

## GENERAL GUIDELINES FOR LOANS

### Profit Margins for Intra Group Loans

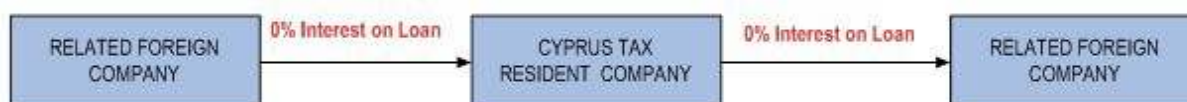
The Director of the Inland Revenue Department (IRD) has issued guidelines on the level of acceptable Profit Margin on the intra group loans:

#### I. Rates applicable to Interest Bearing Intra Group loans

Loan Amount	Profit Margin
€	%
Less than 50 million	0.35
Between 50 and 200 million	0.25
More than 200 million	0.125

#### II. Rates applicable to Non-Interest Bearing Intra Group Loans

The minimum acceptable Profit Margin, independent of the loan amount is 0.35%. However, for loans granted or received during the period between 2003 and 2007 the minimum acceptable profit margin is 0.3%. A group may decide to structure an intra group loan with 0%. The Cyprus Tax Resident company will need to add an amount equal to 0.35% on the back-to-back loan when calculating its taxable income. The accounting records of the company will only be affected by the tax charge.

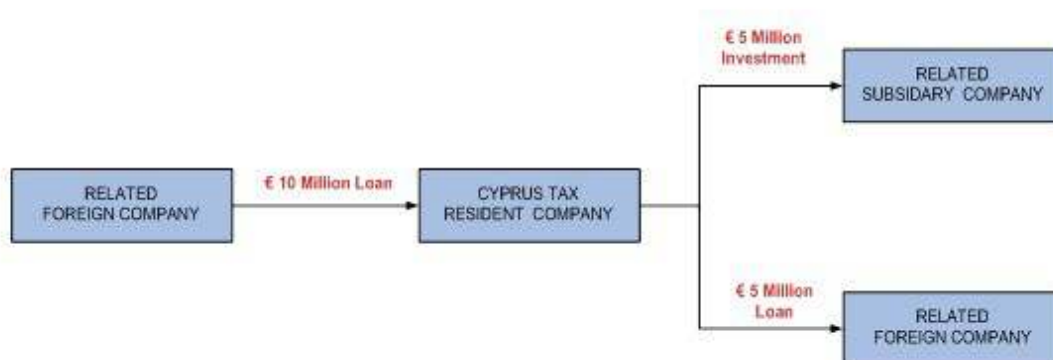


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### II. Conditions for the application of rates:

1. The transactions are in connection to loans between related companies where the Cyprus Tax Resident company receives an interest bearing or a non-interest bearing loan from a related company and uses the same amount to provide an interest bearing or a non-interest bearing loan to another related company.

If any part of the loan IN payable is being used for other purposes such as an investment into another group company, only the part of the loan that has been used as a loan OUT receivable will be subject to the above rates. The interest on the part of the loan IN payable that was used for investment will be disallowed for tax purposes. Proper documentation must be maintained to support such transactions.

