

Doing Business Guide

# Cyprus

1st Edition

Morison Patsalides Ltd

[www.ptcy.com](http://www.ptcy.com)



An independent member of  
**Morison** International

# About This Booklet

This booklet has been produced by Morison International's Cyprus member firms for the benefit of their clients and associate offices worldwide who are interested in doing business in Cyprus.

Its main purpose is to provide a broad overview of the various things that should be taken into account by organisations considering setting up business in Cyprus.

The information provided is not exhaustive and – as underlying legislation and regulations are subject to frequent changes – we recommend that anyone considering doing business in Cyprus or looking to the area as an opportunity for expansion should seek professional advice before making any business or investment decision.

## **Morison Patsalides Ltd**

Athalassis Tower 2  
95 Athalassis Avenue  
4th Floor, Office 401  
2013 Nicosia  
Cyprus

T: +357 22 311948

F: +357 22 311947

E: tassos@ptcy.com

**[www.ptcy.com](http://www.ptcy.com)**

While every effort has been made to ensure the accuracy of the information contained in this booklet, no responsibility is accepted for its accuracy or completeness.

# Contents

Introduction: The Republic of Cyprus .....	2
Cyprus Legal System and Company Legal Structures .....	3
Services .....	5
Statutory and Other Requirements for Companies.....	7
Popular Tax Structures .....	10
Taxation .....	15
Residency Permits and Citizenship .....	19
Cyprus International Business Company (IBC) .....	22
How to Register a Cyprus International Business Company .....	23

# Introduction: The Republic of Cyprus

Cyprus is the third largest island in the Mediterranean, with an area of 9,251 km<sup>2</sup> and a population of around 850,000. Some 180,000 foreign nationals live and work in Cyprus, representing 21% of the country's total population.

The strategic location of the island has played an important role in establishing Cyprus as a popular tourist destination and an ideal location for attracting international business. The crime rate is very low. Cyprus has been a member state of the European Union (EU) since 1 May 2004.

Cyprus is the sunniest country in Europe, with over 340 days of sun during the year, although snow falls on the highest mountain ranges in winter. According to the World Health Organization (WHO), the environment in Cyprus is among the healthiest in the world, being relatively unspoiled by industrialisation.

There is a multilingual and highly educated workforce in Cyprus, with the highest percentage of university graduates per capita in Europe. Cyprus is the second top spender in education relative to GDP in the EU, and according to Eurostat is ranked top among the EU countries in terms of the proportion of population aged 25–64 with tertiary education qualifications. The native language is Greek, but English is widely spoken.

As an EU member, Cyprus offers excellent healthcare services in public hospitals at a cost lower than most other EU countries, as well as in private state-of-the-art clinics and hospitals.

Cyprus offers a range of reputable public and private schools all providing excellent levels of education. Greek is primarily the language used in state schools, whereas English is primarily used in the majority of private schools. Local colleges and universities are recognised internationally and for those wishing to further their education abroad, schools following the British education system or preparing candidates for entry into universities in Europe or the USA are also widely available.

The country's capital, government and business centre is Nicosia, located at the centre of Cyprus. Limassol, on the southern coast, is the country's main trade centre and one of the busiest ports in the Mediterranean. The main international airport is located in Larnaca, about 30 minutes away by car from each of these two main centres.

To reside and work in Cyprus, EU citizens require an EU registration certificate – a simple one-off procedure that does not need renewal. Non-EU nationals must apply for a temporary employment and residence permit at the Civil Registry and Migration Department. These permits are usually issued for a period of 1 year and can be renewed upon expiry.

# Cyprus Legal System and Company Legal Structures

The Republic of Cyprus is a member state of the EU and a member of the Eurozone. Cyprus is an independent sovereign republic with a presidential system of government and a written constitution that safeguards the rule of law, political stability, human rights and the ownership of property. Cyprus is a member of the British Commonwealth, Council of Europe, International Monetary Fund, United Nations, World Bank and World Trade Organization and is signatory to many international conventions and treaties.

Given that Cyprus was a British Crown Colony until achieving independence in 1960, its legal and judicial system is very much aligned with that of the UK. Its primary corporate statutes are based on and derived from English company legislation, while the legal system is based on the English common law system. Cyprus legislation is fully compliant with EU directives and regulations.

