



CYPRUS COMPANY FORMATION



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Introduction

The Cyprus Company Law, Chapter 113, is based on the English Companies Act of 1948. Therefore the legal system and return forms are identical to those in the UK.

Legal Forms of Companies Under Cyprus Law

Company Limited by shares which is subdivided into:

- Public companies and
- Private companies which are also subdivided into:
 - i. Exempt Private Company
 - ii. Limited Private Company

Company Limited by guarantee:

The Partnerships and Business Name Law, Chapter 116, also provides for two general types of Partnerships:

- General Partnership
- Limited Partnership

Further, section 347 of the companies Law Chapter 113 provides for the registration in Cyprus of foreign companies under the form of a branch.





Procedure for Establishing an International Business Company in Cyprus

Requirements for establishing a Company

As from 1st October 2004, the Council of Ministers has approved the complete freedom of the policy governing direct investments from non-residents in Cyprus.

Consequently, non-residents who wish to establish a Company in Cyprus, or acquire shares in existing Cyprus companies, or otherwise Cyprus Corporate Entities Cyprus Corporate Entities to invest in or from Cyprus, no longer require approval by the Central Bank of Cyprus. Such applications should now be addressed directly to the Department of Registrar of Companies and Official Receiver.

The same applies for direct and portfolio investments by natural or legal persons from EU member states. Investors from the EU wishing to register a company in Cyprus or acquire shares in existing Cypriot legal entities should apply directly to the Registrar of Companies.

Registration

The non-residents' share or participation must be registered in their names or in the names of their nominees at the department of the Registrar of Companies.

Confidentiality

It is possible to obtain absolute secrecy of the identity of the shareholders, either through trust fiduciary agreements or through nominees or through other companies. Business entities are required to prepare and submit to the Department of Finance and the Department of Inland Revenue annual financial statements audited by auditors practicing on the island.

Administration

Companies carry on business activities in and outside Cyprus, whilst it may well have offices and/or have its administration in Cyprus and have local and/or expatriate employees.



**Registered Office**

It is necessary for all Cypriot companies to have a registered office in Cyprus.

Objects

There is no restriction as to the type or objects and scope of the company.

The Memorandum may be changed following an application to Cyprus Corporate Entities the court and having obtained the relevant court order, whilst the articles may be changed by special resolution.

Directors

It is not necessary for directors to hold qualification shares.

The minimum number of directors is one (natural or corporate) but in such a case he cannot also be the secretary of the company.

Alternate directors may be appointed. The minimum number of shareholders is one, natural or corporate. The annual general meeting and/or any extraordinary general meeting of the shareholders may be held in Cyprus.

Meetings

Also meetings of the board of directors may be held in Cyprus. A company must maintain a register of members, directors, secretaries, mortgage or charges and other statutory books.

Information and documentation required

The following information and material is required for the relevant approval and formation of the company:

- The proposed name of the company, which has to be approved by the Registrar of Companies. Our office keeps available several approved names for speedy cases. A list of presently available names can be provided on request.





- The amount of the authorised capital of the company
- The amount of the issued and paid up capital of the company, which in any event cannot be less than 1,000.00 Cyprus pounds.
- The main objectives and business of the company
- Full name, profession, address and nationality of each shareholder and their respective shareholding. The beneficial owner of the shares may be only one. If full anonymity and confidentiality is desired, nominee shareholders may be used who will hold the shares in trust for the beneficial owner.
- Full names, professions, nationality and addresses of the directors Cyprus Corporate Entities and secretary of the company. All or any of the directors may be non-Cypriots. Cypriots (corporations or individuals) may also be directors or secretary of the company.

Submission of the company documents to the Registrar of Companies

Firstly, the proposed company's name must be cleared with the Registrar of Companies. It is desirable to submit two or three alternatives to the first choice of name for approval to the Registrar of Companies, as experience has shown that this can save time and unnecessary exchange of correspondence.

