



N. PIRILIDES & ASSOCIATES
Advocates and Legal Consultants



Litigation & Dispute Resolution



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Litigation & Dispute Resolution

Our highly-qualified Litigation & Dispute Resolution team actively pursues all avenues of dispute resolution available in Cyprus, with a long history of success and a market-leading, established reputation in the field. It is our considerable experience in this practice area which allows us to successfully undertake high-stakes, heavy-duty, local or cross-border disputes, with emphasis in civil and commercial litigation.



We are uniquely positioned to provide our clients with smart and clear advice to resolve their disputes. From representation in a simple court case to a complex dispute concerning multiple parties and jurisdictions, N. Pirlides & Associates has the answers, advising and assisting prominent clients on a vast variety of matters.

Over the years, our skilled litigation team - led by our Managing Partner, a preeminent advocate and authority in Cyprus law - has been entrusted by clients with multifaceted, high-risk cases and our commitment has consistently achieved optimum outcomes. We have built high-level experience, successfully initiating and defending cases of commercial and corporate nature, including effectively applying for or responding to applications relating to any sort of interlocutory injunctions.

Our team has notable expertise in the following issues:

- Fraud/Conspiracy claims
- Shareholder disputes
- Partnership disputes
- Trust disputes
- Contractual disputes
- Breach of directors' duties
- Derivative claims
- Unfair prejudice/oppression petitions
- Competition
- Professional Negligence
- Ancillary relief in aid of foreign court or arbitration proceedings
- Enforcement of foreign judgments and foreign arbitral awards

We act for various local and foreign corporations, including multinational groups and financial institutions, as well as high net worth individuals, often in collaboration with overseas legal firms.





Cyprus Company



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Cyprus Company

Our Firm has the legal expertise to advise and assist our local and international clients on all matters relating to the incorporation and management of companies in Cyprus. We have been successfully involved in all areas relating to corporate litigation, thus facilitating the whole corporate spectrum of our clients' requirements.

Corporate Services

Our Firm covers all areas of corporate services, including company formation, corporate structuring, drafting of all corporate agreements & documents, as well as tax consultancy. In conjunction with our litigation & dispute resolution department, our corporate services extend to cover the resolution of any corporate disputes.

The basic corporate services offered include:

- Registration of companies
- Management and administration of companies
- Tax consulting
- Accounting and book-keeping services
- Provision of office facilities
- Secretarial services
- Provision of various services which fulfil our clients' banking needs



Company Formation

The following information is required for the incorporation of a Company:

- Name of the company, approved by the Registrar
- Objects of the company
- Authorised and issued share capital (No legal requirements as to the minimum or maximum share capital exist)
- Names, addresses, nationalities and occupation of Director(s), Secretary and Shareholder(s), as well as their passport details and dates of birth.
- Every Cyprus company must have at least one Shareholder, one Director and a Secretary
- A Registered Office address. Such address is the official address of the company, where registered, statutory books and the seal of the company must be kept. Also, summons and writs are served at the Registered Office.

Under the Companies Law Cap. 113 of Cyprus, financial statements of companies are prepared in accordance with the International Financial Reporting Standards.

Cyprus Holding Companies

Cyprus has emerged as one of the most favoured holding company jurisdictions in Europe. The location of the island as well as the tax legislation, which has been developed in accordance with EU and OECD requirements, have contributed to making Cyprus an attractive location for the setting up of holding companies.

Holding companies are set up as an efficient means of fusing ownership of investments in operating subsidiaries. Businessmen will usually decide which jurisdiction provides the most tax effective means when establishing a holding company.

