



In this issue
Removal of Cyprus from the Russian tax "blacklist"
Further extension of the amnesty for late payment of tax liabilities
Amendments to the Assessment and Collection of Taxes Law
New double taxation agreement between Cyprus and Estonia moves closer
New law governing the provision of fiduciary and corporate services
Payment of interest on VAT refunds
Property amnesty laws amended
The Investment Services and Activities and Regulated Markets (Amendment) Law of 2012
Establishment of framework for government guarantees to credit institutions
Shipping - guidance on the tonnage tax system
The Reporting Formalities for Ships Arriving and Departing from Ports of the Republic Law
News about our firm
Recent publications

Removal of Cyprus from the Russian tax "blacklist"

The long-awaited removal of Cyprus from the "List of the States and Territories providing preferential tax treatment and (or) not requiring disclosure and furnishing of the information upon conducting of financial transactions (offshore zones)" appended to Order 108n of the Ministry of Finance of the Russian Federation dated 13 November 2007 took effect from the beginning of 2013.

Order 115n of the Ministry of Finance of the Russian Federation dated 21 August 2012 provides that the Republic of Cyprus will be removed from the list with effect from 1 January 2013.

Companies incorporated in Cyprus will now be able to benefit from the Russian participation exemption, under which dividends received by Russian companies from qualifying participations will be exempt from tax, provided that:

- ≡ The recipient holds at least half the equity of the distributing entity and the participation confers the right to receive at least half of the dividend distributed;
- ≡ The recipient has held the investment for at least one year at the time the decision is made to distribute the dividend; and
- ≡ The cost of the investment is RUR 500 million (approximately €13.6 million) or more.

Furthermore, transactions between unrelated Russian and Cyprus companies will no longer be subject to the automatic transfer pricing control scrutiny in Russia that applies to locations included in the "blacklist".

The countries remaining on the "blacklist" is now as follows: Andorra, Anguilla, Anjouan, Antigua and Barbuda, Aruba, Bahamas, Bahrain, Belize, Bermuda, British Virgin Islands, Brunei Darussalam, Cayman Islands, Channel Islands (Guernsey, Jersey, Sark, Alderney), Cook Islands, Dominica, Gibraltar, Grenada, Hong Kong SAR, Isle of Man, Labuan, Liberia, Liechtenstein, Macau SAR, Maldives, Malta, Marshall Islands, Mauritius, Monaco, Montserrat, Nauru, Netherlands Antilles, Niue, Palau, Panama, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and Grenadines, Samoa, San Marino, Turks and Caicos Islands, United Arab Emirates and Vanuatu.

Further information: [Philippos Aristotelous](#)

Further extension of the amnesty for late payment of tax liabilities

As reported in previous issues of this newsletter, in November 2011 the Cyprus Parliament enacted a law allowing for a partial write-off of interest and penalties on overdue tax liabilities of companies and individuals in respect of tax years up to and including 2008. Interest and penalties on overdue income tax, special defence contribution tax, immovable property tax, stamp duty and capital gains tax would be restricted to 5% of the principal amount owed, as long as the liability and the 5% surcharge were paid by 31 March 2012. The deadline was initially extended by eight months to 31 October 2012, and has now been further extended until the end of 2013.

However, the benefits will now reduce the longer settlement is delayed. The penalties and interest on arrears settled by the end of October 2012 will be capped at 5% of the unpaid taxes. This surcharge will increase to 6% for amounts settled in November 2012 and will continue to increase by 1 percentage point each month settlement is delayed.

Until the end of March 2013, in order to benefit from the fixed rate penalty the whole amount due in respect of a particular year of assessment must be settled at once. With effect from 1 April 2013, part payments will also qualify for the amnesty. For example, if there is an unpaid liability of €150,000 (before penalties and interest) for the year 2007 and the taxpayer pays €100,000 plus 11% in April 2013, the liability will be reduced to €50,000. If the taxpayer pays this €50,000 plus 13% in June 2013 the debt will be extinguished.

A tax amnesty law introduced in December 2007 was challenged as being unconstitutional and was overturned by the Supreme Court in May 2008. However, as yet there has been no objection to the current series of tax amnesty laws.

