

The rules in each country regarding the Controlled Foreign Companies in combination with the General Anti Avoidance Rules in the tax legislations as well as the implementation of the Common Reporting Standard, influence the international tax exposure of companies with activities in multi jurisdictions.

The business environment is becoming more complex and challenging, where low and/or Zero tax jurisdictions often are not compatible with the new restrictions and requirements of the local and international Tax legislation.

Substance is therefore the key issue in order to avoid any potential and substantial tax burden and/or investigations by the tax authorities.

The adoption of a proper economic substance is not legislative defined, therefore the implementation is based upon practical standards that can be adopted with the aim to optimize the international tax exposure of the client.

Cyprus legislative environment offers considerable benefits and options to implement the relevant substance in order to gain tax and other benefits. It is important to emphasize the fact that Substance must have an economic purpose and business infrastructure and to have been created with the aim to minimise the tax liability.



In order to establish an economic substance in Cyprus the following conditions have to be met:

- (1) Real physical presence in Cyprus, with distinct offices but not in shared services centres.
- (2) Employment of local staff in order to provide the day to day administrative tasks of the company as well as to be involved in the operations of the entity
- (3) Employment of qualified senior executives who are the decision makers and are located in Cyprus.
- (4) Maintenance of accounting records in Cyprus.
- (5) Performance of the accounting tasks by local accountants.
- (6) Operation of bank accounts is done from Cyprus with at least a Cypriot signatory.
- (7) Company registration as an employer at the Social Insurance in Cyprus.
- (8) Purchase of the necessary assets for the company, which are normally required for the operation of the company.
- (9) Independent local email address and website.
- (10) Independent telephone and fax line.
- (11) Independent electricity supply.

THE MULTI FAMILY OFFICE

With over a decade worth of experience and a prominent network of international clients, BKMS has established a reputation that speaks for itself. BKMS is covering a broad spectrum of industries, taking into account the required accounting treatment and tax implications as well as the challenging international regulatory framework.

Client Trust and loyalty are the very fundament of every commitment undertaken by BKMS. Adherence to a strict policy of professionalism therefore results in continuously successful developments.

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