Professional Level – Options Module

Advanced Taxation (Cyprus)

Monday 3 December 2007

Paper P6 (CYP)

Time allowed
Reading and planning: 15 minutes
Writing: 3 hours

This paper is divided into two sections:

Section A – BOTH questions are compulsory and MUST be attempted

Section B – TWO questions ONLY to be attempted

Tax rates and allowances are on pages 2–4

Do NOT open this paper until instructed by the supervisor.
During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.
This question paper must not be removed from the examination hall.

The Association of Chartered Certified Accountants

The Institute of Certified Public Accountants of Cyprus

SUPPLEMENTARY INSTRUCTIONS

1. You should assume that the tax rates and allowances shown below will continue to apply for the foreseeable future.
2. Calculations and workings need only be made to the nearest £.
3. All apportionments should be made to the nearest month.
4. All workings should be shown.

TAX RATES AND ALLOWANCES

The following tax rates and allowances are to be used in answering the questions.

Income	Cumulative income	Income tax rate
£	£	
First 10,000	10,000	nil
Next 5,000	15,000	20%
Next 5,000	20,000	25%
Balance		30%

Corporation tax

Statutory bodies	25%
All companies	10%

Special modes of taxation on certain kinds of income

Income of a person from the rendering of ship management services	4·25%
Pensions from services rendered outside the Republic	5%
Gross amount of royalties, premiums, compensation, etc	10%
Films rental, etc of non-residents	5%
Profits of non-resident professional men, artists, etc	10%

Capital allowances

Annual (wear & tear) allowances:	
Tractors, trenches, excavators, bulldozers, transcavators, self-propelled shovels and loaders, drums, oil tanks	25%
Motor vehicles other than saloon cars	20%
Computers and operating software	20%
Application software	
– if not exceeding £1,000	100%
– if exceeding £1,000	33·3%
Agricultural machinery and tools	15%
Other plant and machinery	10%
Hotel, industrial and agricultural buildings	4%
Commercial and other buildings	3%
Glass houses – metallic skeleton	10%
Glass houses – wooden skeleton	33·3%

Interest and surcharge on unpaid tax

Income and corporation tax:	
Interest on income and corporation tax assessments	9% p.a.
Surcharge in cases of unjustifiable omission	5% of tax due.
PAYE assessments	9% interest plus surcharge of 1% per month
Special defence contribution	9% p.a.

Value added tax

Registration limit	£9,000

Capital gains tax

Rate	20%
Life time exemptions (maximum £50,000):	
General	£10,000
Agricultural land	£15,000
Residential dwelling	£50,000

Immovable property tax

Not exceeding £100,000	nil
From £100,001 to £250,000	2·5‰
From £250,001 to £500,000	3·5‰
£500,001 and above	4‰

Stamp duty

Ad valorem duty	
Not exceeding £100,000	1·5 cents on every £10 or part of £10
Exceeding £100,000:	
First £100,000	£150·00
Balance	2 cents on every £10 or part of £10

Land transfer fees

Value per property	Rate	Fees £	Cumulative fees £
Not exceeding £50,000	3%	1,500	1,500
From £50,001 to £100,000	5%	2,500	4,000
£100,001 and above	8%		

A collateral fee of 1% is also due to the land registry department on the value of a secured loan

Social insurance

Employer	6·3%
Employee	6·3%
Maximum insurable income of employees:	
– weekly paid	£24,908 p.a.
– monthly paid	£24,912 p.a.

Self-employed persons (minimum income/contribution)

Weekly income £	Annual income £	Quarterly contribution £	Annual contribution £
111	5,772	167·39	669·56
152	7,904	229·22	916·88
191	9,932	288·03	1,152·12
304	15,808	458·43	1,833·72
479	24,908	722·33	2,889·32

Other contributions by employers:	
Social cohesion fund	2%
Redundancy fund	1·2%
Industrial training fund	0·5%
Vacation leave fund (if not exempted)	8%