Further information: [Philippos Aristotelous](#)

Amendments to the Assessment and Collection of Taxes Law

Law 163(I)/2012, promulgated on November 30 2012, makes a number of amendments to the Assessment and Collection of Taxes Law with effect from 1 January 2013.

Provisional income tax

Companies and individuals must submit their provisional income tax return for the tax year in progress and pay the first instalment of provisional tax on or before 31 July (formerly 1 August). Provisional tax is now payable in two equal instalments, no later than 31 July and 31 December.

Employers' returns

Employers must submit their annual return of employees' pay and deductions in the preceding tax year (Form IR 7) online. The deadline for submission has been extended from 30 April to 31 July.

Retention of records

Where returns are submitted by electronic or similar means and the director of the Inland Revenue Department dispenses with the submission of certain documents, these documents must be retained for a period of no less than six years (formerly seven years) from the end of the tax year to which they relate. The same retention period applies to accounts, records and documents not forming part of the return, that support any information included in the return.

Further information: [Philippos Aristotelous](#)

New double taxation agreement between Cyprus and Estonia moves closer

The double taxation agreement between Cyprus and Estonia has been signed by the two countries' foreign ministers, according to the Cyprus ministry of foreign affairs. Estonia did not adopt the 1982 double tax treaty between Cyprus and the former USSR, and there is currently no double taxation agreement in force between the two countries. Details of the new agreement, which was initialled in February 2011, are not yet available, and it is not yet known when it will enter into force. However, in the meantime, in accordance with its usual policy Cyprus will normally allow unilateral relief for Estonian taxes paid.

Further information: [Philippos Aristotelous](#)

New law governing the provision of fiduciary and corporate services

The law on the Regulation of Fiduciaries, Administration Businesses and Company Directors, which transposes the provisions of Directive 2005/60/EC into national law, has been enacted by the Cyprus Parliament. The first draft law was published in 2006 and several changes have been made in the course of a long consultation process, including the shifting of the supervisory responsibility from the Central Bank of Cyprus to the Cyprus Securities and Exchange Commission (CySEC).

The law applies to persons and companies providing relevant fiduciary and other corporate services relating to the administration or management of trusts and companies in or from Cyprus. It covers services such as directorship and secretarial services provided by a legal person, including acting as an alternate director or secretary, holding of shares of legal persons in a nominee or trustee capacity, provision of a registered office, services related to the opening and operating bank accounts; and services for the ownership of financial assets on behalf of third parties.

The principal objectives of the new law are to regulate the provision of relevant services, to establish and impose licensing procedures for and supervision of such services, offering security to clients and strengthening confidence in the sector.

The new law provides that relevant services may be offered only by persons or legal entities that hold a licence from CySEC or who are specifically exempted from the licensing requirement. Lawyers and accountants who are regulated by their respective regulatory bodies are exempt from the need to obtain a licence.

CySEC will maintain a register of licence holders and licences may be issued on such terms and conditions as CySEC considers appropriate. In order to obtain a licence, providers of relevant services must comply with certain criteria regarding their professional and academic qualifications, experience and their internal procedures.

In order to obtain a licence a service provider must satisfy a number of requirements. Its head office must be located in Cyprus; it must be represented and administered by at least two persons, who must have the appropriate academic and professional qualifications, expertise and integrity to manage it competently and prudently and it must employ a compliance officer and an in-house lawyer or externally engage these services.

Regulated service providers must put in place appropriate internal control procedures in order to ensure that they have accurate, up to date information at all times, in compliance with the law.

All providers of trustee services are required to obtain the following information regarding trusts they administer and keep it available at all times for disclosure to CySEC:-

- ≡ identity of all trustees;
- ≡ identity of the settlor;
- ≡ identity of the beneficiaries or information on the class of beneficiaries;
- ≡ identity of any protector;
- ≡ identity of the investment manager, accountant and tax consultant (as may be applicable); and
- ≡ the business of the trust.

At any time, CySEC may request a licence holder to provide any information or documentation that is reasonably required for conducting its supervisory role and, in the event of non-cooperation on the part of the licence holder, may confiscate for up to 45 days any registers, accounts, books, documentation or electronic devices used for the transmission of data.

