VIRTUAL ROUND TABLE

CorporateLiveWire

Corporate Tax 2014

MEET THE EXPERTS

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Joseph Fu is a Certified Public Accountant qualified in Hong Kong and the UK, and a Member of The Institute of Chartered Accountants in England and Wales. He has served as a council member of The Taxation Institute of Hong Kong for many years and was the Institute's president in 2002 and 2003.

Joseph founded the firm to provide individuals and local businesses with access to professional tax and accounting services. With over 30 years of tax and financial management experience, he was named one of Hong Kong and China's top advisors by the International Tax Review in 1998, 1999 and from 2003 to 2006, and by Euromoney in 2002.

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David Chodikoff specializes in Tax Litigation (Civil and Criminal) and International Tax Dispute Resolution. He represents clients in tax disputes with government tax authorities before the courts.

David began his career in 1989, as a solicitor in The Advisory, Commercial and Property Law Section of the Ontario Regional Office (ORO) of the Department of Justice Canada (DoJ). Among his many accomplishments, he worked on the ground and gate leases for the Terminal 3 Project at Toronto's Pearson International Airport.

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Benjamin is a Senior Advisor within the International Tax and Advisory section of KSi Malta. KSi Malta is one of Malta's leading audit, tax and advisory firms and provides a wide range of services to both Maltese and international clients. KSi Malta values the skills, strengths and perspectives of its diverse team and prides itself on its staff's professionalism, which further strengthens the firm's competitive edge. Since inception, the firm has encouraged a participatory relationship among all team members as well as all clients.

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James Tng is a partner at UHY Haines Norton Perth, one of the leading accounting and business advisory firms for small to medium businesses in Western Australia. He has extensive experience in tax and business advice to migrants, overseas and Australian businesses and government agencies. For more than 15 years, James has helped clients overcome major obstacles, deal with tough decisions and capitalise on new opportunities to generate tangible results.

He is currently responsible for the specialist tax services and international tax division, along with the superannuation advisory section. James assists larger clients with complex tax issues by providing strategic financial know-how and applying his extensive knowledge of tax systems.

He regularly presents for the Institute of Chartered Accountants and Tax Institute of Australia.

Qualifications: Bachelor of Commerce, Chartered Accountant (Fellow), Chartered Tax Advisor, Registered Tax Agent.

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Christodoulos G. Vassiliades is the Founder and Managing Director of Christodoulos G. Vassiliades & Co LLC.

He has been practicing law since 1984 and specialises in Corporate and M&A, Contract, Commercial, Tax and International Tax Planning, Banking and Finance, and Maritime and Admiralty Law.

He achieved an LLB from the University of Athens (1980) and trained as a pupil advocate in Nicosia, Cyprus (1984). In the same year he founded Christodoulos G. Vassiliades & Co. LLC;

Mr. Christodoulos G. Vassiliades is an appointed Deputy Registrar of the International Merchant Marine Registry of Belize (IMMARBE) for Cyprus and Greece, and has been acting as the Honorary Consul of Belize in Cyprus since 1999. He is also an active member of numerous professional associations, including the Cyprus and Nicosia Bar Associations, the International Bar Association, Interlaw, Mackrell International, Laworld, Lexwork, LEGUS, the International Fiscal Association, the Offshore Institute, the International Tax Planning Association, Cyprus-Russia Business Association, Society of Trust and Estate Practitioners (STEP).

Established in 1984, Christodoulos G. Vassiliades & Co LLC swiftly developed a reputation of excellence and diligence in all legal and business matters, and is now internationally acknowledged as one of the leading law firms on the island.

The Firm has a sizeable national and international corporate network with coordinated teams at the Limassol branch office, representative offices in Moscow, Budapest, Athens, Belize, Malta and Seychelles. This complex structure enables Christodoulos G. Vassiliades & Co LLC to provide international perspectives and support for cross-border transactions to its clients.

It is a pioneer in the concept of providing comprehensive services that meet all client needs. It offers the diverse professional skills of approximately 150 employees including qualified lawyers, legal tax consultants and paralegals, all dedicated to the provision of advice with professionalism, efficiency and integrity.

Christodoulos G. Vassiliades & Co LLC advises an extensive list of high-profile corporate and private clients, both on domestic and international law including matters of Company and M&A, Banking and Finance, Tax and International Tax Planning, Contract, Trust, Admiralty and Maritime, EU and Competition, Intellectual Property, Migration, and Dispute Resolution.

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Catherine Gannon is unusual in being both a solicitor and a chartered tax adviser with substantial tax and financial experience gained in the accountancy profession prior to becoming a lawyer. As a lawyer Catherine worked at leading international law firms before setting up Gannons, a niche commercial law firm.

The firm specialises predominantly in the law relating to employment, company and tax focused on the SME market. Catherine has advised on many company acquisitions, investments and sales and has over 20 years experience in the share plan market. The team at Gannons have many years of experience in delivering practical solutions for both individual clients and corporate clients.

MEET THE EXPERTS

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Michalis Zambartas is a Tax and Legal advisor at Eurofast Taxand. He focuses in the provision of strategic tax advice in the field of international planning, real estate structuring and international trusts for multinational companies. He also delivers guidance on the tax implications of transactions on a national and international level, relating to liquidations, joint ventures, mergers & acquisitions and re-organisations. In addition to multinational groups his clients include real estate funds, banks and high net worth individuals.

In addition to his LLB, Michalis has completed an LLM in Maritime and Commercial Law and LLM in European and International Law from UK universities.

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Practice Areas: Main areas of work are international tax planning, structured finance, mergers and acquisitions and transfer pricing. Statutory auditor in listed companies, mid-sized Italian companies and financial institutions.

Professional Memberships: Certified as 'Dottore Commercialista' and 'Revisore Contabile'. Member of the legal and tax committee of AIFI (Itailan Venture Capital Association) and of the American Chamber of Commerce in Italy.

Dr Chrysthia Papacleovoulou - Nicos Papacleovoulou LLC
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Ms Chrysthia Papacleovoulou holds an LLB Law Degree (Honours) King's College University of London, an LLM in Anglo American Law (Commendation Awarded) City University and has been awarded a PhD from Birkbeck College, University of London under the title "The Emerging Global Corporation" focusing on comparative Company Law, international economic law and corporate governance. She is a Fellow of the Centre of Comparative Legal Studies.

Chrysthia is a fully qualified Advocate at Law and a full member of the Cyprus Bar Association, the Athens Bar Association in Greece and the International Bar Association. She is currently a senior partner of the Law Chambers Nicos Papacleovoulou and at the same time a lecturer of the national university, the University of Cyprus lecturing business and commercial law. Chrysthia has also served as a Lecturer at the state university, the University of Cyprus. Chrysthia has served as a sessional Lecturer of Law at the University of London, United Kingdom for three years lecturing British Constitutional Law, British Company Law and International Company Law.