Retail price index
(for the purposes of capital gains tax)
Base 2005 = 100 (Monthly index)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1.1.80	34·96											
1980	35·40	35·68	35·99	37·23	36·74	36·81	37·54	37·57	38·22	38·53	38·79	39·16
1981	39·62	39·95	40·32	40·61	40·62	41·01	41·50	41·76	41·98	42·33	42·95	43·20
1982	43·18	43·58	43·46	44·05	43·95	43·63	43·44	43·73	44·19	44·38	44·94	45·19
1983	45·59	45·66	46·08	46·66	46·31	45·69	45·70	46·08	46·17	46·64	46·80	47·06
1984	47·46	47·78	48·06	48·38	48·80	48·86	49·21	49·15	49·01	49·63	50·41	50·90
1985	50·85	50·89	51·31	51·44	51·31	50·84	50·60	51·42	52·11	52·65	51·92	51·85
1986	52·18	52·13	52·24	51·83	51·25	51·21	51·75	51·73	51·71	52·40	53·06	53·31
1987	52·76	52·63	53·23	53·04	53·41	53·88	53·10	53·82	53·91	53·71	54·16	54·53
1988	54·47	54·89	55·22	55·79	55·22	54·73	54·35	54·71	55·35	55·97	56·71	56·82
1989	57·46	57·17	57·28	57·47	56·87	56·66	56·88	57·02	57·39	58·43	58·44	58·42
1990	58·21	58·75	59·37	60·25	60·50	60·04	59·50	59·93	60·12	60·80	61·00	61·80
1991	62·18	61·69	62·18	62·65	63·08	62·44	62·63	61·71	62·87	64·54	64·77	65·83
1992	66·60	65·68	66·52	67·57	66·50	66·20	66·61	66·21	67·05	67·91	68·78	70·11
1993	70·43	68·69	69·08	70·57	69·80	69·64	70·17	69·54	70·48	71·95	72·49	72·32
1994	72·12	70·44	72·18	72·89	73·01	73·48	73·77	72·64	75·11	76·48	76·32	76·09
1995	75·34	73·46	74·92	75·47	75·49	75·49	75·83	74·62	75·49	76·82	77·38	77·33
1996	77·22	75·37	77·37	77·70	77·94	77·88	78·13	77·11	78·43	79·12	79·17	79·27
1997	79·27	78·05	80·21	80·94	80·33	80·28	81·21	79·89	81·15	82·09	82·61	82·37
1998	80·84	80·73	81·24	82·23	82·37	82·71	82·32	82·86	84·17	83·86	83·49	83·15
1999	82·80	81·66	82·96	83·19	83·42	83·54	83·78	82·99	84·72	85·42	85·65	85·99
2000	86·17	85·18	86·80	87·16	87·50	87·04	87·01	86·81	87·88	88·41	88·87	88·99
2001	87·41	87·23	88·05	88·68	88·98	89·65	87·89	88·38	89·68	90·81	90·64	91·10
2002	89·77	89·58	90·13	91·03	91·08	98·07	90·81	91·71	92·74	93·09	93·23	93·78
2003	93·45	93·55	95·51	96·11	95·73	95·15	93·84	94·41	96·11	96·89	97·01	96·12
2004	95·14	95·29	95·90	96·57	97·16	97·82	96·94	97·43	98·39	99·35	99·91	100·15
2005	98·29	98·03	98·62	99·70	99·62	99·85	98·36	99·00	100·84	102·38	102·96	102·33
2006	100·50	100·62	101·81	102·65	102·74	102·87	101·53	102·07	103·24	103·84	104·06	104·00

Section A – BOTH questions are compulsory and MUST be attempted

1 Your tax partner has recently held a meeting with a prospective new client, the managing director of the Topside group of companies, who is seeking advice as to any actions that could be taken that would be tax advantageous for his group.

The Topside group of companies consists of four main undertakings: Topside Public Ltd, Downside Ltd, Upsize Ltd, and Downhill (UK) Ltd; plus Downside Ltd's subsidiary Up&Down Ltd. Topside Public Limited controls 90% of Downside Ltd, 60% of Upsize Ltd and 80% of Downhill (UK) Ltd. Topside Public Ltd, Downside Ltd and Upsize Ltd are all Cyprus registered companies. Downhill (UK) Ltd is a UK registered company. The management and control of all four companies is exercised in Cyprus. Topside Public Ltd acquired its interests in its subsidiaries as follows:

Downside Ltd	50% on 13 October 2004
	40% on 28 February 2006
Upsize Ltd	60% on 23 February 2005
Downhill (UK) Ltd	100% on 2 January 2005 (date of incorporation), but 20% was sold on 6 February 2006 resulting in a capital gain of £100,000

The trading activities of the four main group companies are as follows:

