

Corporate Tax - Cyprus

Proposals to provide tax relief for bail-in losses announced

Contributed by **Andreas Neocleous & Co LLC**

January 17 2014

Proposals have been submitted to Parliament to amend the Income Tax Law to regulate the tax treatment of losses resulting from the bail-in of unsecured depositors which took place in March 2013. The current proposals provide that losses incurred by reason of the bail-in will be considered a tax-deductible expense with an upper limit of 10% of the taxable profit for the year. It is unclear whether unrelieved losses will be available for offset against profits in future years and, if so, for what period.

The proposals are still in their early stages and may change substantially before being enacted, or may not even secure the necessary support to be enacted in their current form. Nevertheless, it seems likely that a package of measures to grant relief for bailout losses will be established in due course.

For further information on this topic please contact Philippos Aristotelous at Andreas Neocleous & Co LLC by telephone (+357 25 110 000), fax (+357 25 110 001) or email (aristotelous@neocleous.com). The Andreas Neocleous & Co LLC website can be accessed at www.neocleous.com.

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Author

Philippos Aristotelous



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