

## Low Tax Trading opportunities Using: Cyprus and Malta, and Using the UK and Cyprus

Low tax trading opportunities: the jurisdictions of Cyprus, Malta and the UK present a number of opportunities  
- see expert advice from Dixcart.

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It is possible for a company to be incorporated in one jurisdiction and to be resident in another. In certain circumstances this can generate tax efficiencies.

It is very important to always ensure that the company is properly managed and controlled from the jurisdiction in which it is resident.

The jurisdictions of Cyprus, Malta and the UK present a number of low tax trading opportunities, as detailed below.

### **Advantages Available to a Cyprus Company Resident in Malta**

Foreign companies seeking to establish certain entities in Europe, for example a company set up for financing activities, should consider establishing a Cyprus company and managing it from Malta. This can result in double non-taxation for the passive foreign sourced income.

A company resident in Cyprus is taxed on its worldwide income. In order for a company to be resident in Cyprus it must be managed and controlled from Cyprus. If a company is not resident in Cyprus, Cyprus will only tax it on its Cyprus source income.

A company is considered resident in Malta if it is incorporated in Malta, or, in the case of a foreign company, if it is managed and controlled from Malta.

Generally foreign companies in Malta are only taxed on their Malta source income and income remitted to Malta. The exception is income arising from trading activities, which is always considered to be income arising in Malta.

- The Malta-Cyprus Double Tax Treaty contains a tie breaker clause that provides that the tax residence of the company is where its effective place of

management is. A Cyprus company with its effective place of management in Malta will be resident in Malta and would therefore only be subject to Cyprus tax on its Cyprus source income. It will not pay Maltese tax on non-Maltese passive source income not remitted to Malta.

It is therefore possible to have a Cyprus company resident in Malta that enjoys tax-free profits, as long as the proceeds are not remitted to Malta.

## **Advantages Available to a UK Company Resident in Cyprus**

A number of foreign companies wishing to establish a trading company in Europe are attracted to the UK, for a number of reasons. In April 2017, the UK's corporation tax rate was reduced to 19%.

To enjoy an even lower tax rate might be an objective.

If it is not essential to manage and control a company from the UK, the tax rate can be reduced to 12.5% by managing and controlling the UK company from Cyprus.

Whilst a UK company is resident in the UK by virtue of its incorporation, the UK-Cyprus Double Tax Treaty specifies that when a person, other than an individual, is a resident of both contracting states, the entity will be resident in the contracting state in which its place of effective management is situated.

- A UK company with its place of effective management in Cyprus will therefore only be subject to UK tax on its UK source income. It will be subject to Cyprus corporation tax on its worldwide income, with the Cyprus rate of corporation tax currently being 12.5%.

## **Effective Place of Management and Control**

The two structures detailed above rely on the location of the effective management and control being established in a jurisdiction other than the jurisdiction of incorporation.

To establish an effective location for management and control, a company must almost always:

- Have a majority of directors in that jurisdiction
- Hold all board meetings in that jurisdiction
- Implement decisions in that jurisdiction
- Exercise management and control from that jurisdiction

If the place of effective management and control is challenged, a court is likely to take into account the records that have been maintained. It is very important that these records do not suggest that the real decisions are being conceived and executed elsewhere. It is essential that management and control take place in the correct jurisdiction.

# How Can Dixcart Help?

Dixcart can provide the following services:

- Company incorporation in Cyprus, Malta and the UK.
- Provision of professional directors who are suitably qualified to understand the business of each entity and to manage it appropriately.
- Provision of serviced offices with full accounting, legal and IT support.

## Additional Information

If you would like additional information please contact Robert Homem:

[advice.cyprus@dixcart.com](mailto:advice.cyprus@dixcart.com), or your usual Dixcart contact.

Please also see our [Corporate Services](#) page for further information.

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