

Cyprus Business Guide



THE TRIDENT TRUST GROUP

The Trident Trust Group, with 34 offices in 24 jurisdictions, is a leading provider of corporate, trust and fund administration services to the financial services sector worldwide.

Our Cyprus office was established sixteen years ago and is today one of the largest companies in the local financial services industry, with the majority of our more than fifty employees being professionally qualified. We offer our services across a wide range of jurisdictions, principally to law firms, accountants and tax advisors, as well as financial institutions and large international organisations. We provide:

- Incorporation & Administration of Cyprus Companies
- Administration of Offshore Companies
- Establishment & Administration of Trusts & Funds
- Registered Office & Secretarial Services
- Nominee Shareholder Services
- Directorship (Resident & Non-resident)
- Legal Services (through associates)
- Bank Account Opening, Administration & Signatories
- Accounting, Bookkeeping & VAT Services
- Tax Advice (through associates)
- Audit Services (through associates)
- Office Facilities – Physical & Virtual Offices
- IT Support & Services

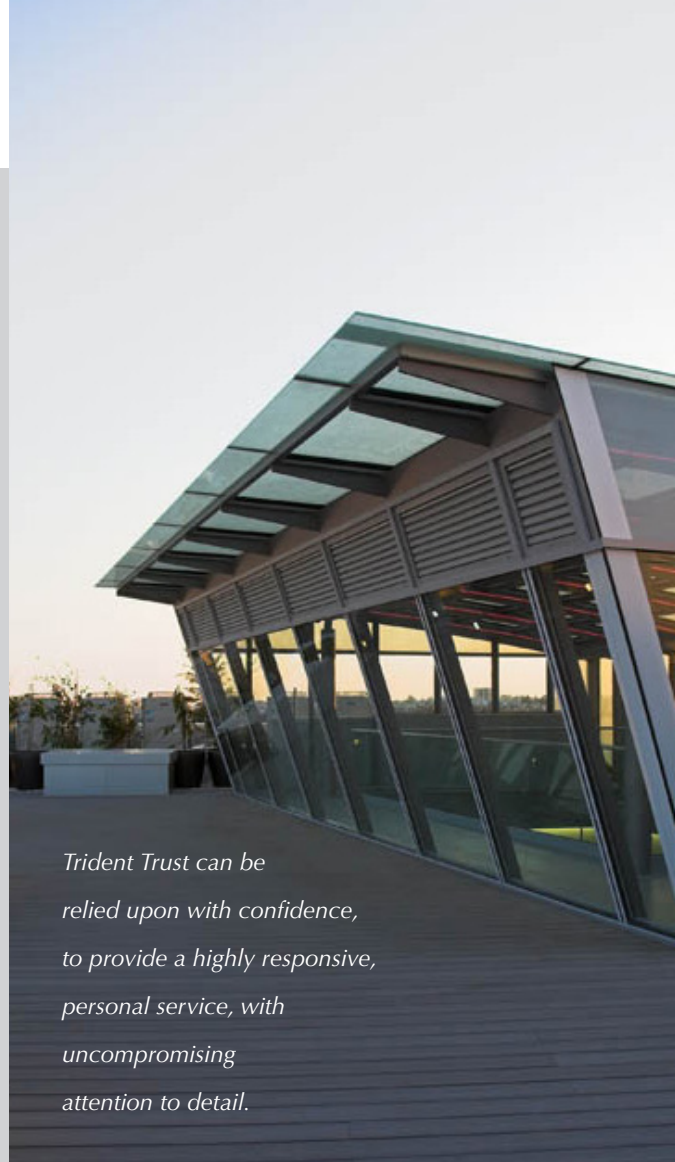
Our corporate and trust team focuses principally on corporate and commercial matters, with an emphasis on mergers and acquisitions, international tax planning and private equity.

