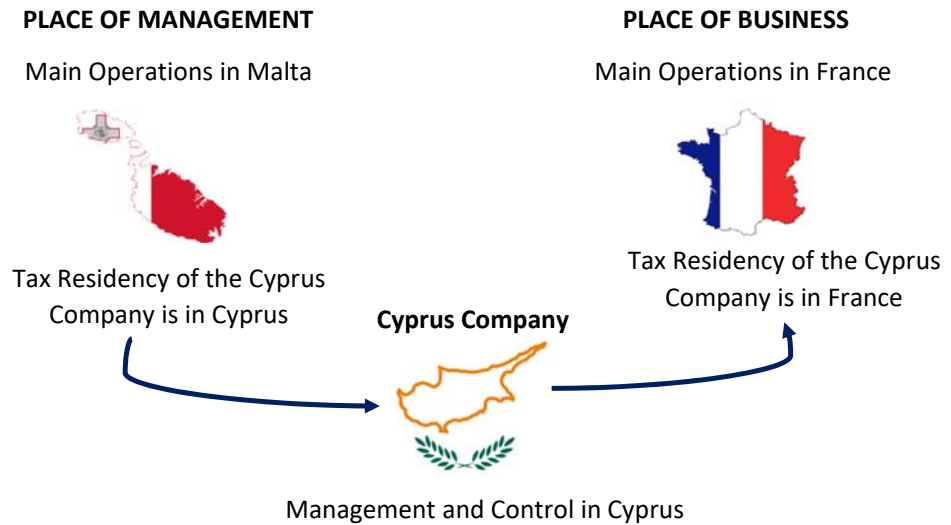


PLACE OF TAXATION

The company's tax residency differs from country to country. As a rule of thumb, companies are tax liable in the country where either the management decisions are taking place or the actual business has been carried out.

In some countries e.g. Cyprus / Malta etc. the Tax Residency depends upon the place of management while in other countries such as France, Italy, Germany Russia, Germany etc. the Tax Residency is subject to where the company is effectively conducting its business.



If a company registered in Cyprus Company, effectively conducts active business in France, then the profit of the Cyprus Company may become taxable in France. If the Cyprus Company effectively conducts active business in Malta, then the profit of the Cyprus Company may not become taxable in Malta. There are several reasons that a company effectively conducts active business in another country, such as

- Opening a rep office
- The Ultimate beneficial owner is effectively conducting business in that country such as visiting customers, negotiating and signing contracts etc.

TAX SUBSTANCE IN CYPRUS

In order to have a Tax Substance in Cyprus, a permanent establishment has to be created, that distinguishes an onshore company with Tax Residency from an offshore company without Tax Residency.

During the recent years the International Taxation Rules and the Tax Authorities approach has change in a way that they take into the loop the various establishments in order to define where the business of a foreign company is actually conducted effectively. Renting an office in the country where the foreign company is registered is not enough anymore. The place of business of the foreign company, for example a Cyprus Company, must actually be operative and conduct business itself.

The place of business of a company depends on the type and scope of the operations of the company. Typically, an operative place of business consists of a verifiable physical office infrastructure and of verifiable business activities.

The minimum Verifiable Physical Infrastructure consist of

1. Rental of office space, which can be verified by a rental contract.
2. Company's Telephone and Fax line, which are operational as well as telephone bills issued upon the name of the company's name and address.
3. Furnished office, rented or purchased, which are part of the company's assets.
4. Company's website, preferably with a domain extension of the country where it is registered.
5. Company needs to have at least one employee, to be verified by the monthly payment confirmation of social contribution.

The minimum Verifiable Business Activities consist of

1. The company should be able to proof communication with its suppliers and customers (emails, letters, call notes).
2. Signing of contracts with suppliers and customers by the director of the company.
3. Traceability of the director's discretion in his or her decisions.
4. The director of the company should be signatory of the company's bank accounts.
5. The shareholder personally follow up the business of their companies & directors as well as they attend shareholder meetings.
6. The shareholder travels to the country where the company is active.

TAX LEGISLATION IN CYPRUS

Criteria for Individuals to be considered a tax resident

According to the Income Tax Law 118(I) of 2002, (Section I, Article 2), an individual is resident in Cyprus, if he/she resides therein for a period or more which in aggregate exceed 183 days.

In order to calculate the period of residence in Cyprus for tax purposes -

- the day of departure from Cyprus counts as a day of residence outside Cyprus
- the day of arrival in Cyprus counts as a day of residence in Cyprus
- arrival and departure from Cyprus in the same day counts as one day of residence in Cyprus
- departure and arrival in Cyprus in the same day counts as one day

Criteria for Entities to be considered a tax resident

According to the Income Tax Law 118(I) of 2002, (Section I, Article 2), a company is resident in Cyprus, if its management and control are exercised in Cyprus.

Although "Management and Control" is not a term defined in the Cyprus Tax Legislation, to achieve tax residency and substance, the Cyprus Tax Authorities take into consideration the following factors in general:

- The composition of the Board of Directors.
- Where the Board Meetings take place and whether major decisions are properly taken during these meetings.
- The place where the discussion and approval of the Financial Statements takes place.
- The Board of Directors must have control over the bank account which must be situated in Cyprus.
- The place where the seal of the company is authorized to be used.

In the case of a trust that is an entity, the trust is considered to be resident in Cyprus if one or more of its trustees are resident in Cyprus, unless the trust provides the information required to be reported according to CRS to another participating jurisdiction's tax authority because it is treated as resident for tax purposes there.

In the case of a partnership, the partnership is considered to be resident in Cyprus if the control and management of the business of the partnership takes place in Cyprus .

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