the ceremony to be held in Mr. Yiangou's pool !

The left picture below, shows the congregation being led from the parish church through Mr. Yiangou's gardens to the swimming pool. The picture to the right shows the ceremony.



**GEORGE Y. YIANGOU & CO WELCOMES THE
NEW MEMBERS OF THE FIRM**



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