Contravention of the law is a criminal offence punishable on conviction by imprisonment of up to five years, a fine of up to €350,000 or both. If the offence was committed by a legal person, then any of its directors, managers or responsible auditors may be liable if it is proved that he or she agreed or assisted in the commission of the offence. CySEC may also impose an administrative fine of up to €500,000 (or up to €1 million for repeat offences), depending on the seriousness of the offence.

Further information: [Philippos Aristotelous](#)

Payment of interest on VAT refunds

The VAT Law has been amended to provide for the payment of interest on VAT refunds in accordance with the provisions of Council Directive 2008/9/EC of 12 February 2008 laying down detailed rules for the refund of value added tax.

As a result of the amendment a taxable person who submits a claim for a refund of VAT which is not paid within four months of submission of the claim will be entitled to interest at the statutory rate (currently 5% per year) from the date the four-month period expires, as long as the delay in repayment is not due to any fault, action or omission on the part of the taxable person. In the event that a VAT audit is undertaken in relation to the refund application, the four-month deadline for repayment and accrual of interest is increased to eight months.

The amendment takes effect from 19 February 2013 and relates to tax periods commencing after that date, the first of which will be 1 March- 31 May 2013, in respect of which the due date for submission of returns is 10 July 2013.

Further information: [Philippos Aristotelous](#)

Property amnesty laws amended

The Cyprus Parliament has approved amendments to the so called Property Amnesty Laws in order to address problems arising from delays in the issue of certificates of registration (title deeds) to property owners. The three amending laws, which streamline the application procedure and remove unnecessary obstacles, came into force on 2 November 2012 and set various deadlines for applicants.

The amendments provide for an extension of the time allowed for the submission of a Statement of Intent to apply for the issue of title deeds. Applicants must notify the Ministry of Interior no later than 30 April 2013 of their intention to apply for the legalisation of any irregularities and the issue of title deeds. The formal application must be submitted no later than 31 December 2014. The submission of a Statement of Intent does not commit the owner to submit a formal application, but if no Statement of Intent is submitted by 30 April 2013 the right to submit an application is lost.

Strict conformity of the building with all relevant regulations is no longer a prerequisite for the issuing of a certificate of registration. A certificate of registration may be issued for a building with minor irregularities: these irregularities must be recorded on the certificate.

Updated title deeds can be issued, notwithstanding irregularities in construction, provided that an application is submitted to the Building Authority, together with an accurate description of the building and of any discrepancies between the "as-built" state and the building permit or planning permit.

The issuing of a title deed with notes does not render the relevant building compliant with prescribed standards. The "competent authority" (the Building Authority, the Planning Authority or the Director of the Land and Surveys Department) may require action to be taken by the owner to rectify any deficiencies or departures from required standards.

The owner of the development and the supervising architect are required to inform the Building Authority within a specified period of the completion and first use of the building, and of any departures from approved plans and building permits.

The right to take the necessary steps for the legalisation of the development or for the issuing of updated title deeds is no longer restricted to the current registered owner. Either the purchaser (under certain conditions) or the competent authority may now initiate the necessary procedures. This addresses the situation where the owner is unable or unwilling to fulfil his obligations to apply for title deeds.

Updated title deeds are issued in the name of the original owner, and not in the name of purchasers. Authorities involved in the procedure do not have the power to transfer property rights to purchasers without the owner's consent. However, once separate title deeds are issued for individual units forming part of a development, purchasers will be able to invoke the right of specific performance of the contract of sale by court action against the vendor. The transfer of property to purchasers is performed by the registered owner, either voluntarily, or by an order of the court issued at the request of the purchaser.

The competent authorities may communicate directly among themselves on any actions taken towards the legalisation of the buildings, without the owner's involvement.

In all three amended laws, the competent authorities are empowered to impose administrative fines in cases where the owner fails to submit the required declarations or applications for the legalisation of buildings, or irregularities in buildings, or for the issue of certificates of approval or certificates of unauthorised works or updated title deeds, thus encouraging owners to comply with their legal obligations.

