

MINISTRY OF FINANCE

PRESS RELEASE

GLOBAL FORUM ON TAX TRANSPARENCY AND EXCHANGE OF INFORMATION FOR TAX PURPOSES AND CYPRUS

The Global Forum on Tax Transparency and Exchange of Information for tax purposes, is the leading international body for ensuring the implementation of the internationally agreed standard on transparency and exchange of information in the tax area.

During the Global Forum meeting in Jakarta, Indonesia on the 21st and 22nd of November 2013, the Global Forum released compliance ratings for 50 jurisdictions which had both phases of their assessments completed; a) legal and regulatory framework and b) practical implementation of the legal framework.

The overall rating that Cyprus has been assigned at the Jakarta meeting was one of “non-compliant”. Issues relating to this rating and the way forward are analysed below:

1. All legal and regulatory issues identified in the first phase of review were dealt with through the enactment into law of appropriate provisions, like explicitly stating in the law (in addition of common law provisions) the information that should be available on a trust, removing references to Companies' Law which allowed the issue of bearer share warrants in public companies (a provision that does not seem to have ever been used), the need for Cyprus incorporated but not tax resident companies to file tax returns with Cypriot authorities etc. As the first phase review was completed in March 2012, the recent changes in the law in 2012, have not yet been reflected into the rating assigned.
2. Delays in the exchange of information with counterparts for the period of 1 July 2009 - 30 June 2012. Cyprus has handled a substantial number of requests (on more than 4.000 subjects) for the period under review but with delays. Since 2012, personnel, procedures and capacity of the International Tax Affairs Division of the Inland Revenue Department, has been significantly enhanced and thus its ability and performance in handling requests from counterparts. This is something that is noted by the assessors but did not bear significant weight to the rating for the period under review.
3. Low compliance rate for the filing of tax returns. This is partly due to uncertainties as to the population of active companies in Cyprus, with the total number of active companies artificially inflated. This issue has also had a

bearing on the low compliance rate in the filing of annual returns in the Companies House.

4. It is the authorities belief that for the period under review, the efforts of Cyprus in completely streamlining its regulatory framework and well as its actual performance in handling requests, which were considerable in number, should have warranted a higher rating being assigned. However, despite the actual current state of affairs, being much better than those arrived at during the review stage, all efforts are being made by the Ministry of Finance and the tax authorities, the accounting and legal profession the Cyprus Securities and Exchange Commission as well as the Companies Registrar, who are working together in a coordinated manner, taking all necessary steps for significant improvements in all relevant matters.

In conclusion, it is our firm belief that Cyprus has already taken steps and will take all necessary additional steps to implement the required changes and ensure that during the next review stage in 2014, the assessors will note a very significant improvement on all measured parameters and have Cyprus' overall rating changed to a much better one, than the current rating.

25 November 2013