



Freemont group

I welcome you to the December 2016 edition of our newsletter.

In this issue, we discuss a new tax treaty in between Cyprus and India as well as amendment of IP regime in Cyprus. Concerning the UAE, we highlight registering an Umm Al Quwain Company explaining the benefits of the company.

We also present our legal services in Dubai, UAE.

I sincerely hope you enjoy reading our newsletter and we are happy to receive your feedback and welcome your suggestions.

George Philippides
Chairman

Highlights on Cyprus

A New Tax Treaty between Cyprus and India

On the 18th November 2016 in Nicosia, Cyprus and India signed a new double tax agreement replacing the previous agreement, which was signed in 1994.



The new agreement has been an outcome of continued negotiations between Cyprus and India. The major terms of the agreement were approved in June 2016.

Although the agreement was published in the Official Gazette of Cyprus on the 25th November, it will come effective once the two countries complete the ratification process. In Cyprus the agreement will be

effective on or after the 1st January 2017. In India the agreement will be effective three months later, on or after the 1st April 2017.

Following the changes to India's double tax agreements with Mauritius and Singapore, the new agreement provides for source-based taxation replacing the resident-based taxation with regards to capital gains from the alienation of shares. Now, the grandfathering of investments provides clarity to taxpayers holding investments. Investments undertaken before the 1st April 2017 will be grandfathered with taxation rights over gains on the disposal of the shares in the country of residence of the taxpayer. Therefore, the amended source-based taxation will apply only to gains from the alienation of shares acquired on or after the 1st April 2017.

When a Cyprus tax resident disposes of a grandfathered investment, the authorities of Cyprus have the right to tax the gains under the amended tax agreement, which is consistent with the existing one.

The following key amendments have been incorporated to the agreement:

- 10 per cent withholding tax will be imposed on dividends.
- 10 per cent withholding tax will be imposed on interest expenses and no tax will be imposed if the beneficial owner of the interest is the government, a political sub-division, a local authority of the other contracting state as well as certain Indian organisation defined in the treaty or any other organisation as may be agreed upon between the competent authorities of the contracting states.
- 10 per cent withholding tax will be imposed on royalties as opposed to the earlier 15per cent.
- There is no withholding tax on dividend payments to non-residents. Cyprus does not impose any withholding taxes on interest and royalties paid to non-residents.

The provisions include the exchange of information between the two states. The exchange of information will be in line with the latest international standards. The banking information can be provided only upon the approval of the respective authority in the country providing the information.

In addition, with the new amendment now the term of permanent establishment includes a site or construction, installation or assembly project or administrative activities in connection with a site if it lasts more than 6 months as opposed to the previous 12 months.

The important momentum appears in the amendment of the classification or status of Cyprus. Once the agreement is effective, it will revoke the status of Cyprus as a 'Notified Jurisdictional Area'. Previously, from the 1st November 2013 Cyprus was first classified as a 'Notified Jurisdictional Area.' One of the outcomes of this status is that, in certain conditions, a taxpayer may rely on the existing treaty only by following certain administrative procedures in India.

Amendment of Cyprus IP Regime

On the 27th October 2016 the Official Gazette published the amendments to the Income Tax Law of Cyprus with the incorporated new Intellectual Property (IP) regime that has been passed by the House of Representatives. The Income Tax Law provides the transitional phase between the existing IP regime and the new IP regime being in line with the recent international developments on the taxation of IP incomes and recommendations under action 5 of the OECD's Base Erosion and Profit Shifting project.



Existing IP regime



The new provisions contain guidance on the amended IP regime application and allow the existing IP regime to remain in place until the 30th June 2021. To recall, the existing IP regime provides an exemption from taxes of 80 per cent of the net profit.

Net profit is calculated after deducting from the IP income all direct expenses associated with the production of the income as well as capital allowances at a rate of 20 per cent.

The IP regime will be effective until the stated date for intellectual property existing as of the 1st January 2016 or developed or acquired from non-related persons between the 2nd January 2016 and the 30th June 2016. Intellectual property acquired from related parties between the 2nd January 2016 and the 30th June 2016 will be entitled for the existing IP regime until the 31st December 2016.

The New IP Regime and Nexus Approach

The new IP regime presents the notion of qualifying profits that are eligible for the 80 per cent tax exemption calculated on the basis of the nexus approach and relate to intellectual property that is entitled for the new regime of qualifying assets.

The qualifying assets are stated in the new provisions of the legislation and include amongst others patents, copyrighted software programs and other intangible assets that are non-obvious but exclude trademarks and other copyrights.

