



PETROS RIALAS

Director, Head of International Tax Planning, Totalserve Management Ltd

What, in your opinion, are the most important issues and challenges facing tax professionals worldwide today?

There are three elements that must co-exist in every structure using international vehicles such as a Cyprus company in order for it to be 'workable' based on the current challenges: having the relevant business substance, ensuring proper local effective management and control, and being considered the beneficial owner of the income that is earned by the foreign company used. These need to be properly taken into account at all stages. Additionally, more than ever before, a tax professional should be informed about foreign aspects that can affect a client and always consider them on a case by case basis. For example, one cannot ignore domestic developments in many countries such as reporting obligations, anti-avoidance rules and other CFC-related provisions, the new automatic exchange of information, the creation of public beneficial owner registers as well as increased compliance issues, especially for banks. Our industry today is much more complex, multi-faceted and challenging than before. At the same time, it is more interesting and quite a few new opportunities are being created.

How do these issues affect Cyprus' position as an international business centre?

These issues have always been in play but, over the last few years, they have resurfaced stronger than ever before. They do not only relate to Cyprus but are globally applicable and one cannot afford to ignore them or the structure will

become non-workable and potentially have serious adverse effects on the owners. This means that Cyprus tax professionals, advising or assisting on such structures in or through Cyprus, cannot afford to ignore or play them down and they need to have knowledge and a thorough understanding of not only our local elements but also of all the sur-

rounding international related elements. Despite this, with proper planning and implementation, the use of Cyprus is still workable and quite competitive.

Cyprus' strategy is to portray itself as a reputable international business centre, fully transparent and fully compliant with international regulations, directives and agreements. Do you think this is the correct strategy to attract international businesses in setting up local headquarters?

Absolutely, yes. In fact we cannot afford not to. No jurisdiction that portrays itself as an international business centre can survive without doing so. But the key thing here is, whilst complying with whatever is needed, to also find ways to remain highly attractive and competitive. I am glad to say that Cyprus has managed to do this to a great extent.

How attractive is the tax regime of Cyprus compared with that of other jurisdictions? What should be done in order to make it more competitive?

Our tax regime has always been relatively simple, tested, workable, attractive and competitive. Over the years it has evolved, always taking

into account international developments, requirements and expectations. We have always tried – and succeeded to a great extent – to offer elements that are high in demand at any given point in time. Indicatively, from a tax perspective, the latest “fruits in our basket” are the introduction of the notional interest deduction on equity and the non-dom status of individuals for tax purposes. These, in combination with other tax and non-tax elements (e.g. the attractive Citizenship Through Investment scheme), have put Cyprus high on the list of the most sought-out jurisdictions, especially in the EU. These are elements that make a properly planned structure in or through Cyprus foolproof to a great extent. So I would say that it is not a matter of how to become more competitive but rather one of remaining competitive in all the areas that have, for so long, made Cyprus a prime player in international tax structuring. Apart from its attractive tax regime, Cyprus offers an easily understood and practical legal and corporate regime, as well as a very high level of all-round professional services. Our professional community has been dealing with foreign clients for many decades and knows exactly how to service them at all levels and stages with a personal touch. Equally important is the competitive advantage on costs that Cyprus has when compared with other EU jurisdictions. These are elements that we must always strive to maintain and reinforce even further. The main additional element concerns understanding various international and foreign developments and challenges, being quick to take them into account and being compliant with whatever

is required whilst, at the same time, ensuring the stability, attractiveness and workability of our tax regime and related available products in this new era. Lastly, every so-called international business and financial centre needs a solid banking system. So, the one thing that we definitely have to work harder on is promoting the reliability of our banking system in the eyes of foreigners. On this, we have come a long way but there is still much work to do.

How important are Tax Services to International Investors (corporate and individual) as a revenue stream for local accounting, audit and tax firms?

Tax efficiency and optimisation is one of the main reasons why international investors engaged in cross-border transactions or investments consider using Cyprus. As such, Tax Services play a big part in the overall required service at all stages. In fact, they lie at the heart of the matter and investors will then go on to use all kinds of other local services.

As the business world becomes more complicated, do you think that tax

services will become more important for corporations (both local and international) and individuals?

Yes. Those providing professional services in all areas need to be globally minded and informed about all the relevant international requirements and complexities and take them into account in the most proper way. Those who fail to do so, along with the structures used by their clients, will be short-lived.

The case of the European Commission vs Apple & the Government of Ireland: (a) Do you think the Commission's verdict is fair?

