



Aspen Global Incorporations Limited

A Guide to Cyprus Companies

HONG KONG

PANAMA

PRAGUE

BACKGROUND

The history of Cyprus is one of the oldest recorded in the world. From the earliest times Cyprus' historical significance far outweighed its small size. Its strategic position at the crossroads of three continents, as well as its considerable supplies of copper and timber combined to make it a highly desirable territorial acquisition.

A former British colony, Cyprus became an independent republic on 16 August 1960. As an independent country it became a member of the United Nations, the Council of Europe, the Commonwealth and the Non-Aligned Movement. On May 1st 2004, Cyprus officially became a member of the European Union.

LOCATION

Eastern Mediterranean Sea off the coast of Turkey near the western coast of Syria

POPULATION

Cyprus has a population of 1 million, of whom the majority is ethnically Greek, living in the southern part of the island. More than 200,000 Turkish Cypriots and Turkish immigrants live in the northern part of the island, separated from the south by UN-supervised buffer zone.

GOVERNMENT

Cyprus is an independent sovereign republic. The 1960 constitution established a unicameral presidential republic, as well as safeguarding of human rights, political pluralism and private property.

LEGAL SYSTEM

English Common Law with Civil law modifications.

ECONOMY

The Economy of Cyprus has healthy foundations and its prospects are characterized as extremely positive, a fact that encourages the establishment of foreign enterprises in Cyprus. The comparative advantages of the economy of Cyprus are:

- Key geographical location (cross-roads of three continents)
- Small size
- Organizational structure is flexible
- The high educational level of the labor force
- The business acumen of the Cypriots
- EURO based currency

TAXATION

Corporate tax rate of 10%. Dividends & royalties arising from the use of an asset outside Cyprus and interest payments to non-residents are exempt from withholding tax. Other types of payment to non-residents are subject to withholding tax at 10% (at the time of writing), although if the payment is in respect of a right outside Cyprus, there is no withholding. The rate of withholding for film royalties earned by a non-resident is 5%.

FILING REQUIREMENTS

Company tax returns must be filed in respect of each fiscal (calendar) year by 31st December in the year following the fiscal year, together with balance sheet and profit and loss account, auditor's report, income tax and Defense Tax computation and additional information report. Self-assessment is mandatory; corporation tax payments have to be made on 1st August, 30th September and 31st December of the year of assessment. Fines apply to late or materially faulty self-assessments.

RESTRICTIONS ON TRADING

Cannot undertake to the business of banking, insurance or the rendering of financial services to the public unless special permission is granted, and cannot trade with resident individuals or companies situated in Cyprus other than in relation to the maintenance of premises, banking and professional services.

DOUBLE TAX AGREEMENTS OR TREATIES

Cyprus is unusual among low-tax countries in having tax treaties with more than 40 other countries. These include the Common Wealth of Independent States and many Eastern European countries; for that reason Cyprus has developed particularly close links with that region. However, Cyprus is also a full member of the European Union.

EXCHANGE CONTROLS

None

TYPES OF COMPANIES

Cypriot law allows for the formation of many types of business entity, such as:

- Limited liability company
- Branch
- General or Limited Partnership
- International Banking Units
- Financial Services Company
- Captive Insurance Company
- