

Legal update

Transfer Pricing

April 2017



MICHAEL DAMIANOS & CO LLC
ADVOCATES & LEGAL CONSULTANTS

Transfer Pricing

If you have any related questions/queries please do not hesitate to contact us.

info@damianoslaw.com
+357 22 021212

Michael Damianos & Co LLC is a Cyprus law firm, whose practice is highly international with a strong corporate, banking, energy and private client focus. Although a full service Cyprus law firm, its main areas of practice are international (and local) mergers and acquisitions, general corporate advice, insolvency/corporate recovery, capital markets, banking, energy, general commercial work, fiduciary services, real estate, and immigration to Cyprus for non-EU high-net-worth individuals.

This material has been prepared for general informational purposes only and is not intended to be relied upon as legal or other professional advice.

© 2017 Michael Damianos & Co LLC All rights reserved.

- The Cyprus Tax Department (CTD) has recently announced that the current practice of accepting pre-agreed minimum profit margins from 0,125% to 0,35% on financial arrangements between related parties (back-to-back-loans) will be abolished from 1 July 2017.
- As of 1 July 2017, all financial transactions between Cyprus Tax Resident Companies and related foreign companies must bear interest rates within specific taxable profit margins based on the transfer pricing rules which, even if not yet finalised, are expected to follow the relevant OECD Transfer Pricing Guidelines.
- From that date onwards, interest rates of intra-group financial transactions will have to be supported by transfer pricing studies which should be prepared by independent experts and be based on the OECD guidelines. Such studies will be required both for tax assessment purposes and for the issuing of tax rulings.
- All tax rulings in relation to back-to-back loans which were issued before the 1st of July 2017 will cease to be applicable after that date.
- Intra group financial transactions entered into after the 30th of June 2017, or existing intra group financial transactions which continue to remain in place, will need to be supported by transfer pricing studies and follow the profit margins as these will be determined in the transfer pricing legislation.
- Our clients and all interested parties are strongly advised to review their existing intra group financial arrangements and current group structures in order to assess the impact of the upcoming changes and take action where necessary.