Why Non-Doms and Equivalents are Structuring Their Wealth Through Cyprus: Key Benefits and Advantages

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By **Jake Magell**, 7th November 2024

Introduction

For a long time, countries worldwide have had schemes such as the Portuguese NHR, the Italian Flat Rate Scheme, and the Cyprus Non-Domicile Regime.

With the rise of global mobility in the modern world, schemes like these are becoming more and more popular. They provide individuals with the opportunity to live in a beautiful country, full of culture, with the advantage of beneficial tax regimes.

Whether you are enjoying a remittance style taxation system, a list of exempt incomes, or even a lumpsum single annual charge, Cyprus is an appealing jurisdiction to consider for managing wealth.

In this article we explore the benefits of using a Cyprus Holding Company for individuals taking advantage of a Non-Dom regime.

Key Advantages

Cyprus has a fantastic corporate tax regime and as a result has become world renowned for being a favourable place to establish a holding company.

Taxation of income

Cyprus has one of the lowest rates of corporation tax in the EU at 15%. This rate however can be considerably lower if you are eligible to apply for the Notional Interest Deduction (NID) which can reduce corporate tax to a rate as low as 2.5%.

In addition to the low rate of corporation tax, the following sources of income are exempt from corporation tax (which is not limited to holding companies):

- Dividend Income
- Interest income, excluding income arising in the ordinary course of business, which is taxed under corporation tax
- Foreign Exchange (FX) gains, excluding FX gains arising from trading in foreign currencies and related derivatives
- Capital Gains, excluding gains from the sale of immoveable property in Cyprus or shares in companies owning such property

It should also be noted that a Cyprus Holding Company is required to have sufficient economic substance in Cyprus to be considered a tax resident company.

Other benefits

In addition to the above-mentioned rates and exemptions, there is also 0% withholding tax (WHT) in Cyprus and over 60 Double Taxation Treaties which allow for transfers of Dividends, Interest and Royalties at reduced taxation rates in the countries received.

The key point regarding WHT is that Cyprus is a member of the EU and as a result has access to the EU Parent-Subsidiary Directive, provided the company is the Beneficial Owner of the income. This Directive aims to eliminate WHT and double taxation from transactions within the same group within the EU.

Cyprus being a member of the EU also means that it is fully OECD compliant and is whitelisted internationally. This makes processes like opening a bank account or purchasing investments, such as property, much easier than using a non-whitelisted country.

How Does This Help You?

While Non-Domicile Regimes vary, they often fit one of three categories: a remittance basis, flat rate taxation, or exempt incomes.

Using a Cyprus Holding Company can benefit individuals being taxed under each of these three categories and the advantages listed earlier in the article lend themselves perfectly to be adaptable to suit your needs. Below we outline how they can be used to help you:

- The use of a Holding Company is, by design, a method of collating your earnings and investments in one place. If this place is outside of your personal tax resident country, then this will not impact your personal tax liability if you are taxed under the remittance basis. You may also end up with a lower rate of WHT across your investments by using Cyprus. You can let the wealth build up in your Cyprus Holding Company and only remit exactly what you chose to remit.

- If you are living in a jurisdiction in which various forms of income are exempt, such as dividends in Portugal, having your wealth accumulate in one place and then being able to remit a portion of the accumulated wealth to yourself using an exempt method, could result in considerable savings. It would also enable you to use what is left in the Company to generate more income through further investment. If your investments are EU based, this may eliminate WHT from the structure as a whole.

- If you are paying a flat rate of tax, like for example in Switzerland or Italy, you may think that your savings would be limited because you pay the flat rate either way. However, the use of a Cyprus Holding Company as a method of investment management can impact other taxes such as WHT savings and inheritance tax.

How Can Dixcart Help?

With over 50 years of experience in the sector, we have a wealth of knowledge in assisting families, and our teams offer in-depth expert knowledge on the local regulatory framework, along with the backing of our international group of offices, to help us find the perfect solution for you.

At Dixcart, we know that every individual's needs are different, and we treat them as such. We work very closely with our clients and have an in-depth understanding of their needs. This means we can offer the most bespoke services possible, propose the most appropriate structures, and support your specific requirements every step of the way.

We offer services ranging from company incorporation, management and accounting services, and company secretarial services, all the way to providing a serviced office for your Cypriot company.

If you are interested in discussing your options and how using Cyprus to manage your wealth could help you, please contact us. We will be happy to answer any questions you have and assist in any way we can: advice.cyprus@dixcart.com.