As a partner in the LCNP Law Chambers Nicos Papacleovoulou, Chrysthia specialises in the areas of corporate and commercial law, international corporate contract transactions and SPAs Agreements and tax planning structures, intellectual property, contract law, conveyancing and the acquisition of immovable property in Cyprus, Wills and Probate and she is the senior partner of the Litigation Department. Chrysthia is a member of the board of directors of Cypriot and foreign public companies as well as of many private limited liability companies. Chrysthia is on the Board of Directors of many private limited liability companies and offers legal and consultancy services to private companies as well as public companies such as the Bank of Cyprus Public Limited Company Plc, Marfin Laiki Popular Bank Plc, Co-Operative Societies. Chrysthia has provided legal opinions for company acquisitions and syndicated loans and has been a consultant to Directors in relation to the syndicated loan of Bank of Baroda to Indus Gas, which has been classified one of the top transactions in India in 2010 and has also advised HSBC Trustees in relation to Trust structures and Trust property management and maintenance.

Corporate Tax 2014

In this roundtable we spoke with nine experts from around the world about the latest changes and developments in Corporate Tax. Our chosen experts outline how the tax market is composed in their jurisdiction and discuss important issues such as litigation trends, transfer pricing policies and how to utilise the cloud.

1 - Can you outline how your jurisdiction's tax market is composed?

Tng: Australia imposes income taxes at a Federal level. At the state level each state imposes Stamp Duty on a number of transactions (land transfer, vehicle transfers, some business transfers and some transfers of shares and units), payroll tax (a tax on businesses with a payroll over a certain level) and some other minor taxes. The rates imposed at a state level vary from state to state. At a local level, municipalities impose rates and taxes related to property ownership.

Indirect taxes are also prevalent in Australia. GST applies nationwide on a most goods and services, with exemptions for certain essential services and staples. Indirect taxes also apply to some petroleum, oil and gas reserves, alcohol and tobacco.

Fu: We advise on PRC (including Mainland China and Hong Kong), as well as related international tax issues. In the PRC, there are numerous tax firms operating at different levels of the market and with different degree of recognition. In general, we do not see industry specialisation in tax since tax as a specialised service is still evolving. Tax specialists cover both direct and indirect taxes and advise on a broad range of compliance and planning issues. The main challenge of the tax market here is that tax regulations are relatively complex and interpretations may vary. While the administration is improving the tax environment by making tax information more transparent and by providing interpretation directives from time to time, the market is strewn with taxpayers uncertain about the tax outcome of their decisions. Such risks are often addressed with expedient measures leading to greater risks; thus, opportunities exist for tax professionals experienced and competent in advancing cases with formal approach. In contrast, Hong Kong has a very mature tax market. Tax law and practice are generally transparent and clear; tax disputes and uncertainties are mostly dealt with formally through objections and appeals. The market is dominated by experienced tax professionals, though there are plenty of rooms for younger professionals and smaller practices in the relatively straightforward tax compliance market.

Chodikoff: Yes, there are both regulatory and litigation trends in Canada that need to be examined and/or monitored closely.

In the policy arena, the federal government has introduced a number of new measures designed to combat tax evasion and promote greater tax compliance. In fact, the government has established a "tax whistleblower program".

There have been a number of very recent changes to the Rules of the Tax Court of Canada. These changes will definitely impact the way tax disputes are handled by tax litigation specialists in the future.

Finally, there have been a number of important subjects that have generated a significant amount of tax litigation and will continue to do so in the coming year. These tax cases include: transfer pricing, the application of the General Anti-Avoidance Rule (the GAAR), trust cases, treaty and permanent establishment matters, residency challenges and various civil penalty cases.

Piccardi: Italy's tax consultancy activity is very vivid; Italy, indeed, is a tax jurisdiction, characterised for being complex, uncertain and frequently changing, so tax consultancy is a very important tool for all national and foreign companies willing to develop and enhance their business activity on national soil. The main operators in tax market are auditing companies and multinational law firms, with internal tax department, as well as "*boutique*" legal and tax practices, small-sized specialised offices. Within the "*boutique*" law firms, the figure of sole tax law practitioners, i.e. professional operators with deep expertise in tax law matters, is very widespread. Generally speaking, the auditing companies carry out all activities related to tax compliance, whereas lawyers and consultants within "*boutique*" law firms operate more on

the consultancy and litigation side.

The recent tax market trends show that the main activities of tax advisors consist of corporate reorganisations, tax litigations and tax ruling assistance, pre-litigation assistance and international tax issues.

Vassiliades: Cyprus has a fully developed tax system which entirely complies with the EU Code of Conduct for Business Taxation and EU Harmonisation Rules. Companies which have their effective management and control in Cyprus are subject to income tax in Cyprus on their worldwide income and any tax suffered abroad is entitled to be used as a tax credit against Cypriot tax that derives on the same income. Dividend income and passive interest income are exempted from income tax. As from 1 January 2013 income tax for companies is 12.5%. Non-Cyprus resident companies are liable to Cyprus corporation tax on income derived from sources in Cyprus and on income generated from activities carried on from permanent establishments situated in Cyprus.

A special regime applies in respect of shipping and ship management companies, exempting them from tax under certain conditions.

Tax residents in Cyprus (meaning someone who is spending more than 183 days in one calendar year in Cyprus) are subject to income tax in respect of the same income as companies, as well as employment income and certain pension income. The current maximum tax rate is 35%, on earnings over €60,000. Foreign pension income is taxed at a flat rate of 5% with an annual exemption of €3,420.

Non-residents are taxable on certain income derived from Cyprus. Partnerships are considered tax transparent and tax is levied on the partners directly. Cyprus has Double Tax Treaties (DTTs) with its main trading partners since the 1970s. The network has greatly extended and it now counts 44 DTTs.

Zambartas: The Tax market is composed by a mixture of small firms dealing with mostly issues relating to small to medium sized enterprises operating wholly in Cyprus (from self-employed professionals to medium sized shops and industries). These small firms deal with accounting and tax advice. There is a traditional tendency for small businessmen to handle all their tax (direct and indirect) and accounting matters by their "personal accountant". It is rare to use lawyers for tax advice unlike other jurisdictions.

There is however the international business aspect – due to the tax incentives offered by Cyprus which has over the last 40 years established Cyprus as an international business centre. Again these are mostly handled by medium to large accounting/audit firms. Nevertheless, we at Eurofast Taxand have seen a great tendency especially amongst multinationals and high net worth individuals (the latter being both local and from abroad) to use our specialised tax teams (comprised of lawyers, financial experts and accountants) to obtain specialised tax advice.

Papacleovoulou: Cyprus offers one of the most favourable tax regulated jurisdictions, making it an ideal location for the creation of holding Cyprus companies, financing and royalty structures, offering very attractive, transparent and efficient tax planning opportunities. For start-ups it offers one of the lowers corporate tax rate in the whole of Europe. Dividend income is generally exempt from taxation; with no withholding taxes, no taxation on the profit from sale of shares and similar titles, no thin capitalisation rules or minimum capitalisation requirements, unilateral tax credit relief applies all in a fully regulated European Union Environment with full adoption of the European Parent-Subsidiary Directive the European Mergers Directive the EU Royalty and Interest Directive and European Directive on Mutual Assistance and Cooperation. To make matters more attractive as a fully regulated and transparent jurisdiction, Cyprus does offer to the investor an extensive network of tax treaties for the avoidance to double taxation.