International Financial Reporting Standards as adopted by the European Union (EU IFRS) constitute local Generally Accepted Accounting Principles (GAAP) in Cyprus and also form the basis for the computation of taxable income for all Cyprus tax resident entities. Therefore, Cyprus registered entities need only maintain one set of financial information for financial reporting and tax purposes alike based on a reporting framework widely accepted by investors, financiers and analysts across the globe.

In recent years, Cyprus has introduced considerable changes to its Company Law (Cap 113) and its relevant regulations, rendering the island an attractive jurisdiction for many international businesses. At present, business in Cyprus may be conducted through the following legal corporate forms:

- Cyprus company (private limited company, public company, company limited by guarantee)
- Branch of a foreign company
- Re-domiciliation of a foreign company (where this is permitted)
- Societa Europea (SE).

Business can also be conducted through other legal forms such as partnerships, trusts, business names and sole proprietor business.

## Cyprus company

### Private limited company

The minimum number of members is one; the maximum is 50. This is the most popular type of company in the business world.

## **Public limited company**

Public companies need seven or more founder members. They can invite the public to subscribe for their shares or debentures, and do not restrict share transfers.

## **Company limited by guarantee**

The liability of each member is limited to the amount agreed on the memorandum of association, this contribution is in the event of the company going into liquidation. In the majority of cases, these companies are incorporated as non-profit organisations under Section 20 of Cap 113.

## **Branch of a foreign company**

Any company incorporated outside Cyprus ('overseas company') may establish a legal presence in form of a branch in Cyprus. If the foreign legal entity is a bank, or an insurance or investment company, then special licences must also be obtained from the relevant regulatory authorities.

## **Re-domiciliation of a foreign company**

In order to proceed with an application for re-domiciliation, the foreign company must be registered in a country that allows re-domiciliation and its memorandum and articles of association must permit it to do so.

## **Societa Europea (SE)**

An SE can transfer its office from another member state to Cyprus (and vice versa) without dissolving the company in the other member state.

# Services

Morison Patsalides provides a wide range of services; the main ones are listed below. We make sure that the Cyprus company is working within the parameters required by the Commissioner of Income Tax, the Registrar of Companies and Cyprus law.

Morison Patsalides' clients have direct communication with the responsible partner or manager in charge guarantees them the best service available.

## Audit and assurance

The annual audit provides an opportunity to conduct a comprehensive and objective appraisal of the financial aspects of the organisation in which recommendations can be made to help improve efficiency and profitability.

### Statutory audit

Audit financial statements as well as related financial information, in accordance with international standards for accounting and financial reporting.

### Other services

Internal audit, investigations and services relating to compliance with regulatory or contractual requirements or other specialised criteria.

## Corporate taxation, personal taxation and VAT

- Registration with the tax authorities and obtaining a tax identification number
- International and local tax planning
- Preparation and submission of tax returns
- Capital gains tax
- Obtaining tax rulings and interpretations of tax issues from the tax authorities
- Obtaining tax residence and tax clearance certificates
- Registration and de-registration of VAT
- Advice on VAT, preparation and submission of VAT returns
- Preparation of capital statements.

## Accounting

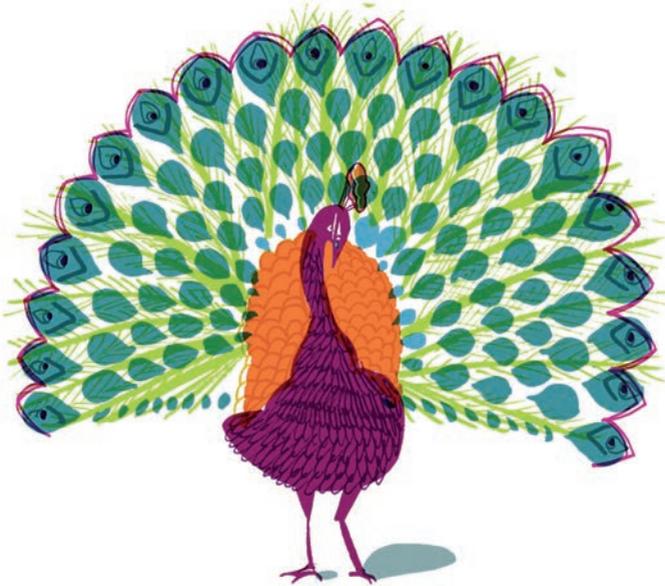
- Book-keeping entries in accordance with local legislation
- Registration, preparation and submission of VAT returns and VIES forms (See the VAT section on page 8 of this guide)

- Invoicing services
- Preparation of management accounts
- Payroll services
- Provident fund services.

