Incorporating a Cyprus Company: Understanding the Basics

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By **Jake Magell**, 26th August 2025

Why Choose Cyprus?

Cyprus has emerged as a premier destination for businesses and investors seeking a strategic location, political stability, tax efficiency, and access to the European market. Located in the east Mediterranean, Cyprus offers unparalleled advantages for companies looking to thrive in a competitive global environment.

Benefits of Establishing a Cyprus Company:

- **Competitive Corporate Tax Rates**
  Cyprus boasts one of the lowest corporate tax rates in the EU at just 12.5%, making it a hub for international trading and business operations. The Cyprus corporate tax system is designed to attract both small and large businesses seeking tax efficiency.

- **No Capital Gains Tax**
  Apart from gains on immovable property in Cyprus or shares in companies owning such property, there is no capital gains tax in Cyprus, offering significant savings for investment companies.

- **Other Tax Benefits**

- No tax on dividends received from subsidiaries (subject to conditions)
- No withholding tax on dividends paid to non-resident and non-domiciled shareholders

These other tax benefits are particularly advantageous for holding structures.

- **EU Membership with Access to Conventions**
  As a member of the European Union since 2004, a Cyprus company benefits from EU trade agreements and conventions, offering seamless access to the European market.
- **Extensive Double Taxation Treaties (DTAs)**
  With an expansive network of DTAs, including agreements with over 60 countries, Cyprus eliminates double taxation for businesses and investors.
- **Exemptions for Overseas Permanent Establishments**
  Profits from a permanent establishment outside Cyprus are exempt from Cyprus tax, provided no more than 50% of the income derives from investment income like dividends or interest.
- **Notional Interest Deduction (NID)**
  To encourage equity financing, Cyprus allows companies to claim a notional interest deduction on new equity used to generate taxable income. This deduction is capped at 80% of the taxable profit, with the remaining 20% taxed at the standard Cyprus corporate tax rate. Reducing the effective tax rate to 2.5%.
- **Attractive Intellectual Property (IP) Tax Regime**
  Cyprus is a top destination for IP-focused companies. 80% of profits from intellectual property are exempt from corporate tax, reducing the effective tax rate on IP-related income to as low as 2.5%. This is called the IP Box Regime.
- **Favourable Shipping Regime**
  The Cyprus shipping regime offers tax based on tonnage rather than corporate profits, making it one of the most attractive frameworks for

shipping companies globally.

What is in the Details?

Legal System

Cyprus was a British colony until 1960, when the island became an independent republic. Until independence the legal system was based on the English legal system. The laws enacted for the colony applied to Cyprus the principles of common law and equity. Many of those laws are still in force today.

After independence in 1960 the English legal system was largely preserved.

Following the accession of The Republic of Cyprus to the European Union in 2004, the Constitution was amended so that European law has supremacy over the Constitution and national legislation.

Formation of a Private Limited Company in Cyprus

International business entities can register under the Cyprus Companies Law (Cap. 113). The Cyprus Companies Law has undergone numerous amendments to align with the EU regulations and the evolving business and international needs.

Incorporation

- Incorporation takes approximately three to four business days once the necessary documents are submitted to the Cyprus Registrar of Companies.

Share Capital

- There is no specific legal requirement for a minimum share capital. However, in practice the usual share capital of a newly incorporated company is €1,000.

Shares and Shareholders

- Shares must be registered.
- Companies may issue different classes of shares, each with varying rights to dividends and voting.
- Minimum number of shareholders: 1; maximum: 50.

Nominee Shareholders

- Nominee shareholders are permitted, and services for nominee shareholders can be provided, however the ultimate beneficial owner(s) is/are registered in the Beneficial Owner Register.

Registered Office

- Every Cyprus company must have a registered office located within Cyprus.

Directors

- Minimum number of directors: 1.
- Corporate entities can serve as directors.

Company Secretary

- A company secretary is mandatory, and corporate entities may also fulfil this role.

Statutory Records and Annual Returns

- Audited financial statements must be submitted to the Cyprus Registrar of Companies annually.

- Tax returns are filed with the Income Tax Authority.
- Companies are required to hold an Annual General Meeting (AGM) every year, ensuring no more than 15 months pass between meetings.

Accounts and Year-End

- Default financial year-end: 31st December. However, companies may choose a different year-end date.
- Companies following the calendar year must file tax returns and financial statements within 12 months of their year-end.

Taxation

- Companies are classified as tax resident or non-tax resident for tax purposes.
- A company is considered tax resident if its management and control is located in Cyprus. See our article on **Economic Substance** for full details on the **m**anagement and control of the company.
- Tax resident companies are taxed on their net profits at a corporate tax rate of 12.5%, although certain types of income may be taxed at lower or even nil rates. As explained above.

Sufficient Economic Substance

- As mentioned above, all Cyprus tax resident companies must have sufficient management and control within Cyprus. Please use the link provided for full details on Economic Substance.

If you are interested in incorporating a Cyprus company, the team at Dixcart Cyprus are on hand to answer any questions you might have and assist you along the way. Please contact a member of the team on: advice.cyprus@dixcart.com