

CYPRUS Jurisdictional Guide



GENERAL INFORMATION

A 'jewel' of a Mediterranean island and the mythical birthplace of Aphrodite, the island of Cyprus combines a rich natural, cultural and archaeological heritage with great natural beauty and a friendly, inviting population.

Cyprus is located in the Eastern Mediterranean Sea, east of Greece, south of Turkey and west of Syria and Lebanon. It acts as a stepping stone to three continents, namely Europe, Africa and Asia through the Middle East. A former British colony, it became an independent republic in 1960 and a member of the Commonwealth in 1961. The Republic of Cyprus has been a member of the European Union since 1 May 2004 and the Eurozone since 1 January 2008.

Cyprus is renowned for its gorgeous weather and beaches, tourism infrastructure and highly attractive corporate regime.

The island enjoys one of the lowest corporate tax rates in Europe at 12.5% and offers significant tax advantages to companies that choose to structure their holdings via a Cyprus corporate vehicle.

Cyprus maintains an attractive Double Tax Treaty (DTT) network around the world and access to the provisions of relevant EU directives. It maintains a very competitive tax regime for dividends, gains from the sale of shares and margins on back-to-back loans. It also features an outstanding Trust and Funds regime and Intellectual Property (IP) box as well as practically no withholding taxes on payments to non-Cypriot residents.

Cyprus also offers an outstanding shipping regime with the Cyprus Registry currently classified as the 10th largest merchant fleet globally and the 3rd largest fleet in the EU. The inland's business capital, Limassol, is also considered to be the largest third party shipmanagement centre in the EU.

COUNTRY INFORMATION

Population	800,000
Size	9.250 sq.km.
Political System	Presidential Democracy
Language(s)	Greek, English
Time zone	2 hours ahead of GMT
Currency	EURO (€)

CORPORATE INFORMATION

Basic Characteristics

Legal Forms	<ul style="list-style-type: none">• Cyprus Limited Liability Company• Branch of a foreign company• Partnership• Cyprus International Trust• Inward and outward redomiciled companies
Legislation	Based on English Common Law. Cyprus companies are governed mainly by the Companies Law, Cap 113, as amended (the "Companies Law") which is predominantly based on the English Companies Act 1948.
Registration Authority	Department of the Registrar of Companies and Official Receiver of the Republic of Cyprus
Regulatory Compliance	<p>Compliant with the EU, the Financial Action Task Force on Money Laundering (FATF), the Organisation for Economic Co-operation and Development (OECD) and the Financial Stability Forum.</p> <p>Administrative Services Providers (ASPs) are regulated by the Cyprus Securities and Exchange Commission (CySEC) or in the case of lawyers and accountants, by their respective professional bodies.</p>
Types of Companies	<ul style="list-style-type: none">• Limited Liability Company by Shares (Private or Public)• Limited Liability Company by Guarantee (Private or Public)
Shelf Companies	Yes
Double Taxation Treaty Access	Yes (approx. 50 Double Tax Treaties)
Due Diligence	Certified identification is required for beneficial owners and senior officers/authorised parties

COMPANY INFORMATION

Company Name

Language	Greek or Latin Alphabet
Name Endings	Limited or Ltd
Name Restrictions	<p>Any name that is identical or similar to a reserved name or an existing fully-fledged company name. If an existing and a new company are connected, a consent letter is required to release name.</p> <p>Also, names of a general meaning or words like Royal, Queen, Saint, Imperial, Commonwealth and Bank.</p>
Time to Obtain Name Approval	Approximately 3 working days
Time to Incorporate	Approximately 5 working days

Authorised Shares	
Standard Currency	EURO (€)
Permitted Currencies	Any
Minimum Share Capital	None
Classes of Shares	Special classes of shares with preferential rights may be issued
Bearer Shares	No

Directors	
Minimum Number	One (physical or legal)
Local Director Required	No (recommended, however, for tax residency purposes)
Publicly Accessible Director Records	Yes
Location of Meetings	Anywhere (it is recommended, however, that meetings of the Board of Directors are held in Cyprus for tax residency purposes)

Shareholders	
Minimum Number	One (physical or legal)
Local Required	No
Publicly Accessible Shareholder Records	No

Secretary	
Required	Yes (physical or legal). Any nationality. Local secretary recommended, however, who may execute required documents by same and who is aware of legal and filing requirements with local authorities in Greek.

