

Cyprus Company in International Tax Structuring

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Cyprus is a long established and tested International Business Centre with a simple, competitive and attractive tax regime for foreign investors. Combined with the island's strategic geographical location as well as its advanced infrastructure, business oriented environment and high level of professional services, the use of Cyprus companies is efficient and practical not only for business activities within Cyprus but also for international transactions.

Cyprus Tax System Features

- Compliant with EU and OECD practices
- Full adoption of all relevant EU Directives
- Good double tax treaty network
- Basis of taxation: 'Management and Control'
- 15% uniform corporate income tax rate
- Effective tax potentially lower because of favourable tax provisions as certain incomes are tax exempt
- Standard rate of VAT is 19%
- Unilateral double tax relief
- No withholding taxes on outbound payments to non-residents
- Comparative cost advantage in establishing proper business and economic substance in Cyprus

Uses of the Cyprus Company

- Trading company
- Holding company
- Financing company
- Intellectual Property (IP) company
- Real Estate company
- Non-Resident Cyprus company

1 | The Cyprus Trading Company

Trading profits are subject to tax at 15% on a net basis, after deduction of tax-allowable business expenses. Notional Interest Deduction on new equity can reduce taxable profit by up to 80%. No Cyprus withholding tax on dividend payments.

2 | The Cyprus Holding Company

For pure holding companies, there are no Cyprus taxes on the flow of incomes through Cyprus, since dividend income and capital gains are exempt from Cyprus tax. Reduced or eliminated foreign withholding taxes on payments of dividends to Cyprus, achieved via access to the EU Directives and the beneficial Cyprus double tax treaty network.

3 | The Cyprus Financing Company

Finance profits are subject to tax at 15% on a net basis, after deduction of tax-allowable business expenses. Notional Interest Deduction on new equity can reduce taxable profit by up to 80%. Reduced or eliminated foreign withholding tax on payments of interest to Cyprus, achieved via access to the EU Interest and Royalties Directive and the beneficial Double Tax Treaty network. No Cyprus withholding tax in case of interest payments.

4 | The Cyprus IP Company

Up to 80% tax exemption on qualifying profits earned from qualifying intangible assets. Notional Interest Deduction on new equity can reduce taxable profit by up to 80%. Reduced or eliminated foreign withholding tax on payments of royalties to Cyprus, achieved via access to the EU Interest and Royalties Directive and the beneficial Double Tax Treaty network. No Cyprus withholding tax in case of royalty payments.

5 | The Cyprus Real Estate Company

There are no Cyprus taxes on profits from disposal of property situated outside Cyprus, or on profits from disposal of shares of companies owning such property. Beneficial Capital Gains provision in several Cyprus double tax treaties, meaning that when a Cyprus company disposes the shares of a property-rich foreign company, the taxing right of this transaction is with Cyprus only (and such gains are tax-exempt in Cyprus).

6 | The Cyprus Non-Resident Company

A Cyprus company having its management and control abroad and being registered for tax purposes in another country is subject to Cyprus tax only on Cyprus sourced income. This means that such Cyprus incorporated company may be used for certain purposes in Europe and elsewhere without any Cyprus taxes.

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