

Cyprus

General	
Type of entity	IBC
Type of law	Common
Shelf company availability	Yes
Our time to establish a new company	5 days
Minimum government fees (excluding taxation)	Not applicable
Corporate Taxation	10%
Double taxation treaty access	Yes
Share Capital or Equivalent	
Standard currency	Cyprus Pound
Permitted currencies	Any
Minimum paid up	CYP 1,000
Usual authorised	CYP 5,000
Directors or Managers	
Minimum number	1
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	1
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	No

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

Currency

Cypriot pounds.

Exchange Control

Yes, but does not apply to IBC companies.

Type of Law

Civil code with many English Common Law influences.

Principal Corporate Legislation

International Business Companies Ordinance 1994.

COMPANY INFORMATION

Type of Company for International Trade and Investment

Companies incorporated under the Companies Law, Cap 113, as amended, who have obtained Exchange Control permission from the Central Bank of Cyprus to acquire IBC company status.

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 cannot trade with resident individuals or companies situated in Cyprus other than in relation to the maintenance of premises, banking and professional services, unless they have special permission from the Central Bank of 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, the following words or their derivatives: asset management, asset manager, assurance, bank, banking, broker, brokerage, capital, credit, currency, custodian, custody, dealer, dealing, deposit, derivative, exchange, fiduciary, finance, financial, fund, future, insurance, lending, loan, lender, option, pension, portfolio, reserves, savings, security, stock, trust or trustees. If the word "Group" is to be used in the company name the minimum number of corporate shareholders are two.

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: bank, trust, building society, insurance, assurance, reinsurance, 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.

Disclosure of Beneficial Ownership to Authorities

The identity of the beneficial owners of a Cyprus Company may remain confidential if corporate 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 must be expressed in Cyprus pounds. The usual authorised share capital of a Cyprus IBC company is CYP 5,000 and the minimum issued and paid up capital is CYP 1,000.

Classes of Shares Permitted

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

Taxation

By virtue of special provisions in the Cyprus Income Tax Laws, the net chargeable profits of Cyprus IBC Companies are taxed at a rate of 10%.

Double Taxation Agreements

Cyprus has concluded 33 double tax treaties with: Austria, Bulgaria, Belarus, Belgium, Canada, China, the Czech Republic, Denmark, Egypt, France, Germany, Greece, Hungary, India, Ireland, Italy, Kuwait, Malta, Mauritius, Norway, Poland, Romania, Russia, (including most of the CIS countries, i.e. Azerbaijan, Armenia, Kyrgyzstan, Moldova, Uzbekistan and Ukraine), Singapore, Slovakia, Slovenia, South Africa, Sweden, Syria, Thailand, United Kingdom, USA and the former Yugoslavia.

Licence Fees

Not applicable.

Financial Statements Required

Audited financial statements have to be submitted to the Cyprus Taxation Authority and to the Central Bank of Cyprus annually.

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.

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 of 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 at least 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 from the 1st of January, 2003. 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.

Tax Exemptions

50% of interest receivable

In view of the new tax legislation 50% of interest received by 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 15% defence contribution provided that the direct holding is at least 1% of the share capital of the overseas company.

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 2000 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 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 the highest number of double tax treaties compared to any 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.