



LIST OF INVESTMENT INSTRUMENTS CONSIDERED AS QUALIFYING “TITLES”

The Commissioner of Income Tax has issued a circular listing the financial instruments that fall within the definition of “titles” of the Income Tax Law N118(I)/2002.

In accordance with the provisions of article 8 (22) of the Income Tax Law N118(I)/2002 as amended, profit from sale of “**titles**” is exempt from taxes.

Below is a list of investments that fall under the term “**titles**”:

1. Ordinary shares
2. Founder’s shares
3. Preference shares
4. Options on titles
5. Debentures
6. Bonds
7. Short positions on titles
8. Futures/ forwards on titles
9. Swaps on titles
10. Depositary receipts on titles, like ADRs & GDRs
11. Rights of claims on bonds and debentures, which, however, exclude the rights on the interest of these titles
12. Index participations only if they represent titles
13. Repurchase agreements or repos on titles
14. Participations in companies capital, like the Russian OOO & ZAO, the American LLC provided that these companies are not transparent entities for the purpose of taxation on their income, the Romanian SA & SRL and the Bulgarian AD & OOD
15. Units in open-end or closed-end collective investment schemes that have been incorporated/registered and are operating in accordance to the provisions of the relevant/particular laws in the country of incorporation/registration. The following are examples of such schemes:
 - a. Investment trusts, investment funds, mutual funds, unit trusts, real estate investment trusts
 - b. International Collective Investment Schemes (ICIS)
 - c. Undertakings for Collective Investments in Transferable Securities (UCITS)
 - d. Other similar investment schemes

Bills of exchange, promissory notes, currencies and commodities are not considered as “titles” by the Cyprus Inland Revenue Department, hence profits from their trading will be included in taxable income of the company that is subject to 10% income tax.

The circular applies for tax years 2003 onwards. Cases that have already been settled shall not be re-examined. It is important to note that the circular states that tax returns submitted before the date of issue of the circular and which are not under objection will not be revised with regards to the tax treatment of titles as defined in the circular.

In cases where it is not certain whether a specific financial instrument falls under any of the above mentioned categories, a request for a ruling should be submitted to the Commissioner of Income tax.