Where the proposed Cypriot company is intended to have a similar name to that of its mother company, the Registrar will require the consent of the mother company for the use of such name.

The relevant company documents along with the Memorandum and Articles of Association of the company are submitted to the Registrar of Companies. The Memorandum and Articles of Association must be signed by the shareholder (s).





Memorandum of Association

The Memorandum of Association specifies the fields of trade and objectives and must contain the following information:

- the name of the company with "Limited" as the last word
- the situation of the registered office
- the objectives of the company, which should advisably be as wide as possible so as to enable the company to engage in any kind of business or activity, without this being ultra vires (beyond the powers of) of the company and therefore void.
- A statement that the liability of the members is limited by shares or by guarantee where this is the case.
- The amount of the share capital, which must be in Cyprus pounds.
- The subscribers to the Memorandum together with the number of shares for which they have subscribed.

Articles of Association

The Articles of Association contain rules governing the internal management of the company and regulating the rights of its members among themselves. The Articles may be altered or added to by means of a special resolution, which requires a majority vote of over 75 per cent of the members. The Articles deal with matters such as:

- general meetings of the company
- voting rights of members
- transfer of shares
- appointment and powers of directors
- dividends
- accounts and audit

Once the company is registered, the relevant certificates are issued. Original certificates may be issued in English or Greek.





Nominee Shareholder(s)

The formation and registration of the company may be effected while the beneficial owner is in his country of residence. In this respect, nominee shareholder(s) will sign the Memorandum and Articles of Association on behalf of the shareholder and the shares will be transferred or issued in his name after the registration of the company.

Further, if full anonymity and confidentiality is desirable, nominee shareholder(s) may be used. The nominee(s) hold the shares in trust on behalf of the owners. The public records kept at the Department of the Registrar of Companies show only the names of the nominees. Also the relevant certificates issued will declare as shareholders, the nominees only.

The nominee shareholder normally prepares and delivers to the beneficial owner of the shares a properly executed instrument of trust accompanied by the share certificate. All precautions should be taken in order that the beneficial owner of the shares is fully safeguarded.

Our office offers such service (nominee shareholder(s)) through our staff personnel and through nominee companies wholly controlled by us.

Directors-Secretary-Registered Office

Subject to certain statutory disqualifications and restrictions, the manner of appointment of directors is laid down in the Articles of Association. Whatever these may provide, the ultimate control for the appointment and removal of director's, vests with the members of the company. The Articles of Association may in certain cases, name the first directors of the company, who thus become directors from the date of incorporation. Alternatively and more commonly, the Articles may provide that the names of the first directors determined by the subscribers to the Memorandum are in fact the first members. An appropriate resolution signed by the subscribers is required and persons named by the subscribers become directors on the date this resolution is signed.





The company must have at least one director and one secretary. Usually the advocate who formed the company or a secretarial company controlled by the advocate is appointed as secretary.

The appointment of the secretary is made by the directors and the Articles of Association should normally contain an appropriate provision to this effect. The existence of a secretary is a requirement of the Law (which also provides that a sole director cannot also be secretary). For practical purposes a body corporate (i.e. a company) may be appointed secretary but it should be noted that a sole director of the company can not also be the sole director of that body corporate. Usually the advocate who formed the company or a secretarial company controlled by the advocate is appointed Secretary.

The company must have a registered office in Cyprus. The registered office is the place where writs, summonses, notices, orders and other official documents can be served upon the company.

The advocate's office is usually declared as the registered address of the company, where fax, telephone and other facilities are provided Cyprus Corporate Entities 10

Tax Incentives and Other Advantages in Registering an IBC in Cyprus

- The International Business Company is considered as non-resident for exchange control purposes and consequently it can operate freely foreign currency bank accounts (U.S.\$, D.M. etc) with any bank in Cyprus or abroad. There are no restrictions or interventions by the Central Bank of Cyprus and local banks allow their overseas clients, in this case the International Business Company, to conclude transactions (i.e. opening of Letter of Credits).
- The net profits of the company are liable to income tax at the rate of 10%
- The beneficial owners of International Business Companies are not liable to additional tax on dividends or profits over and above the amount paid or payable by the respective international business company.