Local Requirements	
Registered Office	Yes (must be situated in Cyprus)

Accounts	
Required to Prepare and File	<p>Yes</p> <ul style="list-style-type: none"> Accounts must be kept and financial statements must be duly certified by accountants practicing in Cyprus. Must be prepared according to International Financial Reporting Standards and the Cyprus Companies Law, CAP 113. Financial statements are filed with the Registrar of Companies and tax returns are filed with the Income Tax Authority.
Audit Required	Yes

Annual Returns (HE 32)	Yes (once a year)
Publicly Accessible Accounts	Yes

Recurring Government Costs

Annual Government Levy	Yes (€350)
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Taxation

Tax Residency	A company is a tax resident of Cyprus if 'management and control' is exercised in or from Cyprus.
Corporate Tax Rate	Net taxable profits of companies that are tax residents of Cyprus are subject to a 12,5% tax rate.
Income Tax	<p>Cyprus tax resident companies are subject to tax on their worldwide income. Exempted from tax or enjoying low effective tax rates are:</p> <ul style="list-style-type: none"> • Interest income earned by non-resident physical persons • Dividend income declared to non-resident shareholders • Profits derived from dividends received from abroad or from profits of permanent establishments in other countries, under certain conditions • Profit from the disposal of shares and other securities • Capital gains from the disposal of property abroad for legal persons • 80% of income derived from Intellectual Property (IP) or sale of such IP. Effective rate of taxation on IP is 2,5%. • Back-to-back loans, with the allowable margin ranging from 0,125% to 0,35% and the effective tax rate from 1,563 to 4,375%.

CYPRUS TRUSTS

General

Trust refers to the legal relationship created by a settlor (owner) when assets have been placed under the control of a trustee for the benefit of a beneficiary or for a special purpose.

The trust concept dates back to England at the time of the Crusades, during the 12th and 13th centuries. When a landowner left England to fight in the Crusades, he conveyed ownership of his lands in his absence to a person of trust to manage the estate and pay and receive feudal dues, on the understanding that the ownership would be conveyed back on his return.

Trusts in Cyprus made their appearance in 1925 with the enactment of the Trustees Act. The regulatory framework evolved in 1955 with the Trustees Law (cap 193) and culminated in 1993 with the adoption of the Cyprus International Trust (CIT) Law 69/92. The Cyprus trusts legal framework was further modernised in 2012 with the passing of a much-anticipated amendment to the 1992 law, establishing the CIT as one of the best, if not the best, in Europe.

In December 2012, Cyprus also passed a bill regulating trustees, company administrators and directors, further consolidating the island's position in the trust and corporate services arena. The Regulation of Fiduciary Service Providers Law 2012 regulates the management and administration of companies and trusts in and from Cyprus.

Types of Cyprus Trusts

Discretionary, fixed, trading, protective and charitable. Also, bare, interest in possession, accumulation and maintenance, resulting and constructive.

Kinds of Cyprus Trusts

Local Trusts, Cyprus International Trusts (CIT)

Cyprus International Trusts

Cyprus International Trusts (CITs) are set up by virtue of the CIT Law of 1992, which was enacted with the aim of providing incentives for the establishment and administration of trusts in Cyprus by non-residents. Taking into account the realities of the Cyprus economy in the present day and the need to comply with EU law and directives, the 1992 Law was amended in March 2012.

The 2012 Amendment to the Cyprus International Trusts Law, abolished residency restrictions, allowing the CIT's settlor and beneficiaries to take up residency in Cyprus the year following its creation.

At the same time, it abolished prohibitions on ownership of immovable property on the island and now enables trustees to invest in movable and immovable property in Cyprus and abroad, including shares in Cyprus companies. The 2012 amendment also successfully improved such issues as jurisdictional protection, confidentiality, trustee responsibilities, trust duration and the application of foreign jurisdictional laws.

CITs achieve a variety of estate, personal, financial, tax and other business planning objectives. They can be used for tax planning purposes, as an instrument of estate planning, for asset protection and for confidentiality purposes.

CYPRUS INVESTMENT FUNDS

General

Cyprus offers a highly attractive domicile for funds and fund managers alike. Over the past decade the island has been used as an effective base for investment funds primarily into Russia and the CIS.

