

Corporate Tax - Cyprus

Cyprus removed from all Italian tax blacklists

Contributed by [Andreas Neocleous & Co LLC](#)

August 20 2010

An additional protocol to the Cyprus-Italy agreement on the avoidance of double taxation, which was signed on May 28 2009, has now been ratified by both countries and has come into effect. The additional protocol provides for the exchange of bank and other information based on the Organisation for Economic Cooperation and Development Model Tax Convention.

Following ratification of the protocol, Cyprus has formally been removed from Italy's three 'blacklists' of countries considered to have systems which favour the avoidance of taxation. As a result, Italian-owned companies established in Cyprus are no longer subject to Italian controlled foreign company rules, and Italian individuals who move to Cyprus are no longer presumed to be resident in Italy for tax purposes unless they prove otherwise. Finally, Cyprus has been added to the white list for the purposes of applying portfolio income exemption, which exempts foreign source portfolio investment income from Italian withholding or substituted tax at a rate of 12.5%.

Cyprus has also been removed from the blacklist of countries with which Italy has an insufficient level of tax information exchange. This is significant with regard to the new requirements, announced in April 2010, for Italian businesses to report certain import and export transactions above €50,000 to the Italian value added tax authorities - particularly transactions involving countries with an insufficient level of tax information exchange. Under the new rules, details of transactions in goods and services from companies or individuals with an establishment, residence or domicile in such countries (which include Luxembourg, Liechtenstein, San Marino and Switzerland) will have to be forwarded to the Italian Revenue Agency.

Inclusion on the blacklists has had little practical significance since Cyprus joined the European Union in 2004. Nevertheless, removal from the blacklists is an important recognition that companies and individuals with activities in Cyprus will now have ordinary fiscal status as far as the Italian tax system is concerned.

For further information on this topic please contact [Elias A Neocleous](#) at [Andreas Neocleous & Co LLC](#) by telephone (+357 25 110 000), fax (+357 25 110 001) or email (eliasn@neocleous.com).

The materials contained on this website are for general information purposes only and are subject to the [disclaimer](#).

ILO is a premium online legal update service for major companies and law firms worldwide. In-house corporate counsel and other users of legal services, as well as law firm partners, qualify for a free subscription. Register at www.iloinfo.com.

Author

Elias A Neocleous

