



TRANSFER PRICING CONSULTANCY SERVICES

Introduction

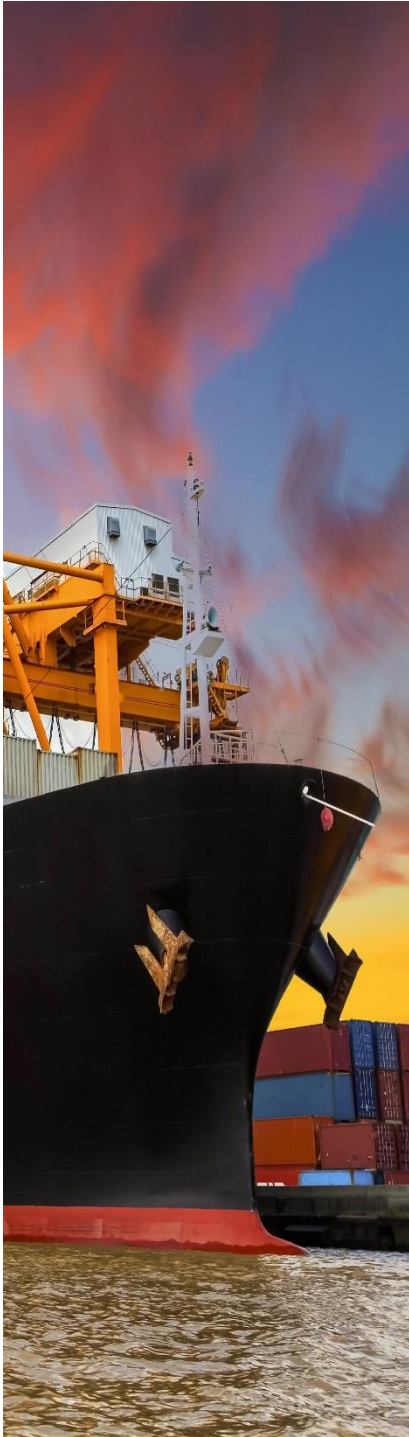
Transfer pricing regulations govern intercompany pricing for goods, services, royalties and loans between companies in a cross-border context. In light of OECD (Organisation for Economic Co-operation and Development's) base erosion and profit shifting (BEPS) initiative, multinational Companies may need to establish a transfer pricing policy.

Cyprus Tax Authorities have recently introduced the concept for intra Group Financing activities along with guidance in terms of substance and transfer pricing requirements replacing the Minimum Margin Scheme regime applicable until 30 June 2017.

The arm's length principle (Article 33 of the Income Tax Law 2002) is the cornerstone of transfer pricing rules and regulations in Cyprus and is codified in. As per Article 33 any commercial or financial transactions between related parties are taxed on the profits that would have accrued if the transactions had been at arm's length between independent parties. In that respect it is necessary to prepare a comparability analysis for the intra group transaction with a similar transaction between unrelated entities in order to assess whether it is at arm's length.

The relevant circular issued by the Tax Authorities on the matters takes into account the guidance from the OECD BEPS Action 8-10 and highlights that the following principles must be applicable by the Cyprus Financing Company:

- The Company controls the financial risks associated with its funding and makes its own assessment of whether the party receiving the money is creditworthy.
- The Company maintains an audit trail on critical functions and risks assumed in relation to the intercompany loan including creditworthiness analysis of the borrower.
- The financing Company must have an actual presence in Cyprus.



The term actual presence is not officially defined nor regulated yet the following actual presence criteria are detailed in the Circular:

- The majority of board Directors members should be Cyprus tax residents
- The majority of the board of Directors meetings must be held in Cyprus and the main management and commercial decisions must be made in Cyprus
- The majority of the shareholders meetings must be held in Cyprus
- The financing company must have qualified personnel controlling and managing the financing transactions

How we can help

Yiallourides & Partners Ltd transfer pricing professionals, supported by our global alliance Tax experts from SFAI and AITC allows us to carefully consider all sides of virtually any transfer pricing situation by enlisting local country transfer pricing expertise whenever and wherever the need arises. We use one of the most advanced software for our Transfer Pricing reports. The Bureau Van Dijk's TP Catalyst is a data and process driven tax analysis tool that is used by tax authorities globally and all major advisory firms in high scrutiny countries.

Contact us

For further information please contact George Yiallourides and/or your usual contact at Yiallourides & Partners Ltd.

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