- Foreign employees
 - Foreign employees working and living in Cyprus are liable to Income Tax from nil to 20% as follows:

		Tax rates %
-Working outside Cyprus and paid through:	<ul style="list-style-type: none"> • Bank account in Cyprus • Bank account outside Cyprus: 	0%
	0 – 6000	2%
	6001 – 9000	3%
	9001 – 12000	4%
	Over 12000	
- Working in Cyprus:	0 – 6000	0%
	6001 – 9000	10%
	9001 – 12000	15%
	Over 12000	20%
- Working partly in and partly outside Cyprus:	Combination of the above rates	

- Foreign Employees living and working abroad paid through a bank account in Cyprus, do not pay any tax (0%). If they are paid directly through a bank account situated abroad (outside Cyprus) they are liable to Income Tax from 0% to 4% maximum.
- Full secrecy may be obtained by using nominee shareholders.
- No capital gains tax is payable on the sale or transfer of shares in an International Business Company. No estate duty is payable on the inheritance of shares in an international business company in the case of the death of a shareholder. No capital gains tax is paid by the transfer of immovable property owned abroad (outside Cyprus).
- International Tax planning
Cyprus has signed double taxation Treaties with several countries for the avoidance of double taxation of income earned in any of the two contracting states. Countries listed below have entered into such agreements with Cyprus:





Cyprus Double Taxation Agreements

Country

- | | |
|---------------|-------------------------------------|
| 1. Austria | 21. Romania |
| 2. Bulgaria | 22. Russia |
| 3. Belarus | 23. Singapore |
| 4. Belgium | 24. South Africa |
| 5. Canada | 25. Sweden |
| 6. China | 26. Syria |
| 7. Denmark | 27. Thailand |
| 8. Egypt | 28. United Kingdom |
| 9. France | 29. United States |
| 10. Germany | 30. *Federal Republic of Yugoslavia |
| 11. Greece | 31. *Slovenia |
| 12. Hungary | 32. **Slovakia |
| 13. India | 33. **Czech Republic |
| 14. Ireland | 34. ***Azerbaijan |
| 15. Italy | 35. ***Armenia |
| 16. Kuwait | 36. ***Kyrkyzstan |
| 17. Malta | 37. ***Moldova |
| 18. Mauritius | 38. ***Tajikistan |
| 19. Norway | 39. ***Uzbekistan |
| 20. Poland | 40. ***Ukraine |

*Old treaty between Cyprus and Yugoslavia

**Old treaty between Cyprus and Czech Republic

***Old treaty between Cyprus and USSR

Currently negotiations are being carried out with Finland to enter into such Double Taxation Treaties.

More particulars on this subject and on the content of each particular treaty can be given on request.





- International Business Companies do not pay stamp duty on documents which relate to transactions connected with their normal overseas activities.
- An International Business Company does not pay on its net profits any kind of special contributions or defense contribution. (Special Laws, which apply for Cypriot companies.)
- Interest and royalties paid by the Cyprus International Business Company to non residents are not subject to withholding tax if the use of such rights is outside Cyprus.
- There is no obligation of the international business company to register for V.A.T. (value added tax) which presently is at the rate of 10% in all sales of goods and services effected by those registered.
- Duty free items

Under the Customs and Excise Law, International Business Companies and their expatriate personnel may acquire duty free office and household equipment (apart from furniture) as well as motor cars, provided they have opened an office in Cyprus, have full time staff and the employee intended to use the benefit, has a salary of at least CY.P 12,000.00 per annum.