Tax Advantages

- Gains from buying and selling shares and/or other securities are exempt from tax
- Capital gains tax is not imposed on profits made from the disposal of assets, unless the gain arises from the sale of immovable property situated in Cyprus
- Dividends received from abroad are completely exempt from income tax
- Lower withholding tax rates in other countries on remittances of income resulting from dividends, royalties, or interest due to the applicability of Double Taxation Treaties
- Dividends paid to non-resident shareholders or resident shareholders non-domiciled are not subject to any withholding taxes
- The company's profits are taxed at the Cyprus corporation tax rate, provided its management and control is in Cyprus
- Tax losses can be carried forward for the next 5 years
- Unilateral tax credit relief is available
- Notional interest deduction on new equity introduced into a Cyprus tax resident company

Other Advantages

- Non-EU employees can obtain work-permits once certain requirements are fulfilled
- No exchange control restrictions on companies and their employees in relation to opening and operating bank accounts
- Relatively low operational costs
- Cyprus is easily accessible both by sea and air
- Excellent professional services

Cyprus has concluded an impressive number of treaties for the avoidance of Double Taxation with most European countries, Russia, USA, Canada, China, India, South Africa, Singapore as well as with several Arab countries.



Cyprus Taxation



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Taxation

Tax forms a crucial element in the commercial life of all businesses and often plays a major role in the structure of more complex transactions. Our international tax expertise provides strategic advice at an early stage to identify effective structures and avoid liabilities along the full range of commercial transactions.

Cyprus Double Tax Treaties

The combination of the Cyprus favourable tax regime which is fully harmonized with the EU code of conduct for business taxation, with the OECD for the elimination of harmful tax practices and its wide network of Double Tax Treaties have all greatly contributed in making Cyprus one of the most reputable and respectable international business centres. The existence of these treaties offers unique tax efficient possibilities which naturally act as a strong incentive to foreign businessmen to invest in many countries through Cyprus.

Double Tax Treaties encourage cross-border investment by avoiding international double taxation, whereby the same profits are taxed in two or more states in respect of the same person.

Cyprus has concluded an impressive number of treaties for the avoidance of Double Taxation with most European countries, Russia, USA, Canada, China, India, South Africa, Singapore as well as with several Arab countries.

The Direct Tax System of Cyprus

The main taxes are:

- Income Tax
- Special Contribution for the Defence of the Republic
- Capital Gains Tax



Income Tax

The Income Tax Law applies both to individuals (Income Tax) and legal entities (Corporate Tax). Partnerships on the other hand are not subject to tax as separate legal entities but their income is allocated and assessed to tax on the partners (whether individuals or companies).

All companies are required to submit annually to the Tax Department tax returns and statements audited by an accountant practicing in Cyprus.

The tax system adopts the taxation of worldwide income earned by Cyprus tax residents and taxation of Cyprus source income earned by non-residents. A **tax resident** is defined by the law as a **person** who stays in Cyprus for more than 183 days per calendar year.

A **legal entity** is considered to be a **tax resident** if the management and control of the entity is exercised in Cyprus. Management and control suggests, among other factors, that the majority of the Directors are resident in Cyprus and that the important decisions by the Board are taken in Cyprus.

The corporate tax rate in Cyprus is currently the lowest rate found amongst all the EU member states.



Sources of Income

Tax Residents are taxed on their worldwide income from mainly the following sources:

- Business profits
- Employment income
- Rental income
- Royalties
- Pensions
- Any consideration in relation to trade goodwill

Non-Residents are taxed on their income from mainly the following sources:

- Business profits from any permanent establishment situated in Cyprus
- Employment income from the employment exercised in Cyprus
- Pensions deriving from a past employment exercised in Cyprus
- Property income obtained from any property situated in Cyprus
- Any consideration in relation to trade goodwill
- The gross income derived by an individual from any profession or vocation exercised in Cyprus

Income Tax Exemptions & other advantages for Cyprus tax residents

There are a number of exemptions and advantages that make Cyprus favourable for investment and establishment of businesses. Some of them are:

- Profit from the disposal of securities (such as shares, bonds, debentures, etc.) of companies incorporated in Cyprus or abroad
- Profit from the disposal of units in a mutual fund
- The whole interest income of individuals and companies. However it should be noted that the interest income generated from the ordinary activities of a person, including interest which is closely connected with the ordinary activities of a person, will be treated as trading income and not as "interest income" and hence will be chargeable to corporation or income tax. Interest accruing to mutual funds is considered as trading income, thus taxed at the applicable corporate rate, after all relating expenses are deducted
- Lump sums received on retirement
- Capital sums accruing to individuals from approved life insurance policies and approved provident or pension funds
- Profits of a permanent establishment situated abroad
- Dividends received from abroad
- Tax losses can be carried forward for the next 5 years
- Unilateral tax credit relief is available
- Notional interest deduction on new equity introduced into a Cyprus tax resident company

Special Defence Contribution

Special Contribution for the Defence (SDC) is a tax imposed on income earned by Cyprus tax residents and domiciled in the form of **dividends, interest and rent**. Non-tax residents and tax residents non-domiciled are wholly exempt.