2 - Are there any regulatory reforms or litigation trends which need to be monitored carefully in 2014?

Tng: Australian tax authorities have ramped up their audit activities in the past 12 months and resources are continually poured into this area. The most common audit activity is: -

- Transfer pricing
- GST and property
- Overseas assets
- High wealth individuals

Audit activity originates from many

sources. Australia has a sophisticated data tracking and mapping system, and tax authorities use a number of methods (scientific and ad-hoc), to target individuals and organisations for audit.

Recent budgetary pressures and a change in government in Australia has brought about the scrapping of some proposed changes to the tax system. The newly elected government has indicated they do not intend on changing the tax system too much in this term of government, but will continue audit activity.

The Australian tax authorities are quite aggressive in their audit activity and we highly recommend tax professionals are engaged as soon as tax investigation activity commences.

Fu: In PRC, tax reform seems to be a continually topical subject. There are indeed many areas requiring continual reform. One of the areas that has drawn much attention is the integration of two principal forms of indirect taxes: business tax and VAT. We had newsletters covering this change and our views thereon. In brief, we support this change in that it enhances tax efficiency and encourages market integration. Another interesting area of development is the introduction of tax on real properties as a principal source of revenue for local governments. We also support this change in that it provides a long term source of revenue whose tax base is linked to the local economic performance. Both changes as mentioned above are pro business in our view. However, we should mention one evolving trend about tax administration in China which may affect the way businesses manage their tax affairs - that is, the tax administration raising questions on tax filings requiring formal responses. We consider it a favourable development, but for taxpayers accustomed to informal approaches should reconsider how tax management should be conducted and records kept.

Piccardi: On the regulatory reform side, it has to be mentioned Law Decree 145/2013 which has modified the international ruling discipline, ending up in a sort of an Advanced Pricing Agreement with the Italian tax authorities, binding the taxpayer and the tax administration. The reform has extended the object of the agreement, formerly related to transfer pricing issues, dividends, interests and royalties, to the examination of the requirements for ascertaining the existence of permanent establishment in Italy. Moreover, it has been extended the validity of such ruling, which is now valid for a period of five years (once such period elapses the ruling may be renewed, provided that certain conditions are met).

Furthermore, Italian Government has approved Law Decree 4/2014 (still to be converted into Law), which has introduced the so-called “voluntary disclosure” procedure. The taxpayer may disclose his position before the Italian Tax Administration in relation to the assets and investments/income held abroad and not declared in Italy, by paying all the taxes due on such investments/income, but, if certain conditions are met, by obtaining a reduction in terms of tax administrative penalties.
On the litigation soil, instead, the most recent trends regard transfer pricing, attribution of hidden permanent establishments in Italy and abuse of law. The latter is a principle, with no normative fundament, introduced by the jurisprudence and still not well-defined. However, under recent draft bill so-called “Delega Fiscale”, the Italian Government shall be entitled to adopt a number of specific provisions regulating (by law) this principle, hopefully limiting the power of the tax authorities in the assessment of alleged abusive conduct.

Gannon: Since gaining office in 2010, the Government has undertaken a comprehensive review of the UK tax system with a view to make the tax policy simpler, more transparent and therefore better suited to a globalised trading world and to modern business practice. To date, its most compelling regulatory reform is in relation to the Finance Bill 2014 published on 19 March 2014.

From April 2014, the main rate of corporation tax will be down to 21 per cent. Next year, it will reach 20 per cent, down from 28 per cent when the coalition came to power in 2010.

The Finance Bill 2014 will also deal with the consequential changes to tax legislation which arise from the adoption of a single rate of corporation tax for companies (other than those with oil and gas ring fence profits) from financial year 2015. This measure aims to simplify rules which ensure that tax is calculated appropriately where a company is associated with other companies. Those rules, which have applied for companies with small profits, and which will continue to apply in limited

circumstances, prevent a tax advantage from arising where a single business is operated through a number of associated companies. Every business in the country will get the employment allowance - £2,000 cashback on national insurance.

Legislation introduced in Finance Bill 2014 will also amend the rules that apply to partnerships with company members. The changes will consolidate the loan relationships rules that apply to such partnerships, and establish a general principle that all the rules that apply in relation to companies that are party to loan relationships also apply to corporate partners in firms that are a party to loan relationships.

Other changes relating to corporation tax in the UK include:

- Modernising film tax relief in order to encourage the production of culturally British films. The changes remove the 'cliff edge' between the two rates for film tax relief and lower the UK spending requirement. Subject to State aid approval by the European Commission the changes will have effect on or after 1 April 2014.

- The government will introduce legislation that will take effect from April 2014 to counter the disguising of employment relationships in limited liability partnerships and prevent the allocation of business profits to corporate partners which are generally taxed at lower rates than individuals. These changes are likely to see a reduction in the use of limited liability partnerships replaced with greater use of limited companies as trading vehicles.

- The rate of the research and development tax credit payable to loss-making small and medium-sized companies is to increase from 11 per cent to 14.5 per cent from April 2014.

- The annual investment allowance on plant and machinery is to double to £500,000 from April 2014 until the end of 2015. With this measure, 99.8 per cent of businesses will get a 100 per cent investment allowance. The allowance covers most types of plant and machinery but not cars.

Papacleovoulou: During 2014 the Cyprus Tax authorities emphasised its approach to improving the tax compliance rates as part of Cyprus' commitment to its international lenders with respect to the revenue administration. The Cyprus Tax reform will comprise of measures to enhance compliance, efficiency and effectiveness of the whole fiscal administration system applied to indirect and direct taxes alike. Hence we are expecting that laws will be enacted that will provide the Cyprus Authorities with increased powers in terms of imposing fines and enforcing compliances. The trend will be to enact legislation that is fully compliant with the European Union Laws and may impose fines and or legal proceedings on the Company itself, the company's directors and also on those people who effectively control a company. Hence making Cyprus an even more lucrative location for international business as it shall provide more transparency and more efficiency in the whole fiscal system.

3 - With the G20 nations agreeing to share tax records by 2015, the European Commission moving to step up efforts against tax havens and crack down on cross-border tax avoidance and multinational firms such as Apple and Starbucks facing scrutiny about their low tax bills from the countries in which they make most of their money – are we witnessing the beginning of the end for tax havens?

Tng: For a long time Australia's tax laws have embodied tight anti avoidance rules that severely prejudice tax havens and monies kept there. The Australian government has chosen not to re-write our anti avoidance and attribution rules for entities overseas (in and out of tax havens), despite their complexity. The focus of the Australian Taxation Office is the open sharing of information (through information sharing agreements with tax havens), so they can obtain information on funds and income that have not been declared by Australian tax residents.

The word "tax haven" is subjective; some countries with low barriers to foreign investment and no worldwide taxation regime may be considered tax havens, but these countries are unlikely to change policies given their economies are underpinned by their low or no tax system.