## International business companies

With over 20 years' experience in dealing with international business companies (IBCs), Morison Patsalides offers the following services:

- Registration of Cyprus IBCs
- Registration of IBCs in other jurisdictions, such as British Virgin Islands and Panama
- Provision of company secretarial and nominee services
- All types of administration services for such companies
- Accounting services.



# Statutory and Other Requirements for Companies

## Statutory obligations

### Annual general meetings

A company must hold its first annual general meeting (AGM) within 18 months of the date of incorporation. Thereafter, an AGM must be held each year and the time between them must not exceed 15 months.

### Annual returns

Within 42 days of the AGM, the company must complete and file a copy of the annual return with the Registrar of Companies. According to Companies Law, the annual return must include a certified copy of the audited financial statements.

### Company annual levy

Every company must pay an annual levy of €350. The levy is payable by 30 June annually, failure to effect timely payment will result in financial penalties.

### Recording of minutes

The minutes of proceedings during any general meeting of a company shall be kept at the registered office of the company and shall be open to the inspection of any member.

### Filing of changes with the Registrar of Companies

Companies are obliged to inform the Registrar of Companies of any changes to their corporate structure.

## Tax compliance obligations

### Corporation tax

Corporation tax is collected through a self-assessment system. Companies pay provisional tax on the estimated taxable profits during the year of assessment, in two equal installments on 31 July and 31 December.

The final tax liability based on the actual taxable profits of a company is payable on or before 1 August of the year following the year of assessment.

The company's tax return must be filed no later than 31 December of the year following the year of assessment (or by 31 March of the subsequent year for electronic submissions).

## Special contribution for defence (SCD) tax

SCD tax is imposed upon dividend income (only where certain easily met criteria are not met), 'passive' interest income and rental income earned by Cyprus companies.

Payments are made:

- At the end of each month:
  - Payment of SCD withheld on payments of dividends, interest or rents (when the tenant is a company, partnership, the state or local authority) made to Cyprus tax residents in the preceding month.
  - Payment of tax withheld in the preceding month on payments to non-Cyprus residents.
- On 30 June/31 December:
  - Payment of special contribution for defence for the first 6 months of the year on rents and on dividends or interest from sources outside Cyprus.

## Value added tax (VAT)

### Registration

Companies that meet the criteria for VAT registration (are those with an income of €15,600 in any 12-month period) must register with the VAT authorities within 30 days from the date which the requirement to register exists.

### Reporting

VAT returns are submitted on a quarterly basis. The deadline for the submission of the VAT return and the settlement of any VAT payable is the 10th day of the second month after the date on which the VAT return being reported ends.

### De-registration

An application to de-register must be submitted to the VAT authorities within 60 days from the date at which the requirement to be registered no longer exists. At the point of de-registration, every company will face a VAT 'audit' that will be performed by the VAT authorities.

### Intrastat

The Intrastat return is submitted to the VAT authorities on a monthly basis and concerns receipt of goods from as well as supplies of goods to other EU member states. The return must be submitted to the VAT authorities by the 10th day immediately following the end of the month to which the return relates.

## **VIES**

A recapitulative statement (VIES form), which refers to the provision of services, must be submitted every month. Submission must be made by the 15th day of the month following the month for which the recapitulative statement is reporting.

## **Accounting and audit requirements**

All companies registered in Cyprus must prepare financial statements in accordance with IFRS, and these must be audited in accordance with International Auditing Standards (IAS).

### **Accounting**

Company directors must ensure that all records required for the preparation of financial statements are maintained according to the Cyprus Companies Law. All records must be kept at the registered office of the company. For income tax and VAT purposes, companies are obliged to keep accounting records for 6 years from the end of the year to which they relate.

### **Audit**

Every Cyprus registered company's financial statements must be audited by approved auditors who are issued with a practicing certificate by the Cyprus authorities. It should be noted that under the Companies Law, the parent company is obliged to file with the Registrar of Companies audited consolidated accounts of the group.