Although the verdict appears to be very harsh, it is very well within the parameters of EU and international law. Fair competition on an international level playing field, and a fairer apportionment of profits where appropriate, are additional important elements that need to be taken into account by each structure or corporation, large or small, as well as by tax advisors. It is now more evident than ever before that aggressive tax planning can backfire, with a retrospective effect going back many years.

IT IS NOT A MATTER OF HOW TO BECOME MORE COMPETITIVE BUT RATHER ONE OF REMAINING COMPETITIVE IN ALL THE AREAS THAT HAVE, FOR SO LONG, MADE CYPRUS A PRIME PLAYER IN INTERNATIONAL TAX STRUCTURING

MOVING ONE'S PERSONAL TAX RESIDENCY IS VERY MUCH IN PLAY NOW AND, THROUGH A COMBINATION OF OTHER ATTRACTIVE ELEMENTS, CYPRUS HAS BECOME ONE OF THE MOST ATTRACTIVE EU DESTINATIONS FOR SUCH PURPOSES

(b) How might this affect Cyprus' position as an attractive EU destination for international businesses?

Further to the Apple case and whatever is derived from it, there are the new BEPS (Base Erosion and Profit Sharing) guidelines that will soon be implemented, aiming to address these exact issues in the most official manner in a global scale. Cyprus will be, or rather is, part of the much-needed BEPS implementations and actions and will undoubtedly be affected, but in the same way as any other competing IBC. It is thus imperative to continue proactive monitoring of and reaction to such international developments and, whilst being compliant, to also continue adopting and offering modern workable and acceptable solutions through specific provisions, and by building further on those areas that positively differentiate Cyprus in a competitive way.

Taxation in Cyprus: (a) Do you think any changes should be made to the current corporate tax rate?

Although the defence tax does not fall under corporate taxation, it still indirectly is. I strongly believe that we must reduce the defence tax rate on interest at least by 50%. It is currently set at 30% (it was 10% until mid-2011 and 15% until mid-2013). In this way, we can attract more business of foreign interest that earn significant amounts of this type of interest from international sources, through the use of Cyprus companies.

(b) Can you suggest ways to improve corporate tax collection procedures and methods? Are there any other issues you would like to mention?


Various provisions have recently been implemented, that have worked positively towards this end, for example, the obligation of a Cyprus company to obtain a tax number within 60 days from incorporation. Nonetheless, the penalties for not complying with this, or for late tax filing or even late tax payment, are not harsh enough. Perhaps, the imposition of much higher default penalties for the late submission of tax returns and late payment of taxes would not only prompt taxpayers to be more accurate and on time, hence improving tax collection, but would also improve certain statistical ratings on which Cyprus has not been doing well over the years. On another matter, one other issue I would like to mention, on which we have a long way to go, is that the new laws that we pass should be clearer and more properly thought right from the very beginning. Sometimes, the drafting of new laws or amendments is done in a rush and/or without sufficient time for discussion with the relevant professional bodies or even amongst the parliamentary committees. Although the essence of what is to be passed is there, very often they end up with grey areas and uncertainties on the practical applicability that forces professionals, taxpayers or even relevant Government officials to have a completely different