Topside Public Ltd is a wholesaler of imported office furniture. The company imports exclusively from European Union (EU) countries and sells exclusively to the Cyprus market. It has a branch in Athens which operates in the same line of business, making sales in Greece.
Downside Ltd is a manufacturer of house furniture in Cyprus. All raw materials are imported from non-EU countries. All of its sales are made to non-EU customers through independent local wholesale distributors. No sales are made in Cyprus.
Upsize Ltd is a wholesaler and retailer of foodstuffs. It imports from both EU and non-EU countries but also purchases from Cyprus. Its sales are exclusively made in Cyprus.
Downhill (UK) Ltd is a home furniture manufacturer and an interior designer. The company manufactures the furniture in Cyprus. Raw materials are imported from Lebanon and Egypt. 50% of the sales of furniture are made in Cyprus, and 50% to non-EU countries, through independent local wholesale distributors. Interior design services are provided to Cyprus (20%), the UK (60%), and other non-EU countries (20%). You may assume a uniform profit margin on all these sales, regardless of location.

Financial information regarding the four main group companies for their accounting years ended 31 December 2006 is as follows:

	Note	Topside Public Ltd £'000	Downside Ltd £'000	Upsize Ltd £'000	Downhill (UK) Ltd £'000
Trading profit/(loss)	1	600	(300)	(50)	(700)
Capital gain on the sale of shares in Downhill (UK) Ltd	2	100	0	0	0
Rental income*		350	0	0	0
Rental expenses*		(20)	0	0	0
Interest received on loans to group companies*	3	100	0	0	0
Interest paid on loans from group companies*	3	0	0	(50)	(50)
Profit from Athens branch	4	2,000	N/A	N/A	N/A
Dividends received*	6	0	180	0	0
Dividends paid (gross)		1,800	0	0	0
Retained profits – 31 December 2005		3,000	900	300	300

* not included in trading profits/(losses)

Notes:
1 Topside Public Ltd financed the acquisition of shares in its subsidiaries partly through a bank loan. Interest paid in respect of this bank loan by Topside Public Ltd during 2006 was £35,000; interest paid in previous years had been £50,000. The company treats this interest as a trading expense.

2 Topside Public Ltd's rental income comprises a premium received on a 20-year lease of £300,000 and a £50,000 annual rental from a freehold shop in London. Tax paid in the UK amounted to £110,000. The shop was acquired on 7 January 2006 for £700,000. Its original cost in May 1990 had been £100,000, including £30,000 for the land value.

3 Interest charged on inter company loans is at 50% of the market interest rate. The loans were all used for financing the expansion of operations of the respective companies.

4 The Athens branch has been incurring losses for several years, which have accumulated to £60,000 as at 31 December 2005, and for which Topside Public Ltd has claimed tax relief in previous years. The Greek corporation tax rate is higher than the Cyprus corporation tax rate.

5 Downhill (UK) Ltd, among other assets holds freehold offices in London (the only immovable property held by the company). These were acquired on 16 January 2005 for £200,000 and their value as at 6 February 2006 was £320,000. The company's non-purchased trading goodwill was valued at £300,000 as at 6 February 2006.

6 The dividends received by Downside Ltd were from Up&Down Ltd. Up&Down Ltd realised a tax-adjusted profit of £500,000 during 2006 but had trading losses, all incurred during 2005, of £200,000 as at 1 January 2006. Up&Down Ltd is expected to incur tax-adjusted losses in 2007 and 2008.

90% of the share capital of Up&Down Ltd was acquired by Downside Ltd on 27 December 2005, on which date the company's management and control also passed to Cyprus residents. The company is Cyprus registered but it was previously beneficially owned and managed by Ukranian residents. Its activity is the provision of construction work through a branch in Kiev, Ukraine. Ukranian tax rates are higher than Cyprus tax rates.

7 All the companies expect to make profits in 2007 and 2008 (except for Up&Down Ltd).

8 The annual VAT sales and purchases/expenses (exclusive of VAT) of the five companies are, and are expected to continue to be, as follows:

	Topside Public Ltd		**Downside Ltd**	**Upsize Ltd**	**Downhill (UK) Ltd**	**Up&Down Ltd**
	Cyprus	**Athens**				
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
OUTPUTS						
– Trading	3,000	5,000	2,000	500	3,000	0
– Services	0	0	0	0	3,000	9,000
INPUTS						
– Trading	2,200	2,000	1,000 **	400 *	2,000 **	0
– Services	0	0	0	0	2,500	4,000

* 60% zero-rated
** 50% relates to the imported raw materials, and 50% to inputs from Cyprus

Required:

Draft a memorandum in an appropriate style for discussion with your tax partner, addressing each of the following issues. Your comments should be supported by relevant reasons and, where stated, computations.