What we are likely to see going forward is increased difficultly in sheltering investments and income in tax havens from the scrutiny of higher tax jurisdictions.

Fu: It really depends how tax havens are viewed and defined. Tax havens should

not be defined simply by reference to tax rates. Countries are entitled to lower their tax rates or use tax holidays to promote economic and social developments. And businesses should be allowed to capitalise on such tax policies to enhance their business positions. The key, in our view, is whether business arrangements are made with a view to improve their business positions and capabilities, as opposed to those made merely for obtaining tax savings. As long as there are genuine business purposes and arrangements are made with substantive moves, countries which offer tax advantages for development and taxpayers who capitalise on that should not be condemned. Thus the G20 move could be the beginning of a new trend in setting tax policies and planning approaches.

Piccardi: Italian Government has signed since 2011 several TIEA's with various tax havens (i.e. Bermuda, Cayman Islands, Cook Islands, Gibraltar, Guernsey, Isle of Man and Jersey), which are not still entered into force. This confirms the leading role of Italy against tax havens according to the guidelines set-up by the European Commission.

In relation to the multinational low tax bills, one should note that Italian tax authorities have increased their monitoring activity and are raising a number of issues in connection with business supposedly carried out in Italy, by means of a permanent establishment not declared. They are also very severe in valuating transfer pricing methods and calculations adopted by companies as well as in relation to dividends and interests/royalties tax treatment. In this connection, it is also worth to note the recent introduction of the so-called "Google Tax": according to the recent provision, starting from 1 July 2014, VAT subject companies will have to acquire online advertising services from subjects having an Italian VAT registration number.

Vassiliades: It is difficult to say that there has come an end to tax havens per se however; an end to tax havens as we know them is indeed approaching. The thin line between tax evasion and tax avoidance can well be manifested by tax structures in relation to Apple and Starbucks. They illustrate that we cannot apply the principle of 'what is not forbidden is permitted' to tax structures. What we will definitely see is increased substance, meaning that where an organisation does not have true presence in a jurisdiction it cannot claim tax benefits under the relevant Treaties. Exchange of tax information for 'proper' purposes should be welcomed. The G20's aim to eradicate tax evasion and wrongdoing by exchanging tax information is welcomed. However, collecting information solely for the purposes of 'spying' on the affairs of a particular organisation should not be allowed. In any case the OECD's model Tax Treaty does not allow exchange of information for 'fishing expeditions' and Governments should stick to the wording and the purposes of the treaty they sign when exchanging information.

Zambartas: There needs to be a differentiation amongst two issues. What is a tax heaven? Is it an offshore jurisdiction with no tax or is it an established EU jurisdiction such as Cyprus, Ireland, Holland, Luxembourg or Malta? The second issue is: are we talking about aggressive and/or superficial tax planning or are we talking about strategic and balanced tax planning?

In a nutshell what we are seeing is probably an end to aggressive tax planning and the notion of the past that "everything is allowed as long as you can minimise your tax bill". An expert international tax planner can help a multinational optimise their tax bill whilst at the same time not engaging in weak tax avoidance schemes. We as Eurofast Taxand strongly adhere to these values and it is for this reason that the services we offer to our clients are robust and bullet proof to attacks.

Papacleovoulou: Cyprus is by no means a tax haven. It is a highly regulated full member of the European Union State that offers great tax benefits and advantages through its attractive and pro investor tax regime. Succeeding the trend of last November's OECD Global Forum Report on Transparency and Exchange of Information for Tax Purposes, Cyprus' Fiscal authorities – applying the more efficient fiscal administration approach – seem to act in a manner than just ensure that companies registered in the Island or being tax registered in the Island comply with their statutory filing obligations. This is done in an effort to protect the status of Cyprus as a reputable and reliable and efficient International Business Centre.

4 - To what extent has Base Erosion and Profit Shifting (BEPS) changed since the Organisation for Economic Co-operation and Development (OECD) released its 15-point action

plan last year?

Tng: Australia has been considering these issues for some time and most recently made changes to the transfer pricing rules to more strongly reflect what is accepted under the OECD models, and reduce the flexibility available to Australian entities engaging in related party transactions.

Every country is looking to address these issues as they struggle with fiscal deficits resulting from global economic conditions over the past five years.

Chodikoff: The recently released Federal budget plainly indicates that Canada intends to address tax base erosion and profit shifting ("BEPS"). The Department of Finance ("Department") has asked for input on which international tax areas it should examine in order to determine how best to implement a BEPS plan. The Department has set a deadline of 11 June 2014 for the completion of this consultation period for any interested parties. A number of the measures that were proposed in the latest Federal budget appear to follow the OECD's Action Plan. For example, the budget contained proposals to expand existing anti avoidance rules to specific types of "back to back loans" that were considered as a means of circumventing the thin capitalisation rules and Canadian rules regarding withholding tax. The budget also contained amendments to the provisions that apply to controlled foreign affiliates that are captive insurance companies earning income by means of derivative "insurance swaps". As a final example, the Federal budget proposed to set limits on non-regulated Canadian financial institutions from establishing internal banks.

5 - How should a company co-ordinate their transfer pricing policy?

Tng: Having a policy, understanding the guidelines and adopting an objective approach is most important. For many companies these are complex issues to address, so engaging a tax professional with requisite experience is very important.

With transfer pricing being a hot topic globally, co-operation between countries is important and seeking advisors with global reach and expertise essential.

Fu: A company should set its TP policy with a view to optimising operation performance and resource allocation. Theory suggests, achieving this objective entails internal prices set at market level, which is consistent with most tax legal principle requiring transfer prices set on an arm's length basis. Thus, general management practices and tax management practices should be integrated to form a common platform, in terms of documentation, mechanism for price setting and reporting etc. Under such a broad principle, there are still plenty of rooms for companies to organise their functions and make transactional arrangements tax efficient without violating anti avoidance rules.

Chodikoff: No one approach universally applies or works for every company. Every industry and sector is different and consequently, the approach, by necessity, should be tailored to that company within its particular market. Even so, there are some basics that are fundamental to a successful transfer pricing challenge in Canada. The two key ingredients are a cohesive transfer pricing team and quality supporting documentation including expert reports. The company's leadership must determine how it wishes to coordinate its transfer pricing policy. There are a number of methods that can be adopted from a single triangle tiered approach to the reliance for coordination from third party (or outside) professionals. In part, these decisions depend on the size of the operations, the management and possibly, the ownership structure of the business and efficiency issues such as costs.

Piccardi: In relation to transfer pricing matter, it has to be noted that, under Italian Law, a "tax penalty protection" is provided for companies which have adopted an appropriate TP set of documentation in order to verify the consistency of the transfer prices with the arm's length principle; even though the drafting of such TP documentation is not compulsory, it is strongly recommended by Italian tax authorities. Drafting transfer pricing required documents is very important, not only for benefits provided in terms of tax penalty protection: a badly shaped set of documentation could be used by tax authorities to challenge the transfer pricing policy adopted, so the assistance of a tax advisor in this field is of great importance.

