



CYPRUS COMPANIES

General

Type of entity:	Private
Type of Law:	Common
Our time to establish a new company:	15 days
Corporate taxation:	12.5%
Double taxation treaty access:	Yes
Change of Residency permitted:	Yes

Share capital or equivalent

Standard currency:	Euro
Permitted currencies:	Any
Minimum issued:	€1
Usual authorized:	€1,000

License Fees

Annual Levy	€350
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Directors or managers

Minimum number:	One
Local required:	No, but advisable for purposes of tax residency
Publicly accessible records:	Yes
Location of meetings:	Anywhere, but advisable to take place in Cyprus for purposes of tax residency

Members

Minimum number:	One
Publicly accessible records:	Yes
Location of meetings:	Anywhere, but advisable to take place in Cyprus for purposes of tax residency

Company Secretary

Required:	Yes
Local:	Cyprus resident advisable for compliance purposes

Accounts & Annual Returns

Requirement to prepare:	Yes
Audit requirements:	Yes
Local Auditor:	Yes
Requirement to file accounts:	Yes
Publicly accessible accounts:	Yes
Requirement to file Annual Return:	Yes



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, etc. The approximate time required for incorporation to be completed is approximately 15 days (depending on the workload of the Registrar).

Language of company Name

Names may be expressed in Greek or in any other language, using the latin alphabet.

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 (allocate) to its members (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. For every shareholder the following is required for the formation of the company: full name, nationality, verified residential address, profession, passport copy, curriculum vitae and the number of shares to be taken up.

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



Director & Secretary

The minimum number of Directors is one. A director/s may be any natural person, Cypriot or foreigner, or and legal person, incorporated in Cyprus or elsewhere. Under Cyprus Law, a company must have a corporate secretary and in almost every instance we act in this capacity.

Registered address

Under Cyprus Law, 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. We can provide registered office facilities.

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.

Single member companies were introduced by the Companies (Amendment) Act 2000.

Type of Law: Civil with many English Common Law influences.

Company Seal

No mandatory requirement but is permitted and generally used.

"International Business Companies"

When wholly foreign-owned, a private company is referred to as an international business company. On 1st January 2003 the favorable tax regime previously available to IBC's was abolished and all companies are now taxed on the same basis.

'International Business Companies' is not a legal term but when mentioned it usually refers to a private limited company, limited by shares which are usually held by non-residents of Cyprus and its business activities are outside Cyprus. They can take the form of Holding Companies, Finance Companies, Royalty, Investment Funds and Trading Companies.

- An IBC represents a separate legal entity.
- The registered address of the company should be in Cyprus.
- The number of shareholders in such a company may be from 1-50.
- Shareholders may either be Cypriot or foreign natural or legal persons.
- There is no minimum authorised share capital requirement.
- And finally, there should be at least one Director and one Secretary.

IBCs which are registered in Cyprus and are tax residents in Cyprus enjoy various tax advantages/privileges.

Certain 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%.

The **Cyprus Tax System** has:

- A Uniform Tax Rate of 12.5%, applicable to the worldwide income is levied on resident companies.
- There is a 0% tax rate if it is a shipping company or ship-management company under certain circumstances.
- 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 centrally 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 Agreements

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. This is beneficial for trade with certain Eastern European Countries and Russia because foreign investors investing in Eastern Europe have the opportunity to channel their investments through a country, such as Cyprus, which has a treaty with the investment recipient country allowing for a reduction and in some cases elimination of the withholding taxes.

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. Under Article 120, every company must complete an Annual Return 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. Under Article 121, the Annual Return filed with the Registrar of Companies must be accompanied by the full set of financial statements.

Tax Exemptions

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).

Gains in shares and 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.

Corporate Tax Benefits

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 as 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 the certain conditions are met.

Such bank account/s may have all operations/facilities available including: online banking, visa card, cheque book etc. Only nominated signatories may have access to the bank account.

This Information leaflet provides important but general information about Cyprus 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.