We have a dedicated corporate department responsible for the formation and administration of Cyprus entities as well as entities in other jurisdictions offered by our Group. The department offers a one-stop shop facility to clients. To meet our clients' often urgent requirements and to ensure fast service, a large number of shelf companies from the 24 jurisdictions around the world in which Trident Trust is located are maintained at all times.

Through our associate Cyprus law firm and audit associates we can assist with all corporate legal matters and provide all auditing services and tax advice on matters relating to Cyprus. These arrangements guarantee a one-stop-shop service for our clients' corporate needs.

Dedicated teams are assigned to handle the affairs of each client. Each team consists of a Lawyer (Relationship Manager), Corporate Administrator, Banking Administrator and Accountant, and each one has a back-up in case of absence.

The team responsible for a client's affairs will devote the necessary time and effort to ensure that all matters are handled promptly, with attention to detail through a service that is both responsive and personal.



Trident Trust can be relied upon with confidence, to provide a highly responsive, personal service, with uncompromising attention to detail.



CYPRUS AT A GLANCE

LOCATION Situated in the eastern Mediterranean, at the crossroads of Europe, Africa and Asia, Cyprus is the third-largest island in the Mediterranean. The island's status as an EU member and its strategic location contributes to its success as an international business centre.

TIME ZONE Local time is two hours ahead of GMT.

POPULATION Greek Cypriots constitute the largest ethnic group (about 81%) of the island's population, which is estimated at 800,000 inhabitants. Cyprus also is home to a large number of foreign residents.

LANGUAGES Greek is the principal language. English is widely spoken with other languages also increasingly in use.

RELIGION Greek Cypriots are Christians and belong to the Greek Orthodox Church of Cyprus. There are also Turkish Cypriots who are Muslims, while the smaller Cypriot minorities of Maronites, Armenians and Latins belong to other Christian denominations.

TRANSIT TRADE An advantageous geographic location and efficient port facilities have made Cyprus a major shipping centre. The island acts as a central depot for distribution to the markets of Europe, the Middle East, the Gulf and North Africa.

INTERNATIONAL BUSINESS CENTRE Cyprus is host to many foreign banks, with over 1,000 overseas companies physically operating on the island.

FOREIGN INVESTMENT Excellent commercial infrastructure and favourable tax incentives have contributed to the island's growth as an international business and investment centre. The local free zone area makes Cyprus attractive for manufacturing enterprises exporting to the Middle East and North Africa.

SERVICES INDUSTRY Services account for about 70% of both GDP and the employed population. The sector incorporates tourism, transport and communications, trade, banking, insurance, accounting, real estate, business and legal services, health and education.

Trident Centre Cyprus



CYPRUS AS AN INTERNATIONAL BUSINESS CENTRE

Currently more than 250,000 international business entities are registered and operating out of Cyprus. A significant number of these international business entities have fully fledged offices in Cyprus.

The growth in the use of Cyprus in international tax planning is due to distinct advantages which the jurisdiction offers to both foreign businesses and private individuals.

Tax Incentives

The use of a Cyprus entity in international tax planning can mitigate or eliminate completely the overall tax liability arising from an international activity. Specifically, proper structuring of a Cyprus entity in an international tax plan can:

- Reduce taxes in the country where the income is earned.
- Lower withholding taxes on incoming and outgoing funds.
- Reduce or defer taxes on shareholders.
- Increase the return on investments by reducing the overall tax burden.

The following income and capital gains are totally exempt from Cyprus taxation:

- Foreign source income of non-residents.
- Business profits of non-resident companies.
- Gains realised on the sale of shares in private and public companies.
- Gains on the disposal of shares in subsidiaries.
- Dividend income if the recipient owns more than 1% of the share capital of the payer company.
- Income of international trusts.
- Gains from the sale of property located outside Cyprus.

