



Gramaro Accounting Services Ltd

Member of Andreas Sofocleous Group of Companies

On 30 June 2017, the Cypriot Tax Department issued an interpretative circular relating to the revised tax treatment of intra-group back to back financing arrangements.

The new tax treatment concerns Cypriot and non-Cypriot tax resident companies with a permanent establishment in Cyprus, which carry out group financing transactions. The term “intra-group financing transaction” refers to any activity of granting loans or cash advances remunerated by interest to related companies, financed by financial means and instruments such as debentures, private loans, cash advances and bank loans.

For the purposes of transactions falling within this circular, it is necessary to determine for each intra-group financing transaction whether the agreed remuneration complies with the arm’s length principle (as set out in Article 9 of the OECD Model Tax Convention on Income and on Capital).

In the Cypriot tax legislation, the arm’s length principle is included in Section 33 of the Income Tax Law which allows adjusting the reported profits, as described in case the transfer price differs from the price that would have been agreed between independent entities.

Following the introduction of the transfer pricing legislation, we wish to inform you that we are in a position to assist you to prepare the relevant required transfer pricing studies and adhere to the new reporting obligations.

We would be honoured if you would like to arrange a meeting for discussing how the above is affecting you and we remain at your disposal for any clarifications may be needed.

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