(a) Taxes on income and gains

(i) Whether the tax treatment of the bank loan interest paid by Topside Public Ltd on the loan used to acquire its subsidiaries is correct and providing an estimate of the tax effect (if any). (2 marks)

(ii) Whether the policy of charging interest by Topside Public Ltd to the other group companies will be acceptable to the Cyprus tax authorities and providing an estimate of the tax effect (if any). (3 marks)

(iii) Whether and to what extent, the capital gain on the sale of the 20% shareholding in Downhill (UK) Ltd would be taxable under either capital gains tax or corporation tax in Cyprus. (2 marks)

(iv) The Cyprus tax position regarding the profits/losses of the Athens branch. (3 marks)

(v) The tax treatment of the rental income and providing an estimate of the tax effect (if any). (3 marks)

(vi) The tax treatment of the dividends received by Downside Ltd. (1 mark)

(vii) The company formation(s) for group loss relief purposes. (3 marks)

(viii) The most tax-efficient method of obtaining tax relief for the losses incurred throughout the group and providing an estimate of the resulting tax savings. (3 marks)

(b) Value added tax (VAT)

(i) The obligation of each of the five companies comprising the Topside group to register for VAT, either in Cyprus and/or in any other country. You may assume that the VAT legal framework of all of the countries referred to in the question is identical to the VAT legal framework applicable to Cyprus. (6 marks)

(ii) The applicable VAT rates for the sales (if any) made in Cyprus by the five companies. (3 marks)

(iii) Whether it is possible and if so advantageous for all of the five companies forming the Topside group to be included in a group VAT registration. (5 marks)

Appropriateness of the format and presentation of the memorandum, and the effectiveness with which the information is communicated. (2 marks)

(36 marks)

2 Chris has recently visited your office for the first time. During this meeting you have ascertained the following:

- Chris and his friend Costas have recently agreed to become equal partners in a business which would be involved in trading in land, provide immovable property consultancy services and undertake land development.
- Chris is already the owner of a piece of land in Pomos, which he inherited from his parents in 1978. Chris had never had any other transactions in immovable property before this. The current agreed market value of the land is £200,000 (January 1980 value: £15,000). Costas has agreed to contribute cash to the business equivalent to the value of this land.
- Chris and Costas plan to acquire two more pieces of land which they have already targeted, as follows:
  - Land in Peyia, with an asking price of £230,000 and an estimated market value of £350,000. The intention is that this land will be sold at a quick profit.
  - Land in Timi, with an asking price of £250,000, which includes £30,000 for planning permission (obtained before 1 May 2004) to build seven villas for resale to British pensioners.
- The land in Pomos is considered to be partner's capital, and the partners have decided to sell it as soon as possible, so as to raise more cash for further expansion. 30% of the acquisition cost of the Timi and Peyia land and all of the land transfer fees will be financed by equity capital and 70% of the acquisition cost, excluding land transfer fees, through a bank loan at an annual interest rate of 7%. Collateral fees of 1% on the loan amount and a bank loan arrangement fee of 1% will be charged. The loan for Timi will be of a twelve month duration and that for Peyia of a six month duration. The loan instalments will comprise the interest element only for both loans. The capital will be repayable at the end of each of the loan periods.
- Chris's income currently consists wholly of an annual pension of £40,000 that he receives from his former employer, overseas. Costas's income currently consists of annual director's remuneration of £50,000 and dividends and interest of circa £70,000 per annum, all received from non-Cyprus sources. Costas will not have any active involvement with any of the business's projects. Chris will, however, have an active role in managing the business's operations and is expected to be present in Cyprus for long and frequent periods which may or may not exceed six months in a calendar year.
- The Timi project is expected to be completed within twelve months of commencement. It is expected that the construction cost (VAT inclusive) will be circa £600,000 and the selling price per villa is expected to be £150,000. Agent's commission will be 2% of the sales price of the villas.