Other attractive tax benefits available in Cyprus:

- 12.5% corporate tax rate.
- 18% VAT rate (as from 14 January 2013) – the lowest in the EU.
- Tax-relief for group losses can be claimed.
- Favourable tax treaty agreements with 54 Countries.
- Full adoption of the EU Royalty and Interest Directive.
- Advance Tax Rulings are available.

Non-Tax Incentives

- Excellent infrastructure, allowing investors to create substance to their tax planning in the form of local offices and operations.
- A mature professional services sector with fees lower than in other EU jurisdictions.
- A common law based legal system.
- A modern and efficient multilingual banking and financial services sector.
- Professional and efficient service by government and tax authorities.
- Strategic location and time zone, excellent air and sea connections and telecommunications.

Taxation of International Business Companies

- Resident Companies (12.5%)
- Non-Resident Companies (0%)

Management & Control

Companies are deemed to be tax resident in Cyprus if their management and control is exercised in Cyprus. Management and control is deemed to be exercised where:

- The majority of the Directors reside.
- The Board meetings are held.
- The general policy of the Company is formulated.



FEATURES OF A CYPRUS COMPANY

- A minimum of one Shareholder is required. Nominee Shareholders are allowed and widely used. A foreign corporate or individual Shareholder is permitted. Shareholder information is subject to recording in the public records but beneficial ownership information is not disclosed to any regulatory authority.
- A minimum of one Director and one Secretary is required. A corporate entity, whether foreign or domestic, may act as a Director. Director information is publicly available.
- There is no minimum share capital. It is customary to have an authorised share capital of €5,000 and an issued share capital of €1,000.
- Different classes of shares with different rights, such as profit sharing, redeemable preference shares and voting rights may be issued.
- Shares are issued in registered form only.
- The company must have a Registered Office address in Cyprus.
- Meetings of Shareholders may be held abroad. Written unanimous consent resolutions may be used.
- Audited annual financial statements and an annual return must be submitted to the Registrar of Companies in both English and Greek.
- Shelf companies and pre-approved names are allowed. A shelf company's documents can be dispatched within forty-eight hours. If changes are needed the time frame until a new certificate is issued is approximately three weeks. With a pre-approved company name, the time frame from formation until delivery is approximately two weeks.
- If a company is incorporated with a name that requires prior approval from the Registrar of Companies the incorporation process will take approximately three weeks.



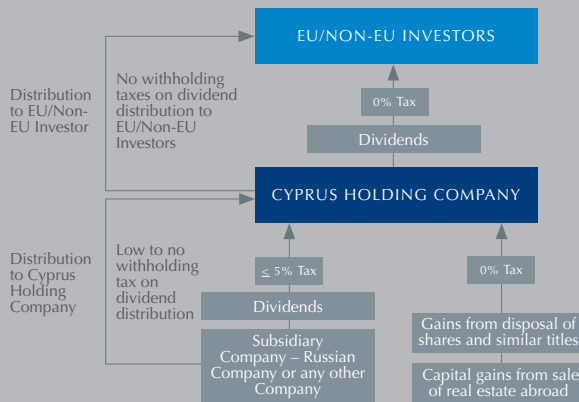
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COMMON TAX STRUCTURES THROUGH CYPRUS

The wide network of Cyprus' double tax treaties offers numerous opportunities for tax planning structures. We set out below some common structures which benefit from Cyprus' favourable tax system.

Holding Companies (Dividend Income)

