



PREMIO TRANSFER PRICING PRACTICAL SOLUTIONS

WHY PREMIOSERVE?

Premioserve is a well-established firm offering a broad range of audit, tax, advisory and consultancy services. We provide innovative solutions for our clients to help them achieve their personal and business financial goals. Premioserve transfer pricing team has an in-depth knowledge of transfer pricing issues and can help you to develop and customize transfer pricing solutions that fit with your business structure and strategy. The team's leader is Lefteris Androkli, who holds a post graduate diploma on transfer pricing. Premioserve participates in an extensive global network of transfer pricing professionals where we can assist Multinational Enterprises (MNEs) to comply with transfer pricing regulations in various jurisdictions, consistent with their business models.

TRANSFER PRICING GLOBALLY

If you are an MNE involved in cross border transactions with related companies then transfer pricing is highly relevant for you. Transfer pricing might be also relevant if you are involved in transactions between related companies at the same jurisdiction, if the companies are subject to different tax rates/tax treatment. Transfer pricing has become a major focus area in international taxation, and MNEs have become targets of tax authorities world-wide for audits in this area, as it is considered a high-risk area. Transfer pricing regulations worldwide are mainly based on OECD Transfer Pricing Guidelines and most of the countries, whether OECD members or not, have adopted these Guidelines into local regulations.

TRANSFER PRICING IN CYPRUS

Currently in Cyprus there are no detailed transfer pricing regulations other than the section 33 of the Income Tax Law that states in general that transactions between related parties should be at arm's length. In the absence of detailed regulations, the Cyprus Tax office has issued 2 tax circulars that deal with specific type of transactions as follows:

a) Interpretative Circular 3 dated 30 June 2017. This circular is effective from 1 July 2017 and deals with intra group financing activities where a transfer pricing study needs to be prepared for the remuneration of the Cyprus financing companies. The requirements for the transfer pricing study is as per the provisions of the OECD Transfer Pricing Guidelines. Safe harbors exist for (i) group financing companies with a functional profile similar to a regulated financial institution (10% after tax return on equity) and (ii) for financing companies which has a pure intermediary activity with limited functions and risks (2% after tax return on assets/loans). If a company opts for a safe harbor then there is no need for a full transfer pricing study; only a functional analysis is needed to support that the company qualifies for safe harbor rate.

b) Circular 2017-4 dated 22 March 2017. This circular deals with embedded income of an intangible asset that qualifies for "nexus approach". The embedded income also qualifies to be taxed under nexus approach, however the level of this income needs to be supported by a transfer pricing study, in accordance with OECD Transfer Pricing Guidelines.

Full transfer pricing regulations are expected to be introduced in the Cyprus Tax Law in accordance with OECD Transfer Pricing Guidelines and regulations.

OUR CONTACT:

Lefteris Androkli, Director