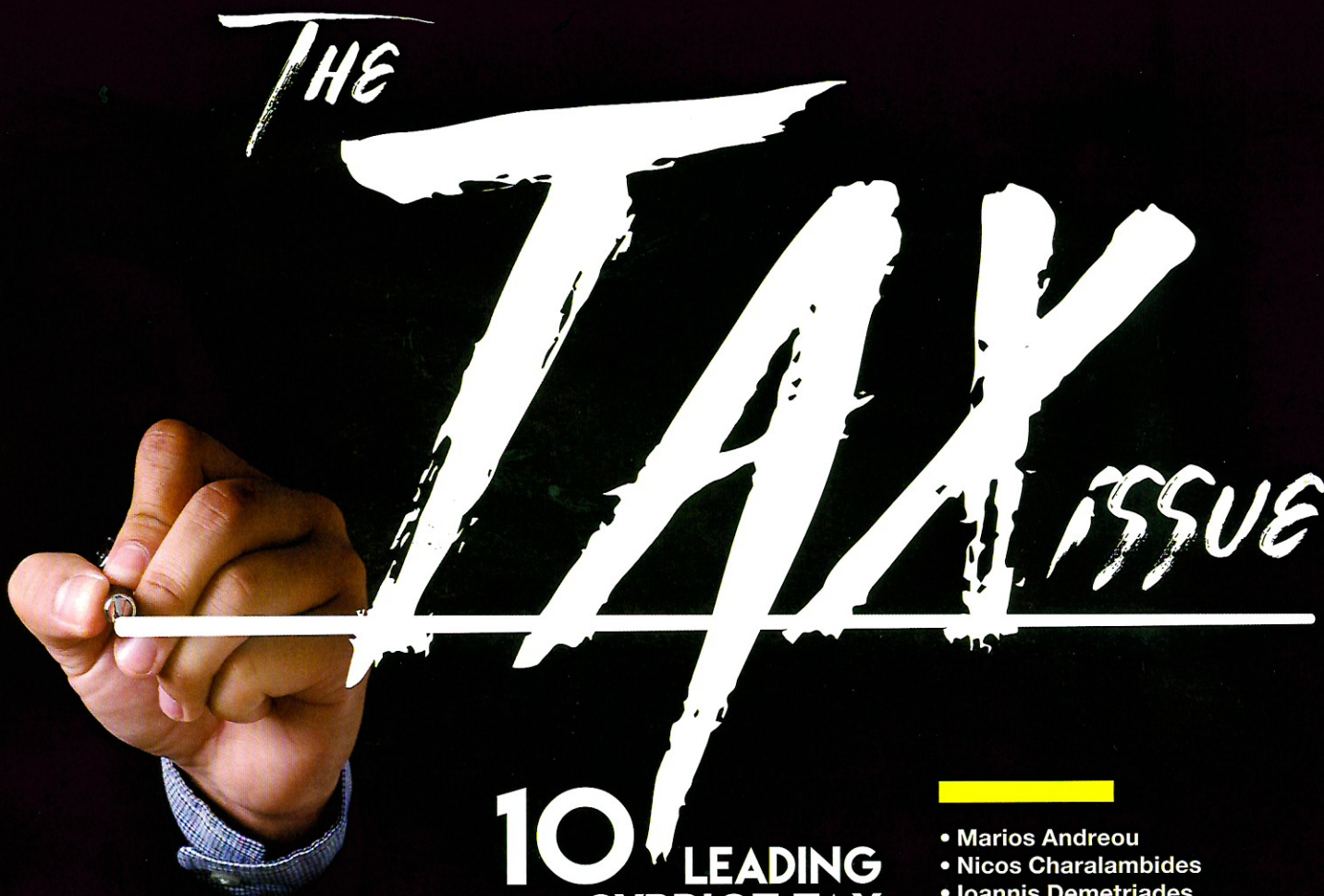
interpretation and/or understanding of their application. This not only potentially damages our image as an IBC but also creates delays and even disputes.

(c) Would lowering taxation for individuals be an incentive for international High Net Worth Individuals to relocate to Cyprus?

I would love to see a lowering of personal tax rates. After all, who would not wish so? However, when considering the case of attracting HNWI's and other similar foreigners to relocate in Cyprus, such tax lowering is not needed per se. Although our personal income tax rates are competitive enough within the EU, the recent introduction of the non-dom tax status, which mainly applies to foreign individuals relocating to Cyprus, and an array of other tax benefits on emoluments earned by such foreigners from Cyprus, render Cyprus one of the best choices for personal tax purposes. In fact, moving one's personal tax residency is very much in play now and, through a combination of other attractive elements, Cyprus has become one of the most attractive EU destinations for such purposes.

(d) Can you suggest ways to improve individual tax collection procedures and methods? Are there any other issues you would like to mention?

As stated earlier, harsher default penalties could go a long way towards prompter compliance by taxpayers. 



10 LEADING CYPRIOT TAX PROFESSIONALS GIVE THEIR VIEWS ON A BROAD RANGE OF CURRENT LOCAL AND GLOBAL TAXATION ISSUES

- Marios Andreou
- Nicos Charalambides
- Ioannis Demetriades
- George Karavis
- George Markides
- Pieris Markou
- Petros Rialas
- Loizos Timinis
- Alexis Tsielepis
- Karlos Zangoulos

PLUS:

ACCOUNTING &
AUDIT, BUSINESS,
ECONOMY, ICT,
INSTITUTE NEWS,
INTERVIEWS,
PROFESSIONAL
SERVICES, REAL
ESTATE, TAXATION
& MORE

ZEAK

The Journal of the
Institute of Certified Public
Accountants of Cyprus

www.icpac.org.cy

DISTRICT POST OFFICE
CY-1901 NICOSIA, CYPRUS

POSTAGE PAID
LICENCE no.33

SEALED UNDER
PERMIT no. 133

ΠΕΡΙΟΔΙΚΟ

ΤΑΧΥΔΡΟΜΙΚΟ
ΤΕΛΟΣ ΠΛΗΡΩΜΕΝΟ
ΑΔΕΙΑ ΑΡ. 239

ΚΛΕΙΣΤΟ ΕΝΤΥΠΟ
ΑΔΕΙΑ ΑΡ. 133