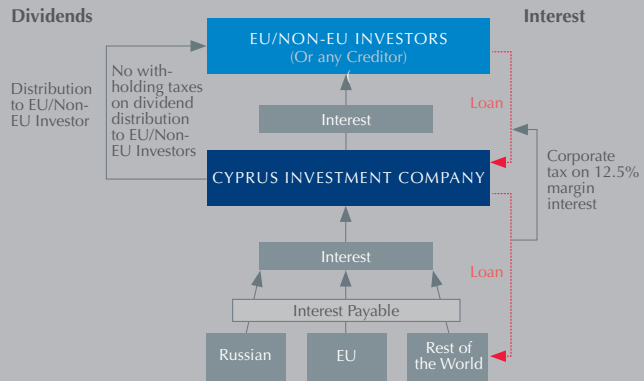
- A Cyprus Company owns shares in a Company in Russia or any other overseas company.
- Dividend income is exempt from Cyprus tax, provided that:
 - The payer company pays at least 5% tax on its income, or
 - More than 50% of its activities directly or indirectly generate trading income (as opposed to "passive" income such as income from interest).
- Dividend income paid to the Cyprus Company is subject to low withholding taxes at source in accordance with the applicable Double Tax Treaty.
- No withholding taxes are imposed on dividends distributed to the non-resident shareholders of the Cyprus Company.
- No capital gains or any other taxes are imposed on gains from the disposal of the shares of the subsidiary by the Cyprus Company (provided that no immovable property located in Cyprus is involved).



Investment & Financing Companies (Interest Income)

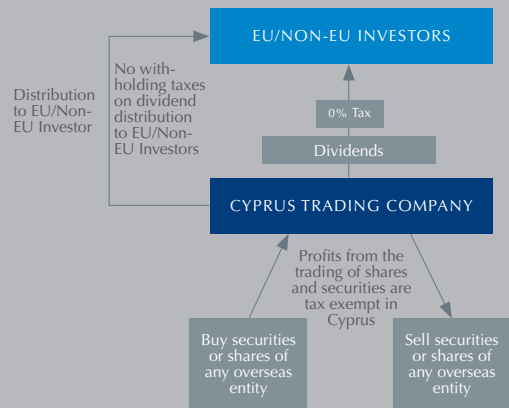
- A Cyprus Company finances various subsidiaries involved in real estate projects in a treaty or non-treaty country.
- The Company is subject to a 12.5% Corporation Tax on the interest income.
- The Company borrows money from its parent company and provides a loan to its subsidiary company. The small margin of the net interest income is taxable in Cyprus at the Corporation Tax rate of 12.5%.

- No withholding taxes are imposed on interest paid from a Russian company to a Cyprus Company.
- Interest paid from other countries is subject to withholding taxes in accordance with the applicable Double Tax Treaty or local taxation laws.



Companies Trading in Shares & Other Securities

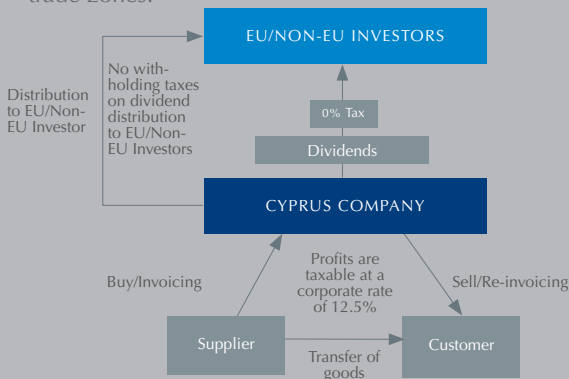
- A Cyprus Company trades in securities such as bonds and shares in any market in the world.
- Profits from the trading of securities are tax free in Cyprus.
- No withholding tax on dividend payments out of Cyprus.



Trading Companies

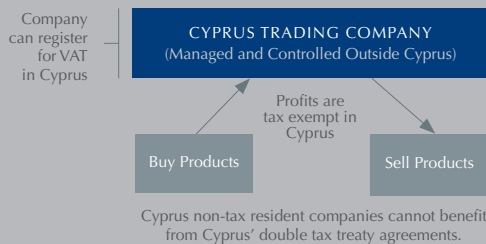
- The Cyprus Company purchases goods from Asia and sells goods into the European Union.
- The goods can be delivered directly to their final destination and do not have to be physically delivered to Cyprus.
- Profit is taxable in Cyprus at 12.5% provided that no permanent establishment is created in the country of final destination.

