

**Offshore Investment - Cyprus Survey 2009**
*April 2009*

<b>CYPRUS</b>	
<b>1. Company law:</b>	Companies Law, Cap 113 (based almost entirely on English Companies Act 1948) as amended in 2008.
<b>2. Types of company:</b>	Public companies limited by shares, private companies limited by shares, companies limited by guarantee.
<b>2.a) type of company preferred for international transactions:</b>	Private company limited by shares, managed and controlled by residents.
<b>2.b) shareless companies:</b>	Not allowed under Cyprus Law.
<b>3. Capital requirements:</b>	For public companies minimum EUR25,650.
<b>4. Costs to incorporate, excluding government fees:</b>	Depending upon work involved and complexity of Articles of Association – approx EUR2,500 including legal counsel's fees, notary (certifying officers) fees and duties of all kinds payable to public authorities.
<b>5. Fees paid to authorities to incorporate:</b>	Flat fee EUR102.52 plus 0.6% of the nominal value of the authorised share capital with no upper limit.
<b>6. Annual fees paid to authorities:</b>	EUR17.09 or EUR34.17 for late filing.
<b>7. Taxation rates applied to companies generally:</b>	<p>Taxation system residence based. In relation to companies' residence, determined by management and control test and generally where majority of Board are resident and where Board decisions are effectively made. Corporation tax of resident companies – 10% on profits. The following are additional features of Cyprus Tax legislation:</p> <ul style="list-style-type: none"> <li>• Exemption from tax on profit on disposal of shares;</li> <li>• Provisions on reorganisation and securities;</li> <li>• Deduction of foreign tax paid as a tax credit from taxes payable in Cyprus, under certain conditions;</li> <li>• Exemption from tax of dividend income from abroad the tax payable in Cyprus;</li> <li>• Exemption from tax of profits from foreign PE;</li> <li>• 50% exemption from corporation tax of passive income;</li> <li>• Group relief provisions for the utilisation of losses interest income.</li> </ul> <p>Dividends received from non-resident companies are</p>

	exempt from the Special contribution for defence at 15% if the holding company in the paying company is at least 1%. This exemption does not apply if the company paying the dividend engages: (1) more than 50% in activities which lead to investment income, and (2) the foreign tax burden is substantially lower than the tax burden of the company in Cyprus. No withholding tax on dividends paid to non-residents whether individual or corporations. Non-resident companies not subject to taxation in Cyprus but tax treaties cannot be revoked.
<b>7.a) the taxation of companies in 2(a)</b>	As above
<b>8. Method of incorporation:</b>	Memorandum & Articles of Association drafted in Greek (with English official translation), by practising lawyers, signed by one or more subscribers and submitted to Registrar of Companies.
<b>9. Who may incorporate - are any local professionals required?</b>	Only practising lawyers (in-house lawyers are not practising lawyers and therefore are not allowed to incorporate companies).
<b>9.a) are ready made / shelf companies available?</b>	Shelf companies are available.
<b>10. Length of time to incorporate:</b>	Two to three days. In exceptional cases, same day registration is possible.
<b>11. Minimum members:</b>	One for private company; seven for public company.
<b>12. Directors and secretary:</b>	No legal requirement for either, but if no resident director, then may be considered non-resident company (see point 7 above).
<b>12.a) Must there be a resident director/ secretary?</b>	Secretary need not be resident but it is advisable as Annual Return and other documentation are required to be submitted in Greek language.
<b>12.b) Are Corporate Directors allowed?</b>	Yes
<b>12.c) Is a local registered agent required?</b>	There is no concept of a registered agent in Cyprus.
<b>13. Are Appointee directors/ secretary possible?</b>	Yes – widely used
<b>14. Are “shadow” directors required to be registered?</b>	No
<b>15. Amount of fees payable to appointee directors/ secretary:</b>	EUR500 for a corporate director; EUR300 for a secretary.

<b>16. Annual Meetings:</b>	AGM of shareholders required within 18 months of incorporation and thereafter annually. AGM/EGMs necessary to approve and file audited accounts with Annual Return. Telephone and electronic meetings possible. Written resolutions permissible if unanimous and executed by all relevant parties.
<b>17. Is an Annual return filed with details of directors and members?</b>	Yes
<b>18. Accounts:</b> <b>(a) Must financial statements of a company be audited?</b> <b>(b) Are annual accounts filed with annual returns?</b>	Yes Yes
<b>19. Are there any exchange control or other financial restraints?</b>	None apart from restrictions, if any, emanating from EU Treaties in force from time to time.
<b>20. Is migration of companies into and out of the jurisdiction permitted?</b>	Yes - can now be achieved after an amendment of Cap 113 by Law 124(1)/2006 with redomiciliation of companies in and out of Cyprus.
<b>21. Do foreign companies administered locally have to be registered and when?</b>	Yes, within one month from establishing a place of business.
<b>22. Are Protected Cell Companies permitted?</b>	Not applicable
<b>23. Are civil-law type Foundations possible?</b>	No
<b>24. Are common-law Foundations (limited by guarantee, or limited by guarantee and having shares) possible?</b>	Yes
<b>25. Can LLCs (US-style Limited Liability Companies) be formed?</b>	No
<b>26. Number of companies formed in the last year:</b>	24,453
<b>27. Number of companies on the company register altogether:</b>	207,614
<b>28. Any amendments to company law over the last 12 months:</b>	Conversion of company share capital into Euro following Cyprus' entry in the Eurozone on 1 January 2008. Very minor amendments to Company Law.

**29. Anticipated amendments to company law in 2009:**

There will be a number of changes to existing Double Tax Treaties or establishment of new ones. Also expected is the passing of The Regulation of Fiduciaries, Company Directors and Corporate Services Consultants Bill of 2008. A Law on the Accountants profession is expected to be passed.

*Compiled by Peter G. Economides, Totalserve Management Ltd*

**NOTES:**

- The Company Formation Survey - Cyprus 2009 was compiled by Totalserve Chairman, Peter G. Economides, and was published in the highly credible Offshore Investment magazine issue 194, March 2009. It is reproduced here with their kind permission.
- The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained. Totalserve Management Ltd will be glad to assist you in this respect. Please do not hesitate to contact us.