The construction cost of the Timi project may be financed by either of the following alternative methods:

- Method 1: 30% equity through cash contributions by Chris and Costas and 70% by a bank loan with the same terms as given above for the acquisition of the land.
- Method 2: £250,000 cash injected by Peter to equalise the land value in return for a 50% share of the profit and a £350,000 bank loan with the same terms as given above for the acquisition of the land.

Peter is Chris's friend and is a tax resident of Byland. Peter has expressed his willingness to finance the Timi development for a 50% profit share but he is not yet sure as to whether he will finally invest in the project, due to reservations expressed by his London lawyer, who has no confidence in the Cyprus legal system. You may assume that Byland is a tax haven jurisdiction which does not levy income taxes.

Both Chris and Costas are citizens and tax residents of Ackland. You may assume that:

- Ackland income tax rates are identical to the current Cypriot income tax rates.
- Ackland residents are taxed in Ackland on their worldwide income and capital gains, with capital gains treated as the top slice of income and taxed at Ackland income tax rates.
- Ackland tax law does not provide for any special mode of taxation in relation to the receipt of dividends by individuals.

Required:

(a) Calculate the taxable trading profit arising from the proposed business projects at Peyia and Timi under both methods of financing. (5 marks)

(b) Assuming that today's date is 3 January 2007, write a letter addressed to Chris advising him on the following:

(i) Assuming that Peter will not participate in the Timi project:

– **Whether the better structure for the proposed business would be a limited company or a partnership.** (3 marks)

– **If a limited company is used as the business vehicle, whether Chris should transfer the Pomos land to the company before its sale to the third party, or sell the land to the third party directly.** (5 marks)

– **Whether Chris should consider moving his tax residence to Cyprus.** (6 marks)

Note: your advice should refer to income tax, special defence contribution, capital gains tax and land transfer fee issues as appropriate, and be supported by relevant calculations.

(ii) Assuming that Peter will participate in the Timi project:

– **Whether it is better for Peter personally to structure his involvement in the Timi project through a shareholding in a Cyprus company; or through a partnership in which Peter and a limited company formed by Chris and Costas will participate as partners; or through a partnership between one of Peter's foreign companies and a limited company formed by Chris and Costas.** (6 marks)

– **The income tax and special defence contribution treatment of the loan interest that will be accruing to Peter.** (2 marks)

Note: you are not required to provide calculations for this section of the letter – only explanations.

Appropriateness of the format and presentation of the letter, and the effectiveness with which the advice is communicated. (2 marks)

(c) Assume that today's date is now 5 May 2007.

Peter, who initially decided not to participate, has now decided that he does wish to do so, but only on the same terms as before, i.e. only in the Timi project and to the extent of 50%. Chris and Costas are keen to agree Peter's participation because of the additional equity finance it would provide, but they are concerned about the tax implications which might now result. In the meantime, Chris and Costas have formed a company in which they each have a 50% shareholding, and to which they have transferred the land for all three projects: Pomos, Peyia and Timi.

Required:

Identify the actions that will be necessary regarding the Timi land in order to facilitate Peter's late participation in this project only; calculate the tax liabilities that might result from the re-organisation of the business and explain how these might be mitigated. (5 marks)

Notes:
The Timi project may be considered as an autonomous branch of the existing company.
For the purposes of your calculations you may assume that the Timi land value will have increased by 20% between the date of acquisition and the date of Peter's participation in the project, and that general inflation is negligible within the period.

(34 marks)

Section B – TWO questions ONLY to be attempted

3 Marisa and Jack have been equal partners for a number of years, holding equal shareholdings in a company in South Africa. Recently they have also established companies in England and the Netherlands. Marisa holds an MBA and is in charge of the management and finance side of the business. She is of Dutch origin but was born and raised in Zimbabwe. She is currently residing in the Netherlands with her family and she is managing the Dutch company. Jack is an economist specialising in oil exploration consultancy. He is of Irish origin but was born and raised in South Africa. He recently took up residence in London and is managing the English company.

All three companies provide consultancy to oil exploration companies and organise conferences for updating on recent developments in the oil market. Annual conferences are held in London and South Africa and in other non fixed locations in America, Asia and the Mid-East. Global annual pre-tax profits are in the region of £500,000.

Marisa and Jack consider that a considerable portion of their business's income may be conducted through a Cyprus tax resident company.