Dividend Income

No withholding of SDC applies to payments of dividends to non-residents and to tax residents non-domiciled.

Dividend income of resident domiciled individuals is subject to SDC. Dividends paid by a company, tax resident of Cyprus, to another Cyprus company are exempt from SDC.

Dividends received by a Cyprus company or by a permanent establishment in Cyprus belonging to a non-Cyprus tax resident company, from a company non-tax resident in Cyprus, are usually exempt from SDC.

Tax credit relief is available for any overseas tax withheld.

Interest Income

No withholding of SDC applies to payments of interest to non-residents or to tax resident non-domiciled. Interest income not accruing from ordinary business activities is subject to SDC. The interest income from abroad earned by tax resident and domiciled persons will be treated in the same way as interest from sources in Cyprus. In this case the SDC will not be withheld at source and thus the tax resident domiciled person has to declare the interest. Tax credit relief is available for any overseas tax withheld.

The interest income generated from the ordinary activities of a person, including interest which is closely connected with the ordinary activities of a person, will be treated as trading income and hence will be only taxed under income tax. Any interest that accrues to mutual funds is not considered as interest for the purposes of the Defence Contribution Law, but as trading income and this is taxed under the provisions of the income tax law at the applicable corporate rate after all relating expenses incurred are deducted.

Rental Income

The gross income from rents is reduced by 25% and the remaining is subject to SDC at the rate of 3% for Cyprus tax residents and domiciled.



Capital Gains Tax

Capital Gains Tax is imposed at the rate of 20% on gains arising from the disposal of immovable property situated in Cyprus, including gains from the disposal of shares in companies which own such immovable property in Cyprus, excluding shares listed in any recognized Stock Exchange. The gain is mainly the difference between the sale proceeds and the original cost of the property, taking into account the increase in its value thereafter due to inflation.



Immigration



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Immigration

Our team of lawyers is extensively experienced and efficient in dealing with matters in all areas of immigration law and particularly on citizenship applications (both through the investment citizenship programme and the conventional route), applications for immigration permits, residence permits, work permits and visas.

Our Services

- Legal advice on eligibility
- Carrying out all due diligence
- Review, preparation and drafting of all required documentation
- Submission of relevant application(s) on client's behalf, liaison with the Authorities and follow up



Why Cyprus?

- The Cyprus Investment Programme is the **fastest gateway** to Europe
- Cyprus: an ideal business base, offering a professional yet relaxed atmosphere, allowing individuals to enjoy the best of both worlds
- Live by the sea in a top spot and safe place for expats, business professionals, families and retirees
- High standard of living
- Numerous luxury developments springing up across the country
- Cyprus is classified among the high-income countries with a strong GDP growth
- Low tax country (favourable corporate and personal tax regimes)
- Extensive Double Tax Treaty Network
- International start-ups set their headquarters in Cyprus
- Open, free-market and service-based economy
- Low operational costs



Immigration
services that we
specialize in:

THE CYPRUS INVESTMENT PROGRAMME (CIP)

Invest in property or financial assets or funds or in the shipping industry or a combination of the above

CITIZENSHIP APPLICATIONS VIA OTHER ROUTES

- Cypriot origins equals Cypriot citizenship
- Cypriot citizenship through marriage with a Cypriot citizen
- Cypriot citizenship through naturalisation

VISAS / PERMITS

- Visitors, workers, EU & non-EU nationals
- Temporary, permanent & long-term residence permits



Cyprus Trust



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Trusts

Used as a means of practical tax planning, business organization or even for succession planning, trusts in Cyprus have been consistently expanding over the years, promoting the position of the island as an international business financial centre. Our Firm provides a wide range of services in relation to trusts under Cyprus Law including, inter alia, creation of trusts, structure ideas, setting up private trustee companies and provision of trustee, administration and management services. Being a firm with strong reputation in litigation, we represent clients and trustees in Court proceedings which might arise out of or in connection with a trust under Cyprus Law.

