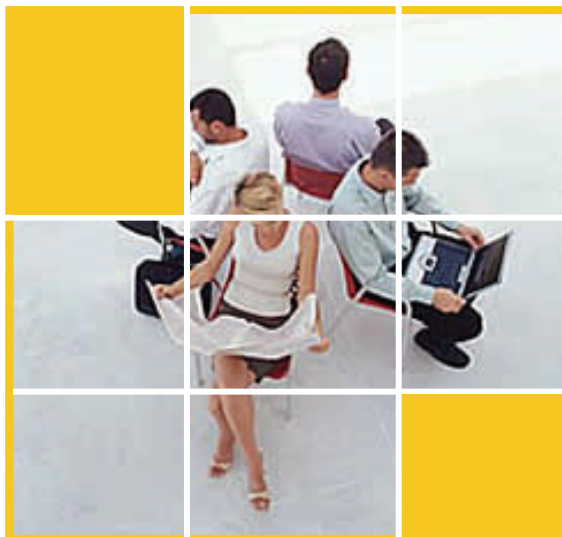


Personal Taxation



Cyprus as a place of residence has become more attractive for Europeans due to its tax incentives.

Tax Liability

Residency is defined as presence in the country for more than 183 days in a calendar year (which is the tax year), and then applies to the whole year. Resident individuals are subject to tax on their world-wide income; non-residents are taxed only on certain types of income arising in Cyprus.

After the EU finally agreed its Tax Directive in June, 2003, Cyprus announced that it would implement the 'information sharing' provision of the Directive on entry to the Union in 2004. This means that information about savings returns received in Cyprus by nationals of other EU countries will be passed to the tax authorities in the individuals' home countries once the Directive comes into force on 1st July 2005.

Personal Income Tax

Income tax is levied on world-wide income. Such income includes employment income (including benefits), profits from a business activity, rentals from immoveable property and royalties, and pensions received (pensions from

abroad may be taxed at the rate of 5% for amounts in excess of €3417 or the taxpayer may choose to be taxed at the normal rate).

Personal Tax Rates

FROM	Up to	Tax Rate	Tax	Tax Amount
€	€	%	€	€
0	19500	0	0	0
19501	28000	20	1700	1700
36301	Above	30	2075	3775

See Double Tax Treaties for details of Treaty exemptions and relieves.

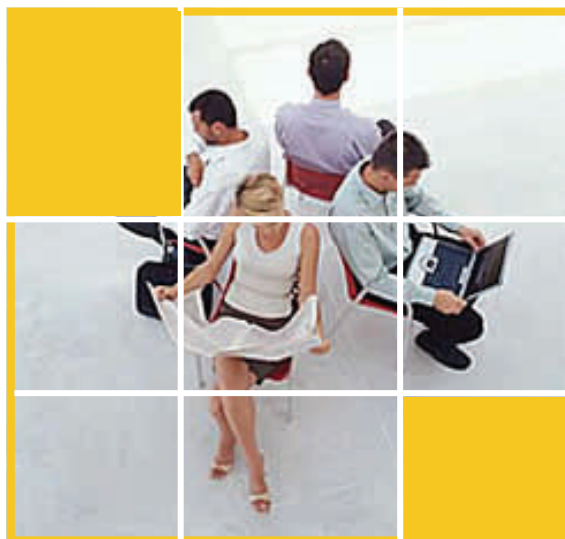
Various deductions are permitted, including some in respect of share ownership; and there are personal allowances. Married persons are taxed separately.

Non-residents of Cyprus are taxed in Cyprus on employment income (including benefits), in relation to services rendered in Cyprus, profits from a business activity which is carried out through a permanent establishment in Cyprus, rentals from immoveable property situated in Cyprus, and pensions in respect of employment exercised in Cyprus, with the exception of pension paid from a fund established by the Government or local authority.

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Personal Taxation



Cyprus as a place of residence has become more attractive for Europeans due to its tax incentives.

Immovable Property

Chargeable income (after all allowances) is taxed as follows:

FROM	Up to	Tax Rate	Tax	Tax Amount
€	€	%	€	€
0	19500	0	0	0
19501	28000	20	1700	1700
28001	36300	25	2075	3775
36301	Above	30		

Foreign investment income is charged at 5% on amounts over €3,417 p.a provided that the individual is neither resident nor Cypriot, nor has economic activity on the island.

A 15% 'Special Defense Contribution' applies to certain types of unearned income.

There is an annual immovable property tax based on the valued price of the property on the 1/1/1980. The rates are:

FROM	Up to	Tax Rate	Tax
€	€	%	€
0	170860	0	0
170861	427150	0,25	641
427151	854300	0,35	2136
854301	Above	0,40	

Further property taxes between 0.1% and 0.5% per annum are levied by local authorities.

There is an Immovable Property transfer tax payable on the actual consideration or on market value, whichever is the higher, by the transferee.

There is capital gains tax exemption of €85.430 on the sale of a house. This exemption may only be given once.

Withholding Taxes

Certain other special regimes operate for non-resident entertainers, sports people and experts are subject to 10% withholding tax deducted at source .

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