2012 CORPORATE TAX REFORM

— *What can you offer?*

The global fiscal crisis has created financial upheaval on an unprecedented scale and still continues to reshape the economic landscape and create complications for most governments and countries around the world.

It has taught us all just how closely investments are tied with politics and economics; the financial world moves extremely quickly and it's essential to have the best and latest financial information to make well-informed decisions about risk and return. Most nations have implemented austerity measures with major cutbacks affecting public spending; as a result governments are keener than ever to attract investment. In order to attract this investment be it local or foreign; the tax system must be conducive, hence corporate tax reform has been at the top of the agenda for many countries. Getting the balance between attracting investment and having a fair national taxation strategy is quite a challenge; taxes are essential for economic and social development but simultaneously they have to allow companies to profit and grow. Acquisition International speaks to the experts.

Andreas Sofocleous, founder and managing partner of Andreas Sofocleous & Co. Corporate and Commercial Law and International Tax Planning are among his main areas of practice.

"I specialise in all areas, including foreign investments in Cyprus and abroad and international tax planning. We aim to handle our clients' affairs with excellence that exceeds their expectations, offering quality representation with personalized attention to their needs. Corporation tax liability is based on residence. A company is treated as a resident of Cyprus if its management and control are exercised from Cyprus.

A foreign company with its sole establishment in Cyprus whose business activities are abroad may be exempt from tax in Cyprus but will be excluded from double taxation treaty benefits. The branch must be managed and controlled outside Cyprus to obtain full exemption. Otherwise the company's worldwide income is taxable in Cyprus, an advantage if it wishes to establish Cypriot residence for double taxation treaty purposes. Corporation tax rate is 10%, the lowest in the EU. Double taxation treaties with more than 40 countries. Foreign dividends are tax-exempt. Foreign direct investment in Cyprus rose from almost USD 855 million in 2000 to almost USD 6 billion in 2009 (World Bank). Compliance time in Cyprus is 149 hours, much better than the EU average of 222 (PWC, Paying Taxes 2011). Fiscal position has deteriorated since 2009. VAT will increase from 15% to 17% on 1 March 2012. Our jurisdiction has a good location in terms of tax expenditure due to low rates of personal and corporate tax, plus double taxation treaty benefits and other beneficial tax arrangements. "Looking forward, Ipredict that Cyprus, as part of the eurozone, may be pressed to increase its corporation tax rate of 10%."

Jean-Francois Salzmann is Managing partner of Mazars based in Shanghai, China.
"Typical clients of Mazars include European and US firms seeking to enter the Chinese Market through Greenfield or acquisition.

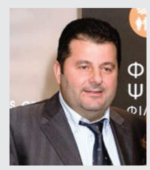
"In the field of acquisition we mainly work for large corporate and private equity funds but also for a growing number of transactions initiated by mid-sized privately owned groups. Greenfield services can relate indifferently to new business opened by major corporate or privately owned mid to small size entities. The tax, accounting and audit market is divided between the Big Four, networks and local actors. Mazars is unique as it is organized as a single partnership. Therefore, we can rely on the skills of over 13,000 of our own professionals in 68 countries. As a result, we strongly believe we are one of the rare market actors able to deliver the best of all worlds:

- Tailor-made and pragmatic consulting,
- With a strong international background,
- At a fair price.

The main issue investors have to face in their operation is uncertainty:

- Uncertainty because the regulations are new and changing very fast, sometimes retroactively. The last example was the decision to implement VAT as a test in Shanghai, as of the 1st January 2012... with only 6-week notice period.
- Uncertainty because regulations are not always crystal clear.
- Uncertainty because there are only limited case law available. Interpretation can vary from an administration to another... and in time. This is particularly disturbing when you know the administration rarely confirms its interpretation in a written form.

It is therefore important to choose advisors who are able to correctly understand and interpret what is hidden behind the law and predict possible future evolutions. China launched a pilot turnover tax reform on 1 January 2012 in Shanghai: transform Business Tax ("BT") into Value Added Tax ("VAT") in selected service industries. The reform will be extended to all Chinese cities in the coming years. Chinese tax system favors certain industries such as green energy and software industries and encourages areas to develop such as the Western Area where 15% instead of the statutory 25% rate is applicable for Corporate Income Tax ("CIT"). There are 19 kinds of taxes in China, including turnover tax (such as value-added tax, business tax and consumption tax), income tax (corporate income tax and individual income tax), resource tax, and property and behavior tax. Depending on the investment industries and areas, the tax cost can be a factor to hinder or promote foreign investment."



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