Furthermore, multinational enterprises carrying on a business activity in Italy have the ability to apply for APAs, regarding, inter alia, transfer pricing dis-

putes: by means of such agreements taxpayer and tax authorities establish transfer pricing methods, calculations and results for a certain lapse of time. During such period, a division of the Italian tax authorities shall monitor that the taxpayer carries out the operations in accordance with the terms and conditions of the APA. Over the years, the number of APAs reached by Italian tax authorities increased significantly, used as an alternative to bilateral procedures and Arbitration Conventions.

Vassiliades: The transfer pricing policy in Cyprus should be co-ordinated in accordance with the "arm's length principle". Article 33 of the Income Tax Law 118(I)/2002 (as amended) (the "Income Tax Law") provides very clearly that the terms involving transactions between directly or indirectly connected entities should not be any different from those applied in the case of entities that are not connected. If, in a particular transaction, different terms are applied in cases concerning directly or indirectly connected entities, then those that would not have been applied in the case of non-connected entities, any profits or amounts due that would have been applicable if such terms hadn't been applied may be taxable accordingly.

As seen from the above, the coordination of the transfer pricing policy of a company in Cyprus is clearly set in the Income Tax Law. Therefore transactions involving connected parties should be no different than those involving non-connected parties. This is the essence of transfer pricing in Cyprus. The definition of a connected party for the purpose of taxation can be found in Article 33(3) of the Income Tax Law.

Gannon: In the UK over recent years tax legislation has significantly changed and 'transfer pricing', namely prices charged for cross-border transactions between related parties, has become an area which is highly regulated by the UK tax authorities. A business needs to think carefully about its related party pricing policy in order to ensure they avoid spending time and money in an argument with the tax authorities over what can be a prolonged period of time.

HMRC is well versed with and are prepared to accept the use of all transfer pricing methods providing it allows robust benchmark data to be used with reliable comparability adjustments. However, HMRC reserves the right to look beyond the results of the benchmarking and apply the profit split method in order to test the outcome of the taxpayer's use of another method, where they believe that the data used in the application is not reliable, possibly because the comparability adjustments which would be required are too great.

The transfer pricing model adopted in each instance should reflect the commercial reality of the business's transactions. This is very important to minimise penalties and the costs and time of enquiries from tax authorities. The transfer pricing model adopted should also reflect the functions and associated risks of the business. For instance, cost-plus methods may be applicable for a UK subsidiary that performs only a marketing function for its overseas parent's products, where it does not have any risk, is being supported financially by the parent company and does not have any trading contracts with third parties. However, cost-plus would not be appropriate for a subsidiary that buys stocks from its parent company and independently sells the stock to third party customers. In this scenario either a comparable uncontrolled price method or resale price method may be more appropriate.

It should also be noted that the HMRC's stated view is that the arm's length provision is that which would have been made between independent enterprises. If no provision would have been made or imposed between independent persons then the legislation allows the advantaged person's profits to be computed accordingly – thus reflecting the arm's length position.

Papacleovoulou: Cyprus has not implemented transfer pricing rules. It does not operate hard printed applicable documentation or methods of Advance Pricing Agreements. Hence there is no level of transfer pricing applicable or any requirements for return disclosure. However one should always follow the arm's length principle [Section 33 of the Income Tax Law N118(I)/2002] which makes reference to this matter explicitly refer to the applicability of the arm's length principle between related parties.

For the security of an international investor it is advisable to take advantage of the tax rulings that can be obtained from, the Revenue Office – albeit these may not provide specific guidance in terms of the amounts and or rates to be changed. It is essential practice though as there is no specific requirement for

keeping of documentation that companies do keep the documentation for all the transactions they undertake and the preparation of such documentation to be made within 30 days of the date of the transaction. The great advantage of Cyprus is that although Greek is the official language of the Tax office, they also accept documentation in English. It is vital to point out that from 01/01/2013, documentation supporting tax returns books and records shall be kept for a period of six years from the end of the tax year to which it relates.

Further, it is highly recommended to keep written agreements to cover for intercompany transactions. Tax returns in Cyprus need to be signed by the auditor tax consultant of the company who reconfirms to the tax authorities that the specific tax returns are compliant with the laws rules and the circulars issued by the Revenue Hence during an audit of the Cyprus company all transaction and Agreements between related parties are usually examined.

6 - Can you outline the challenges, risks and best practices under new IDR and Summons Rule?

Chodikoff: Any business contemplating a move to Canada would be well advised to seek legal counsel. Tax rules vary from jurisdiction to jurisdiction and can impact different businesses in different ways. Keep in mind that in Canada, there are multiple levels of taxation: municipal, provincial and federal. More specifically, the Constitution Act of 1982 provides Parliament with the exclusive jurisdiction over the raising of money by any method or system of taxation. This power permits the government to raise revenue through both direct and indirect taxation. Moreover, the Constitution Act, 1982, provides each province with the exclusive jurisdiction over direct taxation within the province in order to raise revenue for provincial purposes.

As a consequence, there is a complicated web of legislation at the federal and provincial levels pertaining to income taxes (and this is both at the personal and corporate level), excise taxes, sales taxes, commodity taxes (such as the sale of fuel, alcohol and tobacco taxes), corporation capital taxes, property taxes and estates taxes. And this is not an exhaustive list of the various taxes.

Piccardi: Under Italian tax law, mergers, corporate splits, contributions of going concerns are considered, in principle, tax neutral operations. Such kind of transactions do not generally trigger a realisation or distribution of capital gain or loss: for example, in case of merger, the merging entity will enter the transferred assets at the tax value the same assets had in the merged entity, and the exchange of the original shareholdings, generally constitutes neither realisation nor distribution of capital gains or losses nor receipt of revenues by the shareholders of the merged entities.
In relation to corporate taxation, please note that the recent Italian Stability Law 2014 has introduced the possibility for corporate entities, which do not apply IAS/IFRS accounting principles, to benefit of a tax "step-up" procedure in relation to certain assets of the company, included controlling shareholdings held by the corporate entity.

Vassiliades: First and foremost it must be stated that the procedure of the IDR is not applicable in Cyprus. However, from our point of view the new IDR and Summons Rule represent a change for Taxpayers and IRS personnel alike. The main challenges are in relation to the much tighter time frames and logistic gathering necessary for the responses. The time-frames have been reduced drastically from 90 days to 39 days, before the IRS issue a summons. The only way to fully comply and to adopt the changes effectively is for the parties to agree upfront to realistic response time-frames for well-drawn IDRs. In such manner the examination process can become more efficient. The full engagement of all parties involved – taxpayers, advisers and the IRS- is essential to realise the potential benefits.

In relation to our jurisdiction in 2012 and 2013, Cyprus made a number of changes to its legal, regulatory framework and practice to increase transparency and further comply with the international standard on transparency and exchange of information for tax purpose. Accounting record keeping obligations were amended to cover all relevant entities and arrangements. Finally, bilateral agreement have been signed or updated to allow for exchange of tax information in accordance with the international standards. Cyprus has exchange of information relationships with 44 jurisdictions through a network of Double Tax Treaties (DTT's) and Council Directive 20122/16/EU.