The nexus approach is based on R&D expenditure incurred to develop the qualifying assets. Thus, the level of profits eligible for the 80 per cent tax exemption will depend on the level of R&D expenditure incurred by the taxpayer to develop the qualifying assets.

Under the new regime there is no income tax imposed on capital gains arising from the disposal of a qualifying asset and the capital gains arising of such disposal are not included in the qualifying profits.

The new IP regime applies to Cyprus tax residents, non –tax residents with permanent establishment in Cyprus as well as foreign permanent establishments who are subject to tax in Cyprus.

The newly amended Income Tax Law introduces capital allowances for all intangible assets, excluding goodwill and assets qualifying for the existing IP regime.

Tax Benefit

Since the new IP regime is in line with the internationally agreed latest tax framework, the experts argue that the new IP regime may enhance businesses set ups increasing R&D activities in Cyprus to benefit from the new tax regime. With a low corporate tax rate of 12,5 per cent and an exemption on qualifying IP income of 80 per cent, businesses can achieve an effective tax rate as low as 2,5 per cent when all R&D expenditure is gained by the Cyprus entity benefiting from the regime. Moreover, since an overseas Permanent Establishment of a Cyprus entity also may qualify for the IP regime, all qualifying expenditure incurred by such an entity is taken into account in the nexus division calculation, hence, increasing the tax advantage.

For more details, request a quotation at Info@freemontgroup.com. Our dedicated team can give you advice and how to process your requirements based to your needs.

Highlights on the UAE

Umm Al Quwain Free Trade Zone (UAQ FTZ) is located in Umm Al Quwain, one of the UAE's seven emirates renowned for its modern infrastructure and unparalleled natural beauty.

Umm Al Quwain is a growing tourist destination within the United Arab Emirates (UAE), offering an authentic scenic beauty for the discerning tourist.



Being a relatively new Free Trade Zone in the UAE, Umm Al Quwain offers very competitive fees and the privilege of signing documents remotely. This means a Umm Al Quwain FZ company can be set up without the shareholders being present at the time as long as they visited UAE in the past.

Registering an Umm Al Quwain Company constitutes an efficient and cost effective solution for the modern businessman. Some of the key benefits of licensing a company in Umm Al Quwain (UAQ FTZ) are

- double tax treaties benefits of UAE with 80 other countries
- 100 per cent foreign ownership
- zero corporate and personal income taxes

- allows up to 50 shareholders
- 100 per cent import and export tax exemption within the FTZ
- fast registration process
- proximity to two international airports, Dubai and Sharjah, and major sea ports
- no restrictions on hiring foreign employees

Types of licences allowed when registering an Umm Al Quwain Company

1. COMMERCIAL LICENSE (TRADING LICENSE)

There are two types of license, which fall under this category: Commercial License and General Trading License.

Commercial License: This authorizes the import, export, distribution and storing of items specified on the license. A Commercial License can have three different product lines or 10 similar product lines.

General Trading License: This enables the licensee to trade in a wider range of activities and gives the freedom and flexibility to trade in any commodity, which is permitted within the UAE.

Note: Commodities which require special approval or clearance from various UAE authorities e.g. explosives and armaments cannot be traded with a General Trading license.

Usual activities include i.e. Trading with Automobiles, Seeds Trading, Coal & firewood trading, cotton and natural fibers trading, etc.

2. CONSULTANCY LICENSE

This is for entities, which offer expert or professional advice, and is issued to all manner of professionals including artisans and craftsmen. It allows two similar activities.

Activities usually registered include Marketing Consultancy, Management Consultancy and IT Consultancy.

3. FREELANCE PERMIT

This allows an individual to operate as a freelance professional, and conduct business in one's birth name as opposed to a brand name or company. The Freelance Permit is designed for individuals who operate in technology, media and film sectors, and is issued to talent roles, creative roles and selected administrative roles.

Activities usually registered include Actors, Artists, Photographer and Producer.

4. INDUSTRIAL LICENSE

This enables the licensee to import raw materials, then manufacture/ process / assemble / package the specified products, and export the finished product. It allows the holder to import raw materials for the purpose of manufacturing, processing and/or assembly of specified products.

5. SERVICE LICENSE

This license is for service providers. It permits the licensee to carry out the services specified on the license within the Free Zone, such as Logistics; Courier Services; Insurance Service Provider; Travel Agency; Tour Services; Car Rental etc.

