

Cyprus

General	
Type of entity	Private
Type of law	Common
Shelf company availability	Yes
Our time to establish a new company	5 days
Annual Government Levy	€350
Corporate Taxation	12.5%
Double taxation treaty access	Yes
Share Capital or Equivalent	
Standard currency	Euro
Permitted currencies	Any
Usual Minimum issued	€ 1,000
Usual authorised	€ 5,000
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 Cyprus advisable for purposes of tax residency
Members	
Minimum number	One
Publicly accessible records	Yes
Location of meetings	Anywhere
Company Secretary	
Required	Yes
Local or qualified	No, but Cyprus advisable for residency and compliance
Accounts	
Requirement to prepare	Yes
Audit requirements	Yes
Local Auditor	Yes
Requirement to file accounts	Yes
Publicly accessible accounts	No
Other	
Requirement to file annual return	Yes
Change in domicile permitted	Yes

GENERAL INFORMATION

Introduction

Cyprus is the third largest island in the Mediterranean after Sicily and Sardinia. Located in the north-eastern end of the Mediterranean Sea Cyprus is effectively a crossroads linking Europe, Asia and Africa. It covers an area of 9,251 sq km and lies 65 km south of Turkey, 96 km west of Syria, 385 km North of Egypt and some 980 km south-east of Athens. The capital is Nicosia. The principal topographical features of Cyprus are the two mountain ranges running along the centre and north-east of the Island, separated by a wide and fertile plain. Cyprus has a pleasant climate with dry, hot summers and mild winters.

Population

The population of Cyprus is about 802,500. Greek Cypriots form the largest ethnic community representing approximately 85%; Turkish Cypriots comprise the second largest community representing 12% and the remaining 3% representing other minorities

Political Structure

Cyprus became an independent Republic in 1960. The political system is modelled on Western democracies in which individual rights are respected and private enterprise is given every opportunity to develop. Under its Constitution, Cyprus has a presidential system of Government. The President is the Head of State and is elected for a five-year term of office.

The executive arm of the Government is the Council of Ministers to which the President appoints members. The Ministers are responsible for the administration of all matters falling within the domain of their ministries and for the implementation of legislation. Legislative power is in the hands of the House of Representatives, which consists of 56 elected members who hold office for a period of five years. A multi-party system operates in Cyprus and the electoral system is based on proportional representation.

The legal system is based on that of the United Kingdom and all statutes regulating business matters and procedure are based on English Law. Most laws are officially translated in to English.

Infrastructure and Economy

Cyprus is readily accessible by air and sea. The major port facilities are those of Limassol and Larnaca, situated along the south coast of the Island.

The economy of Cyprus is based on a free enterprise system. The Government's role is limited to regulation, planning and the provision of public utilities. During the last fifteen years, the economy of Cyprus has demonstrated spectacular growth and its currency has enjoyed relative stability.

Language

Greek and Turkish are the official languages of Cyprus but English is widely spoken and understood, particularly in commercial and government sectors.

Currency

Euro

Type of Law

Common Law with Civil law influences on Family and Constitutional/Administrative Law mainly.

Principal Corporate Legislation

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 and other amending legislation was passed during the last decade for modernising and improving purposes.

COMPANY INFORMATION

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



ISO 9001:2000
Certificate Number 91196
© OCRA Worldwide 2013

Type of Company for International Trade and Investment

1. Company Limited by shares which is subdivided into:

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

2. Company Limited by guarantee

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

- a) General Partnership
- b) Limited Partnership

Procedure to Incorporate

By submission of the Memorandum and Articles of Association to the Registrar of Companies, together with an affidavit before a Court and the appropriate registration fee. The powers and objects of a Cyprus Company are contained within the Memorandum & Articles of Association and have to be specific.

Restrictions on Trading

Cannot undertake to the business of banking, insurance or the rendering of financial services to the public unless special permission is granted. Companies can trade with resident individuals or companies situated in Cyprus.

Language of Legislation and Corporate Documents

English and Greek.

Registered Office Required

Yes, must be maintained in Cyprus.

Time to Incorporate

Approximately five days, subject to name approval.

Name Restrictions

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

Language of Name

Names may be expressed in Greek or any language using the Latin alphabet if the Registrar is in receipt of a Greek or English translation and the name is not considered undesirable.

