

## Using a Cyprus Company for Investment in the Stock Market

Cyprus company for investment provides a highly attractive tax regime for managing portfolio investments, making it an ideal location

By **Jake Magell**, 27th March 2025

### **Introduction**

An increasing number of individuals worldwide now hold investment portfolios, yet many overlook the present and future tax implications of their investments. In today's dynamic global economy, safeguarding your assets in a stable, advantageous jurisdiction has become more important than ever.

### **Why use a Cyprus Company?**

If you are seeking an optimal jurisdiction for structuring your investments, Cyprus offers a compelling solution. With a straightforward, stable, and proven fiscal framework, Cyprus provides a highly attractive tax regime for managing portfolio investments, making it an ideal location for establishing a portfolio holding company.

In a climate of heightened transparency and the negative associations tied to traditional offshore jurisdictions, investors increasingly prefer structuring their portfolios through EU-based entities. Cyprus stands out as a prime choice, offering numerous advantages:

- **EU and Eurozone Membership:** Cyprus benefits from the economic stability and regulatory alignment of the EU and Eurozone.
- **Attractive Tax Regime:** One of the most competitive tax systems in Europe.

- Established Financial Centre: Cyprus boasts a reputable financial infrastructure with a long-standing history.
- Qualified Professionals: Access to a vast pool of experienced professionals and business service providers.
- International Recognition: Cyprus is a whitelisted jurisdiction acknowledged by global regulatory bodies.
- Cost Efficiency: Lower maintenance costs compared to other EU jurisdictions.
- Strategic Location: Situated at the crossroads of Europe, Asia, and Africa.

A further advantage of using a Cyprus company for portfolio holdings is the flexibility to open bank accounts, engage brokers, and work with investment managers from any jurisdiction. Many individuals successfully utilise Swiss and other EU banks for their Cyprus companies.

#### **How are Portfolio Profits Taxed in Cyprus?**

- *Dividend Income*: Dividend income received by a Cyprus company from financial instruments is generally tax-exempt.
- *Capital Gains and Trading Profits*: Profits from the disposal of shares and other qualifying financial instruments are generally exempt from Cyprus taxation.
- *Interest Income*:
  - *Active Interest*: Interest earned from active sources is taxed at a rate of 12.5% on net profits.
  - *Passive Interest*: Interest from passive sources is not subject to income tax but instead taxed under the Special Defence Contribution (SDC) tax at a rate of 17% on the gross amount.

- *Withholding Tax:*
  - *Inward Receipts:* Cyprus benefits from over 60 double tax treaties as well as the EU Parent-Subsidiary Directive. As a result, taxes withheld in the country of origin are often applied at a very favourable rate.
  
  - *Outgoing Payments:* Provided that the recipient (whether an individual or a corporate entity) is tax resident in an OECD-compliant jurisdiction, there are generally no withholding taxes (WHT) on distributions from Cyprus to shareholders.

All companies that wish to make the most of the above benefits must be considered tax resident in Cyprus. In order to be considered tax resident a company must have sufficient economic substance in Cyprus.

### **How Can Dixcart Help You?**

With over 50 years of experience in the sector, we have a wealth of knowledge in assisting individuals, families and corporates establish fully bespoke, compliant solutions. Our highly qualified team offer in-depth expert knowledge of the local regulatory framework, supported by our international network of offices, to help us find the ideal solution for you.

We provide a full suite of support services including incorporation, accounting, company secretarial, compliance, and other day-to-day support.

We are also not affiliated with any single bank, investment manager, or fund adviser. Instead, we maintain a diverse network of connections, enabling us to match you with the professional best suited to your unique requirements. This approach ensures impartiality and allows for the selection of the most appropriate third-party support, free from conflicts of interest.

If you are interested in establishing a holding company to manage your investment portfolio, please contact us. We would be delighted to answer any questions you may have and assist in creating the optimal structure for your needs. please contact us

[advice.cyprus@dixcart.com](mailto:advice.cyprus@dixcart.com) for more information.

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