

UK Companies Resident in Cyprus

September 2003

Certain changes to legislation in UK that came into force from 30th November 1993 have opened the door for UK incorporated companies to be treated as non residents.

Under certain conditions the new rules (section 24FA 1994) completely relieve the UK incorporated company from all UK taxes when company shows effective place of management and control in another country with which the UK has a suitable treaty. For example a UK incorporated company where shareholders are residents outside of UK and the directors of the company are residents in Cyprus it should be possible to obtain a non resident status for the UK tax authorities. Thus the company not only gets the benefit of tax exemption in UK but being a resident of Cyprus it will be able to take advantage of the Cyprus double tax treaties as well as being taxed at the low rate of 10% on its net profit.

Please note that "place of effective management and control" could be difficult to prove. We believe that to establish effective management and control of the company in Cyprus we need to show this manifested in:

- All or the majority of the board of directors should be residents in Cyprus. If only the majority of directors reside in Cyprus the majority should be enough to form a quorum for the conducting of the board meetings under the articles of association. The minority directors who are not resident(s) should consider traveling to Cyprus for an occasional board meeting.
- Board meetings should be actually held in Cyprus.
- General policy of the company is formulated in Cyprus.
- Company bank accounts controlled by the Cyprus directors. This entails that money movements in the accounts are properly minutes, so that they are seen to be done under the Control of the directors.
- Day to day management if actually carried out in Cyprus.

The most important factor however is to register a branch of the UK company in Cyprus to undertake the activity.

It may also be advisable to show a presence in Cyprus that will make the case of showing management and control stronger. This can be done by:

1. The company rents an office or a room within an office.
2. Apply for a telephone and fax lines to be installed.
3. Employ a part timer and pay monthly salary (a very small amount).
4. An entry in the Cyprus telephone directory and Cyprus yellow pages.
5. Payment of local "professional tax" to the Limassol municipality.
6. Membership of bodies such as the Chamber of Commerce and the Cyprus Offshore Enterprises Association.
7. All local document, application forms, rental agreements etc. will be signed by the Cypriot directors.
8. Open bank account(s) in Cyprus with the local directors as signatories.
9. P.O. Box in Limassol may be obtained for correspondence.

NOTES:

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.