

## COMPANY REGISTRATION

A Cypriot company can either be a private or public company liability company. Private companies are established by 1 or more persons where public companies are registered with 7 or more persons. The main info required for registering a Cypriot company consists of:

- ✓ Approval of the Company's Name
- ✓ Memorandum and Articles of Association in order to specify the activities & operations of the company
- ✓ Capital structure of at least 1,000 Euro
- ✓ Minimum one shareholder (Shares can be held by trustees in Cyprus in trust for the beneficial owners).
- ✓ Company directors (the common practice is to use Cypriot residents)
- ✓ Company secretary & registered office in Cyprus
- ✓ Tax compliance by keeping proper books of accounts & audited financial statements in accordance with IFRS.

Many International entities use Cyprus Companies as:

- ✓ Gateway holding company, as an intermediary between EU and non-EU jurisdictions
- ✓ Finance company, to undertake the Group financing function
- ✓ Investment trading company, due to the tax exemption of profits from the disposal of securities
- ✓ Intellectual property holding company
- ✓ Ship owning & managing due to specific tax exemptions applied to ships with Cypriot Flag.
- ✓ Company for oil & gas exploration



International Business Centre - Cyprus

*Your compass for doing Business in Cyprus*

201 Strovolos Avenue, Off. 201-202, 2nd Floor, 2049 Nicosia, Cyprus  
Tel. +357 – 22 265 360, Fax. +357 – 22 265 361  
[info@bkmsgroup.com](mailto:info@bkmsgroup.com), [www.bkmsgroup.com](http://www.bkmsgroup.com)

## BUSINESS ENVIRONMENT

Cyprus has the most attractive tax regime in the European Union due to its lowest tax rates, the stability of the tax legislation and the consistency in the interpretation of the tax law.



Cyprus is considered to be the regional hub for international businesses due to the friendly tax system, the reliability of the Euro, the efficient infrastructure, the strategic location, which links Europe with Middle East, Africa and Asia, the macro-economic stability with low inflation and unemployment.

The legal system in Cyprus is based upon common law and it is fully harmonised with EC legislation. The Commercial banking in Cyprus has a very high standard, operates with no exchange controls and consists of more than 40 Cypriot and international banks. Cyprus has a stable political environment, which derives from excellent diplomatic and economic relations with Europe, Middle East & Gulf Countries, North America, Russia, China, India etc. Therefore, Cypriot entities enjoy great respectability around the globe.

Cyprus is ranked the 16<sup>th</sup> in the 2006 Index of Economic Freedom, published recently by The Heritage Foundation and Wall Street Journal.

Office & living accommodation is relatively inexpensive. Specifically, Nicosia is the least expensive among the cities evaluated in region of Europe, Middle East and Africa based on the latest "Global Market Rents, May 2006" conducted by CB Richard Ellis.

Cyprus is ranked 29<sup>th</sup> in the world and 1<sup>st</sup> in the region of Southern Europe, according to the 2005 Human Development Report. The index focuses on 3 measurable dimension of human development: living a long and healthy life, being educated and having a decent standard of living.

## TAX SYSTEM

The tax system in Cyprus is transparent, efficient and contributes to the overall competitiveness of the business environment. Many holding companies structure their international operations through Cyprus. Some of the advantages of the Tax System are:

- ✓ Corporate income tax rate is 10%
- ✓ Dividend income is tax exempt under certain preconditions and is not considered to be sourced from investment income if it is derived from trading subsidiaries. Dividends paid to non-resident shareholders are exempt from withholding tax in Cyprus
- ✓ Double tax treaties with more than 40 countries.
- ✓ Capital gains exemptions for securities (shares, bonds, debentures, etc) and real estate. Cypriot companies can be used to hold real estate outside Cyprus with no Cypriot capital gains tax
- ✓ Profits from a permanent establishment maintained abroad are generally exempt from tax in Cyprus.



- ✓ Reorganizations of companies are exempt from corporate income tax, capital gains tax and transfer fees.
- ✓ The VAT rate in Cyprus is one of the lowest in Europe and currently is set at 19%.
- ✓ No capital gains or income tax on the liquidation of participations in Cypriot companies owned by non-resident shareholder
- ✓ Personal tax rates go up to 35% for income exceeding €60,000 p.a.
- ✓ A non-resident person employed and becoming resident in Cyprus has a 20% tax-free allowance on income (€8,543) for 3 years following its residency in Cyprus.