



## **Cyprus Tax News** Intra-Group Financing Arrangements

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Last month, the Cyprus Tax Department (CTD) informed the Institute of Certified Public Accountants of Cyprus (ICPAC) of its intention to terminate the application of the pre-agreed minimum profit margins of 0.125% – 0.35% on qualifying intra-group back to back financing arrangements, with effect from 1 July 2017.

According to the letter issued by the CTD to ICPAC, from the above date onwards, all tax rulings confirming the applicability of the above profit margins on intra-group back to back financing arrangements will cease to be effective and acceptable taxable profit margins on intra-group back to back financing arrangements will be determined by Transfer Pricing (TP) rules.

Although the TP rules have not yet been finalized by the CTD, they are expected to follow the relevant OECD guidelines and subject to conditions, they will require tax payers to support the applicable profit margins with a TP study, to be prepared by an independent expert.

The need to revise the CTD's approach on this matter stems from the latest developments both in the context of the EU Code of Conduct for business taxation as well as the wider OECD/G20 BEPS initiative.

We are at your disposal to discuss with you the above developments and to assess how this may impact on your current financing arrangements.

An update will be communicated as soon as the CTD issues further details on the TP rules.

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