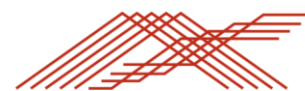


# APSEROU SHIAKA & CO LTD

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## Cyprus Tax Law amendments

House of Parliament has voted a number of laws implementing the provisions of the agreement between the Cyprus Government and the EU, IMF and ECB on 25<sup>th</sup> of March 2013.

**The most important laws are described and analyzed below:**

### 1. Law Amending the Income Tax Law

- The corporation tax rate increases from 10% to 12.50% with effect from 1 January 2013.
- As from 25 March 2013, in case of transfer of operations, assets, rights or obligations from one credit institution to another, under the Resolution of Credit and other Institutions Law, the credit institution acquiring these operations will be able to utilize the tax losses of the credit institution transferring its operations for a period of up to 15 years from the end of the tax year which the operations were acquired and the tax losses transferred. This law applies from 25 March 2013.

### 2. Law Amending the Special Contribution for Defence Law.

- The Special Defence Contribution (SDC) rate applies on interest income received by, or credited to, or deemed to have been received by or credited to Cyprus Tax residents, increases from 15% to 30%. This Law comes into effect from the date of its publication in the Government Gazette.

### 3. Law amending the Special Levy on Credit Institutions Law

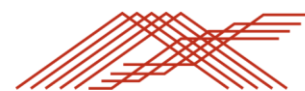
In accordance with the existing legislation, a bank levy on deposits is charged on banks and credit institutions at the rate of 0,11%. This rate is increased as from 1 January 2013 to 0,15%.

### 4. Law amending the Excise Duty Law

The Excise Duty Law is amended to include a provision, according to which the Minister is authorized to adjust, through a decree, the excise duty rates by reference to the consumer price index in order to ensure that they reflect their true economic value.

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## 5. Freeze of promotions in the public sector

Any promotions in the public sector and in the semi-government organizations will be frozen in 2013.

## 6. Salaries and pensions of public servants

As of 1 June 2013, the gross monthly salary and pension of public servants which were reduced in December 2012 are further reduced as shown below.

The first column sets out the reduction in force until 31 May 2013, and the second column the rates which will be effective as of 1 June, 2013.

Monthly salary	Reduction	Reduction
	until 31/5/2013	As of 1/6/2013
Μέχρι €1.000	0%	0,8%
€1.001 - €1.500	6,5%	7,3%
€1.501 - €2.000	8,5%	9,3%
€2.001 - €3.000	9,5%	10,5%
€3.001 - €4.000	11,5%	13,0%
Over €4,000	12,5%	14,5%

As from 1 January 2014, there will be an additional flat reduction equal to 3% on the gross salary/pension.

## Cyprus as an international business center

The above amendments do not affect the position of Cyprus as an international business center and most importantly do not affect the following:

- Dividends received by a Cyprus Company from abroad are exempted from tax.
- Gains from disposal of securities are exempted from tax.
- Favourable IP Tax regime
- No withholding tax on payment of dividends, interest, royalties to Non Cypriots
- Any tax losses are carried forward for future utilization for a period of five years.
- Any expenses incurred by the Cyprus Company are tax deductible provided that they were incurred for the Company's business.
- Interest income earned by the Cyprus Company and forms part of its ordinary activities is exempted from special defence contribution and is subject to corporation tax.
- Profits of a permanent establishment from abroad are exempted from tax in Cyprus.