

Cyprus
An ideal International Business Center
A guide for international Investors

Cyprus – Business Location

Cyprus is strategically located between Europe, Asia and Africa and is recognized as an international center of excellence for the provision of professional services. A combination of its low tax regime, double taxation treaties network and legal system makes Cyprus a desirable location for the formation of various types of companies. Since 2004, Cyprus joined the European Union (EU) resulting in a great number of advantages in the EU market. Cyprus has one of the most attractive tax systems in Europe which is effective, transparent and fully compliant with the EU laws and regulations. Cyprus's legal system is based on the principles of the United Kingdom (UK) which assists international business to be carried out through the country.

Other advantages

- ✓ High standard of living,
- ✓ English language is widely spoken and accepted language of business,
- ✓ Infrastructure that supports international business. The costs for incorporating and maintaining a Cyprus company are low compared to other EU countries,
- ✓ High standard of professional services provided by lawyers, accountants, auditors, tax advisors and bankers,
- ✓ High standard of education. The country has been ranked one of the top countries in EU in respect of its university graduates in proportion of its population,
- ✓ International airports serving a high number of international and European airlines,
- ✓ Sound banking sector (local and offshore bank corporations) offering online banking services,
- ✓ Excellent telecommunication systems with high end technology products and solutions.

Cyprus Tax Legislation

The Cyprus tax legislation is simple.

With the enactment of its New Tax Legislation and the abolition of the “offshore regime”, Cyprus has put a simplified, effective and transparent tax system in place that is fully EU, OECD, FATF and FSF compliant.

The result is a stable EU, “non-offshore” tax-competitive jurisdiction with exciting tax planning potential for EU and non-EU clients alike. In summary, Cyprus is the “lowest-tax EU Jurisdiction” that is not offshore.

Corporate Tax Rate: The standard corporate tax rate of 12,5% . For this, Cyprus is regarded as a premier holding, finance, royalty and trading company jurisdiction.

Holding Company

- ❖ Dividends received from a company resident in the Republic are not taxable.
- ❖ Dividends received from a company non-resident in the Republic are not taxable (subject to certain conditions).
- ❖ Dividends received – withholding tax on foreign jurisdiction. Cyprus has signed an extensive number of Double Tax Treaties (DTTs). Based on these treaties a Cyprus company has the ability to extract dividends at a zero or low tax rates of foreign withholding tax.
- ❖ Dividends paid to non-resident in the Republic shareholders (whether companies or individuals) are not subject to any withholding tax in Cyprus.
- ❖ Dividends paid by a Cyprus tax resident Company to another Cyprus tax resident Company are exempt from tax, provided that the dividend is not indirectly distributed after the expiry of a four year period from the end of the year to which the profits giving rise to the dividend relate. This provision is in force as of 1st January 2012.
- ❖ No withholding taxes on outgoing dividends, interest and royalties (with some exceptions).



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- ❖ No capital gains tax on the sale or transfer of securities and the gains are exempt from the Income Tax provisions (except gains from disposal of shares in companies owning immovable property situated in Cyprus).
- ❖ Tax losses can be carried forward against taxable income over a period of five years from the end of the tax year in which they were incurred.
- ❖ Profits from a Permanent Establishment (PE) outside Cyprus are tax-exempt and its losses can be set off against Cyprus Income (under certain conditions). However, such losses are recaptured when the overseas permanent establishment becomes profitable.
- ❖ Unilateral tax relief is granted to all Cyprus Companies for foreign tax suffered irrespective of the absence of a double tax treaty.
- ❖ No obligation for the Holding Company (or right) for VAT registration & compliance provided that there will be no Vatable activities.
- ❖ Tax free liquidation.
- ❖ There are no inheritance or estate taxes.
- ❖ Cyprus imposes no tax on wealth.

Cyprus' biggest asset is its friendly and investor-friendly Tax Authorities who achieved a long and stable history of always being keen to help foreign investors.

- Invoices from offshore companies are acceptable in Cyprus Companies' books and payments to offshore companies bear no withholding tax (tax planning point).
- There is added commercial value and monetary benefits due to the ability to register for EU VAT in Cyprus.
- Trading in securities is essentially a tax-exempt activity as any profit from the disposal of any type of security, irrespective of whether this profit forms part of a company's trading activity or is of a capital nature.
- Very low expense level (fees) for financial and professional service provision compared to other EU Jurisdictions.

In conclusion, the Cyprus Tax System Enables:

- **Dividends: 0% withholding tax**
taxed in the state of residence of the recipient
- **Interest: 0% withholding tax**
taxed in the state of residence of the recipient
- **Royalties: 0% withholding tax**
Royalty payments are exempt from any withholding taxes provided that were exercised outside Cyprus.