For the purposes of answering this question you may assume that:

– The corporate tax rates in the Netherlands, the UK and South Africa are 30%.
– Both Marisa and Jack are higher rate tax payers. The higher income tax rate is 40% in the UK and 56% in the Netherlands.
– Netherlands tax residents are taxed on their worldwide income.
– Jack, although a resident of the UK, is taxed in the UK on his income on a remittance basis.
– The UK and Netherlands tax laws do not provide for a special tax treatment of dividends received by individuals.

Required:

Advise Marisa and Jack as to the following:

(a) Why it would be tax advantageous for them to use a Cyprus tax resident company in conducting part of their trading activity. (1 mark)

(b) Whether it would be advantageous for either Marisa, Jack, or both, to change their tax residence status to Cyprus. (9 marks)

(c) Assuming that Marisa and Jack do decide to form a Cyprus trading company to undertake part of their business activity, whether Marisa and/or Jack should receive their remuneration from the four trading companies in the form of salary or dividend directly, or through using other Cyprus personal companies. (5 marks)

Notes:
Your answer should refer to income tax, corporation tax and special defence contribution.
You should ignore social security and other payroll contributions.

(15 marks)

4 Anatoli, aged 60, a resident of Germany, holds investments in public and private trading companies and in immovable property. He also holds money on fixed deposit bank accounts. He has three children aged four to six years old and has recently undertaken a life assurance policy with cover of £1,000,000, through a Cyprus life assurance company, as he is worried about his children's future. Anatoli also has two sons aged 33 and 29 from a previous marriage. He considers that these two sons should not have any claims against his property when he passes away.

All Anatoli's assets (except for his life assurance policy) are situated outside Cyprus.

Anatoli is worried that substantial amounts of money will have to be paid as taxes on his death, before his family obtains the right of access to his assets. He is, therefore, looking for a legal set-up which will achieve the following, on his death:

- only his current wife and their three minor children will obtain the right to claim his assets; and
- no tax issues will delay or reduce the value of his assets and hence inconvenience his family, who should have immediate access to his assets on his death.

Anatoli has heard that Cyprus is a jurisdiction with favourable taxation, company and trust laws. He is, therefore, considering either setting up a company in Cyprus, or setting up an international trust in Cyprus, to which he will transfer all his assets and the income accruing from them.

Required:

For Anatoli's benefit, provide explanations of the following:

(a) The tax regime which would apply to the proposed Cyprus company, with specific reference to the mix of its income as identified above, the possible capital gains on potential future realisations of assets by the company and the need for the payment of dividends. (6 marks)

(b) The tax regime applying to Cyprus trusts, including international trusts. (6 marks)

(c) Whether in Anatoli's case, a trust would be a more suitable vehicle to use than a company or vice versa. (3 marks)

Note: your answer should refer to income tax, corporation tax, special defence contribution, capital gains tax and other property taxes as appropriate.

(15 marks)

5 Andithesis Ltd is a Cyprus tax resident company, which is involved in the following activities:

– The provision of consultancy to VAT registered entertainers and artists from Cyprus and Greece and acting as their manager.

– The organisation of concerts in Cyprus, Greece and Lebanon, by the engagement of groups and leading artists mainly from Greece. Usually the hotel and accommodation expenses of the Greek group/artist is included in the agreed fee to be paid by Andithesis Ltd, although this is not always the case.

– The organisation of conferences in Cyprus with participants from Cyprus, other European Union (EU) countries and non-EU countries. Participants are mainly businesses, but a number of individuals also participate.

– The publication of a monthly magazine of an artistic nature and its circulation through magazine distributors, in Cyprus, other EU and non-EU countries.

Required:

(a) State, giving reasons, the place of supply applicable to each of the activities of Andithesis Ltd, clearly identifying the rates of value added tax (VAT) applicable, and the countries in which Andithesis Ltd may be obliged to register for VAT purposes. (8 marks)

Note: for the purposes of answering this part, you may assume that the VAT legal frameworks in all of the countries referred to in this question are identical to the VAT legal framework in Cyprus.

(b) Explain the circumstances under which Cypriot and non-Cypriot participants in conferences organised in Cyprus may be entitled to a VAT refund in respect of any VAT paid for their participation. (4 marks)

(c) In respect of the concerts organised in Cyprus, explain how the amounts paid to the groups and leading artists from Greece will be subject to tax in Cyprus. (3 marks)

(15 marks)

End of Question Paper