

George Y. Yiangou & Co achievement

We are delighted to announce that in the Corporate International Magazines inaugural Global Awards 2010 for Cyprus, George Y. Yiangou & Co has been voted the **'Full Service Advisory Excellence in Cyprus'** for the year 2010.

The awards identify and recognise excellence in the legal profession in more than 30 countries, with winners being decided by an independent poll of industry experts.

Commenting on the award, Mr. George Yiangou, Managing Partner of the firm said, **"We are honoured to have been nominated and then achieving the award, and we are very grateful to all our clients for the confidence they have shown in us. We look forward to continuing to serve them and help them attain their business goals."**



EIB and Central Cooperative Bank sign Convention aiming to boost Cyprus economy

Vice President of the European Investment Bank (EIB) Ploutarchos Sakellaris and Director General of the

Central Cooperative Bank Erotokritos Chlorakiotis signed a Convention for the allocation of a 50 million Euro grant of the EIB to the Cooperative Central Bank for the financing of SMEs in Cyprus, on favorable terms and competitive interest rates, with a view to boost the island's economy.

On his part, Sakellaris said that during 2009, EIB financing for Cyprus was

double than the annual average over the past four years and expressed satisfaction over the high percentage of absorption of the grants, worth 138 million Euro, which the EIB attributed to Cypriot banks.

In addition, Sakellaris pledged that larger funds would be given during 2010 by the EIB, which may reach 300 million euro, recording an increase of 50% compared to 2009.



Cyprus presidency of the Council of the European Union.

The presidency of the European Union will be taken over by Cyprus in the latter half the 2012.

This will be a great challenge for Cyprus, since Cyprus is one of the newer Member States in the EU. Further, presidency will give Cyprus an opportunity to contribute towards the achievement of the aims of the EU and a strategic investment in more effective participation in the European proceedings.

The task of the presidency is of great responsibility because Cyprus will handle European matters by promoting the EU priorities and ensuring that the various high level meetings run harmoniously. State presidency will offer valuable experience and will put Cyprus at the heart of the European Union for six months.

The Eurostat press office issued a press release in June 2010 a press release with a title «Taxation trends in the European Union EU27, tax ratio fell to 39.3% of GDP in 2008, Steady decline in top corporate income tax since 2000».

Corporate tax rates in the European Union continued their declining trend in 2010. The highest statutory tax rates on 2010 corporate income are recorded in Malta 35%, France 34.4% and Belgium 34% and the lowest in Bulgaria and Cyprus 10% and Ireland 12,5%.

During the last 10 years the largest decreases were registered in Bulgaria from 32.5% to 10%, Germany from 51.6% to 29.8%, Cyprus from 29% to 10% and in Greece from 40% to 24%.

This report underlines Cyprus's competitiveness as a low-tax economy. Taking into account Cyprus's wide range of double tax treaties and the lowest corporate rate within the 27 Member States at the rate of 10%, it is easy to see why Cyprus has become the natural portal for investment into the European Union.

On the other hand, the average standard VAT rose to 20.2% in 2010 from 19.8% in 2009. The minimum VAT rate in the European Union is 15% in Cyprus and Luxembourg, and the maximum is 25% in Denmark, Hungary and Sweden.



EU APPROVES NEW CYPRUS TONNAGE TAX LEGISLATION

The European Commission has granted its approval to the new Cyprus Merchant Shipping system, for being compatible with the requirements of the EU acquis.

The Merchant Shipping (Fees and Taxing provisions) Law (N44(I)/2010) which was approved by the Cyprus Parliament on 29 April 2010 introduces the new tonnage tax system in Cyprus and is applicable as from, the fiscal year 2010. Under the new regime, the benefits previously enjoyed by owners of Cyprus vessels and ship managers are extended to cover owners of foreign vessels and charterers. Furthermore, the tax benefits are now further extended so as to cover not only profits from the operation of vessels and shipping activity but also profits on the sale of vessels, interest earned on funds used other than investment purposes and dividends paid directly or indirectly from ship related profits.

The system is available to any owner, charterer or ship manager who owns charters or manages a qualifying ship in a qualifying shipping activity. The tax

payable is calculated on the net tonnage of vessels in accordance with a broad range of bands and rates specified by the Law.

According to the Law a qualifying ship is a seagoing vessel certified under applicable international rules and regulations, registered in the ship register of any member of the Maritime Organisation and/or ILO (International Labour Organisation). Qualifying shipping activity under the Law, means any commercial activity that constitutes maritime transport, crew management and/or technical management.