DOUBLE TAX AGREEMENTS

Tax Treatment of Dividends, Interest and Royalties

Country	Paid to residents of the countries shown (See note 1 below)			Paid to residents of Cyprus		
	Dividends	Interest	Royalties	Dividends	Interest	Royalties
Austria	10%	Nil	Nil	10%	Nil	Nil
Belarus	5% (18)	5%	5%	5% (18)	5%	5%
Belgium	10% (8)	10%(6,19)	Nil	10% (8)	10% (6,19)	Nil
Bulgaria	5% (23)	7% (6)	10%	5% (23)	7% (6,24)	10% (24)
Canada	15%	15% (4)	10% (5)	15%	15% (4)	10% (5)
China	10%	10%	10%	10%	10%	10%
Czech Republic	10%	10% (6)	5% (7)	10%	10% (6)	5% (7)
Denmark	10% (8)	10% (6)	Nil	10% (8)	10% (6)	Nil
Egypt	15%	15%	10%	15%	15%	10%
France	10% (9)	10% (10)	Nil (3)	10% (9)	10% (10)	Nil (3)
Germany	10%(8)	10% (6)	Nil (3)	10% (8)	10% (6)	Nil (3)
Greece	25%	10%	Nil (12)	25% (11)	10%	Nil (12)
Hungary	Nil	10% (6)	Nil	5% (8)	10% (6)	Nil
India	10% (9)	10% (10)	10% (16)	10% (9)	10% (10)	15% (15)
Ireland	Nil	Nil	Nil (12)	Nil	Nil	Nil (12)
Italy	Nil	10%	Nil	15%	10%	Nil
Kuwait	10%	10% (6)	5% (7)	10%	10% (6)	5% (7)
Malta	15%	10%	10%	Nil	10%	10%
Mauritius	Nil	Nil	Nil	Nil	Nil	Nil
Norway	Nil	Nil	Nil	Nil (13)	Nil	Nil
Poland	10%	10% (6)	5%	10%	10% (6)	5%
Romania	10%	10% (6)	5% (7)	10%	10% (6)	5% (7)
Russia	5% (17)	Nil	Nil	5%(17)	Nil	Nil
Singapore	Nil	10% (6,25)	10%	Nil	10% (6,25)	10%
Slovak Republic	10%	10% (6)	5% (7)	10%	10% (6)	5% (7)
South Africa	Nil	Nil	Nil	Nil	Nil	Nil
Sweden	5% (8)	10% (6)	Nil	5% (8)	10% (6)	Nil
Syria	Nil (8)	10%	10%	Nil (8)	10% (4)	10%
Thailand	10%	15% (21)	5% (22)	10%	15% (21)	5% (22)
UK	Nil	10%	Nil (3)	15% (14)	10%	Nil (3)
USA	Nil	10% (10)	Nil	5% (9)	10% (10)	Nil
USSR	Nil	Nil	Nil	Nil	Nil	Nil
Yugoslavia	10%	10%	10%	10%	10%	10%
All other countries	NIL(1)	NIL(1)	NIL(1,2)	(27)	(27)	(27)



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Explanatory Notes

1. Under Cyprus legislation there is no withholding tax on dividends, interests and royalties paid to non-residents of Cyprus.
2. In case where royalties are earned on rights used within Cyprus there is withholding tax of 10%.
3. 5% on film and TV royalties.
4. Nil if paid to a Government or for export guarantee.
5. Nil on literary, dramatic, musical or artistic work.
6. Nil if paid to the Government of the other state.
7. This rate applies for patents, trademarks, designs or models, plans, secret formulas or processes, or any industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.
8. 15% if received by a company controlling less than 25% of the voting power.
9. 15% if received by a person controlling less than 10% of the voting power.
10. Nil if paid to a Government, bank or financial institution.
11. The treaty provides for withholding taxes on dividends but Greece does not impose any withholding tax in accordance with its own legislation.
12. 5% on film royalties.
13. 5% if received by a person controlling less than 50% of the voting power.
14. This rate applies to individual shareholders regardless of their percentage of shareholding. Companies controlling less than 10% of the voting shares are also entitled to this rate.
15. 10% for payments of a technical, managerial or consulting nature.
16. Treaty rate 15%, therefore restricted to Cyprus legislation rate.
17. 10% if dividend paid by a company in which the beneficial owner has invested less than US\$100,000.
18. In investment is less than 200,000 euro, dividends are subject to 15% withholding tax which is reduced to 10% if the recipient company controls 25% or more of the paying company.
19. No withholding tax for interest on deposits with banking institutions.
20. Armenia, Azerbaijan, Kurghystan, Moldova, Tatzikistan, Uzbekistan and Ukraine apply the USSR/Cyprus treaty.
21. 10% on interest received by a financial institution or when it relates to sale on credit of any industrial, commercial or scientific equipment or of merchandise.
22. This rate applies for any copyright of literary, dramatic, musical, artistic or scientific work. A 10% rate applies for industrial, commercial or scientific equipment. A 15% rate applies for patents, trade marks, designs or models, plans, secret formulas or processes.
23. This rate applies to companies holding directly at least 25% of the share capital of the company paying the dividend. In all other cases the withholding tax is 10%.
24. This rate does not apply if the payment is made to a Cyprus international business entity by a resident of Bulgaria owning directly at least 25% of the share capital of the Cyprus entity.
25. 7% if paid to bank or financial institution.
26. Slovenia and Serbia/Montenegro apply the Yugoslavia/Cyprus treaty.
27. At the rate applicable in accordance with domestic law of the paying country.



