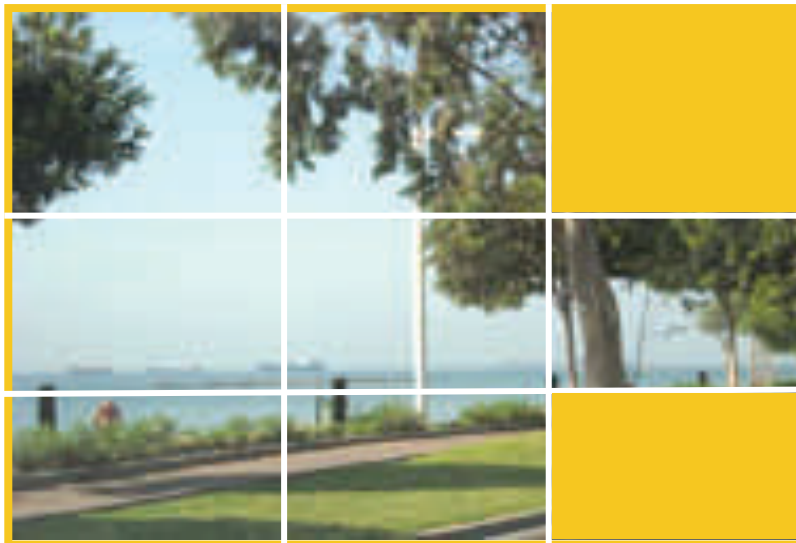


Corporate Taxation



Cyprus as International Business centre in Europe has become more attractive in conducting Corporate Business from.

Tax Liability

Tax is imposed on all Cyprus resident persons (individuals & corporations) on their world wide income.

A corporation is Tax resident in Cyprus when its management and control is exercised in Cyprus. Corporate tax as from 1 January 2005 is 10% on the total profit.

An individual is tax resident in Cyprus when he/she spends more than 183 days in Cyprus, in a calendar year.

Dividend Income

Corporations do not pay any Tax on dividends received from other Cyprus resident companies (Local or International).

Dividends received by Cyprus resident corporations from foreign corporations are exempt from Tax when the requirements outlined below are met:

- ◆ The dividend receiving company must own at least 1% of the share capital of the paying company. The exemption will not be granted if:
- ◆ Directly or indirectly more than 50% of the activities of the paying com-

Eligibility

pany result in investment income, and the paying company is subject to Tax at a rate substantially lower than the Cyprus rate.

The exemption from Tax also applies to profits of a permanent establishment the Cyprus Company has in another jurisdiction. The conditions to be satisfied are the same as the conditions for dividends.

When dividend income is not exempt there is a 15% defense tax contribution. Additionally, tax credits for taxes paid abroad are available.

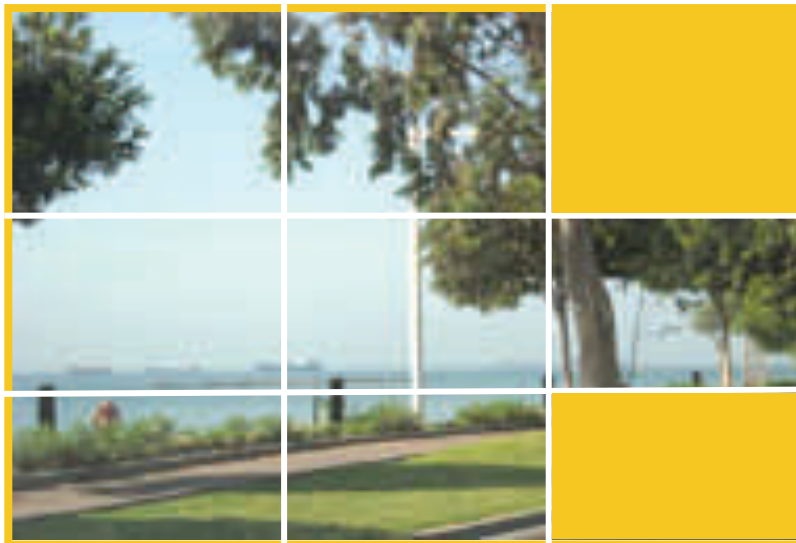
Interest Income

When interest income is the result of the ordinary activities of the company or is closely connected to the ordinary activities of the company, it is subject to tax like any other "active" trading income. If the interest income fails the test of "active" trading income, then it is subject to tax both for corporation tax and defense tax contribution purposes. The special provisions governing "passive" interest income result in a combined tax burden at a rate of 15%.

George Theocharides LLC

137 Gladstonos Street, Taitou Court, suite 303, 3032 Limassol, CYPRUS
Tel. +357 25 820540 Fax. +357 25 745743 www.theocharides.com info@theocharides.com

Corporate Taxation



Cyprus as International Business centre in Europe has become more attractive in conducting Corporate Business from.

Withholding Taxes

Cyprus does not impose any withholding Tax on dividend, interest and royalty payments made to non-Cyprus resident recipients.

In the case of royalties, the exemption applies for royalty payments when the right/asset is used outside of Cyprus. When the royalties are connected with the use of the right/asset within Cyprus there is a 10% withholding Tax subject to treaty provisions.

Company Compliance

Losses can be carried forward indefinitely. Companies part of a group, as defined under the law, can consolidate their results, thus allowing losses of one company to be set off against profit of another company. Mergers, acquisitions and spin offs, as per the same rules as the relevant EU directive, can be effected without tax cost.

Under Cyprus law all expenses incurred for the production of the income are deducted before arriving at taxable income.

Capital Gains Tax

Capital gains tax is charged at the rate of 20% on gains arising from the disposal of immovable property in Cyprus or the disposal of shares of companies which own immovable property in Cyprus. Gains from the sale of shares listed on the stock exchange are excluded from capital gains tax.

The taxable gain is the difference between the proceeds of sale and the original cost of the property plus the cost of improvements cost, adjusted for inflation from the date of acquisition.

Disposals by reason of death and gifts between relatives are exempted from Tax. There are some circumstances in which rollover relief is available if a gain is used for the purchase of a further property.

The first €85.430 of a gain made an individual on disposal of a personal property is exempt from tax. This exemption is available only once. Capital gains tax does not apply to profits from the sale of overseas real estate by non-residents, by entities, or by residents who were not resident when they purchased the asset.

George Theocharides LLC

137 Gladstonos Street, Taitou Court, suite 303, 3032 Limassol, CYPRUS
Tel. +357 25 820540 Fax. +357 25 745743 www.theocharides.com info@theocharides.com