Forming a Cyprus Company Five Key Decisions

Forming a Cyprus company is usually straightforward. Keeping it practical, compliant and suitable for its intended purpose requires more thought.

Before incorporation, five matters should be considered.

1. What will the company do?

The intended activity affects the company's structure, banking, tax treatment and compliance requirements. Trading, investment holding, financing and regulated activities cannot always be approached in the same way.

2. Where will the company operate?

Tax residence and substance should be considered separately from the incorporation process. The company's management, decision-making and actual operations should be consistent with the intended structure.

3. Who should own and manage it?

Shareholders and directors should not be selected merely to complete the registration forms. Control, responsibilities, succession, future investment and possible restructuring should also be considered.

4. How will banking be arranged?

Incorporation does not guarantee the opening of a bank account. Banks and payment institutions assess the company's activities, ownership, expected transactions, jurisdictions and source of funds.

These matters are better examined before the company is formed.

Company formation is the start, not the objective.

5. What will be required each year?

A company continues to have obligations after incorporation. These may include accounting records, financial statements, tax filings, annual returns, beneficial ownership reporting and updates to the Registrar.

The related work and costs should be understood from the beginning.

An illustrative example

A foreign-owned business may form a Cyprus company before deciding where its management will be based or how payments will be processed. The company may then face banking delays, additional compliance questions or the need to change its structure.

Addressing these matters before incorporation is usually simpler.

Before proceeding confirm:

- The company's purpose and activities
- Its shareholders and directors
- Where decisions and operations will take place
- Its expected transactions and banking needs
- Whether any licences are required
- Its annual compliance requirements and costs

Most avoidable problems arise when incorporation is treated as the final objective. It is only the first step.

At Totalserve, the initial discussion therefore focuses on the proposed business, the people involved, the relevant jurisdictions and how the company is expected to operate. The legal structure should follow those decisions.

Established in 1972, Totalserve is a multidisciplinary and award-winning international professional services organisation headquartered in Limassol, Cyprus with offices in Athens and London. Through its companies and affiliated firms, the Group provides a comprehensive range of services across core areas such as Legal, Tax, Corporate and Trusts.

TOTALSERVE MANAGEMENT LIMITED

Melina Dionysiou, LL.B., Dipl., TEP
Director / Head of Corporate
melina.dionysiou@totalserve.eu