7 - To what extent can tax executives take advantage of the movement of

computing services and resources to "the cloud"?

Tng: The movement to "the cloud" is largely around portability, redundancy and scalability. This has changed the way we do business and tax executives are not immune to this. This "digital disruption" is affecting how we do business, and in turn, the complex tax issues that can arise as a result of this.

Advantages in terms of cost and portability are one thing, but more relevant in a tax context is the changing nature of transactions and sourcing and outsourcing, which creates jurisdictional issues over who has taxing rights over what, and how goods and services are charged across countries in an increasingly globalised economy.

Vassiliades: Rapid globalisation and technological advances are having a dramatic effect on economic activities and relationships. In the International Tax context, these economic e-commerce trends pose a direct challenge to the existing tax regime, rules and regulations. Subsequently, they are putting multinational companies and tax authorities in conflict. However, cloud computing being a relatively new phenomenon, has not yet been tested in many jurisdictions, including Cyprus. The main issues facing tax authorities in relation to cloud computing relates to those of income characterisation and 'PE'.

According to the OECD position income received by Foreign Service providers in most service models are in the nature of royalties and hence would attract a withholding tax. However, if it is characterised as business profits, such income would be taxed only if the foreign entity has a 'PE' or a business connection in the relevant country.

Conclusively, it shall be very difficult for tax authorities to arrive to any concrete conclusion on the appropriate tax treatment due to the multiple and intricately connected features and/or transactions.

Zambartas: As an organisation that always follows the latest technological trends in order to facilitate the way we do business, we are currently using the cloud services which allow us to operate efficiently whilst being at the office but also whilst being at home or travelling. Nevertheless we are careful as to the content shared in the cloud as do not share information which is highly sensitive or confidential.

Gannon: Cloud computing has a borderless quality that creates complexity for taxing jurisdictions. Despite that complexity, governments are actively investigating and writing tax laws in this area, increasing the risk that taxpayers will be caught unprepared in some countries.

In a recent report on base erosion and profit sharing (BEPS), the Organisation for Economic Co-operation and Development (OECD) specifically identified cloud computing transactions as an area in which "international tax standards may not have kept pace with changes in global business practices."

Tax professionals can ensure you stay informed about potential changes in state tax policies regarding the tax treatment of the various cloud computing platforms whilst also advising cost-saving tax exemptions when cloud computing providers are looking to expand operations. By being aware of the various tax issues surrounding the cloud, you will be better prepared to weather the storm of state taxation that is sure to come.

8 - Can you summarise the tax and accounting treatment of corporate reorganisations with reference to mergers, corporate splits, capital contributions and asset sales?

Tng: In the context of this round table, this issue is far too complex to cover in the relatively small number of words available.

Because Australia's tax system is so complex and tax imposed at the Federal and State level on business, equity and land transfers, any corporate reconstruction is challenging. The fact that laws differ between states adds a further layer of complexity.

If I were to summarise, there are ways to achieve a corporate reconstruction without incurring tax, but obtaining expert advice is absolutely essential.

Vassiliades: Cyprus has fully adopted the provisions of Council Directive 90/334/EEC and Council Directive 2005/19/EC (both collectively referred as the "Merger Directive") as applied among other things to mergers and corporate splits. The definition of corporate reorganisations can be found in Article 30 of the Income Tax Law, the wording of which is almost identical to the Merger Directive. Any transfer of assets that takes place during corporate

reorganisations, which includes mergers and corporate splits, that fall within the scope of the Merger Directive will not be subject to taxation in Cyprus. Capital Gains Tax Law 52/1980 (as amended) (the "Capital Gains Tax Law") abolishes capital gains tax in the case of corporate reorganisations. The Capital Gains Tax Law provides that the definition of reorganisation is to be found in the Income Tax Law as described above.

In the case of a mere sale of assets by a Cyprus company, there is no capital gains tax imposed if the sale in question constitutes the sale of securities, which among other things includes shares. There will be capital gains tax imposed at the rate of 20% if the shares subject to sale are connected to real estate located in Cyprus. As already mentioned there will be no tax imposed if the transfer constitutes a reorganisation.

Finally, capital contributions made by the shareholders of a company in exchange for shares issued at a premium or not, do not constitute a taxable event in Cyprus; however capital duty at the rate of 0,6 % is applied in the case of any increase of share capital.

Gannon: Individuals and other non-corporates are charged to income tax on dividends and other distributions they receive from UK resident companies. There are a variety of tax efficient structures that can be considered where the company is buying back shares. It is possible to swap shares in a trading company free of tax providing the qualifying conditions for tax exemption are not. The UK revenue offers a tax clearing system for advance assurance that certain transactions are not tax avoidance.

The sale of any intangible fixed assets (for example, goodwill or intellectual property) can be subject to corporation tax as profit under the intangible assets regime (this regime applies, broadly, to any intangible fixed assets acquired or generated after April 2002 and broadly follows the accounting treatment for those assets).

Depending on the nature of the reorganisation, a seller may be liable to corporation tax on any chargeable gains it makes from the sale of any capital assets to a buyer and also with regards to the disposal by a shareholder of its shares/shareholding. A seller will also be subject to corporation tax on trading income on the sale of any trading stock to a buyer. Special tax exemptions to corporation tax can apply on the sale of a subsidiary.

A seller can use current year, or previous years', capital losses to offset against any corporation tax on chargeable gains arising from the sale. It is also possible to use current year trading losses to offset against a capital gain.

It is also possible for a seller to defer any chargeable gain on an asset sale through business asset rollover relief, if it re-invests the proceeds in qualifying assets (which include land, plant and machinery) within the qualifying time period. The qualifying time period runs from 12 months before the disposal of the asset to three years after that disposal. Any profits on the sale of intangible assets can also be rolled over into expenditure in new intangibles on a broadly similar basis.
A buyer will be able to claim capital allowances on any expenditure incurred on plant and machinery. The rate of capital allowances is 18% and, for long life assets (broadly, assets with a useful economic life of more than 25 years), 8%. Allowances are available on a reducing balance basis. The Finance Bill 2014 will introduce new improved tax reliefs on expenditure on plant and machinery.

If any of the assets purchased by a buyer are intangible fixed assets, a buyer can claim tax relief for accounting amortisation on the amounts paid for those assets. Alternatively, a buyer can elect for a 4% straight amortisation rate.

9 - What tax issues need to be taken into consideration during bankruptcy or corporate rehabilitation procedures?

Tng: Australian insolvency laws have changed over recent years and the exposure of directors has been increased, such that absolute protection from the corporate veil is not always guaranteed.

In Australia, directors can be personally liable for unpaid taxes and retirement benefits, and there are always the severe penalties for trading whilst insolvent.

The Australian Taxation Office often sits as a priority creditor in bankruptcy proceedings, and is usually the large creditor that places a company into liquidation. Any notice from the Australian Taxation Office regarding unpaid taxes should not be ignored.