Tax and Other Obligations the Company Has Towards the Authorities

The company must in each year prepare a Balance Sheet and Profit and Loss Accounts to be audited by recognized Local Auditors. Our office collaborates with particular Auditors specialized in these offshore matters.

These accounts must be submitted to the Income Tax and to the Registrar of Companies.

Also, each year the company must submit to the Registrar of Companies its annual return specifying any alterations in the structure of the company - (shareholders - Directors - secretary etc). This obligation is usually prepared and submitted by the law offices.





Business to Be Carried on Exclusively Outside Cyprus

The company must confine its business exclusively outside Cyprus. Nevertheless, it may open an office in Cyprus for the management and control of its overseas business. By special arrangement it is also allowed to carry on transit trade through Cyprus, to re-pack by purchasing local packing materials as long as the re-packed materials when re-exported do not change customs tariff classification, to store and maintain machinery to be used or sold outside Cyprus and to establish a private bonded warehouse.

Time needed to register an international business company.

Once the name of the company has been approved and all the documents required are in order, the Registrar of Companies effects registration in approximately 7 days. The registration with the Registrar of Companies may also be affected in only one (1) day if acceleration fees are paid. The whole procedure of registration normally takes one week and in very extreme urgent cases our office offers registration of an International Business Company within one day

Branches of Foreign Entities

The Law

A branch of a foreign company may be registered in Cyprus under section 347 of the Companies Law, Chapter 113.

Requirements

Overseas companies may establish a branch in Cyprus by applying directly to the Department of the Registrar of Companies and Official Receiver, within one month of such establishment.

With regard to the certification of the above documents, experience has shown that the documents must be legalized and “apostilled” in the country of origin. Alternatively, legalization is required both by a notary public and the consul of the Republic of Cyprus in that country.





Branch Documents

As in the case of companies it is advisable that the management of the branch and the overseas company are provided, upon the registration of the branch, with a full set of documents, properly legalized and translated, where appropriate, into English or any other language. In the case of a branch such documents normally comprise:

- Certificate of registration

- The charter of the overseas company or other instrument defining its constitution
- List of directors and secretary of the company, name of at least one person resident in Cyprus authorized to accept on behalf of the company any notices required to be served on the company.
- Any other information and documentation pertaining to the activities of the branch and to the date of its establishment.

Effect of Registration

By registering a Cyprus branch of an overseas company, no new incorporation is effected since there is an already incorporated company abroad which is simply establishing a place of business in Cyprus.

The name of the branch is the same with the name of the overseas company.

Annual Financial Statements

The branch must file with the Registrar of Companies, a certified copy of the balance sheet and profit and loss account of the parent corporation, translated into Greek.

Partnership

The Law

The law governing partnerships is the Partnership and Business Names Law, Cap. 116. This is identical to its English counterpart.





Registration Procedure

The registration of a partnership in Cyprus is effected by submitting a return to the Registrar containing the name, object and duration of the partnership, as well as the names and addresses of the partners and their authority to bind the partnership.

Definition

The legal definition of a partnership is the relationship between two or more persons carrying on business in common with a view to profit. Joint ownership, however, does not amount to partnership. There are two types of partnerships as described below.

General Partnership

With a few exceptions, any form of business may be carried on in Cyprus by a partnership. A partnership may not, however, consist of more than 20 persons. There is no requirement that all or any of the partners be Cypriot nationals and a corporate body may be a partner.

Partners and Liability

In general, the partners are jointly liable to the creditors for the debts and obligations of the partnership firm, and each of the partners is also personally liable for all the debts of the firm not satisfied by the partnership assets. Their rights and obligations are governed by the partnership agreement and by the above law

Limited Partnership

The law also provides for a limited partnership with one or more general partners, who manage the firm's business and have unlimited liability, and one or more limited partners who invest a fixed amount of capital in the firm and are not liable for its debts and obligations beyond the amount of the capital. Limited partnerships are not common.