Cyprus, favoured by its strategic geographical position and infrastructure is considered as one of the best centres for establishment of ship owning and ship management companies. The island's maritime industry is ranked as the 3rd largest in the EU and 10th worldwide. The new Cypriot tonnage tax regime is here to strengthen this position and further enhance the competitiveness of the Cyprus Merchant Shipping industry.

New tax regime for international maritime transport companies in Cyprus receives EU approval

The European Commission has granted approval to the Cyprus government's proposal for reducing the tax burden on companies engaged in international maritime transport by introducing a new special tax regime to apply on them.

Under the newly introduced scheme, companies engaged in international maritime transport, may elect to be taxed by a tax calculated on the net tonnage of the fleet that they operate (tonnage

tax) instead of being taxed on the profits of their maritime transport activities.

The authorisation of the scheme has been granted by the Commission until 31 December 2019.

The new scheme will undoubtedly make Cyprus even more attractive as a shipping centre, currently being one of the biggest in Europe and the tenth largest in the world.

Cyprus have been removed from the countries described as offshore zones by the Russian Central Bank

The Central Bank of the Russian Federation has issued instructions, which came into force on 29 March 2010, for the removal of Cyprus from the list of countries described as "offshore zones" with a privileged taxation system. According to a Central Bank of Cyprus press release, "the removal of Cyprus from the list is a positive development and strengthens the reputation and esteem of Cyprus as an international financial centre."

The Central Bank of Cyprus also notes that the instructions prove the close cooperation between the two Central Banks over the past few years in the sector of banking supervision.

According to a Regulation of the Central Bank of the Russian Federation, which was introduced in 2003, the opening of bank transfer accounts from Russian banks to banks operating in "offshore zones" is subject to various terms, conditions and restrictions.



Cyprus is no longer on Italy's blacklist of tax havens.

The Ministry of Economy in Italy has issued amendments to the relevant legislation, by which Cyprus has been removed from the country's 'blacklist' of tax havens.

The Ministry has made the appropriate changes to the list of countries considered to have tax systems which favour the avoidance of taxation: the rules concerning the residence of individual taxpayers; the list valid within the tax legislation concerning controlled foreign companies (CFCs); and that regarding the non-deductibility of corporate costs and expenses.

Cyprus has been eliminated from the blacklist of countries with which Italy does not have a sufficient level of tax information exchange.

Due to the fact that Cyprus is a member of the European Union it now has full ordinary fiscal status as far as the Italian tax system is concerned. In particular, with effect from this tax year, any Italian individuals who have attempted to transfer their residence to Cyprus will not have a continued presumed residence in Italy, while there will be no additional tax consequences for those Italian businesses with subsidiaries or associated companies in Cyprus.

Tax Residency of Cyprus Companies, Permanent Establishment, Foreign Director, Foreign Attorney

Creating an international tax efficient structure with a Cyprus company involved and seeking to safeguard the absolute control over the structure or the Cyprus company, the owners use to “put their own persons” to be responsible for the management of the Cyprus company’s activities. By doing so, they often ignore the basic rules that should be complied with in order to be able to fully enjoy the tax benefits offered by Cyprus law and the extensive network of double taxation treaties (DTTs) to which Cyprus is a party. Non careful structure planning may defeat the purpose for which the structure is in fact being created or result in occurrence of undesirable taxes or duties and other unexpected obstacles for conducting business.

Giving all or majority of management powers with regards to a Cyprus company to a foreign director(s) or attorney(s) may lead to:

- a)** The company not being considered as a Cyprus tax resident, and/ or
- b)** The creation of a permanent establishment (PE) in the country such directors(s)/ attorney(s) are resident of, and therefore obligation to register the PE with the tax authorities and occurrence of taxes on the profits attributable to the PE in accordance with taxation rules of such country (such is the provision of the majority of double taxation treaties; see, for instance, clause 5 of Article 5 of the DTT between Russia and Cyprus of 1998).

The test as to whether a Cyprus company is a Cyprus tax resident is whether the management and control of the company is exercised in Cyprus. To satisfy the test the majority of the Directors of the company should be Cyprus residents, the Directors’ meetings should be held in Cyprus and the general policy of the company to be formulated in Cyprus - all the three criteria are essential and should co-exist.

To avoid the creation of a PE in a foreign country the representatives of a Cyprus company (directors or attorneys), residing in such foreign country, should not be given excessive powers for conducting business of the company and the directors (Cyprus residents) of the company should maintain knowledge and control over the actions of its representatives which in practice will mean approval of such actions by a relevant board resolution.



