

Cyprus Companies	
General Information	
Type of entity: Type of Law: Time to establish a new company: Corporate taxation: Double taxation treaty access: Change of Residency permitted:	Private Common 2-3 weeks 12.5% Yes Yes
Share Capital (or equivalent)	
Standard currency: Permitted currencies: Minimum issued: Usual authorized:	Euro Any €1 €1,000
Annual Levy paid to the Govt.	€350
Directors or Managers	
Minimum Number: Local required: Publicly accessible records: Location of meetings:	One No, but advisable for purposes of tax residency Yes Anywhere, but advisable to take place in Cyprus for purposes of tax residency
Shareholders	
Minimum number: Publicly accessible records:	One Yes
Company Secretary	
Required: Local:	Yes Cyprus residence advisable for compliance purposes
Accounts & Annual Returns	
Requirement to prepare: Audit requirements: Local Auditor: Requirement to file accounts: Publicly accessible accounts: Requirement to file Annual Return:	Yes to all
Company Formation Requirements	
The process of incorporating a Cyprus company is straight forward. The client should decide what the name of the company will be. The Registrar of Companies will not accept a company name, which is identical or similar to the name of another company already registered in Cyprus or in any other country or a name which is offensive or misleading.	
Language of Company Name	
Name may be expressed in Greek or in any other language, using Latin characters.	

Memorandum & Articles of Association

Every limited liability company in Cyprus must have a Memorandum, which denotes the activities in which the company may engage and the Articles of Association which is a document that contains the purpose of the company as well as the duties and responsibilities of its members defined and recorded clearly.

Authorized and Issued Share Capital

The share capital must be expressed in Euro. The usual authorized share capital of a company is €1,000 and the usual issued share capital is €1,000.

The authorised capital of a company is the maximum amount of share capital that the company is authorised by its constitutional documents to issue to its shareholders. Part of the authorised capital can remain unissued. This number can be changed by shareholders' approval. The part of the authorised capital which has been issued to shareholders is referred to as the issued share capital of the company.

There is no legal requirement as to the minimum or maximum share capital of the company. A paid up capital of minimum €1,000 is advisable. The Company must have at least one registered shareholder.

A local or foreign company may be the shareholder of a Cyprus company, and in such a case, its incorporation documents should be submitted.

Directors & Secretary

A director(s) may be any natural person, Cypriot or foreigner, or and legal person, incorporated in Cyprus or elsewhere. A company must have a corporate secretary and in almost every instance we act in this capacity.

Registered Office Address

A company must have a registered office address in Cyprus, which may be used as the business address and correspondence address of the company. The registered office address is the place where official documents can be served to the company.

Cyprus Legal System

The legal system is based on that of the UK and all statutes regulating business matters and procedure are based on English Law. Most Laws are officially translated into English. The Companies' Law in Cyprus is the Cyprus Companies Law, Cap. 113, which is based on the English 1948 Companies Act.

Restrictions

Companies cannot undertake the business of banking, insurance or the rendering of financial services to the public, unless special permission / license is granted.

Taxation

By virtue of special provisions in the Cyprus Income Tax Laws, the net chargeable profits of Cyprus Companies are taxed at a rate of 12.5%.

Characteristics of the Cyprus Tax System:

- A uniform tax rate of 12.5%, applicable to the worldwide income of resident companies.
- There is a 0% tax rate if it is a shipping company or ship-management company if certain conditions are met.
- Gains from sale of qualifying titles (including shares) are tax exempt.
- Dividend income is exempt from Cyprus tax in most cases.
- There is no capital gains tax on disposal of property abroad.
- The tax loss incurred during a tax year, and which cannot be set off against other income, is carried forward subject to conditions and set off against the profits of the next five years.

- Notional Interest Deduction on equity is granted.
- Profits from Permanent Establishment abroad are tax exempt.
- There are Group relief provisions between Cyprus companies.
- Companies can make use of Cyprus' Double Tax Treaty Network (reduced withholding taxes).
- Companies can have access to EU Directives (i.e. Parent/Subsidiary, Interest & Royalties Directives).
- Dividends, Interest or Royalties paid to non-residents or tax residents but non-domiciled are not subject to withholding taxes.
- There is a unilateral tax credit relief where no Double Tax Treaty exists.
- There are no capital gains or income tax upon liquidation.
- The Law provides for favourable company re-organizations.