Further information: [Christos Vezouvios](#)

The Investment Services and Activities and Regulated Markets (Amendment) Law of 2012

Sections 53 and 54 of the Investment Services and Activities and Regulated Markets Law, Law 144(I) of 2007 ("the Investment Services Law") made provision for the establishment of a board responsible for organising examinations on an annual basis or more frequently for persons employed by Cyprus Investment Firms wishing to qualify to perform functions including receiving and transmitting orders in relation to financial instruments, executing orders on behalf of clients, dealing on own account, portfolio management, investment advice and underwriting financial instruments or placing financial instruments on a firm commitment basis.

The Investment Services and Activities and Regulated Markets (Amendment) Law of 2012 abolishes these arrangements and transfers responsibility for the examination and certification of any person employed by a Cyprus Investment Firm or credit institution to the Cyprus Securities and Exchange Commission. The Investment Services Law as amended now also allows the supervisory authorities, namely the Cyprus Central Bank, the Cyprus Securities and Exchange Commission and the Authority for the Supervision and the Development of Cooperative Societies, to issue policy directives regulating the qualifications of persons providing investment services.

Further information: [Stephanos Evangelides](#)

Establishment of framework for government guarantees to credit institutions

In November 2012 the Cyprus parliament enacted two laws establishing a detailed framework for the granting of government guarantees to Cyprus credit institutions under the Law on the Management of Financial Crises, Law 200(I) of 2011, as amended by Law 40(I) of 2012.

The initial law, which was passed on 8 November, allowed the state to guarantee bonds and borrowings of up to €3 billion and stipulated that any single state guarantee exceeding €500 million must have the prior approval of the parliamentary Finance Committee. On 22 November a further amending law was passed doubling the aggregate limit of guarantees to €6 billion and the threshold for single guarantees requiring approval of the parliamentary Finance Committee to €1 billion.

The aim of the new scheme is to enhance credit institutions' access to liquidity and help them to overcome the impact of the economic crisis. Credit institutions requiring support must apply within six months from date the law entered into force. Government guarantees are to be granted for a term of between three months and five years. The scheme is open to all credit institutions incorporated in Cyprus, including cooperative credit institutions and subsidiaries of foreign banks. Institutions receiving support will be required to pay an appropriate commission and provide adequate collateral. The latter requirement may be waived in exceptional cases, on the recommendation of the Central Bank of Cyprus. Recipients will also be required to give undertakings not to abuse the benefits of state support, including accepting restrictions on expansion, marketing, staff remuneration and bonus payments.

Further information: [Panos Labropoulos](#)

Shipping - guidance on the tonnage tax system

The Department of Merchant Shipping has recently issued guidance on several aspects of the tonnage tax system under the Merchant Shipping (Fees and Taxing Provisions) Law (44(I)/2010).

Circular 44/2012 confirms that owners of yachts and pleasure craft are not required to file tax returns, even though they are deemed to be non-qualifying owners (and consequently not subject to tonnage tax), provided that the vessel concerned is used exclusively by the owner for non-commercial purposes. If the yacht or pleasure craft is used either wholly or partially for commercial purposes, the owner must submit income tax returns and tax computations to the Inland Revenue Department and will be taxed accordingly.

Circular 45/2012 notes that the Inland Revenue Department has sent notices to a number of shipping companies, requiring them to submit income tax returns for periods up to the year ended 31 December 2009, that is, before the tonnage tax law took effect. Registered owners and bareboat charterers of Cyprus ships earning income from the operation of such ships, as well as ship management companies earning income from the provision of ship management services, may apply to the Department of Merchant Shipping for the issuance of a tax clearance certificate. On presentation of this certificate, they will be released from the obligation to submit income tax returns, provided that they have no other sources of income.

Further information: [Costas Stamatiou](#)

The Reporting Formalities for Ships Arriving and Departing from Ports of the Republic Law

The Reporting Formalities for Ships Arriving and Departing from Ports of the Republic Law of 2012 (Law 148(I)/2012) has been enacted, transposing the provisions of Directive 2010/65/EU of the European Parliament and of the Council of 20 October 2010 into national legislation. It repeals the 2003 law of the same name (Law 155(I)/2003).

The new law aims to simplify and harmonise the administrative procedures applied to maritime transport by rationalising and standardising reporting formalities and making the electronic transmission of information the norm. With effect from 1 June 2015 the competent Cyprus authorities are obliged to accept the fulfilment of reporting formalities in electronic format and the transmission of the relevant information via a single portal complying with article 6 of Directive 2010/65/EU and linking SafeSeaNet, e-Customs and other electronic systems, where all information is reported once and made available to various competent authorities and other Member States.

