

KEY FACTS

International businesses may be operated in Cyprus under a number of legal structures some of which are described below.

CYPRUS COMPANY

The significant features of a Cyprus company, the most widely used local corporate vehicle, are:

- A minimum of one Shareholder is required. Nominee Shareholders are allowed and widely used. A foreign corporate or individual Shareholder is permitted.
- A minimum of one Director and one Secretary is required. A corporate entity, foreign or domestic, may act as a Director. Director's information is available in the public record.
- 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 i.e. bearer shares may not be issued.
- The company must have a Registered Office address in Cyprus. Trident Trust can provide both the Registered Office and company Secretary.
- Meetings of Shareholders may be held abroad. Written unanimous consent resolutions may be used.
- Audited annual financial statements and annual return must be submitted to the Registrar of Companies in both English and Greek. Trident Trust can arrange for the appointment of a local auditor.
- Although Shareholder information is part of the public record, beneficial ownership information is not disclosed to any regulatory authority.
- Trident Trust maintains shelf companies and pre-approved Cyprus company names. With a shelf company the time frame from the date of changes (if any) until delivery, including notarised and apostilled corporate documents is approximately two weeks. With a pre-approved company name, the time frame from formation until delivery, including notarised and apostilled corporate documents is approximately three to four weeks.
- If a company is incorporated with a name that requires prior approval from the Registrar of Companies the incorporation process will take approximately four weeks.

KEY FACTS
INTERNATIONAL TRUSTEE SERVICES COMPANIES (ITCS)

An overseas company, a Cyprus company or an international partnership may register with the Central Bank for the limited purpose of acting as a private or professional trustee.

INTERNATIONAL FINANCIAL SERVICES COMPANIES (IFSCS)

An overseas company, a Cyprus company or an international partnership may be licenced by the Securities and Exchange Commission to engage in the business of providing “financial services”. The term is defined as dealing in investments, managing investments, providing investment advice or establishing and operating collective investment schemes. Only branches, subsidiaries or associate companies with a good international reputation and established in countries where there is adequate financial supervision will be licenced by the Cyprus Securities and Exchange Commission to offer “financial services” to the public.

GENERAL OR LIMITED PARTNERSHIPS

International partnerships can be registered in Cyprus. Partnership profits are exempt from local taxes.

BRANCH OF AN OVERSEAS COMPANY

A foreign company may register a branch in the Republic of Cyprus. The same has no legal or tax effect but will allow the company to operate from Cyprus and commonly is adopted for commercial and marketing reasons.

Registration of a Foreign Company

A foreign company may register in Cyprus with the result of having two companies which are separate legal entities. Both will have to prepare accounts, or at least for the Cyprus entity, and the company can become resident for tax purposes in Cyprus, taking advantage of the Double Tax Treaties. Provided the alternate country of registration accepts the same and subject to certain tax laws, the company will only be liable for tax in Cyprus.

Merge of Foreign Company with a Cyprus Company

The foreign company, the non-Cyprus company, should at the end of the merge be dissolved and the assets transferred to the Cyprus company. This option is an alternative to re-domiciliation.

Re-Domiciliation to and from Cyprus

Cyprus allows for the domiciliation of a foreign company into Cyprus and for a Cyprus company to re-domicile elsewhere provided the relevant jurisdiction allows for the same. In such a case the company will be de-registered in the country of formation and registered in the Country of the new domicile. Cyprus allows for all EU jurisdiction to re-domicile to Cyprus and a number of offshore jurisdictions such as British Virgin Islands and Bahamas.

Societas Europaea (SE) in Cyprus

- The SE has been subject to Community Law directly applicable in all EU Member States. The Council Directive has been implemented in national law in all Member States.
- The Regulation allows enterprises of different Member States to establish SE without being constrained by local legislation. Although, according to Art. 249 of Treaty of European Union, the regulation has direct effect and therefore does not need to be introduced with separate local implementation act, the SE regulation still requires in many circumstances the implementation with local legislation.
- Under the SE, the companies that carry out business in different Member States can act as one company under unified rules. By consolidating different companies in different regions under SE, strengths competition advantages as well as generates economical and psychological advantages.
- Another restriction currently encountered by traditional European companies is that they cannot merge, in a number of jurisdictions, with companies in other Member States. Under the SE Regulation, such a transaction could now be structured as a direct merger of both entities, either by way of formation of a new SE, or by conversion of one of the parties involved into an SE.

KEY FACTS
TAXATION

The following is an overview of the tax treatment of companies in Cyprus. Please contact us for a full explanation of these rules and how they may apply to a proposed structure involving the use of a Cyprus company.

Non-Resident Company

If management and control is abroad (non-resident Directors) then the Cyprus company is not taxable in Cyprus. This type of company is mainly useful for trade purposes. It cannot benefit from any Double Tax Treaties to which Cyprus is a party and cannot obtain any Tax Certificates stating that it is resident/taxable in Cyprus.

Resident Company

The use of such company is where access to one of Cyprus Double Tax Treaties is required or, in the case of a trading company, where a certificate from the Tax Office is required to confirm that the company is taxable in Cyprus. The net profits of such companies are subject to income tax at 12.5%. However there are special rules for taxation of interest and royalty income.

Dividends

- Dividends received by a Cyprus company are not taxable and are excluded from the tax computation of net-profits. The only instance where the dividends received from a non Cyprus company may be subject to 30% defence tax is if any of the following two conditions are met:
 - The foreign company paying the dividend is engaged either directly or indirectly by more than 50% in activities which result in investment income, or
 - The rate of the foreign taxation on the income of the company paying the dividend is substantially lower than the 12.5% rate payable by the recipient company (i.e. less than 5%)
- Payment of dividends from a Cyprus company to a non-resident corporate or individual Shareholder is not subject to any withholding taxes i.e. defence tax.

Interest

- Trading interest received by a Cyprus company is subject to 12.5% income tax on net-profits. This income however is exempt from defence tax.
- Passive interest (interest not obtained from the ordinary activities of the company or from the activities closely connected to the ordinary activities of the company) received by a Cyprus company is exempt from income tax but subject to defence tax at 30%.

Royalties

Royalties are subject to 12.5% tax on net profit and there is no withholding tax on royalties paid, if the use of the right is outside the Republic of Cyprus.

Securities

- The term "Securities" in income tax law covers shares, bonds, debentures, founders' shares, and other securities of companies or other legal persons and options thereon.
- Profits arising from the trading or disposal of securities are not subject to income tax.
- There is also no capital gains tax unless there is a sale of shares in a company that owns immovable property. In this instance there is a flat rate capital gains tax of 20%.

Please contact any Trident Trust office worldwide for further information about our services and fees. Office contact details are included on the following page.

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