



## **Back-to-Back financing arrangements retroactively terminated**

**12 January 2023 - On 5 January 2023, the Commissioner of Taxation issued Circular 1/2023, which informs taxpayers that the provisions of Interpretive Circulars No.3 and No.5 relating to “back-to-back” financing arrangements are retroactively terminated as of 31 December 2021.**

Therefore, the application of the simplification measures on the intra-group “back-to-back” financing transactions for tax purposes (e.g. the recognition of the after tax net taxable profit margin of 2% or 2,286% before tax net margin), will not be applicable as of 1 January 2022.

We would also like to remind you that as of 1 January 2022, the intra-group “back-to-back” financing transactions together with any other related party transaction must be executed at an arm’s length basis and normal commercial terms. Also (subject to conditions), there could be an obligation to prepare a transfer pricing study and a local file covering the specific related party transactions (please refer to our Tax Alert No 159).

As always, the Department of Taxation of Costas Tsielepis & Co Ltd is at your disposal should you require any further information, clarifications or assistance with your transfer pricing or any other tax-related matter.