# Popular Tax Structures

## Holding companies

Cyprus has a well-established reputation as a tax-efficient financial centre. Investors can reap the benefits of cross-border opportunities within the EU by locating their investment holding in Cyprus and using the island as a springboard to carry out business activities, raise funds or list their shares in the EU capital markets of their choice. Cyprus is most commonly used as an intermediate holding company jurisdiction, especially:

- By groups of companies aiming at dividend income streams which, in most cases, are tax exempt
- To hold subsidiaries for significant capital appreciation that may be spun off or sold in the future, as profits arising from disposals are tax exempt
- Where a jurisdiction is required that does not have controlled foreign company (CFC) legislation
- For repatriation of profits as dividends, interest and royalties without payment of withholding tax
- By funds or investment vehicles, as there is no tax on transactions in securities
- To achieve a tax-free unwind of the holding company at some point in the future.

## Intellectual property (IP) and royalties

From 1 January 2012, the cost of the acquisition or development of the intangible assets (being of a capital nature) is amortised equally over a 5-year period, i.e. the year in which the costs have been incurred and the four subsequent years.

This provision is applicable to all expenditure incurred by a person or company carrying on a business for the acquisition or development of intangible assets, as defined in the Patent Law, Intellectual Property Right Law and Trademark Law. These laws cover various categories of intangible assets, including:

- Copyrights – this can include literary works, dramatic works, musical works, scientific works, artistic works, sound recordings, films, broadcasts, published editions, databases, publications and software programs
- Patented inventions
- Trademarks (and service marks), designs and models that are used or applied to products.

## Benefits of Cyprus IP

The new regime provides exemptions from taxation on income related to IP, specifically:

- 80% of worldwide royalty income generated from IP owned by Cypriot resident companies (net of any direct expenses) is exempt from income tax
- 80% of profit generated from the disposal of IP owned by Cypriot resident companies (net of any direct expenses) is exempt from income tax
- Effective tax rate of 2.5% or less
- Any expenditure of a capital nature for the acquisition or development of IP is claimed as a tax deduction in the year in which it was incurred and the immediate four following years on a straight-line basis.

In addition:

- No withholding taxes on payment of royalties when distributed out of Cyprus, provided that the holder is not a Cyprus resident and the royalty is used outside of Cyprus
- Tax is only paid on the licence fee retained by the Cyprus company
- Cyprus has an extensive worldwide network of double tax treaties
- The EU Interest and Royalties Directive, which provides for nil withholding taxes between EU countries, also extends to Cyprus
- Cyprus corporate tax rate is, at 12.5%, one of the lowest within the EU.

### Example

A company has income from a trade mark of €500,000 per year. The trade mark was acquired in 2013 for €100,000. The cost was paid by obtaining a loan on which the company pays yearly interest of 5%. The company has other direct expenses of €20,000.

	€
Income	500,000
Amortisation	-20,000
Loan interest	-5,000
Direct expenses	-20,000
Net income	<u>455,000</u>
Deemed expenses – 80%	<u>-364,000</u>
<b>Taxable income</b>	<u><u>91,000</u></u>
12.5% corporation tax	<u><u>€11,375</u></u>
Effective tax rate	<u><u>2,275%</u></u>

## 'Back-to-back' licence income

The provisions of the IP Box regime are not applicable in the case of 'back-to-back' licensing arrangements. Thus if a Cyprus company licenses a right from Bermuda and pays €1,000 royalties, then sublicenses this to Russia for €1,100, it will be taxed on €100 and not on 80% of €100.

## Group finance companies

Group finance companies perform the following functions:

- Sourcing external debt finance
- Accumulation of interest income and tax optimisation of high tax country group operating companies
- Redistribution of funds within the group.

Such companies may take advantage of the Cyprus double tax treaties (DTTs) by providing loans in treaty countries or in other countries where withholding tax on interest is low or nil.

The use of Cyprus entities for group finance has many advantages. Cyprus finance companies can fulfil intra- and inter-company financial management functions, such as granting loans for project financing or working capital requirements. Interest payments to the Cyprus financing company are tax-deductible in the country of the borrower, reducing the overall corporation tax liability. Choosing the right international jurisdiction for the use of DTTs can reduce or eliminate withholding taxes on interest payments.

These structures are particularly attractive for investment into high-tax countries where, local rules permitting, high debt structures are widely used.

Apart from the generic features of the tax system, the DTT network and the adoption of EU directives, other important features of the tax system beneficial to Cyprus (group) finance are the following:

- Absence (under a DTT or the Interest and Royalty Directive) of interest withholding tax
- Low overall tax burden
- Possibility of deducting interest expense from taxable income
- Absence of thin capitalisation rules or their inapplicability in the case of 'back-to-back' financing
- Absence of interest withholding tax in connection with interest paid on loan financing, irrespective of jurisdiction or the absence of a DTT (even for interest payments to offshore jurisdictions)
- Reasonable level of 'margin' required by tax authorities
- Low expense level for professional/financial fees.

