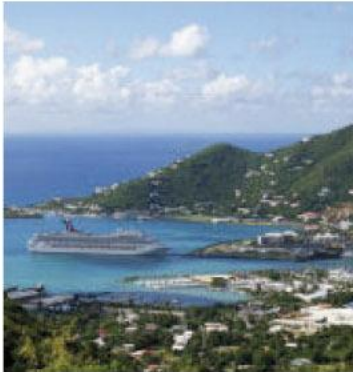




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Cyprus: Confirmation of acceptable margins

Introduction

Cyprus is an interesting location to choose to play a part in Group financing structures. This stems from its substantial treaty network, the absence of withholding taxes on interest and dividends, and the lack of thin capitalisation rules. As a result it makes an interesting location as a group financing location.

This has now been strengthened by the Cyprus Income Tax Commissioner clarifying that back-to-back loans will be acceptable if the following margins should be earned in Cyprus:

Up to €50m	0.35%
Between €50m and €200m	0.25%
Over €200m	0.125%

Interest free loans will be deemed to have earned an interest margin of 0.35%. If there is no loan in and the Cypriot company has used its own funds, then market related interest needs to be charged.

Groups planning to use Cyprus in this fashion should take note that thin capitalisation rules in debtor countries obviously still need to be taken into account.

Key Contact:

If you require advice or assistance in regard to any of the matters raised in this article, please contact your usual contact or

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