- There are no withholding taxes imposed on the distribution of dividends from Cyprus to the non-resident shareholders of the company.
- Cyprus Trading Companies can be used for the invoicing / re-invoicing of goods and services (as well as for the receipt of trading commissions) from any country to any destination and for transit trade activities in combination with the operation of bonded warehouses, bonded factories and the free trade zones.



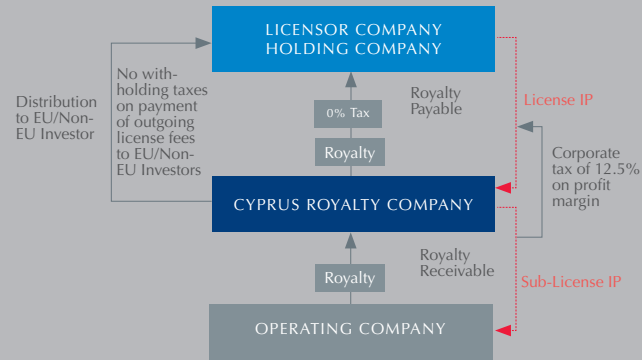
Cyprus Non-Tax Resident Trading Companies (0%)

- A Company registered in Cyprus but managed and controlled outside of Cyprus trades in products.
- The Company is completely tax-exempt from any tax on its profits in Cyprus.
- The Company can register for VAT in the EU and enjoy the status of a company registered in the EU.
- The Company cannot benefit from Cyprus's double tax treaty agreements.



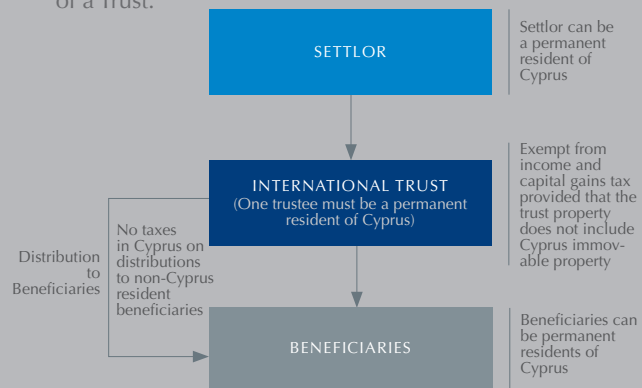
Royalty Companies

- A Cyprus Company is granted a license and subsequently licenses a third party leaving a margin of profit in Cyprus. The margin will be taxable in Cyprus at 12.5%.
- There are no withholding taxes on the payment of the outgoing license fees from Cyprus.
- Credit relief is available for any withholding tax paid at source by the operating company.



International Trusts

- A Cyprus International Trust can be used for wealth protection, asset protection, and estate planning.
- The settlor cannot be a permanent resident of Cyprus in the year preceding the year of establishment of the Trust.
- The settlor can reserve numerous personal powers, maintain a beneficial interest in Trust property, and act as the protector without affecting the validity of the Trust.
- At least one Trustee is resident in Cyprus.
- The Trustees' powers and protectors' duties are governed exclusively by Cyprus law.
- The Trust can include Cyprus immovable property.
- Trust assets are permanently separated from the settlor's personally owned assets.
- The Trust is exempt from Cyprus income and capital gains taxes, as well as exchange controls.
- Distributions to beneficiaries are exempt from Cyprus taxes provided they are not tax residents in Cyprus.
- Assets can be added to the Trust at any time.
- The Trust can be a shareholder in a Cyprus Company or a foreign company.
- The Trust can be revocable or irrevocable.
- Protectors can be used to oversee of the trustees.
- The Trust is not registered, ensuring confidentiality, and there are no mandatory reporting requirements.
- There are no statutory limitations on the duration of a Trust.





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Our legal and tax advisors are at your disposal to discuss any of the structures described in this Guide or any other Cyprus-related planning questions.

We invite you to contact us at:

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