Further information: [Costas Stamatiou](#)

News about our firm

Japan appoints Andreas Neocleous as Honorary Consul General in Cyprus

Andreas Neocleous, chairman of our firm, has been appointed by the government of Japan as the country's Honorary Consul General in Cyprus. Diplomatic relations between Japan and Cyprus were established in 1962, but Japan has no career diplomatic representation in Cyprus. Mr Neocleous accepted the appointment at a reception in Nicosia in honour of the Japanese Emperor's birthday, which was hosted by the Japanese Ambassador to Greece and attended by the President of Cyprus.

The position of Honorary Consul involves assisting Japanese nationals who are in need of consular assistance in Cyprus. As Japan has no permanent diplomatic representative in Cyprus the Honorary Consul will also have responsibility for representing the Japanese government in Cyprus on certain occasions.

In his acceptance speech Mr Neocleous remarked that though Japan and Cyprus are geographically distant they are both islands with a strong maritime tradition, and expressed his intention to promote mutual understanding, friendship and respect between the people of Cyprus and Japan.

Promotions and new appointments

Professional development, active career management and meritocracy are central to our human resources strategy, and in November we announced the admission of Philippos Aristotelous as a partner in the firm, together with four further promotions to senior associate. We have also strengthened our corporate and commercial and litigation capacity across our Cyprus offices with a total of ten new appointments and augmented our management team by appointing a new group chief accountant and a business development manager. To view complete details please [follow this link](#).

Elias Neocleous addresses the third Limassol Economic Forum

Elias Neocleous was among a distinguished panel of speakers at the third Limassol Economic Forum. The Forum, which took place on 17 October 2012, was hailed as a great success and received extensive media coverage in Cyprus and abroad. The event took place under the auspices of the Cyprus Presidency of the Council of the European Union, and was attended by a wide range of businesspeople, professionals and other senior decision-makers from the public and private sectors. Prominent figures from the world of politics and economics, including several ministers and ex-ministers, gave the audience their views and analysis of recent economic developments in Europe, conveying thought-provoking ideas and stimulating extensive debate.

The Russian community in Limassol

Our firm and our chairman, Andreas Neocleous, featured prominently in a report by "To Periodiko" magazine on the topic of Limassol's 30,000-strong Russian community. Andreas Neocleous, described in the report as the founder of Cypriot-Russian friendship, reviewed the development of commercial relations between Cyprus and Russia and gave his views on the future of Russian business in Cyprus.

Recent publications

The following are a selection of our publications since the previous edition of this newsletter. They may be viewed by following the links below or by visiting the publications section of our website, which is constantly updated and contains a wealth of useful information on recent developments in Cyprus law.

- ≡ [Cyprus chapter of "Getting the Deal Through - Restructuring and Insolvency"](#)
- ≡ [Cyprus chapter of "PLC Dispute Resolution Handbook"](#)
- ≡ [Cyprus chapter of "Legal Aspects of Doing Business in Europe"](#)
- ≡ [Cyprus chapter of "International Execution Against Judgment Debtors"](#)
- ≡ [Cyprus chapter of "International Banking Law and Regulation"](#)
- ≡ [Laws of Cyprus with Commentary in "World Intellectual Property Rights and Remedies"](#)
- ≡ [Cyprus chapter of "The Private Wealth & Private Client Review"](#)
- ≡ [Cyprus chapter of "Getting the Deal Through - Private Client"](#)



Andreas Neocleous & Co LLC

Neocleous House, 195 Archbishop Makarios III Avenue, PO Box 50613, CY-3608, Limassol, Cyprus
Tel.: +357 25 110000 Fax: +357 25 110001
E-mail: info@neocleous.com Website: www.neocleous.com

Admiralty and shipping, banking and finance, corporate and commercial, e-business, EU Law, intellectual property, litigation and arbitration, real estate, tax law and international tax planning

Other local and international offices: Nicosia; Paphos; Moscow; Brussels; Budapest; Kiev; Prague; Sevastopol