## International trading companies

These companies can be used for the invoicing/re-invoicing of goods and services (as well as for the receipt of trading commissions) from any country to any destination and for transit trade activities in combination with the operation of bonded warehouses, bonded factories and the free trade zones.

Cyprus companies may provide services such as sales promotion, accounting function, provision of labour/executive staff, consulting, market research, commission agency, intermediation and client introduction. They may employ expatriate staff, who benefit from DTT provisions by paying tax and social insurance in Cyprus at low rates, thus avoiding the high tax rates in their home country.

In this way, profits made by the Cyprus company are taxed at 12.5%, instead of higher corporate tax rates. Trading from a low-tax EU state such as Cyprus and using appropriate tax planning and structuring to mitigate Cyprus tax, sometimes to levels well below 12.5%, is a far superior strategy than trading through an offshore company registered in a tax haven.

## Ship-owning and ship management companies

The accession of Cyprus to the EU in 2004 gave an extra boost to the registration of vessels in the Cyprus Registry. Cyprus is one of only two EU countries with an 'open' registry.

In 2010, a new tonnage tax system was introduced with the approval of the European Commission. This tonnage tax system includes most of the favourable features found in the tonnage tax systems of other EU countries and provides incentives and benefits to all three main sectors of the shipping industry: ship owners, charterers and ship managers.

Advantages of the Cyprus tonnage tax system include:

- No income tax on shipping profits including profits from the sale of ships
- No tax on dividends paid from shipping profits
- No estate duty or capital gains tax
- No income tax in Cyprus for foreign crew
- No stamp duty on documents or mortgage deeds.

Today, Cyprus ranks 10th in the world, with over 1,000 ships exceeding 20 million gross tonnage. In addition to tax incentives and the country's excellent geographic position, this achievement is due to the cost competitiveness of the Cypriot Ship Registry, the island's well-developed maritime infrastructure and its excellent international relations, as well as the high standard of services offered to international shipping.

## UK companies (tax resident in Cyprus)

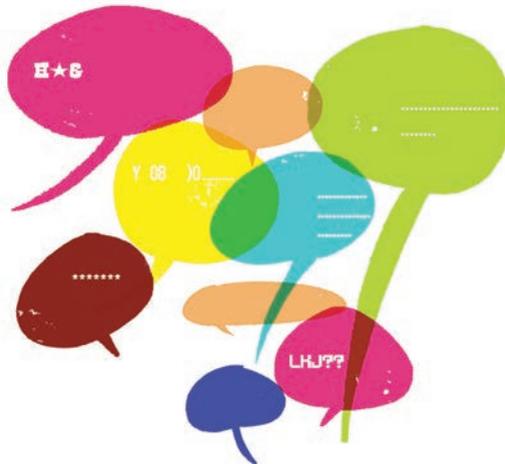
UK companies that are 'tax resident' in Cyprus (via their management and control effected by a Cyprus registered branch and the employment of the appropriate provisions of the UK/Cyprus DTT and UK/Cyprus tax legislation) are taxed 12.5% corporation tax on their

worldwide income within Cyprus, which with proper tax structuring could be reduced further.

A UK company with its place of effective management based in Cyprus is regarded as a Cyprus resident company for tax purposes. Hence, the company will not have to pay tax in the UK unless it has UK-sourced income.

Residence in Cyprus can be achieved by appointing the majority of the board of directors locally and arranging for board meetings to take place locally. This results in the following benefits:

- The respectability and reliability of a UK company
- A reduced tax rate of 12.5% on company net profits
- No capital gains tax
- A large number of Cyprus DTTs.



# Taxation

## Personal taxation

All Cyprus tax residents are taxed on all income from all sources in Cyprus and abroad. Individuals who are not tax residents of Cyprus are taxed on income from sources in Cyprus. An individual is considered a tax resident in Cyprus if s/he remain in the country for more than 183 days in any one calendar year.

### Tax rates

€0–€19,500	0%
€19,501–€28,000	20%
€28,001–€36,300	25%
€36,301–€60,000	30%
€60,001 and over	35%

## Corporation tax

### Basis of taxation

All companies considered tax resident in Cyprus are taxed on their income accrued or derived from all sources in Cyprus and abroad. A non-Cyprus tax-resident company is taxed on income accrued or derived from a business activity that is carried out through a permanent establishment in Cyprus, and on certain income arising from sources in Cyprus.