Cyprus Trusts

The concept of trust involves the following parties:

- **Settlor:** the person who creates the trust
- **Trustee:** the person who holds the trust – either a person or legal entity
- **Beneficiary:** the person who will acquire the benefit of interest in the relevant property

The choice of the Trustee is vital.

Advantages that arise when selecting a Corporate Trustee:

- Immortality may be achieved whereas this is not possible when selecting an individual
- A company can be the sole trustee; however, responsibility may be shared by a group of people through the directors
- The corporate trustee has the advantage of limited liability

The Law

The Trustees Law (Cap. 193) of 1955 is largely based upon the doctrines of equity and its English counterpart, the English Trustees Act of 1925.

When a trust is created, under Cyprus Law, it constitutes a separate legal entity, carrying the following characteristics:

- It has a life of its own
- It is independent of the person who created the trust, namely the settlor
- Its life continues regardless of the death of settlor, beneficiaries or trustee.



International Trusts

There are many reasons for choosing Cyprus when setting up and operating an international trust, with the most important ones being:

- The advantageous and flexible legislation
- The tax exemptions offered
- Confidentiality

The Law

Cyprus has introduced over the years measures to promote its position as an international business financial centre, the main enactment being the Cyprus International Trusts Law No. 69(I)/1992 (the "Law"), which provides strong incentives for the establishment and administration of trusts by non-residents. The Law was subsequently amended by Law No. 20(II)/2012, which introduced novel provisions designed to make Cyprus an even more attractive centre for the establishment of international trusts.



When is a Cyprus trust an International trust?

- The settlor, whether a natural or legal person, is not a resident of Cyprus in the calendar year which immediately precedes the year in which the trust was created;
- At least one of the trustees, during the whole duration of the trust, is a permanent resident of Cyprus;
- No beneficiary, whether a natural or legal person, other than a charitable institution, is a resident of Cyprus in the calendar year which immediately precedes the year in which the trust was created.

Benefits of creating a Cyprus International Trust

Tax Advantages

International Trusts are ideal for inheritance and tax planning. The benefits arising from the use of such trusts truly place Cyprus in the most advantageous trust jurisdictions in the world. If the beneficiary of such trust is a Cyprus resident then the income or profits of such trust which arise in and out of Cyprus will be taxed in Cyprus.

In case the beneficiary is not a Cyprus resident, then the income or profits of such trust that arise within Cyprus are taxed according to the tax laws of Cyprus. In effect any income or profits of such trust that arise outside Cyprus are not taxed in Cyprus.

Confidentiality

Confidentiality and secrecy are preserved and the Trustee, the Protector or any Governmental body is not entitled to disclose information or documents relating to:

- The identity of the settlor
- The identity of the beneficiaries
- The trustees, and
- The property of the Trust, unless the above are ordered by the courts of Cyprus.

Where there is a request submitted by a beneficiary to the trustee for the disclosure of the accounts or of any documents or information relating to the trustees, forming part of the said accounts, the trustee shall have the power to disclose such accounts, documents or information to the beneficiary, only if in his opinion such disclosure is necessary and ensures the bona fide interests of the trust.

The court may issue an order for the disclosure of information or documents referred to in the list on the application by a litigant or by a party in a civil or criminal proceeding, depending on the circumstances of the case. The court is usually reluctant to issue such orders and will only do so if it is satisfied that such disclosure is of paramount importance to the outcome of the case.

It should be noted that the Law Regulating Companies Providing Administrative Services and Related Matters of 2012 (Law No. 196(I)/2012), as amended by Law No. 190(I)/2013 has made it obligatory for a register of trusts to be kept in Cyprus by notifying the relevant competent authority, safeguarding however at all times the details and specificities behind such trusts.

