

DISCLAIMER: The content of this publication is intended simply as a guide and is provided for general information purposes only and does not constitute any form of professional advice. Parties are advised to seek guidance and professional advice from a lawyer, accountant or other taxation expert prior to undertaking any investment or commitment. Schuss & Co. assumes no responsibility for and accepts no liability for any loss or damage which may arise from reliance on the information contained in this publication.

CYPRUS NON-RESIDENT COMPANY: OVERVIEW

The home of Aphrodite, Goddess of Love, Cyprus is the third biggest island in the Mediterranean occupying around 9,250 sq km. Cyprus has an ideal Mediterranean climate, with more than 300 warm, sunny days a year, and a brief, mild winter with occasional rain.

The majority of the Cypriote population is Greek, living in the southern part of the island. Cypriots and Turkish immigrants live in the northern part of the island, separated from the south by a UN-supervised buffer zone. The official languages in the two zones are Greek and Turkish, but most Cypriots speak English, which is used extensively in business and commerce.

Cyprus is an independent sovereign republic. The 1960 constitution established a unicameral presidential republic, as well as safeguarding human rights, political pluralism and private property. The country is a member of the UN, the Council of Europe and the Commonwealth.

Cyprus has an excellent business infrastructure with good telecommunications, which, coupled with the widespread use of the English language and a legal system largely based on English law makes the island a very convenient and effective business base. The Government's successful encouragement of the offshore sector has led to the development of a European-standard commercial and financial infrastructure. International links are particularly strong in the shipping and banking sectors.

CYPRUS NON-RESIDENT COMPANY: ADVANTAGES

- The key advantages of the Cyprus non-resident company are zero taxation in Cyprus and VAT registration
- Unlike the Cyprus resident company, there is no treaty protection

CYPRUS NON-RESIDENT COMPANY: APPLICATIONS

- Most commonly used as an international investment company financing various projects internationally belonging to the same group
- Cyprus cross-border trading companies
- Ideal as a holding company where the IBC holds shares in subsidiaries and associate companies operating internationally

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.

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 15% 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 10% 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 10% 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 10%.

Royalties

- Royalties are subject to 10% 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%.

CYPRUS NON-RESIDENT COMPANY: KEY FACTS

Company Law	Companies Law, Cap 113 which resembles the English Companies Act, 1948
Type of Company	International Business Company (IBC)
Standard Capital	Euro 1,000
Taxation rates applied to companies generally	10% uniform corporate tax rate but many forms of income are exempt
Length of time to incorporate	15 days after receipt of due diligence documents in respect of the beneficial owners.
Minimum members	One – individual or corporate
Registered office	Yes, must be maintained in Cyprus at the address of a licensed management company or law firm. A local registered agent must be appointed
Directors	Minimum one – individual or corporate. A register of directors must be filed with the Registrar and is open to public inspection
Must a Director / Secretary be resident?	No, but a majority of Cyprus resident directors would be required if the company wishes to utilise the tax treaties
Annual return	An annual return must be filed each year showing details of shareholders and directors
Annual return: need to prepare financial statements	Yes, for submission to the tax authorities in Greek
Annual return: is disclosure of profits required?	No
Necessary to file share register with Registrar?	Yes, at registered office
Share register open to inspection by public?	Yes
Confidentiality	Although details of the shareholders and directors appear on public file, statutory confidentiality provisions protect the details of the beneficial owners supplied to the Central Bank
Language of incorporation	English
Disadvantages	Tainted by allegations of Russian money laundering