The taxation status of a company is residence-based. A company is only 'resident in the Republic' if its business is managed and controlled in Cyprus. Therefore, a resident company is taxed on its worldwide income accrued or arising from sources both within and outside Cyprus if it is managed and controlled from Cyprus (majority of Directors are Cyprus tax residents, board of Directors & Shareholders meetings in Cyprus and maintain offices in Cyprus).

Double Tax Treaty Network

Cyprus combines a low-tax regime with a network of Double Tax Treaties (DTT). It has concluded a considerable number of DTT, particularly with Central and Eastern European Countries and with Middle Eastern countries. Most of the Treaties follow the OECD model and all of them have the impact of reducing or eliminating the normal withholding taxes imposed by the contracting states on dividends, interest and royalty payments.

Financial Statements & Annual Returns

Every company must prepare a full set of financial statements in accordance with International Financial Reporting Standards and every parent company that has one or more subsidiary should present consolidated financial statements (with certain exemptions).

Every company must complete an Annual Return (HE32) within a period of 42 days from the date of its Annual General Meeting and must file immediately with the Registrar of Companies, a copy of the Annual Return, signed by a director and the company secretary. The Annual Return filed with the Registrar of Companies must be accompanied by the full set of financial statements.

Interest

The whole interest received by a corporation is exempt, excluding interest received from the recipient's ordinary business.

Dividends

Dividends received from abroad are totally exempt from corporation tax. Furthermore, they are also usually exempt from the Defense Contribution tax.

Royalties – Intellectual Property (IP) Regime

The current law enacted as from 01.07.2016 is fully compliant with the provisions of Article 5 of the OECD BEPS project following the "Modified Nexus Approach". It allows tax payers to benefit from an IP regime to the extent that they can show that the incurred expenditure, such as Research and Development, resulted to the IP income.

Under Cyprus IP regime, an allowance (in the form of notional expense deduction) is given on qualifying profit resulted from a qualifying IP. The allowance can be up to 80% of the qualifying IP profit.

Restructuring provisions

In view of the incorporation of the EC Merger Directive 90/434/EEC into the new tax law, there are tax exemptions on the transfer of assets (including shares) under a re-organization (merger / demerger / transfer of assets).

Capital Gains Tax

Profits from buying and selling shares are exempt from tax. Furthermore, there is no capital gains tax except for the 20% capital gains tax applying on gains accruing from disposal of immovable property held in Cyprus and shares in non-listed companies, which own immovable property in Cyprus.

Profits from activities of Permanent Establishment abroad

The profits from a permanent establishment abroad are exempt from taxation. The exemption does not apply if (i) the permanent establishment directly or indirectly engages in more than fifty per cent (50%) in activities that produce investment income, and (ii) the foreign tax burden is substantially lower than that in Cyprus.

Distribution by Cyprus Holding Companies

Dividends paid to non-resident or tax resident but non-domiciled shareholders are exempt from withholding tax. In fact, Cyprus does not impose withholding taxes on payments of dividend, interest and royalties (provided the intellectual property rights are not used in Cyprus) to non-resident or tax resident but non-domiciled recipients.

Carry Forward of Losses

Tax losses of each year of assessment starting from the fiscal year 2012 may be carried forward only against profits of the 5 years that follow. Losses incurred abroad by a permanent establishment of a Cyprus company can be offset against profits of the Cyprus Company.

Group Relief

The Group relief rules provide group relief of tax losses between a holding Company and its subsidiaries in the event where the Holding Company owns at least 75% of the Subsidiary directly or indirectly and/or otherwise among companies of the same Group for the whole year. However, losses brought forward will not be available for Group relief.

By virtue of the said rules a company is considered to be a member of a Group if it is at least a 75% subsidiary of the other, or both companies are at least the 75% subsidiaries of a third company.

Notional Interest Deduction on Equity

This provision of the Law allows a tax benefit through a notional interest deduction on new equity introduced in to a company.

Opening of Bank Accounts

Clients may open bank accounts (personal or corporate) with their bank of choice in Cyprus, provided that certain conditions are met. The final decision for the opening of such accounts depends exclusively on the compliance department of each bank.

This Information leaflet provides important but general information about Cyprus registered companies. None of the information herein should be relied on or substituted for specific professional advice regarding a particular matter or situation and no person should act or refrain from acting on the basis of the information contained in this leaflet without first obtaining advice from a lawyer.