

The Institute of Certified Public Accountants of Cyprus

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Proposals by ICPAC for the economy and development measures

ICPAC presents its proposals for development measures that can be implemented immediately without any revenue loss and other proposals also of a development nature as medium term measures.

The services provided to foreign companies which are attracted and activated in Cyprus is the healthiest and most productive sector of the Cyprus economy. The development prospects of this sector as well as of Cyprus as an International Business Centre (IBC) are unlimited.

The 10% corporation tax is the corner stone of any recognition that Cyprus has until now as an IBC and it should therefore be protected as a treasure.

Competition by other European Business Centres, as for example Luxembourg, Netherlands, Ireland, Malta etc is intensified and thus any additional taxes should be avoided; also efforts should be exerted to improve the business environment and promote Cyprus as an International Business Centre. In this respect two examples concerning Luxembourg and Hungary were given to prove the intensity of competition.

Proposals for development measures which can be implemented immediately

- Renegotiation or extension of Agreements for the avoidance of double taxation with key countries.
 - Renegotiation, for example with India, Ukraine and the USA
 - New agreements:
 - G20 countries such as Brazil, Mexico, Argentine, South Korea, Japan, Indonesia, Saudi Arabia, Australia.
 - Hong Kong
 - Countries of the African continent which will be selected on the basis of the prospects of attracting foreign investments.

We believe that the team of officers at the Ministry of Finance dealing with renegotiation or extension of the double tax treaties should be strengthened and, in cooperation with the private sector, pursue the realization of the above targets.

- The promotion for adoption of outstanding harmonization bills which will assist in the development of the Services Sector such as:
 - Undertakings of Collective Investments in Transferable Securities and Alternative Investment Fund Managers
 - Fiduciary Services

- Improvement of the taxation method of intellectual property rights for attracting foreign companies so as to use Cyprus in the administration of these rights, such as:
 - i. Allowing depreciation on the cost of capital for acquiring intellectual property rights, e.g. 25%
 - ii. Allowing a discount on the income from property rights, e.g. 80% as in the case of Luxembourg.
- Profits from permanent establishment abroad and dividends from abroad to be completely exempted from tax.
- All interest received by a company to be subjected only to corporation tax.
- All benefits in kind, including allowances both in the public and the private sector to be taxed.

Proposals for medium – term measures

For the modernization of our taxation system and the removal of existing distortions which will help in improving the functioning of the economy and the competitiveness of Cyprus as an International Business Centre, we suggest that the following be considered:

1. Immovable property sector:
 - Abolition of stamp duty for contracts
 - Abolition of transfer fees
 - The tax on immovable property should be an allowable deduction for income tax purposes.
2. A study for designing a special taxation regime for the repatriation of funds, as for example a reduced defence tax rate on interest earned on such deposits at banks in Cyprus.
3. Abolition or reduction or introduction of a fixed stamp duty upon incorporation of companies taking into account the competitive European centres, e.g. Luxembourg. The existing stamp duty of 0.6% is not competitive.
4. For promising development services, e.g. medical sector, education etc special concessions could be granted, such as accelerated capital allowances.
5. Modernization of taxation on gambling so as to increase tax revenues and enable the State to exercise effective control.