Asset Protection

The creation of a trust may also benefit the settlor or the beneficiary to protect his assets against (i) expropriation or other claims brought against him by governments or creditors, (ii) claims arising in tort or contract as a result of transactions entered into by the previous owner of the trust property. The trust is also a vehicle for high net worth individuals to shield their assets from their spouses or former spouses.

Powers of the Settlor

The settlor may retain power and control over the trust also by appointing himself as either the protector or the enforcer of the trust.

The settlor may revoke or modify the terms of the international trust as well as instruct on the transfer, distribution, payment or transfer of income or capital from the trust property or the issue of binding instructions and/or directions with regards to the above.

The settlor may also appoint or remove a trustee, a beneficiary or a director of any of the companies that belong to the trust or the settlor can act as a director himself and a settlor may also issue binding instructions to trustees in relation to the exercise of any power.

Variation

Without prejudice to the powers of the court, an international trust may be varied in any way provided by its terms.

Duration

There are no restrictions on the duration of trusts, which can remain valid and enforceable in perpetuity.

Accumulation of Income

Notwithstanding anything to the contrary contained in the terms and conditions of the trust, no concession, distribution, payment, holding or disposal of the income or capital of the trust to another trust is invalidated solely on the ground that the other trust continues to be valid and enforceable after the date on which the former trust must come to an end.

Powers of the Trustee

The trustee may at any time invest the whole or any part of the trust fund. The trustee may hold, maintain or invest in movable property in Cyprus and abroad, including investments in shares in Cyprus registered companies and in immovable property located in Cyprus or abroad.

Other important powers of the trustee are:

- To make capital distribution
- To employ
- To borrow
- To mortgage
- To guarantee
- To invest/lend money
- To make payments for/on behalf of beneficiaries and
- To advance money to another trust.



Shipping



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Shipping

Cyprus is a modern business and maritime centre due to its geographical location and the vast number of tax advantages it offers. It has the 11th largest ship-registry worldwide and the 3rd in Europe and it is the top ship-management centre in the EU.

Our Firm offers national and international shipping and maritime services to clients according to their individual needs, including registration of shipping companies, consulting and tax advice.

Shipping in Cyprus

Since 1977 the Department of Merchant Shipping is responsible for shipping services in Cyprus, namely:

- Registration of vessels
- Administration and enforcement of merchant shipping legislation
- Control and enforcement of International Shipping Conventions
- Investigation of marine casualties
- Resolving labour disputes on board Cyprus ships
- Training, certification and registration of seafarers

Our Services

- **Registration of shipping companies**
- **Registration of vessels including any encumbrances thereon**
- **Ship management agreements**
- **Shipping business taxation advice**
- **Crew engagement agreements**
- **Loan agreements and security documentation**

Incorporation of a shipping company

- It is common to incorporate a Cyprus shipping company in order to register a vessel under the Cyprus flag
- The company should be registered as a private limited liability company in accordance with the Companies Laws, Cap. 113
- Under the Merchant Shipping (Registration of Ships, Sales and Mortgages) Law 1963 to 2005, as amended, certain criteria must be fulfilled in order to have a vessel registered in Cyprus
- Applications for the registration of vessels must be made through Cypriot lawyers, who are entitled to draft the necessary documentation for the incorporation of companies in Cyprus
- Main types of vessel registration in Cyprus:
 - **Provisional** (up to 9 months)
 - **Permanent**
 - **Parallel** (in and out)

Fees and Taxes

In terms of registration fees and taxes, Cyprus is considered to be among the most competitive shipping centres in the world. The initial fee for registration of a vessel varies depending on the tonnage and age of the vessel. However, an annual amount referred to as "Cyprus Registry Maintenance Annual Fee" is payable by the registered owner to the Merchant Shipping Department.