Frequently Asked Questions

Introduction

The following are some typical enquiries one may reasonably make on the subject of incorporation in Cyprus.

Christodoulos G. Vassiliades & Co provides the answers to those enquiries before proceeding to a more detailed and comprehensive guide to incorporation.

1. Are ready-made companies available?

Yes.

2. Time required to obtain name approval from Government for custom-made company?

3 working days with acceleration fee of CYP 7.00.

3. Time required to incorporate custom-made company after receipt of name approval?

30 working days or 3-4 days with acceleration fee.

4. Time required to receive documentation after incorporation by the Government

Immediately from the Registrar's office or by post or courier.

5. Are consents required prior to incorporation?

None

6. Are licenses required?

No

7. Is there disclosure of beneficial owner to the regulatory authorities?

No if nominee shareholders are to be used.

8. Confidentiality

a) What is the jurisdiction's reputation?

Excellent

b) Is it provided by law?

Confidentiality is safeguarded by the Advocates Law that prevents the lawyer from disclosing information.



**9. Restrictions on name?**

Any word that the Registrar considers undesirable. Any name that is identical or similar to an existing company. Any name that implies illegal activity or implies royal or government patronage.

10. Names requiring consent or a license:

"Asset Management" "Asset Manager", Assurance", "Bank", "Banking", "Broker (s) / Brokerage", "Capital", "Credit", "Currency (ies)", "Custodian(s)", "Custody", "Dealer(s)" "Dealing", "Deposit(s)", "Derivative (s)", "Exchange", "Fiduciary (ies)", "Finance", "Financial", "Fund (s)", "Future (s)", "Insurance", "Lending", "Loan(s)", "Lender(s)", "Option(s)", "Pension(s)", "Portfolio", "Reserves", 'Savings", "Security(ies)", "Stock", "Trust", Trustees" their foreign language equivalents or any name that the Registrar considers may have a connection with the aforementioned.

11. Permitted suffix:

Limited or Ltd is obligatory.

12. Company seal required?

No mandatory requirement but is permitted and generally used.

Domiciliation and Administration**13. Resident agent required?**

None. Companies should be registered only by lawyers practicing in Cyprus.

14. Registered Office

Yes, it must be in Cyprus

15. Documents maintained at registered office:

Register, minutes, company seal, certificate of incorporation.

16. Public inspection of documents:

The company's documents are available for public inspection at the office of the Registrar of Companies.

It is possible to obtain absolute secrecy of the identity of the shareholders, either through trust fiduciary agreements or through nominees or through other companies.

Also nominee directors can be appointed by the beneficial owners.

17. Can the company trade within the jurisdiction of incorporation (Cyprus)?

Yes



**18. Transfer of domicile allowed?**

There is no legislation allowing the transfer of domicile for Cyprus companies.

Types of Legal Entities, Constitution, Officers and Shareholders**19. Types of companies**

- Companies Limited private company (CAP. 113 Company Law)
- Branch of an overseas company (Section 347 of CAP. 113)
- General or Limited Partnership (CAP.116 The partnerships and Business Name Law).

20. Memorandum of Association i.e. objects for which company was established:

Any lawful object or scope.

Amendments by order of the court.

21. Articles of Association, i.e. internal regulation of company:

Amendment by special resolution only.

22. Registered shares or bearer shares?

Registered. Bearer share companies are prohibited.

23. Subscribers/Incorporators?

Can be provided

24. (a) Minimum number of shareholders:

One

(b) Maximum number of shareholders:

For private companies the maximum is fifty.

25. Location of general meetings of shareholders/members?

Anywhere in the world.

26. Can proxies be appointed?

For shareholders, yes

27. Classes of shares permitted:

- Registered shares of par value.
- Preference shares
- Redeemable preference shares
- Non-voting shares.



**(a) Permitted currency of shares capital**

Cyprus Pound for all types of companies or any other currency.

