

Statement by Commissioner Vestager on changes made by Cyprus to national legislation on tax treatment of financing companies

Commissioner Margrethe **Vestager**, in charge of competition policy, said:

“I welcome that the Cypriot authorities have introduced changes to their national legislation to make it more stringent as regards the tax treatment of financing companies.

Financing companies provide financial services intra-group and their profit is the remuneration for their financing activities. This remuneration has to be in line with the arm’s length principle.

This issue has been one of our key areas of focus since we started looking into the tax ruling practices of Member States. The Working Paper we published as part of this review in June 2016 indicated concerns that some tax rulings for financing companies endorse very low margins and a low taxable base.

My services have been in constructive contact with the Cypriot authorities on the issue. I welcome the changes to the Cypriot legislation, which aim to address concerns raised. They also follow similar changes introduced by Luxembourg in January 2017 to their national legislation.

These are very positive developments. In order to achieve that all companies pay their fair share of tax, we also need Member States to be on board and review their national rules and practice.

At the same time, the Commission cannot prejudge any case-by-case assessment of tax rulings under EU State aid rules and we will of course stay vigilant in monitoring the implementation of the amendments.”