A company is a resident of Cyprus if it is managed and controlled in Cyprus.

The corporation tax rate is 12.5%.

### Exemptions

Profit from the sale of securities	100%
Dividends	100%
Interest not arising from the ordinary activities or closely related to the ordinary activities of the company	100% (such interest income is subject to SCD)
All the interest income of collective investment schemes is considered to be arising from the ordinary activities or closely related to the ordinary activities of the scheme	Taxable under corporation tax
Profits of a permanent establishment abroad, under certain conditions	100%

## Tax deductions

Any expenditure that is not supported by invoices, receipts or other documents required by the relevant regulations will not be deductible under income tax.

All expenses incurred wholly and exclusively in earning the income of the company and supported by documentary evidence, including:

Donations to approved charities in Cyprus (with receipts)	100%
Employer's contributions to social insurance and approved funds on employees' salaries	100%
Entertainment expenses for business purposes	€17,086 or 1% of the gross income of the business, whichever is lower

The following are excluded:

Private motor vehicle expenses	100%
Interest applicable to the cost of acquiring a private motor vehicle, irrespective of its use, and to the cost of acquiring any other asset not used in the business	100% for 7 years
Professional tax	100%

## Losses carried forward

Any tax loss incurred that cannot be set off against other income during a tax year may be carried forward and set off against taxable income from the five succeeding years.

## Special contribution for defence (SCD)

SCD is imposed on income earned by Cyprus tax residents; non-tax residents are exempt. SCD is charged at the rates shown in the table.

### SCD tax rates

	Individuals	Companies
Dividend income from Cyprus resident companies	17%	0%*
Dividend income from non-Cyprus resident companies	17%	0%†
Interest income arising from the ordinary activities, or closely related to the ordinary activities, of the business	0%	0%
Other interest income	30%	30%‡
Rental income (reduced by 25%)	3%	3%

\*Dividends declared by a Cyprus tax-resident company to another Cyprus tax-resident company after the lapse of 4 years from the end of the year in which the profits were

generated are subject to 17% SCD. Dividends that emanate directly or indirectly out of such dividends on which SCD was previously suffered are exempt.

†Dividend income from abroad is exempt from SCD. However, this exemption does not apply if >50% of the paying company's activities result directly or indirectly in investment income, and the foreign company paying the dividend is subject to tax in the foreign country at a rate of <6.25%. When the exemption does not apply, the dividend income is subject to SCD at 17%.

‡Interest income from Cyprus government savings bonds and development bonds and all interest earned by a provident fund is subject to SCD at the rate of 3%. Where the total income of an individual (including interest) does not exceed €12,000 in a tax year, then the rate is reduced to 3%.

## Other information

When the tenant is a company, partnership, the state or local government, SCD on rental income is withheld at source. In all other cases, the SCD on rental income is payable by the landlord at 6 monthly intervals, on 30 June and 31 December each year.

For interest and dividends that are received gross, any defence tax due is payable at the end of the month following the month in which they were received.

However, since June 2011, special contribution for defence on dividends from abroad and interest income from abroad is payable at 6-monthly intervals, on 30 June and 31 December each year.

Foreign taxes paid can also be credited against the defence tax liability.

## Capital gains tax

Capital gains tax is imposed at the rate of 20% on gains from the disposal of immovable property situated in Cyprus, including gains from the disposal of shares in companies that own such immovable property, excluding shares listed in any recognised stock exchange.

## Double taxation treaties

Cyprus DTTs are based on the Organisation for Economic Co-operation and Development (OECD) Model Treaty, which has been adapted where necessary in order to conform to the tax systems of the countries concerned.

The double tax agreements concluded and their respective date of enforcement between Cyprus and other countries can be found on the official website of the Ministry of Finance of Cyprus. ([http://www.mof.gov.cy/mof/ird/ird.nsf/dmlDtc\\_en/dmlDtc\\_en?OpenDocument](http://www.mof.gov.cy/mof/ird/ird.nsf/dmlDtc_en/dmlDtc_en?OpenDocument))

## VAT

In accordance with the VAT law of 2000, international business companies (IBCs) are treated in the same way as all other Cypriot companies in relation to VAT.

The current standard VAT rate is 19% .