The Cyprus Tonnage Tax Scheme

The Merchant Shipping legislation effective as from 01/01/2010 is in line with the Community Acquis and improved immensely the competitiveness of Cyprus Ship owners, Charterers & Sea managers, the main characteristics of which are:

- It provides for tonnage tax on the net tonnage of the vessels instead of corporation tax on the actual profits
- It provides for full tax exemption of profits and their distribution
- It supports an open registry
- It allows split ship-management activities (crewing or technical)



Beneficiaries for the Tonnage Tax Scheme

- Owners of ships under the Cyprus flag
- Owners of ships under any foreign flag who are tax residents of Cyprus
- Charterers of ships under any flag who are tax residents of Cyprus
- Ship Managers providing crew or technical ship management services to ships under any flag who are tax residents of Cyprus

The eligible beneficiaries must:

- engage in a "qualifying shipping activity", defined as being any commercial business or activity which constitutes maritime transport, i.e. carriage of goods/passengers by sea outside the territorial sea of the Republic of Cyprus or crew and/or technical management of qualifying ships
- own/charter/manage a "qualifying ship" defined as a seagoing vessel, certificated in accordance with the applicable international or national rules & regulations, registered in the ship register of any member of the International Maritime Organisation (IMO)/ International Labour Organisation (ILO) which is recognised by the Government of the Republic of Cyprus

Imposition of Tonnage Tax and Exemption from Income Tax

As a general rule, owners/charterers/managers of qualifying ships, engaged in a qualifying shipping activity are taxed under Income Tax in respect of the income generated by the operation of their ships, unless they opt in advance to participate in the Tonnage Tax System which is charged, levied and collected by the Department of Merchant Shipping. The only exemption to this rule applies to owners of ships under Cyprus flag which are exempted from Income Tax and are automatically subjected by law to the Annual Tonnage Tax System.

When an option is exercised by a qualifying owner/charterer/manager to participate in the Tonnage Tax System they must remain in that system for at least ten years. If at any time before the expiry of the ten year period a beneficiary exits from the tonnage tax system, he will be liable to pay the difference between the tax due under the corporate tax system and that payable under the tonnage tax system for the whole period the beneficiary remained under the tonnage tax system. This requirement is not applicable when the ship is disposed of or lost.

Cyprus is a modern business and maritime centre due to its geographical location and the vast number of tax advantages it offers

Other important Tax Exemptions

- **Dividend exemption** (shareholders of eligible companies which are owners/charterers/managers and which have elected to participate in the Tonnage Tax System, are also exempted from Income Tax or any other tax or levy on any dividend paid from profits earned from a qualifying shipping activity)
- **Interest exemption** (eligible entities which are owners/charterers/managers which participate in the tonnage tax system, are also exempted from Income Tax or any other tax or levy on any interest earned on the working capital)
- **Profit from sale of qualifying ships exemption** (profit realized from qualifying owners, from the sale of any qualifying ship is exempted from Income Tax)
- **Salaries of seafarers of Cyprus ships exemption** (there is a specific provision in the Law whereby no tax is charged, levied or collected upon the salary or other benefits) derived from the employment of the master, the officers and the crew members of a Cyprus ship



Qualifying Ship managers for tonnage tax

All ship managers (legal persons) of qualifying ships (under any flag) who provide Crew and/or Technical management services may opt to participate in the tonnage tax system. If they opt to do so, they must remain in the tonnage tax system for at least 10 years, or otherwise the ships under their management will not be considered as qualifying ships.

Commercial management services are not considered to be qualifying shipping activities, thus the profits arising will be taxed under Income Tax.

All of the qualifying ship managers must fulfil a number of general common conditions, plus a number of additional special conditions according to the particular type of ship management services offered.





About us

We are a full service law firm that provides our clients with tailored and integrated legal services across a wide range of practice areas. We offer a highly personal and responsive service. With over 35 years of establishment and an impeccable reputation, N. Pirilides & Associates LLC is in fact regarded as a prestigious boutique law firm in Cyprus and we pride ourselves in having perhaps the finest litigation department on the island. Each team member is wisely selected, characterised by stellar skills, zest for excellent results, knowledge and strategic thinking. Our lawyers combine commercial nous, market insight and an intelligent approach to handle any legal issue. We provide our clients with the highest-quality advice and legal awareness, combining the Firm's high and international standards with in-depth local expertise.



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