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Personal Income Tax

The Cyprus Income Tax Law defines a “resident in the Republic”, when applied to an individual, to being an individual who stays in the Republic for a period or periods exceeding in aggregate 183 days in the year of assessment. A “nonresident or resident outside the Republic” will be construed accordingly. Resident persons will be charged to tax on their worldwide income.

Days in and out of Cyprus are calculated as follows:

- 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 of residence outside Cyprus

Foreign taxes paid can be credited against the personal income tax liability.

Non-resident persons will be charged to tax on their income accruing or arising in respect of:

- Income from any trade, business, profession or vocation carried on or exercised as far as attributable to a permanent establishment in Cyprus ;
- Profits or other benefits from any office or employment exercised in Cyprus ;
- Any pension as a result from a past employment exercised in Cyprus with the exception of any pension paid out of funds created by the Government or a local authority;
- Rents from property situated in Cyprus ;
- Trade Goodwill from sources within Cyprus .

Rates of Tax

The Income Tax rates for individuals are progressive as seen from the table:

Chargeable Income EUR	Rate of Tax %	Cumulative Tax EUR
Up to – 19.500	Nil	Nil
19.501 – 28.000	20	1.700
28.001 – 36.300	25	2.075
36.301 – 60.000	30	7.110
Over 60.001	35	

Due diligence in service provision

We follow due diligence and know-your-client procedures in providing our services; as provided by Cyprus and EU Lawor Regulation and professional best practice.

Cyprus tax services and international tax structuring

We provide Cypriot tax advice and tax compliance, as well as international tax structuring involving the use of Cypriot companies and other Cypriot entities in international tax structures; on their own or combined with entities resident in other offshore and/or onshore jurisdictions.

Company formation

Cyprus company formation is our specialty, with many years of experience we have the know-how and have all the local resources to register your company in Cyprus, plus all other services related to company registration. Besides company formation in Cyprus, our services include: Representation & Trustee Services, Company Secretarial & Legal Services, Administration & Professional Services and Banking Support Services.

Comprehensive corporate, accounting and trustee services

We provide comprehensive corporate services including management, representation and trustee services, company secretarial and legal services, administration and professional services, bookkeeping, accounting, opening of bank accounts and banking support services.

Company management services in Cyprus

This service is preferred by clients who require us to provide real management and control and/or substance to their Cypriot or foreign company, fully evidenced by supporting minutes and other appropriate documentation and facts (such as rented office space, staff, "active" BOD, invoicing, bank management etc.), subject to specific requirements.

It is increasingly important, especially for high levels of profits, to establish substance in Cyprus in order to reinforce the tax residence criterion. Tax residence in Cyprus requires the management and control of the company to be exercised in Cyprus. Tax residence is of paramount importance in order to avail of Cyprus's low tax regime and/or access Cyprus's double tax treaty network. Substance, a strong tax residence and business - economic purpose are increasingly desired ingredients in international tax structures.

Audit services

A comprehensive range of audit services, including statutory audit of Cypriot legal entities, is provided by our recommended network firm which is a registered audit firm and a full member of the Cyprus Institute of Certified

Public Accountants which is also the Regulatory Authority of the accounting and auditing profession in Cyprus.

***For the international client seeking high responsiveness
and exceptional quality of service...***

Please contact us:

TLS Partners – Chrysanthi Varnava & Co LLC. We are an established legal firm in the Republic of Cyprus. Our firm offers a wide range of quality professional services to the businesses community in Cyprus and abroad.

Our mission is to offer our clients a real alternative to the large traditional legal firms, providing them a partner-led, value form money service.

Our services:

- ✓ Taxation Law
- ✓ Formation and Establishment of Companies
- ✓ Company Secretarial Services
- ✓ Company Administrative Services
- ✓ Nominee and Trustee Services
- ✓ Formation of Trusts
- ✓ Opening of Bank Accounts
- ✓ National and International Trademarks
- ✓ Property and Real Estate Law
- ✓ Residence Permits
- ✓ Citizenships and Residence Planning
- ✓ EU Citizenship/Cypriot Passport
- ✓ Litigation and more.

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