Vassiliades: Pursuant to Companies Law Cap 113 a company can be liquidated and subsequently wound up by way of a voluntary liquidation by the members, a voluntary liquidation by the creditors or by a petition to the court to liquidate a company. The former two usually take place when a company is insolvent. Any tax owed by the company would have to be settled. Once in liquidation a company's activities cease, and it is the liquidator who will be responsible to negotiate with the Tax Authorities the payment of taxes by the company in liquidation. Before settling any outstanding debts a company would first have to pay any taxes outstanding. In the case of a company limited by shares, the liability for the payment of taxes rests on the company and is not transferred to the shareholders or directors of a company when a company is wound up, unless of course circumstances are such that a court decides to lift the corporate veil of the company.

If a company is in liquidation following a member's resolution to do so, a company would have to obtain a tax clearance certificate before being wound up. In a member's voluntary liquidation, the directors of the company would have to make a declaration of solvency pursuant to section 266 of Companies Law Cap 113, which has to be made prior to the members' resolution to liquidate the company. The directors' declaration would have to mention that the directors are of the opinion that a company will be able to settle its outstanding debts within a period of 12 months. Should the information contained in the declaration of solvency be inaccurate, the directors that made the declaration will be liable.

What ought to be mentioned is that in the case of VAT liabilities, it is the directors that bear the responsibility that the company settles its VAT obligations.

Gannon: Declaring bankruptcy will clear 100% of your unsecured debt including unpaid tax and VAT. However, a potential curveball includes issues such as partnership bankruptcy. When a partner is declared bankrupt, the remaining partners can then choose to set up a new partnership, but they would be required to pay the bankrupt partner's share in the profits and capital, and may also have a capital gains tax liability bill to contend with. In some cases, if there are any assets in the business, the shareholders will be better off in terms of tax if the company is liquidated either voluntarily or involuntarily rather than filing for bankruptcy.

You must not rely on the information on this roundtable as an alternative to legal advice. This roundtable contains general information about legal matters. The information is not advice, and should not be treated as such. If you have any specific questions about any legal matter you should consult Gannons Solicitors directly.

10 - With regards to intellectual property, what jurisdictions currently provide the greatest incentives to encourage investment in innovation through research and development (R&D)?

Tng: Australia has arguably the most attractive R&D tax incentives in the world. What differentiates Australia is not just the rate (45c in the dollar for certain businesses), but the ability to "cash this in" and obtain a refund of cash from the Australian tax authorities.

This benefit has recently been extended to Australian companies that are subsidiaries of foreign companies.

This is no accident and is by design of the Australian government, as the monies for R&D expenditure must occur in Australia, which is boosting our local expertise whilst generating economic activity in Australia.

This is a specialised area of tax and ensuring the correct plans and documentation are in place is essential. Australia is renown in particularly scientific, agricultural and engineering fields; as a result we have seen strong interest from overseas companies undertaking R&D of this nature, who can take advantage of Australia's generous R&D tax concessions.

Griscti: During recent times, Malta has come up with a number of R&D tax credit incentives such as the Industrial Research and Experimental Development Scheme, which offers tax credits in relation to costs incurred for registering Intellectual Property resulting from industrial research and experiential development efforts.

Notwithstanding the availability of tax credits and capital allowances in respect of costs incurred in the production of IP, Malta's Royalty income tax regime is likewise appealing and possibly unique. While refraining from imposing any withholding taxes on outbound pay-

ments of royalties, Malta also grants an overall exemption on royalty income derived from qualifying patents, trademarks and copyrights, even if this forms part of the recipient's trading activity.

Piccardi: A great opportunity to encourage R&D investments in Italy is offered by Article 3, Law Decree no. 145/2013. Such provision introduces a tax credit, for the period 2014-2016, in relation to entities which sustain R&D expenses. The tax credit, financed by EU and national funds for a total amount of €600 million, will cover 50% of the increasing R&D costs registered up to a maximum of €2,500,000 pro each recipient and will be exempt from direct taxes.

As only requirement provided for the filing of the tax credit request, the interested company has to sustain at least €50,000 expense pro year in R&D activities.

Zambartas: The greatest incentives are the moments offered in EU jurisdictions in general whereby various grants/subsidies are being offered by the EU for innovation/research and development. We have also conducted a research on the most attractive EU jurisdictions tax wise and have found that Cyprus, The Netherlands, Luxembourg, Malta and Ireland offer the best advantages. Although being from Cyprus we encourage investors to look and consider the 2012 Cypriot IP Tax regime, which –although being Cypriot myself – clearly is the most tax attractive of all other EU countries.

Papacleovoulou: Cyprus offers an efficient IP tax regime coupled with the protection afforded by EU Member States and by the signatories of all major IP treaties and protocols. The new provisions provide exemptions from tax of income related to IP. More specifically: 80% of worldwide royalty income generated from IP owned by Cypriot resident companies (net of any direct expenses) is exempt from income tax. Any expenditure of a capital nature for the acquisition or development of IP is claimed as a tax deduction in the year in which it was incurred and the immediate four following years on a straight-line.

All the above exemptions are also available for IPs acquired or developed before January 2012 The EU Directives and Regulations relating to IP protection apply and have been introduced into Cyprus domestic legislation. With a single IP registration process in Cyprus IP rights owned by Cyprus companies may enjoy full protection in all EU Member States

11 - What general tax incentives are proving most fruitful, and are there any other methods an organisation can take in order to reduce their taxes?

Tng: There are various tax incentives and planning opportunities available to companies of various sizes. These range from the ability for an SME to potentially sell their business tax-free, to larger companies being able to take advantage of consolidation (creating one "tax entity"), to internally create a capital cost and potentially reduce their Capital Gains Tax exposure in the future. Summarising that statement, the right advice can provide some very attractive opportunities to reduce tax and protect businesses and assets.

Australia's tax laws are very complex; the key is realising there are opportunities to reduce tax but expert advice is critical, as there are traps, and exemptions and opportunities will not exist if the "I's are not dotted and t's not crossed".

Chodikoff: What may come as a surprise to many business leaders is that there are many progressive tax planning opportunities in Canada. For example, like many countries throughout the world, Canada offers research and development ("R&D") tax incentives that apply not just to research carried on in a laboratory but also to a wide range of developmental activities including manufacturing process improvements, production trials and a variety of software works. However, what distinguishes Canada from other jurisdictions is that Canada offers some of the world's richest R&D tax incentives for new or improved products and/or processes. The two major R&D incentives include the ability to deduct R&D expenditures in the year that such expenses are incurred or added to a pod that can be used in future years. The second incentive is the investment for credit. Two other examples of major tax incentives include foreign tax credits and favourable Treaty provisions.

Griscti: Nowadays many organisations are opting for outbound corporate tax structures especially through the setting-up of holding companies in tax friendly jurisdictions. In particular, attention should be given to the most

convenient exit routes to take. Due consideration of double taxation agreements between the 'paying/distributing' and the 'receiving' countries is essential, especially given that many treaties are now providing for very low or nil withholding taxes on payments of dividends, interest and royalties.