IBCs that belong to the Republic and trade in goods or provide services within EU member states are liable for VAT registration in Cyprus.

IBCs that belong to the Republic and trade in goods or provide services outside EU member states may be liable to register for VAT purposes.

From 1 January 2010, businesses are required to complete and submit a declaration for intra-community supplies (within the EU) of services that are taxed under the reverse charge provisions of another member state, using a VIES form. The VIES form is also completed by companies performing triangular transactions. Services supplied to non-member states are not included.



# Residency Permits and Citizenship

## Temporary residence and employment

Non-EU nationals wishing to reside and work in Cyprus must apply to the Civil Registry and Migration Department for a temporary employment and residence permit. These are usually issued for a period of 1–2 years, but become void if the holder is out of Cyprus for more than three continuous months. They can be renewed upon expiry.

Applicants must have in place an employment contract with a Cyprus registered international company, providing an annual salary of over €20,504.

Non-EU nationals can be employed by a Cyprus registered international company, as long as more than 50% of its shareholders are foreign nationals. Employment by companies owned by Cyprus or other EU nationals is subject to very restrictive regulations.

The application package for a temporary employment and residence permit requires a number of documents such as a clean criminal record, a medical insurance certificate, a bank guarantee and medical examination results.

The dependants of employed non-EU nationals (spouse and children aged <18 years) can also obtain temporary residence permits through a separate application submitted under the family reunification process. These permits are issued for 1 year and can be renewed upon expiry.

## Permanent residence

Non-EU nationals wishing to reside permanently in Cyprus can apply for an immigration permit on the basis of one of the categories mentioned below. This permit is granted for an indefinite duration to non-EU nationals who comply with the requirements of each category.

The immigration permit grants non-EU nationals, as well as their spouse and children aged <18 years, the right to permanently reside in the country and travel to Cyprus without immigration entry procedures.

Applications are reviewed by the immigration control board and the Minister of the Interior grants final approval. Examination and processing of applications takes around 12 months.

## Expedited procedure

An expedited procedure enables the granting of an immigration permit to non-EU nationals who invest in Cyprus. These permits are granted on the basis that the applicants must meet the following requirements:

- Purchased in Cyprus one or two new real estate properties with total purchase cost of at least €300,000 (excluding VAT). At least €200,000 of the purchase cost must be settled
- A secure and steady annual income transferred on a regular basis from abroad to a

bank operating in the country. The income should derive from sources other than employment in Cyprus

- Funds transferred from abroad and deposited in a bank operating in Cyprus in a 3 year fixed deposit account

The immigration permit continues to be valid provided that the holder visits Cyprus at least once every 2 years.

## Long-term residence

A long-term residence permit is granted to non-EU nationals who have resided legally and continuously in Cyprus for a period of at least 5 years. A long-term residence permit has a 5-year duration and is renewable. It allows the holder to permanently reside in Cyprus without having to go through immigration procedures such as visas or the issue and renewal of temporary residence permits.

Applicants should be able to present an employment contract of at least 18 months' duration. They should have adequate income from employment and/or other sources to support themselves and their dependants. The applicants should also have suitable accommodation available for themselves and their dependants.

## Cyprus citizenship

On 28 March 2014, the Cyprus Government announced changes to the legislation that enables foreign non-EU investors to become a Cypriot (EU) citizen and obtain a Cypriot passport through naturalisation, making it more accessible and affordable than ever.

### Financial criteria

One of the key benefits of the Cyprus citizenship programme is that it involves a secure investment, rather than a donation as in many countries.

The new investment scheme involves investment of €2.5 million plus €500,000 permanent residence (not including VAT).

The investment of €2.5 million will be eligible for citizenship if invested in real estate, shares in Cyprus companies, purchase of local businesses, infrastructure and development projects, or government bonds.

Property purchased by the applicant during the past 3 years is eligible to be accounted for the required total investment. Additional property/ies may be purchased or other investments made in order to meet the total required investment.

### Conditions

- To maintain citizenship, the investor/applicant must always retain possession of their real estate residence property of minimum value €500,000, which will be declared as their permanent residence, whereas the remaining investment may be sold after 3 years.

- Any property purchased by the investor/applicant during the past 3 years will count towards the above-mentioned investment figures. In such cases, the purchaser must acquire additional real estate or make other investments in order to reach the total required investment. The 3-year period counts at the time of submitting the application for citizenship.
- Applicants must have no criminal record from the country of origin or Cyprus.
- Applicants will be pooled into 'collective investment schemes' of minimum €12.5 million. Each investor's property rights on the properties pooled will remain with the investor.

