



REPUBLIC OF CYPRUS
MINISTRY OF FINANCE
Minister

Ref. No.:13.36.003.002
04.02.012.010.001

22 March 2023

Mr Gerasimos Thoma
Director-General
Directorate-General for Taxation and Customs Union

European Commission
1049 Brussel
Belgium

Dear Mr Thoma,

Article 32 of the Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union
“Pillar 2”

First of all, I would like to convey our appreciation for the meticulous and rigorous efforts of DG TAXUD, in an effort to crystallise the provisions of the Council Directive (EU) 2022/2523 of 14 December 2022 (Pillar 2 Directive), *vis-à-vis* the corresponding OECD Pillar 2 Model Rules, through a series of meetings that are being arranged with all Member States. These interactions are considered pivotal for the successful implementation and transposition of Pillar 2 Directive, into our national legal order.

2. During these meetings it has been brought to our attention by the European Commission, that Article 32 of Pillar 2 Directive which relates to *Safe Harbour Rules* is not applicable, in the event that even one of the EU member states has not, as at the date of enforcement of the Directive, consented to the relevant qualifying international agreement on safe harbours, as stipulated therein.

3. We understand that *qualifying international agreement* is meant to be the agreement that was reached in relation to the guidance issued on “Pillar Two Transitional CbCR Safe Harbour, by the OECD/G20 Inclusive Framework on BEPS on 15 December 2022.

4. On this note, I would like to reiterate that the Republic of Cyprus, is not a member of the OECD/G20 Inclusive Framework on BEPS for political reasons, hence is not taking part in the relevant consultations at the global level. However, we have always been supportive of the OECD/G20 BEPS actions and the work undertaken so far by the Inclusive Framework in the international tax field.

5. Therefore for the reasons depicted above, Cyprus *de facto* did not have the opportunity to consent to the Pillar Two Transitional CbCR Safe Harbour Rules as agreed by the OECD/G20. In order to enable Article 32 of the Pillar 2 Directive to come into effect, we hereby wish to provide full assurance to the European Commission and all EU Member States that Cyprus consents to the said rules.

6. More specifically, the political commitment of Cyprus shall be echoed in a Ministerial press release the earliest, if this considered sufficient from the Commission and other members states, stating essentially that "Cyprus consents to the Pillar Two Transitional CbCR Safe Harbour as agreed by the OECD/G20 Inclusive Framework on BEPS on 15 December 2022".

7. I remain at your disposal for any clarifications or any further course of action that might be deemed necessary and awaiting for your response.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Makis Keravnos', is written over a horizontal line. The signature is stylized and somewhat illegible.

Makis Keravnos
Minister of Finance