The main Investment funds in Cyprus include the Undertakings of Collective Investment in Transferable Securities (UCITS) and alternative funds known as International Collective Investment Schemes (ICIS) governed by the laws of 1999 and 2000. Most recently, in July 2014, a new law on funds came into force, the Alternative Investment Funds Law (AIF) of 2014, which essentially replaced and repealed ICIS.

Both UCITS and AIFs are subject to the same taxation as any other Cyprus corporate entity.

Investment Funds

UCITS

The Undertakings for Collective Investment in Transferable Securities (UCITS) are funds that can be offered to the public at large. Any funds formed under the UCITS law can be easily sold to any country in the EU. The supervisory authority for these funds is the Cyprus Securities and Exchange Commission (CySEC).

AIFs (formerly ICIS)

International Collective Investment Schemes (ICIS) which were governed by the International Collective Schemes (ICIS) Laws of 1999 and 2000 have now been replaced by the Alternative Investment Funds (AIFs) which are governed by the AIF Law of 2014 and are supervised by CySEC.

AIFs are collective investment undertakings that raise external capital from investors with a view to investing it in accordance with a defined investment policy for the benefit of those investors, and that has not been authorised as a UCITS.

The AIF Law updates the funds regime in Cyprus and aligns it with the latest EU directives on asset management, with a focus on transparency and investor protection. It sets out rules for the authorisation, ongoing operations, transparency requirements and supervision of AIFs in Cyprus and regulates the role and responsibilities of their directors, custodians and external managers.

The AIF Law provides for two classes of AIF, namely AIFs available to an unlimited number of investors (unlimited) and those available to 75 investors or fewer (restricted).

AIFs may be structured as variable or fixed capital companies or as limited partnerships, In addition, unlimited AIFs may be structured as mutual funds.

Moreover, the new AIF Law also enables public offerings of shares of AIFs to take place, in contrast to the ICIS Law, where only private placements were allowed.

International Collective Investment Schemes that were previously authorized by the Central Bank of Cyprus (CBC) and were registered in the Register of International Collective Investment Schemes, as established and maintained by the CBC in accordance to the previous law on ICIS, may continue to operate subject to a relevant application to CySEC and due compliance with the provisions of the AIF Law and any other relevant law in force.

CYPRUS SHIPPING

General

The Cyprus Registry is the one of the largest and most successful in the world with approximately 1.850 ocean going vessels of a gross tonnage exceeding 21 million.

Cyprus features an open registry and its merchant shipping legislation is fully harmonised with that of the EU. Today, it is a fully-fledged maritime center, combining both a sovereign flag and a resident shipping industry, which is renowned for its high quality services and standards of safety.

The Cyprus flag is on the white lists of both the Paris and Tokyo Memorandum of Understanding (MOUs) and that of the US Coast Guard. It is also a full member state of the Paris MOU on Port State Control.

It maintains bilateral agreements with 23 countries, it features low registration costs, no income tax on wages of officers and crew and much more.

Most importantly, it features highly advantageous tax and VAT schemes that are as attractive as they are unique.

Tonnage Tax System (TT)

Cyprus-registered shipmanagement companies generating profits from shipping activities of both Cyprus flag and non-Cyprus flag ships are fully exempt from corporation tax.

Instead of paying 12,5% corporate tax, they may opt to be taxed on their individual ships' total tonnage at predetermined rates.

The TT regime covers qualifying persons performing qualifying activities in relation to qualifying vessels.

Qualifying persons are shipowners, charterers (bareboat, demise, time and voyage) and shipmanagers providing technical and/or crewing services.

Shipmanagers can benefit from tonnage tax even if crewing and technical management are provided separately.

Yacht Leasing Scheme

The yacht scheme covers the VAT treatment of yacht leasing, applicable to pleasure crafts.

In order to take advantage of the scheme, a financial leasing agreement must first be entered into by a lessor and a lessee, whereby the lessee is granted the option to purchase the yacht at the end of the lease.

The leasing of the yacht is considered as a supply of services with the right of deduction of input VAT by the lessor.

This supply of services by the lessor is taxable at the basic VAT rate of 19% but only to the extent that the leased yacht is used within the territorial waters of the EU. Accounting for sailing outside EU waters, effectively reduces the applicable VAT rate considerably.

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NOTE:

The information contained in this publication is accurate as at the date of its publication and is not intended to be exhaustive nor a substitute for proper professional advice. Please contact our company for consultation. We look forward to assessing your individual business plans and requirements and recommending the right solution for your unique needs.