Setting up a Cyprus Company: Is a Foreign Interest Company the Answer You Have Been Looking For?

Cyprus has long been a hub for international businesses and individuals who wish to manage their wealth efficiently and effectively. As a result the Government of Cyprus, with the objective of enhancing the island's position as an international high-growth business centre by attracting international investments and talent, approved the establishment of Foreign Interest Companies.

By **Jake Magell**, 16th April 2024

Introduction

Cyprus has long been a hub for international businesses and individuals who wish to manage their wealth efficiently and effectively. As a result the Government of Cyprus, with the objective of enhancing the island's position as an international high-growth business centre by attracting international investments and talent, approved the establishment of Foreign Interest Companies.

However, few know the advantages that a Foreign Interest Company (FIC) provides to global groups and individuals looking to optimise their wealth structuring.

What is an FIC?

An FIC is a company registered in Cyprus with the Registrar of Companies and Intellectual Property that meets the legislated criteria. Currently both a newly incorporated company and a company that is already established that meets one of the requirements below can register as an FIC.

Registering as an FIC does not affect the structure of your business or require any changes to the articles of association if your company is already in existence. Once a request is filed and approved, you will receive a FIC number and will be able to make the most of the new benefits available to you.

In order to be eligible businesses must have economic substance in Cyprus and meet **one** of the following criteria:

The most common criteria that are met are:

1. The majority of the company's shares are owed by third-country nationals.

1. If this is not the case, then the company is eligible if the foreign participation has a value of at least €200.000.

In both the above cases (1 & 2), the ultimate beneficial owner (UBO) must deposit an amount of at least €200,000 in an account held by the company in a credit institution licensed by the Central Bank of Cyprus.

Alternatively, the company can submit evidence of an investment amounting to €200,000, for the purposes of operating its business in Cyprus (e.g. purchase of office, equipment etc.).

If there is more than one UBO, then the amount of €200,000 can be deposited or invested either by a single UBO or collectively.

Other less common criteria that are available are:

- Public companies registered on any recognised stock exchange

- Former "Off-shore" companies, which operated before the change of regime and whose data is already held by the Central Bank of Cyprus.

- Cypriot shipping companies.

- Cypriot high-tech/innovation companies.
    - An enterprise qualifies as 'High Technology Company' if:

- it is already established and has a presence in the market, and
- it has a high level or experimental R&D intensity, and
- it developed product/s that fall into one of the following categories: products related to aviation and space industry, computers, information and telecommunication technology (ICT), pharmaceuticals, biomedical, research and development equipment, electrical machinery, chemicals, non-electrical machinery.
- Cypriot pharmaceutical companies or Cypriot companies active in the fields of biogenetics and biotechnology.
- Companies of whom the majority of the total share capital is owned by persons who have acquired Cypriot citizenship by naturalization based on economic criteria, provided that they prove that the conditions under which they were naturalized continue to be met.
- Cypriot Private Institutes of Tertiary (Higher) Education licensed by the Ministry of Education, Sport and Youth.

For cases 3 to 9, the investment criteria are also applicable. The company must make an initial investment in the Republic of at least €200,000. This must be proven by presenting the appropriate evidence, such as bank statements or proof of investment.

How can it benefit you?

In addition to the ordinary benefits available to Cyprus companies there are also specific benefits available to FICs and their directors. Below we have broken down some of the various benefits available to you as an individual being the UBO and the company.

Residency and work permits

One of the key benefits of an FIC is the ability to obtain residency and work permits for its Non-EU citizen Directors, Middle Management, Key Personnel and Specialists, as well as their families. It's worth noting that EU citizens have the right to live and work in the republic already so don't need this permit.

Personal income tax exemptions

As a result of living in the republic on this FIC enabled permit you and your staff are able to enjoy the perks of being a Tax Resident Non-Domiciled Individual and may be entitled to a 50% salary exemption as well as an exemption from personal income tax on dividends, interest and capital gains.

Corporate tax efficiencies

Cyprus has one of the lowest corporate tax rates in the EU at 12.5%. Which with the Notional Interest Deduction (NID) available in Cyprus this corporation tax could be as low as 2.5%. There is also an exemption on dividend income from corporation tax and dividend distributions to shareholders are not subject to withholding tax.

How can Dixcart help you?

Dixcart has been assisting its clients with international structing and company incorporation and management for over 50 years. We offer a wealth of in-depth local knowledge and our team at Dixcart Management (Cyprus) Ltd. have become experts in our field.

We are here help you every step of the way. Whether that be setting up and registering an FIC, providing management and accounting services, assisting with the immigration process for those wishing to make the most of the FIC's residency and work permits, or even if you're looking for serviced office space. Dixcart is your one stop shop for those looking to incorporate or register an FIC and make the most of the benefits available to you.

We will help you gather and collate all the required documents and assist in ensuring that all required criteria are met dealing with the governing bodies on your behalf to ensure that everything is fully compliant with local and international requirements and regulations.

If you would like to know more about the benefits of setting up an FIC or if you have any questions about how we can help you please contact us at the Dixcart office in Cyprus for further information: advice.cyprus@dixcart.com