Names Requiring Consent or a Licence

The following names or their derivatives require consent or a licence:

"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

Suffixes to Denote Limited Liability

Limited or Ltd.



ISO 9001:2000
Certificate Number 91196
© OCRA Worldwide 2013

Company Seal

No mandatory requirement but is permitted and generally used.

Disclosure of Beneficial Ownership to Authorities

The identity of the beneficial owners of a Cyprus Company may remain confidential if nominee shareholders are engaged to act as the shareholder on behalf of the ultimate beneficial owners. This confidentiality is maintained as long as the company and its ultimate beneficial owners are not involved in any criminal activity.

COMPLIANCE**Authorised and Issued Share Capital**

The share capital may be expressed in Euros or in any other currency. The usual authorised share capital of a Cyprus IBC company is € 5,000 and the usual minimum issued capital is € 1,000.

Classes of Shares Permitted

Registered shares of par value, preference shares, redeemable preference shares and shares with no voting rights.

Taxation

Temporary Tax 2013 – Under the Cyprus Income Tax Law, every company or individual (who has taxable income other than from emoluments) must have filed before 31 July 2013 an estimate of the expected taxable profits subject to corporation tax for the tax year 2013. If a Company has taxable income and a return is not submitted, a penalty of Euro 100 is charged by Inland Revenue Department.

Company that do not have taxable income, are not required to submit a return.

The temporary tax on such income is payable in two equal instalments, as follows:

- 31 July 2013
- 31 December 2013

If the tax is not paid by the due dates, a 5% penalty for late payment and interest is payable at the rate in force which is currently 4.75% per annum. Interest is calculated on the basis of complete months.

The estimate of the chargeable income may be revised at any time before 31 December 2013. If the estimate is revised upwards, interest is payable on the difference between the revised amount payable and the amount initially declared from the due date of the payment of each instalment.

If the estimated chargeable income (as finally revised) is less than 75% of the actual chargeable income calculated on the basis of the audited financial statements, then there will be a penalty of 10% on the difference between actual tax payable and the temporary tax paid.

Any difference between the actual tax payable and the temporary tax paid is payable by 1 August 2014. Any repayment of tax is refundable together with the interest at the rate in force currently at 4.75% as from 1 January 2014.

According to the provisions of the income Tax Law during the year 2013 all companies are liable to corporation tax at the rate of 12.50%. Prior year losses can be brought forward to reduce the tax for the current year, while dividend income and gains from the sale of securities are exempt from corporation tax. If a Company has taxable income, but no tax is payable due to foreign tax claims, the Company still has to submit a Temporary Tax Declaration.

Fixed Annual Levy

On 26th August 2011 The House of Representatives of Cyprus announced a fixed Annual Levy of €350 per annum on all companies which is payable by the 31st December each year. Non-payment of the levy may result in deregistration by the Cyprus Register of Companies.



ISO 9001:2000
Certificate Number 91196
© OCRA Worldwide 2013

Double Taxation Agreements

Cyprus has concluded 44 double tax treaties with: Austria, Armenia, Bulgaria, Belarus, Belgium, Canada, China, the Czech Republic, Denmark, Egypt, France, Germany, Greece, Hungary, India, Ireland, Italy, Kuwait, Kyrgyzstan, Lebanon, Malta, Mauritius, Moldova, Montenegro, Norway, Qatar, Poland, Romania, Russia, , , , ,), Singapore, Slovakia, Slovenia, South Africa, Sweden, Syria, San Marino, Serbia, Seychelles, Tadjhikistan, Thailand, Ukraine, United Arab Emirates, United Kingdom and USA .

Licence Fees

Not applicable.

Financial Statements Required

Amendments made in 2003 to the Companies Law as part of the EU accession process included the following changes:

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 subsidiaries, other than a company which is itself a wholly owned 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.

Directors

The minimum number of directors is one. They may be natural persons or bodies corporate, be of any nationality and need not be resident in Cyprus. For establishing tax residency status in Cyprus it is advisable to use resident directors.

Company Secretary

All Cypriot companies must appoint a company secretary, who may be a natural person or body corporate. It is advisable to appoint a resident company secretary.

Shareholders

The minimum number of shareholders is one.