LEGAL NEWS

Amendments to Cyprus Banking Law

The Amending Law 100(I) of 2009 makes a number of important changes to Cyprus's Banking Law.

It transposes the provisions of EU Directive 2007/44/EC relating to mergers and acquisitions of banks into the national law and increases the maximum limits of investments by banks in the share capital of any company, as provided for in subsection (1) of section 13 of the Banking Law, to align them with the maximum limits permitted under article 120 of EU Directive 2006/48/EC.

In addition, the new law amends the provisions of the Banking Law regarding banks' obligations to provide the Central Bank of Cyprus ("CBC") with information on beneficial shareholders holding 5% or more of their share capital.

With effect from 24 July 2010, the maximum limits of exposures to each director and to all directors together of each bank will be reduced from 5% to 2% and from 40% to 20%, respectively.

LEGAL ARTICLES

Notes on Taxation of Cyprus International Trusts

Cyprus International Trusts enjoy significant tax advantages, and provide important tax planning potentials.

A Cyprus International Trust must meet all the following requirements:

- (a) The Settlor may not be a permanent resident of Cyprus;
- (b) No Beneficiary (other than a charity) may be a permanent resident of Cyprus;
- (c) The trust property may not include any real property situated in Cyprus; and
- (d) At least one trustee must be resident in Cyprus at all times.

The following are some of the main tax benefits that a Cyprus International Trust enjoys:

- Income, gains and profits are exempted from income tax, capital gains tax, special contribution or any other taxes in Cyprus.
- No estate duty or inheritance tax in Cyprus.
- No exchange control regulations.
- The same person can be the settlor, the trustee (through Cyprus IBC (offshore company), in which he/she can be the sole director and he/she can be the only beneficial owner of the shares) and also a beneficiary i.e. an individual could have directly absolute control and ownership of the trust fund.
- An International Trust may form a Cyprus international business company, partnership or branch and obtain the benefits available to them.
- An International Trust may carry out business in Cyprus subject of course to the laws of the country which are imposed on the beneficiaries and not on the trust itself.
- There are no reporting requirements in Cyprus for the International Trusts.
- Trust capital received in Cyprus by a foreigner resident or retired in Cyprus from trusts not resident in Cyprus is not taxable on the trustee.
- Dividends, interest or royalties received by an International Trust from a Cyprus international business company are not taxable and not subject to any withholding tax.



IAG Assembly, Istanbul, Turkey, 06-09 of May 2010

Mr. Chris Yiangou, Partner and Head of the Corporate Department, with Mrs. Christiana Pericleous our Human Resources Manager, attended the IAG Assembly which took place in Istanbul at the beginning of May this year.

During the General Assembly Business Session, the Delegates took part in a round table session where each delegate talked about the law of its own country



Mr. Christopher Whitamore, Chris Yiangou and Arthur Bailey

Chris Yiangou, Christiana Pericleous, Ekin Can, Thomas Roeskens and Silvia Schrade



I.T.P.A (International Tax Planning Association) VENICE MEETING 6-8th JUNE 2010

Mr. Vangelis Evangelou Head of the Tax and Audit Department of our office, and Mrs. Christiana Pericleous, attended the 35th Anniversary Meeting in Venice.



2nd International Islamic Business and Finance Summit, 27-29th June, 2010 Kazan, Russia

Chris Yiangou and Vangelis Evangelou attended the 2nd International Islamic Business and Finance Summit in Kazan, Russia where our firm George Y. Yiangou & Co took part as exhibitors.

The Objectives of the Summit were to identify the strategic development prospects of international economic relationships between Russia and Muslim

countries and to develop cooperation in the sphere of direct investments in private sectors of Russia and Muslim countries.

The participants came from financial institutions, businessmen, representatives of governmental authorities, academics, from Russia, Europe and Southeast Asia.

FORTHCOMING CONFERENCES

ITAX-EXPO Conference in 29-30th of September 2010 in Moscow, Russia.

Chris Yiangou, Vangelis Evangelou and a team from our Corporate Department will attend the ITAX-EXPO Conference on 29-30th of September 2010 in Moscow, Russia.

During the conference our firm will be an exhibitor and Mr. Chris Yiangou will be a speaker on the topic: Nominee Structure and Registration of Companies in Cyprus.

During the visit to Russia Chris Yiangou will also be visiting our clients.



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