

Formation of a Private Limited Company in Cyprus

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Why Consider the Jurisdiction of Cyprus?

Cyprus is the third largest and third most populated island in the Mediterranean Sea. It is situated to the east of Greece and to the south of Turkey. Cyprus joined the European Union in 2004 and adopted the euro as the national currency in 2008.

Factors contributing to and enhancing the status of the jurisdiction of Cyprus include:

- Cyprus is a member of the EU and therefore has access to European Union Conventions.
- Cyprus has an extensive network of Double Taxation Treaties (DTAs). The DTA with South Africa is particularly attractive, reducing withholding tax on dividends to 5% and to zero on interest and royalties.
- Resident companies are generally taxed at 12.5% of their business profit. This means that Cyprus is a good location for trading entities.
- Cyprus is an attractive location for holding companies. There is no tax on dividends received and there is an exemption from withholding tax on dividends paid to non-resident shareholders.
- Profits from a permanent establishment located outside of Cyprus are tax exempt from Cypriot taxes, as long as not more than 50% of the income has arisen from investment income (dividends and interest).

- There is no capital gains tax. The only exception to this is immovable property in Cyprus or shares in companies owning such property.

- Notional interest deduction(NID) is available when new equity is introduced which generates taxable income in a Cyprus company, or in an overseas company with a Cyprus permanent establishment. NID is capped at 80% of the taxable profit generated by the new equity. The remaining 20% of profit will be taxed at the standard Cyprus corporate tax rate of 12.5%.

- Cyprus offers a number of tax efficiencies for royalty structures. 80% of the profits from the use of intellectual property are exempt from corporation tax, which reduces the effective tax rate on intellectual property income to less than 3%.

- Shipping regime whereby tax is based on an annual tonnage rate instead of a corporate tax.

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International business entities may be registered in Cyprus under Cyprus company law, which is almost identical to the United Kingdom's former Companies Act 1948.

1. Incorporation

Incorporation normally takes two to three days from the time that the necessary documentation is presented to the Cyprus Registrar of Companies. Shelf companies are available.

2. Authorised Share Capital

The minimum authorised share capital is €1,000. There is no minimum paid up requirement.

3. Shares and Shareholders

Shares must be registered. Different classes of shares with different rights as regards dividends and voting rights may be issued. The minimum number of shareholders is one and the maximum is fifty.

4. Nominee Shareholders

Nominee shareholders are permitted. Dixcart can provide nominee shareholders.

5. Registered Office

A registered office is required in Cyprus.

6. Directors

The minimum number of directors is one. A corporate entity may act as a director.

7. Company Secretary

Every company must have a company secretary. A corporate entity may act as a company secretary.

8. Statutory Records and Annual Returns

Financial statements must be filed with the Registrar of Companies once a year. Tax returns are filed with the Income Tax Authority. the company must hold an Annual General Meeting (AGM) every year and no more than 15 months should lapse between the first AGM and the subsequent one.

9. Accounts and Year End

All companies have a year end of 31st December but may elect another date. Companies which follow the calendar year for their tax year must file an income tax return and financial statements within twelve months of their year end.

10. Taxation

Companies, for tax purposes, are identified as tax resident and non tax resident. A company, irrespective of where it is registered, is taxed only if it is a tax resident of Cyprus. A company is considered to be tax resident in Cyprus if its management and control is in Cyprus.

The net profit of tax resident companies is liable to corporation tax of between zero and 12.5%, depending on the type of income. As mentioned above, such companies are those which are managed and controlled in Cyprus, regardless as to whether the company is also registered in Cyprus. Generally, resident companies are taxed at 12.5% of their business profit.

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