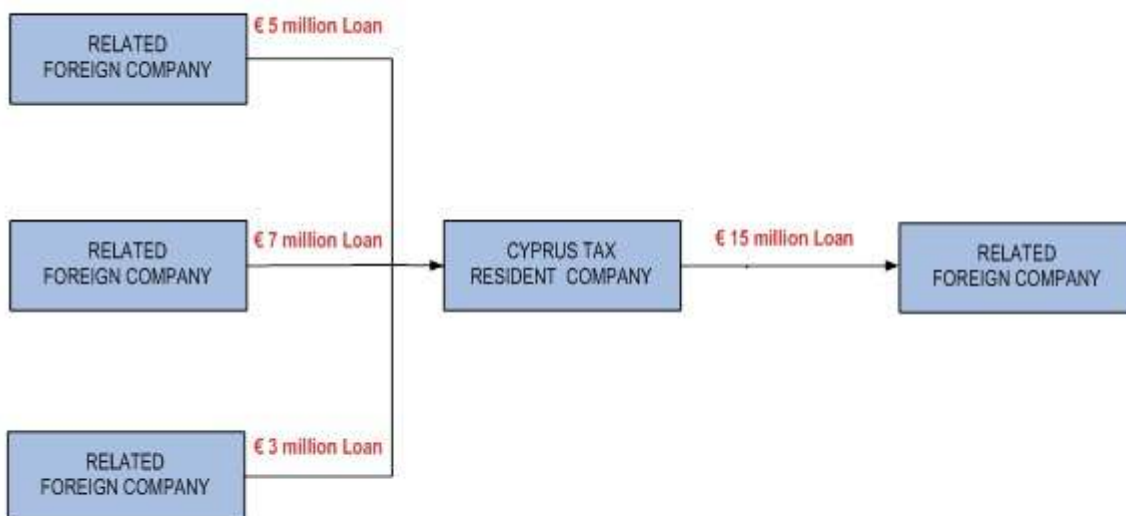
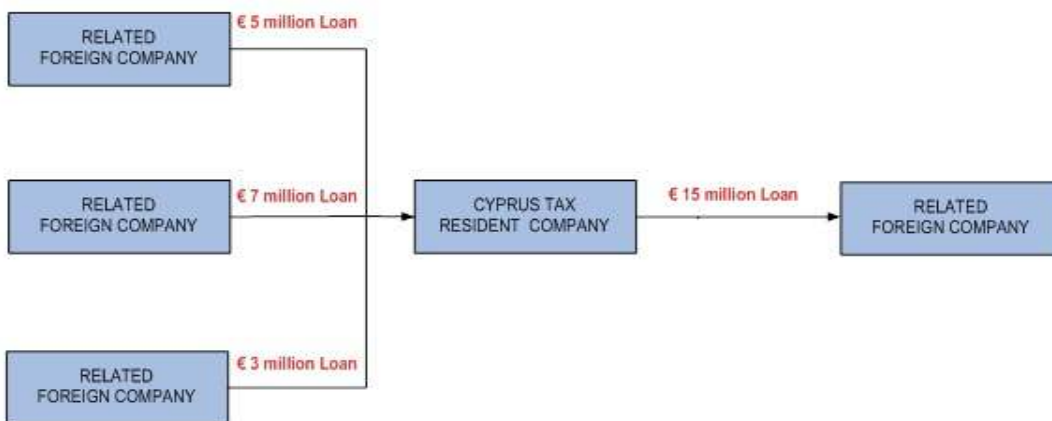


Only the interest on € 5 million will be tax allowed from the loan IN payable of € 10 million.

2. A loan OUT receivable should be granted within 6 months from the date a loan IN payable was received. Proper documentation must be maintained to support such transactions.

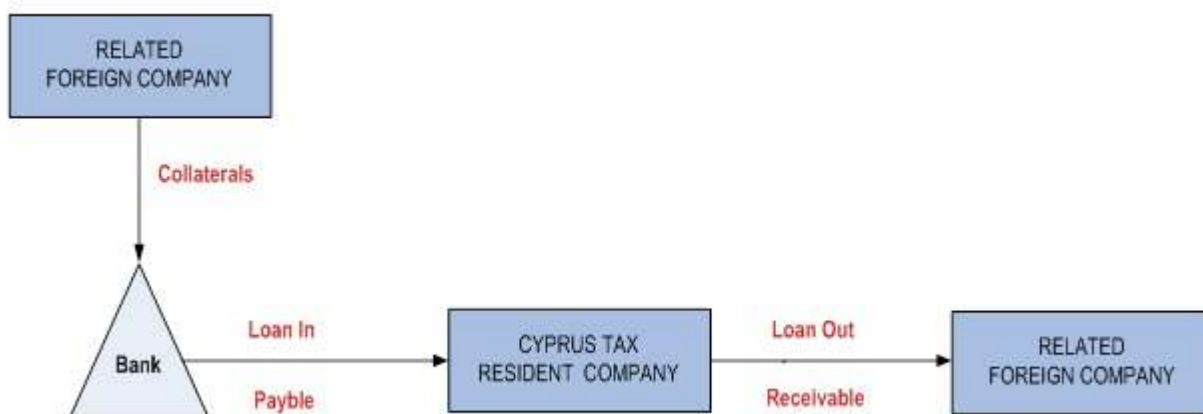
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3. The rates will be applicable for individual back to back transactions only and not on an aggregate basis. This applies in the instances where the company receives a loan IN payable as one amount and gives out a number of different loans or if the company receives several loans and gives one loan out.



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4. These conditions are also applicable in the instances where the Cyprus Tax Resident company borrows from a third party, for example a bank, using collateral from other group companies and lends to a related company.



5. These conditions are applicable in the instances where the company uses other financing products. However, the company needs to obtain the approval of the director of the IRD before the transaction takes place.

A Cyprus Tax Resident Company may apply for a written confirmation to the IRD for the intended Profit Margins to be used.

Previously investigated and resolved cases will not be reopened by the IRD if an objecting has not been submitted within the prescribed time to file an objection.

*The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained.*