A Comprehensive Guide to Company Re-domiciliation: Exploring the Legal Framework and Benefits in Cyprus

Cyprus, known for its strategic geographical location and business-friendly regulations, has emerged as an attractive destination for company re-domiciliation. Through its accommodating legal framework and a host of advantageous provisions, Cyprus has positioned itself as a preferred jurisdiction for businesses aiming to relocate.

By **Katrien de Poorter**, 14th November 2023

Introduction

In today's globalised economy, businesses often seek favourable environments to expand their operations and optimise their corporate structures. Cyprus, known for its strategic geographical location and business-friendly regulations, has emerged as an attractive destination for company re-domiciliation. Through its accommodating legal framework and a host of advantageous provisions, Cyprus has positioned itself as a preferred jurisdiction for businesses aiming to relocate.

This article examines the intricacies of the re-domiciliation process in Cyprus, highlighting the key legal considerations and eligibility criteria. In addition, it sheds light on the array of benefits that await companies opting to make Cyprus their new home, including: its favourable tax regime, extensive network of Double Tax Treaties, and robust infrastructure of support services.

Legal Framework

The Republic of Cyprus is included in the list of jurisdictions that allow the re-domiciliation process including, the transfer of legal 'seat' of foreign companies in and out of Cyprus, according to the Companies Law, Cap. 113.

The re-domiciliation process does not involve the company's dissolution but instead the company remains and is considered to be the same legal entity, albeit governed by the laws of the new jurisdiction.

Re-domiciliation into Cyprus

Eligibility

- The Laws of the country in which the foreign company is registered must permit the re-domiciliation process and allow the foreign company to exist as a company registered in Cyprus;

- The documents of incorporation of the foreign company (Articles or Memorandum of Association) must contain a continuation provision that allows the foreign company to exist under the legal regime of another jurisdiction. If no such provision of re-domiciliation exists, then the M&AA Memorandum and Articles of Association must be amended to include such provision;

- If the foreign company carries out a licensed activity in the foreign jurisdiction, it will need to produce evidence of the license and satisfy the local licensing criteria for the relevant activity in Cyprus;

- Cyprus Law does not recognise bearer shares, therefore the authorised share capital of the foreign company, after it's transfer-in to Cyprus, will have to be registered shares;

- The name of the foreign company under which it will continue in Cyprus, needs to end with the word ''Limited''. Therefore, possible names will need to be chosen with which the foreign company will be able to continue to exist once re-domiciled to Cyprus. An application needs to be made, in advance, to the Cyprus Registrar of Companies to obtain approval of the proposed name/s. The approval will be valid for 6 months from issue.

Benefits

- Cyprus has a corporate tax rate of 15%

- Simple tax regime that is fully EU and OECD compliant

- The following sources of income (subject to conditions) are exempt from corporate income tax:
    - Dividend Income
    - Interest income, excluding income arising in the ordinary course of business, which is taxed under corporation tax.
    - Foreign Exchange (FX) gains, with the exception of FX gains arising from trading in foreign currencies and related derivatives.
    - Gains arising from the disposal of securities.

- Additional tax incentives for equity financing/debt restructuring and IP qualifying profits that can reduce corporation tax up to 80%

- Well drafted laws on Corporate and Commercial matters

- Cyprus has concluded more than 65 Double Tax Treaties with other countries.

- Excellent advanced infrastructure of services with highly skilled professional support such as, legal and accounting services.

Additional Information

For further information about the attractive tax regime for individuals in Cyprus, please contact Charalambos Pittas or Katrien de Poorter at the Dixcart office in Cyprus: **advice.cyprus@dixcart.com**.