

Benefits of a UK Company with Cyprus Tax Residence

Based upon the UK Finance Act and the double tax treaty between the UK and Cyprus, a **UK registered company** can have its **Tax Residence in Cyprus** when it is **managed and controlled from a branch located in Cyprus** ("place of effective management"). The UK company may conduct any business, with the exception of trading with the UK.

The **"place of effective management and control"** can be proved when:

- ✓ All or the majority of the Board of Directors are residents in Cyprus.
- ✓ BoD meetings are held in Cyprus.
- ✓ Policy making is formulated in Cyprus.
- ✓ Company activities (e.g. bank accounts) are controlled by the Cyprus directors.
- ✓ Day to day management is carried out in Cyprus (e.g. rental of an office, telephone and fax, employs a part timer, Membership in bodies such as the Chamber of Commerce, all legal docs are signed by the Cyprus Directors etc)

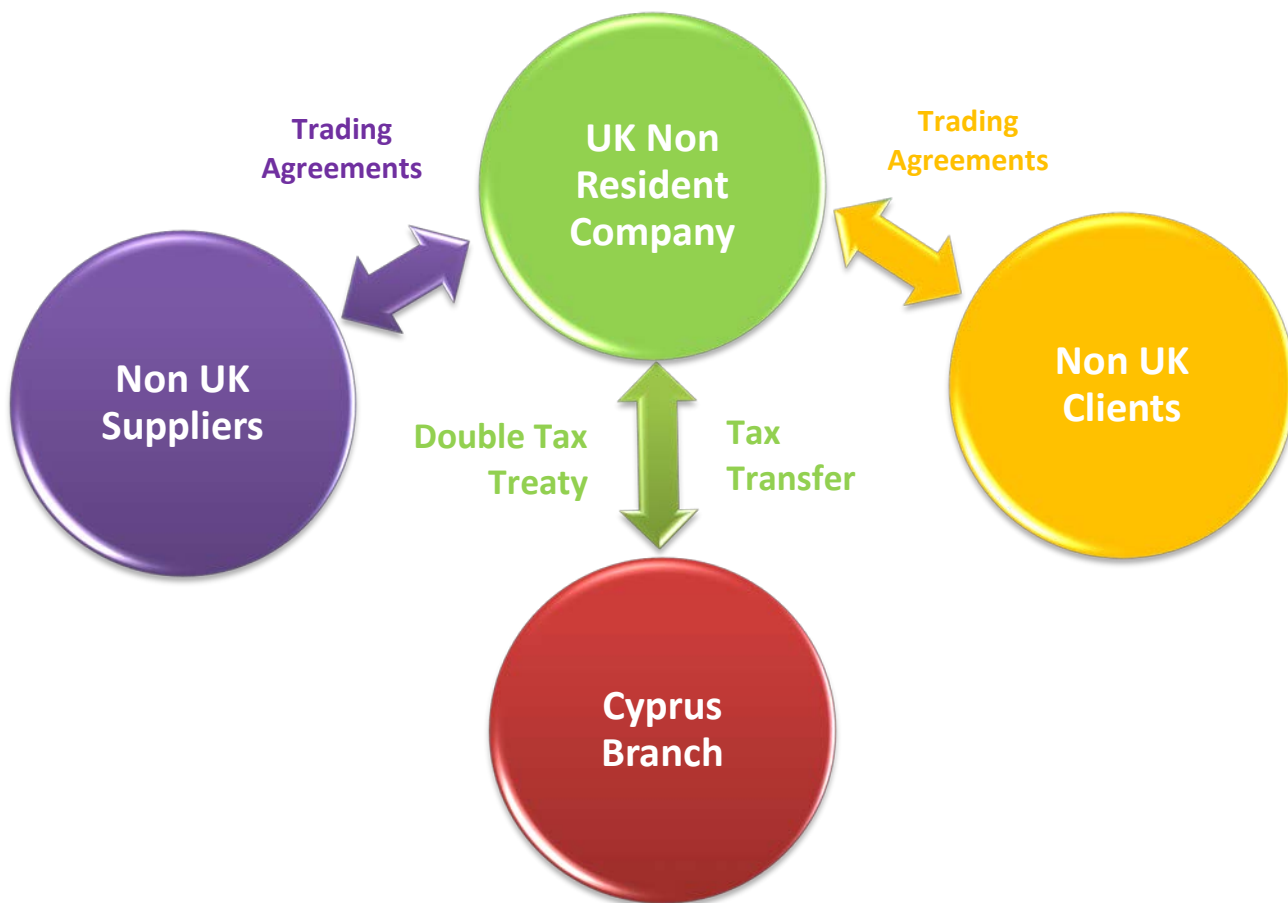
The **Tax advantages in Cyprus** compare not only in the UK but also with other jurisdictions in Europe are:

- ✓ Low corporate tax compare with the UK
- ✓ Full exemption from tax on dividend income received from participations.
- ✓ No withholding tax on distributions of profits irrespective of the country of residence of the recipient or the existence of a double tax treaty.
- ✓ Full exemption from capital gains tax and income tax on the disposal of securities;
- ✓ No capital gains or Income tax on the liquidation of participations, sale of the shares of the Cypriot Holding Company, liquidation of the Cyprus Holding Company;
- ✓ No capital taxes or net worth taxes during the life of the Cyprus Holding Company;
- ✓ Use of the wide double tax treaty network with over 50 countries which provide for reduced withholding taxes on dividends received from treaty countries;
- ✓ Unilateral tax credit relief irrespective of the existence of a double tax treaty;

The basic holding company scenario is illustrated below:

UK Company Obligations:

- (1) Filing of the Annual Return
 - (2) Filing of the Company's Accounts
- No requirement for Audited Accounts if 2 out of 3 criteria are met:
- (a) Turnover < £6.5 mio
 - (b) Balance Sheet < £3.26 mio
 - (c) No of Employees < 50



Cyprus Branch Obligations

- (1) Filing of audited accounts
- (2) Filing of Tax Return
- (3) VAT Registration (if applicable)

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