Obtaining an Umm Al Quwain tax resident certificate and residence permits

An Umm Al Quwain FZ can issue residence permits and obtain tax residence certificates from the UAE authorities for its foreign owners and executives. A FZ company, must have physical presence in the UAE and, in that respect, it must own or hire premises.

Private accommodation is not necessary for Umm Al Quwain Free Trade Zone Authority when applying for residence but many do this to reinforce their case for substance and legitimacy.

As far as the company is concerned, it must have physical presence in the UAE. In that regard, the most interesting and cost effective options are proposed by free zones situated in a number of emirates including Umm Al Quwain Free Trade Zone (UAQ FTZ). Usually, these options consist of “flexi desks” or “flexi offices”.

Furthermore, and if a local bank account is maintained with movements, the foreign owners and executives can apply to the UAE Ministry of Finance to receive UAE tax residence certificates.

A UAE residence permit and a tax residence certificate can be useful to foreign owners and executives who wish to register their tax residency in the UAE. It is worth noting, that banking institutions in UAE and many outside consider UAE tax residence certificates as sufficient proof of tax residency in the UAE.

For more details, request a quotation at Info@freemontgroup.com. Our dedicated team can give you advice regarding Umm Al Quwain and how to tailor a solution based to your needs.

Legal Services in Dubai and the UAE

Freemont Group wants to establish itself as a one-stop shop in order for you to have your own peace of mind when making important decisions regarding your future. Apart from our main company, trust and tax advice we offer legal services in Dubai and the UAE.

What our legal team in Dubai can offer

Our legal services and support team in Dubai provide a range of legal services which include legal drafting and compliance, drafting of agreements, minutes of shareholders’ and directors’ meetings, Intellectual Property consultation, document certification and attestation and consultation on Commercial Companies law, Labour law and immigration law of the UAE.

Our dedicated legal team’s practice is well established and highly regarded for being strategic, practical and commercially minded. Our proactive approach is at the core of non-contentious and contentious work,



which allows us to regularly, saves our clients' time, money and mitigate the risk of unsuccessful outcomes to keep our clients one step ahead.

Legal Drafting of Contracts, Resolutions, Policies and Power of attorney



We provide a comprehensive legal advice in both strategic transactions and on day-to-day issues faced by our clients. Each of our commercial lawyers works closely with our clients in order to deliver the most complete solution to clients' requirements.

Our lawyer's team can draft and legalize your documents as they are certified by the UAE authorities.

IP Consultation and registration in the UAE and worldwide

Our team can register your Intellectual Property (Trade Mark, Patent and copy right) in the UAE and worldwide whilst providing consultation on IP Licensing, Infringement and protection.

IP can be one of the most valuable assets of an organization. Choosing the right location for the centralization and management of IP is a very important strategic business decision. The ideal location to establish an IP structure is one that can serve the organization's business strategies/model, safeguard and protect its IP and contribute to its tax optimization.

A number of other benefits that an IP holding company can have for you:

- By placing your IP in one entity you are able to streamline the internal processes for inter-group licensing.
- Cross-jurisdictional tax issues become simpler as you will be regularly licensing IP between the same jurisdictions.
- You can justify staffing that entity with people who have the skills to manage the same so protecting valuable assets of the company further, simplifying the licensing process.
- Assets can be valued due to the income stream that accrues for the benefit of the IP holding company.
- The value of the shares in the entity can be included into the accounts which will benefit the shareholders of the holding company.

Document Certification/Attestation by registered Lawyers in the UAE

We assist clients to obtain an attestation or embassy and legalization for their documents and Certificates. An attestation or embassy legalization certifies the authenticity of documents and are notarized before they can be accepted by Government and Business establishments.

We undertake all of your documents processing, from setting up a business in UAE to the Visa processing of your staff and family. We have unparalleled experience in the field of Document Clearing.

Our lawyers attest and certify true copies and witness signatures on the following types of documents:

- All types of documents such as passports and IDs
- Powers of attorney to be used outside UAE
- Application forms used outside UAE
- All types of company documents used outside UAE

Consultation on Commercial Companies Law and Labour Law of the UAE

Our dedicated team can provide the following services

- Advice on the UAE labour laws
- Preparing and reviewing employment contracts
- legal formalities for company formations
- legal opinions and review of documents and agreements
- drafting of Agreements, SPA, MOU, powers of attorney and other legal documents
- registration of foreign legal entities and re-domiciliation



For more details, request a quotation at Info@freemontgroup.com.

Our dedicated legal team can give you advice and how to process your requirements based to your needs.

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