

CYPRUS – OVERVIEW OF THE JURISDICTION

GENERAL INFORMATION	
Official languages	Greek and Turkish, however English is used as a main business language.
Currency	EUR.
CFC regulations	None.
Transfer Pricing rules	None.
Thin capitalization rules	None.
Legal system	Based on English common law, very stable.
Infrastructure	Very good.

The country is located in the Eastern part of the Mediterranean Sea and has a population of approximately 800 000 people. The official languages are Greek and Turkish, however in practice English is the most common language used in business and daily life. Although the island is relatively small, it has excellent infrastructure.

Cyprus is a member of European Union and Eurozone. It is an international financial center and low tax jurisdiction with one of the most attractive legal and tax system in the European Union and globally.

The legal system is very stable, based on English common law. Low taxation is the key attribute of the economy, inviting investors from all-over the world. There are no Transfer Pricing, Thin Capitalization and no CFC rules, which makes the jurisdiction even more attractive in international tax planning.

PRIVATE COMPANY LIMITED BY SHARES (LTD) – GENERAL INFORMATION

COMPANY DIRECTORS	
Board type	Single-tier.
Minimum number of directors	One.
Nationality requirements of the directors	None, however for tax purposes at least one director has to be a resident of Cyprus. Nominee directors can be provided by our firm.
Corporate directors available	Yes. Can be provided by our firm.
Disclosure of directors	Yes.

Directors are the persons responsible for the management and the decision-making in the company. At least one director must be appointed as per the law. The director can also be a corporate body (i.e. a company). The names of directors are disclosed in the public registry.

The solution for the client to avoid being disclosed is using a nominee director (person or a company provided by our firm).

There is no requirement regarding the nationality of the director, however in order for the company to be a tax resident of Cyprus, the 'management and control' has to be performed from Cyprus (which requires the director of the company to be a resident of Cyprus).

Our firm can provide nominee directors being residents of Cyprus or residents of other jurisdictions.

It is not required, however recommended to have Cypriot-national director (for representation purposes). The majority of directors is also not required to be residents of Cyprus, however for representation purposes it is common practice to appoint the majority of Cyprus-residents.

Directors can also act as shareholders of the company.

COMPANY SECRETARY	
Requirement for the secretary	Yes, as per the law.
Nationality requirements of the secretary	None, however the secretary should be located in Cyprus and speak Greek for practical reasons Nominee secretary can be provided by our firm.
Corporate secretary available	Yes. Can be provided by our firm.
Disclosure of secretary	Yes.

Secretary of a company is not a secretary in terms of receptionist or employee. It is a body responsible for liaising with the authorities and administrative matters of the company, which also includes maintenance of statutory obligations, minute books and statutory registers.

The secretary does not have to be Cypriot resident, however it is usually impossible for the person/corporation to act as a secretary without presence in Cyprus and without knowledge of Greek language (as most of the official documents are in Greek).

Secretary of Cypriot company is disclosed in the public registry. The nominee secretary can be provided by our firm as a part of our services.

REGISTERED OFFICE	
Requirement of the registered office address	Yes, as per the law.
Place of the address	Must be situated in Cyprus. Service can be provided by our firm.
Disclosure of the registered office address	Yes.

Company incorporated in Cyprus must have a registered office address in Cyprus as per the local law. The address is disclosed in the public registry.

Our firm provides services of registered office, rental of physical office space and all range of virtual office facilities.

SHAREHOLDERS AND ULTIMATE BENEFICIAL OWNERS	
Minimum number of shareholders	One.
Maximum number of shareholders	Fifty.
Nationality requirements of the shareholder	None.
Nominee shareholders	Possible. Can be provided by our firm.
Corporate shareholders available	Yes. Can be provided by our firm.
Disclosure of shareholders	Yes.
Disclosure of Ultimate Beneficial Owners	Only to the banks and auditors, however not available to the public and not shown in the financial statements.

Shareholders of Cypriot company can be any nationality. The minimum number of shareholders of private company is one, and the maximum number is limited to fifty. Corporate shareholders are also available.

Shareholders are disclosed in the registry, however it is possible to use nominee shareholder service to safeguard the name of the beneficial owner of the company. The disclosure of the UBO takes place only when opening a bank account and in the internal records of the auditors, however it is not publicized anywhere.

SHARE CAPITAL	
Minimum number of shares	1, however 1000 or more is recommended.
Paid-up capital	No requirement. Only declared.
Types of shares permitted	Registered shares, Preference Shares, Redeemable preference shares, Non-voting shares.

The minimum share capital of Cypriot company is EUR 1.00, however it is recommended for the minimum share capital to be EUR 1,000.00.

When incorporating a company, there is no requirement for the share capital to be paid up. It is only declared in the documentation.

Share capital of the Cypriot private company limited by shares is divided into authorized share capital and issued share capital.

Different share classes are permitted. When deciding for the value of shares, there is a possibility of setting a share premium, in addition to nominal value. Share capital can be increased or decreased at any moment after the incorporation.

BANK ACCOUNT	
Requirement to open a bank account	None.
Cypriot bank account	Not obligatory.
Foreign bank accounts	Possible.
Currencies available	Any.
Presence required to open a bank account	In most cases not (depending on a bank).

There is no obligation for the company to open a bank account, however it is a common practice to do so. Cypriot bank accounts are available to be opened (e.g. Bank of Cyprus, Eurobank, Hellenic Bank).