From the receiving-end, countries like Malta offer a highly favourable participation-exemption regime through which no taxation at all is levied on any dividends or capital gains realised from a foreign investment. This makes the extraction of profits from high tax jurisdictions to lower ones still within the European Union more efficient.

Vassiliades: In relation to Cyprus the following incentives are worth mentioning:

- There is a broad exemption from tax on dividend income;

- There is no withholding tax on the payment of dividends and interest abroad and there is no withholding tax on payment of royalties abroad provided that the rights are not used in Cyprus;

- There is no capital gains tax on the sale of securities, which among other things includes shares;

- There is a special IP Box Regime applicable, applying an effective taxation of 2.5% on IP related income;

- Cyprus can be used in financing structures as there is a small minimum profit margin applicable in the case of back to back financing which is 0.35% and it can be further reduced depending on the amount of the loan in question;

- There are 44 Double Tax Treaties in place with the world's leading and developing economies;

- Cyprus has laid particular attention to elevating both the competitiveness and the investment protection approach in respect of the shipping sector. It is considered as one of the most competitive shipping centres in the world in terms of registration fees and taxes. No tax is imposed on profits from the operation of Cypriot registered vessels, or on dividends received from a ship-owing company;

- Cyprus has fully implemented the Merger Directive, the Parent and Subsidiary Directive, the Interest and Royalties Directive as well as other tax appealing EU Directives and regulations.

Zambartas: There are many tax incentives offered in many jurisdictions however it clearly depends on how these are used. We encourage organisations to combine their expansion strategies together with tax considerations, so as to avoid the problems referred to in question 5 above. An organisation should always consider their international presence not solely on business and market considerations but also with tax considerations. Why not place a large part of your business in a tax efficient jurisdiction which helps you serve your clients whilst at the same time obtaining tax incentives?

Papacleovoulou: The Cyprus holding company serves as a perfect doorway to the EU, receiving dividends suffering no withholding tax and paying dividends to shareholders without deduction of withholding tax. In addition the Cyprus holding company offers the entryway to the following countries that Cyprus has advantageous tax treaties (receiving dividends suffer no to little withholding tax) such as: Russia, Ukraine and India.

Additionally a Cyprus holding company or in general a Cyprus company can receive interest on loans to EU Group companies with no withholding tax and can pay interest without deduction of withholding tax. Other key jurisdictions with no withholding tax on interest include Russia and Ukraine.

A Cyprus company trading in securities (e.g. shares, bonds, repos) will have no tax liability as income & gains on disposal of such securities are exempt from Cypriot tax. What is more Cyprus has the 10th largest merchant fleet in the world by registrations. Specific tax exemptions apply to companies owning ships or managing and employing crews working in international waters.

Cyprus has a very competitive tonnage tax regime. The trend in Cyprus seems to evolve around Investment Funds. There are two types of funds that can be set up in Cyprus: UCITS and non-UCITS, the latter known in Cyprus as ICIS – International Collective Investment Schemes. In addition there is the possibility to distribute foreign UCITS and foreign non-UCITS in Cyprus. UCITS may take the form of a: variable capital company; and mutual fund.

The International Collective Investment Schemes (ICIS) may take the form of a: variable capital company; fixed capital company; unit trust; and limited partnership. While an ICIS may be established with a limited or unlimited duration and are designated as an: Experienced Investor Fund; or Private Investment Fund; or Retail Fund. The ICIS fund offers plenty of advantages for the experienced investor. While UCITS must comply with specific investment and other restrictions, non-UCITS collective investment schemes do not have any restrictions on the percentage of assets held in particular securities issued by a single issuer and have flexible requirements for the appointment of a custodian, fund administrator or management company.

12 - What must company executives take into account when considering transferring their residence and can you outline the procedures and benefits involved?

Griscti: Employment seeking expatriates shall give likewise importance to their tax affairs as to the obvious logistical and transferring issues. It is essential to consider tax obligations both in the current country of residence as well as in the prospective relocating country; in any case this could prove to be an opportunity to take advantage of tax planning possibilities. Particularly, attention must be given to whether a double taxation treaty exists between the involved countries.

Healthcare should also be taken into account as residence in the country of relocation does not necessarily ensure free medical care. Among EU countries, an Expat is generally advised to obtain an S1 Certificate from his country of origin which offers unrestricted health-related rights across the EU. Social security contributions' obligations must also not be taken lightly and one shall always seek advice ideally from specialists in the countries involved.

In Malta incoming expatriates must consider two main issues: registering for a residence permit within three months of relocating to Malta (essentially a Maltese ID Card), and registering for tax purposes. These processes have now been made more efficient and straightforward thus not adding to the usual stress that such moves could create.

13 - Yachting, as a business and a pastime, has undergone some particularly important fiscal changes in recent times. The ways in which VAT is applied, and at what rates, varies from territory to territory. Can you outline how taxation works in your jurisdiction and discuss the implications for those looking to cross borders?

Griscti: Malta's geographic position has made it only natural for the Island to focus on ways how to maximise its maritime register and become the most sought after jurisdiction for commercial/pleasure yacht registration. While in general VAT is applied quite consistently around EU member states, in the yachting sphere Malta has come up with specific schemes which contribute towards much lower effective VAT rates even when a yacht is acquired for pleasure purposes.
People acquiring yachts for their own personal use can avail of Malta's VAT Leasing scheme and experience an effective VAT rate which could go as low as 5.4% of the private yacht's initial value. When commercial yacht chartering is involved, following the Bacino case which has removed any doubts on whether VAT becomes chargeable on the chartering of pleasure yachts, Malta has issued a scheme which allows the determination of the portion of a yacht's use within EU territorial waters when it is chartered from Malta for short-term purposes.

14 - To what extent will the VAT and the 2015 changes to EU law impact the iGaming industry and how can companies alter their business models to accommodate the new legislation?

Griscti: Currently the place of supply for electronic services, including iGaming services, to EU non-business and non-taxable persons (B2C) stands to where the supplier is established. This presented minimal VAT requirements to EU online gaming suppliers other than in their country of establishment.

With effect from 1 January 2015, telecommunications, broadcasting and electronic services supplied to non-taxable persons (B2C) which are established, have their permanent address, or usually reside in the EU will be taxable in the Member State of the customer. At a glance this change will surely cause practical complexities as it will fundamentally mean that EU iGaming operators will have to register for VAT in each EU member state from where their client-base comes, with all its language, legal and administrative compli-

ance issues.

Despite being optional, as a means of simplification, iGaming operators will be able to apply for the “Mini-one-Stop Shop (MOSS) VAT Registration”. The MOSS will seek to allow e-services suppliers to declare and pay their VAT liabilities arising over different states in their domestic VAT return, making it their domestic VAT authority’s responsibility to settle matters with the other member states.

Clearly there is a lot of planning to do especially in the light of possible shortcomings the MOSS encompasses, hence proper guidance should be sought before enrolment which is expected to commence as from 1 October 2014.

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