### Key points

- Passports will be issued within a period of 3 months
- Passports will be issued to the investor, their spouse and dependent children up to age 28, provided they are in full-time education.

### Cyprus allows dual citizenship

It is very beneficial to have dual citizenship, particularly in the EU, for many reasons including:

- Cypriot citizens enjoy the freedom to live, work and travel throughout Europe
- Cypriot passport holders are entitled to travel visa free to more than 140 countries
- Dual citizenship offers an effective tool for international tax planning and provides financial privacy
- It offers an insurance policy against political instability
- It enables access to Cyprus's excellent education and healthcare services.

# Cyprus International Business Company (IBC)

An IBC in Cyprus is essentially a Cyprus-registered business owned by non-Cypriots.

## Advantages

- 12.5% tax rate on taxable profits
- No withholding tax on dividends paid to non-resident shareholders
- Dividend income is exempt from tax in Cyprus irrespective of its source, provided certain conditions are satisfied. Where the exemption does not apply, 17% defence tax is payable; but credit for foreign tax suffered is given irrespective of the existence of a treaty
- No tax on the disposal of shares
- Profits of a permanent establishment maintained abroad by a Cyprus company are exempt from tax in Cyprus under certain conditions
- Profits on sale of property (other than property situated in Cyprus) are not subject to capital gains tax
- A long list of countries have signed DTTs with Cyprus (over 45 treaties)
- Anonymity can be maintained, if required, of the company shareholders and directors in public registries by the use of persons or trustee companies in Cyprus who can act and hold the shares in trust for the beneficial owners.

# How to Register a Cyprus International Business Company

A summary of the information required in setting up, registering and administering a Cyprus IBC is summarised below:

## Main company activities

The main activities to be carried out by the company must be notified and registered. Such activities must fall within those permitted by law.

## Company name

The company name must be approved by the Cyprus Registrar of Companies. It takes approximately 3 working days for the name to be approved. Alternatively, a name can be chosen from a current list of approved names.

## Share capital

The minimum authorised and issued (paid up) share capital required is €1. There is no maximum. There are no bearer shares in Cyprus.

## Company shareholders

A company is required to have at least one registered shareholder. The following information is required for the shareholder:

- Full name
- Full address
- Nationality
- Business occupation
- Date of birth
- Bank reference
- Copy of passport duly certified by a notary or a professional person
- A recent utility bill.

If the true identity of the beneficial shareholder is not to be disclosed on the official government records, nominee shareholders can be appointed.

## Directors

At least one company director must be appointed. Shareholders can also act as directors. The same information is required as for shareholders. Nominee directors can be appointed in

order to comply with the requirement that the management and control of the company is carried out from Cyprus.

## Registered office

A Cyprus office address is used as the official registered address of the company.

## Company secretary

All companies must have at least one company secretary. A secretarial company or a resident individual is appointed to act as the company secretary.

## Time required

Company formation starts once all the above information is submitted, and takes 7–10 working days.

## Documents included in the IBC's formation package

- Two sets of memorandum and articles of association in English (more copies are available on request)
- One set of memorandum and articles of association in Greek (more copies are available on request)
- Certificate of incorporation in Greek (original)
- Certificate of incorporation in English
- Certificate of directors and secretary
- Certificate of registered office address
- Certificate of shareholders
- Share register and transfers
- Share certificates
- Signed share trust deeds (where necessary)
- Signed share transfer forms (where necessary)
- Register of directors and secretary
- Subscribers' minutes
- Directors' minutes
- Acceptance of director's appointment
- Acceptance of company secretary appointment
- Company rubber stamp.

## The Next Step

Contact Morison Patsalides Ltd to discuss your needs.

### **Morison Patsalides Ltd**

Athalassis Tower 2  
95 Athalassis Avenue  
4th Floor, Office 401  
2013 Nicosia  
Cyprus

T: +357 22 311948

F: +357 22 311947

E: tassos@ptcy.com

**[www.ptcy.com](http://www.ptcy.com)**

**Disclaimer:** Morison International Limited (MI) is a global association of independent professional firms. Professional services are provided by individual member firms. MI does not provide professional services in its own right. No member firm is liable for the acts or omissions of any other member firm arising from its membership of MI.



An independent member of  
**Morison International**

