

**CYPRUS**  
**ADVANCE COMMITMENT LETTER**

REPUBLIC



OF CYPRUS

MINISTER'S OFFICE

File No.: 04.01.002.03

MINISTRY OF FINANCE  
1439 NICOSIA-CYPRUS

24<sup>th</sup> May, 2000

Mr. Donald J. Johnston,  
Secretary General  
Organisation for Economic Co-operation and Development  
Paris.

Dear Mr. Johnston,

I am writing in connection with the OECD's project on harmful tax competition. The Government of Cyprus shares the concerns of the OECD about the global effects of harmful tax competition.

Having in mind the comprehensive effort undertaken by the OECD in this field with a view of obtaining concrete results on a global basis, and taking into account the fact that OECD Member countries have committed themselves to eliminating their harmful tax practices by April 2003, the Government of Cyprus would like to associate itself with the OECD's work.

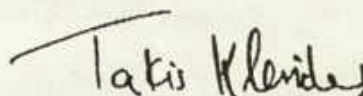
In view of the above, I am pleased to inform you that the Government of Cyprus hereby commits to the elimination of tax practices determined by the Forum on Harmful Tax Practices to be harmful in accordance with the OECD's Report "Harmful Tax Competition: An Emerging Global Issue" (the "OECD Report"). In fulfillment of this commitment, the Government of Cyprus undertakes to implement such measures (including through any legislative changes) as are necessary to eliminate any harmful aspects of Cyprus's regimes that may be relevant for financial and other service activities. We commit in particular to setting up a programme of effective exchange of information in tax matters, transparency, and the elimination of any aspects of the regimes for financial and other services that attract business with no substantial domestic activities. Details of these steps and a specific timetable providing for a suitable transitional period, which is scheduled to end by 31<sup>st</sup> December 2005, shall be agreed with the Forum. We understand that the OECD is prepared to assist us in establishing, improving, or maintaining such practices and procedures as are necessary to comply with these principles.

We further commit to refrain from:

- (1) introducing any new regime that would constitute a harmful tax practice under the OECD Report;
- (2) for any existing regime related to financial and other services that currently does not constitute a harmful tax practice under the OECD Report, modifying the regime in such a way that, after the modifications it would constitute a harmful tax practice under the OECD Report; and
- (3) strengthening or extending the scope of any existing measure that currently constitutes a harmful tax practice under the OECD Report.

We intend to release this letter of commitment to the public and would welcome the OECD's release of this letter after the Committee of Fiscal Affairs reports to the OECD Council on the progress of its work, which we understand is expected by mid-June 2000.

For and on behalf of the Government of Cyprus



(Takis Klerides)  
Minister of Finance