(b) Usual currency of share capital:

N/a

28. Maximum authorised share capital for minimum duty?

N/a

29. Capital duties paid on incorporation?

Capital duty of CYP75 is payable on the nominal capital up to CYP5.000, graduating to CYP125 for an authorised capital of CYP10.000 and for nominal capital which exceeds CYP10.000, CYP125 for the first CYP10.000 plus 30 cents for each additional amount of CYP100.

30. Minimum share capital?

Recommended CYP1000

31. Minimum number of directors required?

One

32. Minimum number of officers?

One director and one company secretary. Where there is only one director, the company secretary must be another individual or corporate entity unless the same person is also the shareholder of the company.

33. Transfer of registered shares?

By presentation of a written instrument of transfer signed by the transferor and transferee and subsequent procedures with the Registrar of Companies of registering the transfer with them if the shares are to be transferred to a new registered shareholder.

(a) Transfer of bearer shares?

Not applicable.

(b) Meeting of shareholders?

An annual general meeting of the shareholders must be held each calendar year anywhere in the world.

34. Maximum number of directors permitted?

No restrictions. Regulated by the Articles of Association.

Alternate directors are permitted.



**35. Appointment of first directors:**

When? Upon incorporation by the subscribers to the Memorandum and Article of Association.

36. Any residential, nationality requirements or professional qualifications required for directors?

No statutory requirements regarding nationality or residence.

However in order for the company to be tax resident in Cyprus, the directors or their majority should be Cypriot residents for establishing management and control in Cyprus.

37. Can company act through a power of attorney?

Yes. With resolution by the board of directors duly signed and signatures certified bearing also the seal of the company.

38. Are corporate directors permitted?

Yes

39. Where must the board of directors' meeting be held?

Anywhere in the world. However in order for the company to be tax resident in Cyprus, board meetings should be held in Cyprus for establishing management and control in Cyprus.

40. Notice of consent to act as director?

Yes, by notification to the board of directors, company secretary or shareholders.

41. (a) Company secretary required?

Yes, one. Also assistant secretary can be appointed if needed.

(b) Any special requirements regarding the company secretary?

The secretary of the company is always connected with its registered office. It is advisable to be resident in Cyprus. Anyone can act as a secretary.

42. Corporate secretary allowed?

Yes

43. Any specific qualifications required for the company secretary?

None Annual Accounts and Audit Requirements

44. Requirements for annual audited accounts?

Yes. Shipping companies are exempt.

45. Residential & professional qualification for auditor?

Accounts audited by accountants practising in Cyprus



**46. Annual audited accounts to be filed at public registry or only with tax authorities?**

Audited financial statements have to be submitted to Inland Revenue and the Registrar of Companies.

47. Annual Tax, license fees or duty:**When is it payable?**

10 percent of net assessable income which is the lowest in the European Union.

Paid at anniversary of incorporation.

Annual return (Filing Fee CYP7.00 or CYP15.00 for late filing).

Post-incorporation Administration**48. Powers of attorney?**

Yes, permitted.

49. Business/trade names:

Registered with the Registrar of Companies.

50. Patents/trademarks:

Registered with the Ministry of Commerce and Industry, Registrar of Trade Marks.

51. Names of major banks operating in the jurisdiction:

Bank of Cyprus Ltd., Cyprus Popular Bank Ltd., Hellenic Bank Ltd., Alpha Bank Ltd., National Bank of Greece (Cyprus) Ltd., Arab Bank Plc, Mortgage Bank of Cyprus Ltd., Co-operative Central Bank Ltd., Universal Savings Bank Ltd., Housing Finance Corporation, Commercial Bank of Greece S.A.





Who to Contact

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Christodoulos Vassiliades is an Attorney-at-Law practising in the fields of corporate law, trust law, banking, tax law, shipping law and other commercial matters. He has extensive experience in the use of Cyprus Offshore Companies, double tax treaties and international tax planning.

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