Cypriot company can open a bank account anywhere in the world and in any currency. It is a common practice that our firm opens bank accounts for companies in such jurisdictions as Luxembourg, Switzerland, Liechtenstein, Singapore, Latvia, Poland, and others.

ACCOUNTING AND AUDIT	
Obligation to keep accounting records	Yes.
Audit of financial statements	Not obligatory for 'small companies' by the Companies Law, however obligatory as a result of Income Tax regulations.
Filing of the accounts to the authorities	Obligatory.
Currency of Financial Statements	Any, however EUR is recommended.

Accounting records must be kept in Cyprus at the registered office address of the company and must be maintained in good order. Audit of Financial Statements is not obligatory for all companies as per the Companies Law, however as per the implications of Income Tax Law, the audit of Financial Statements is obligatory for all companies being residents of Cyprus for tax purposes. The financial year end is 31 December. The accounts can be prepared in any currency, however for practical reasons Euro is preferred.

INCORPORATION OF COMPANY - PRACTICAL INFORMATION	
Time of name approval	1 – 3 working days.
Time of incorporation	3 – 10 working days.
Shelf companies available	Yes.
Memorandum and Articles of Association	The MAA must be drafted and signed by a Cypriot lawyer, signed by one or more subscribers and submitted to the Registrar of Companies. Almost any activities are permitted, as long as the company acts according to the law.
Language of documents	English or Greek.
Presence required to incorporate of a company	No.

Incorporation of the company usually takes approximately 2 weeks including the name approval.

In case of purchase of a shelf company, it takes only 1 day to proceed with the relevant changes.

When preparing the Memorandum and Articles of Association, we usually use very broad model template for the purpose of the clients having a possibility to provide all types of services without further costly amendments.

TAXATION OF CYPRIOT COMPANY	
Tax Residency	Management & control principle only.
Base of taxation	Worldwide income.
Corporation Tax rate	12.5%, often decreased to lower or not applicable at all.
Capital Gains Tax rate	20% - not applicable unless income relates to property located in Cyprus.
Stamp Duty on issuance/increase of share capital	0.6%
Special Defence Contribution	Interest income: Nil if certain conditions are met. Dividend income: Nil if conditions are met. Other income: 30% depending on type. Rental income: 3% if certain conditions are met.
Interest Withholding Tax	Nil.
Dividend Withholding Tax	Nil.
Royalty Withholding Tax	Nil in most cases.
Double Tax Treaties network	Very broad, more than 50 DTTs signed.
EU Directives	Applicable, including Parent-Subsidiary Directive and Interest & Royalties Directive.
Tax year	Calendar year.
Rulings from tax authorities	Available.
Annual Levy payable to the Registrar	EUR 350 per year.
VAT registration	Voluntary. Only obligatory if the turnover of activities subject to VAT exceeds EUR 15,600 per year.
VIES registration	Voluntary.
VAT rates	Standard rate: 19% Reduced rates: 5% and 9% Zero rate: 0%

Tax residency of Cypriot company: in order for the company to be Cyprus resident for tax purposes, the management & control has to be performed from Cyprus. At least one director must be resident of Cyprus for this condition to be met in practice. There is no requirement for the majority of directors to be residents of Cyprus or Cyprus-nationals, however it is often recommended for the representation purposes (mostly for foreign organizations or authorities). The other directors can attend the meetings personally or via the phone.

Taxation on worldwide basis: Cypriot company being a tax resident of Cyprus is taxed on the worldwide income, whether it is generated in Cyprus or abroad.

Corporation Tax: the rate of Corporate Income Tax is 12.5% and is fixed for all amounts of income. It is one of the lowest corporate taxes in the European Union. The CT applies to most of the trading-related income and is not applicable at all in certain types of income.

Disposal of securities (including shares of private & public companies) does not fall in the scope of CT. This creates an ideal opportunity for holding companies, which will not be taxed at all when selling shares which they own.

From 01 January 2012, **under the new Intellectual Property regime** in Cyprus, Corporation Tax is decreased by 80% when the company generates income from royalties or disposal of Intellectual Property, **allowing effective CT rate of only 2.5% or lower** depending on the structure.

Capital Gains Tax: the standard rate of CGT is 20%, however it usually applies to income generated by the company which owns a property in Cyprus.

Disposal of securities, financial instruments, shares in companies and similar is exempt from CGT, making the effective CGT taxation of 0%. This type of income is also not covered by Corporation Tax, therefore there is no taxation at all.

Stamp duty: payable at the rate of 0.06% on each subscription or increase of shares.

Special Defence Contribution: SCD is a tax which is applicable mainly to the individuals receiving certain types of income in Cyprus or in case of Cypriot property income. However, there are cases where SCD also applies to the companies.

Withholding taxes: Cyprus usually does not have withholding taxes on interest paid and dividends paid. There are cases where WHT is imposed on royalty income, however it is not common.

Each case should be carefully checked as there are possibilities where WHT might be imposed when dealing with some countries, especially when the income is received to Cyprus from non-EU country.

VAT & VIES: there is no obligation for a Cypriot company to register to VAT & VIES unless certain type of income is generated and unless it does not exceed the threshold of EUR 15,600 per year for VAT-taxable activities.

Annual Levy: each company (including dormant companies) has an obligation to pay the annual company fee "Annual Levy". The fee amounts to EUR 350 and is payable to the Registrar of Companies in Cyprus.

We provide all range of fiduciary and support services for companies and other entities. We assist our clients with service from business planning, through incorporation of companies, their daily management until their liquidations or sale.

Please do not hesitate to contact us in case of any queries. We will be happy to assist you.