HOLDING COMPANIES

Introduction

Cyprus' a well established international centre, has been critically assessed as constituting an attractive location for holding companies from a tax perspective, among others. This is due to the accession of Cyprus to the European Union (EU) and the enactment of the new Cyprus tax legislation, which is now compatible with the *acquis communautaire*. Cyprus laws and practices are now harmonised with the EU Laws and Directives, the Code of Conduct and the Organization for Economic Cooperation and Development's recommendation on Harmful Tax Corporation.

Tax Regime

Unlike other countries in Europe, a Cyprus Holding Company must only hold a minimum 1% of the share capital of a foreign subsidiary in order to receive the tax benefits awarded by the new tax reform.

New Tax Legislation

A uniform 10% corporate tax rate, applicable to the worldwide income, is now levied on all resident companies. This is the lowest corporate tax rate in the European Union and thus the most advantageous standard rate of corporation tax for Cyprus.

The new taxation status on Company is residence-based. A company is only 'resident in the Republic' if its business is centrally managed and controlled in Cyprus. Therefore, under the new rules, a resident corporation is taxable on its worldwide income accrued or arising from sources both within and outside Cyprus if it is managed and controlled from Cyprus.

In view of the new tax legislation, the Holding International Business Companies operating from Cyprus are now in a much more beneficial position because they can enjoy the benefits deriving from the tax exceptions as well as the corporate tax benefits by virtue of the new tax legislation.



ISO 9001:2000
Certificate Number 91196
© OCRA Worldwide 2013

Tax Exemptions

In view of the new tax legislation interest received by a corporation is tax exempt, excluding interest received from the recipient's ordinary course of business or closely connected with the recipient's ordinary business.

Dividends Received

Dividends received from abroad are now totally exempt from corporation tax by virtue of the new tax legislation. Furthermore, they are also exempt from the 20% defence contribution provided that more than 50% of the income of the company paying the dividends derives from trading activities or the tax paid by the foreign subsidiary is not significantly lower than that of Cyprus (not lower than 5%).

Income from Intellectual Properties

The Income Tax Law has been amended to provide, among others, generous exemptions from tax of income related to IP from 2012.

More specifically:

- (i) 80% of any income generated from IP owned by Cypriot resident companies (net of any direct expenses) will be exempt from income tax.
- (ii) 80% of profit generated from the disposal of IP by Cypriot resident companies (net of any direct expenses) will be exempt from income tax.
- (iii) the definition of IP includes all intangible assets, including copyrights, patents and trademarks
- (iv) any expenditure of a capital nature for the acquisition or development of IP will be claimed as a deduction in the tax year in which it was incurred and the immediate four following years on a straight-line basis.

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 reorganisation (merger / de-merger / transfer of assets).

Gains on 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.

Cyprus Branches of Companies

With the accession of Cyprus in the EU, double taxation relief will be available to all Cyprus branches, of companies resident in other member states in the European Union, since there is no discrimination between the companies' resident in a Member state and the branches of such companies' residence in another member state.

Distributions by Cyprus Holding Companies

Dividends paid to non-resident 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 recipients.

CORPORATE TAX BENEFITS

Carry forward of Losses

Tax losses for the year 1997 onwards may be carried forward indefinitely. 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 are now enacted, providing for 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



ISO 9001:2000
Certificate Number 91196
© OCRA Worldwide 2013

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.

NETWORK OF DOUBLE TAX TREATIES

Cyprus combines a low-tax regime with a network of double tax treaties. It has concluded a considerable number of double tax treaties compared to other offshore jurisdiction, particularly with Central and Eastern European Countries and a number of 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.

CONCLUSIONS

Cyprus, one of the smallest European low tax jurisdictions, is a suitable place for locating an intermediary company due to the island's combination of tax treaties and low-tax regime. Dividends can flow through the Cyprus company totally tax free and the company can be used to take advantage of the extensive network of double tax treaties.

Disclaimer

Whilst every effort has been made to ensure that the details contained herein are correct and up-to-date, it does not constitute legal or other professional advice. OCRA Worldwide does not accept any responsibility, legal or otherwise, for any errors or omission.



ISO 9001:2000
Certificate Number 91196
© OCRA Worldwide 2013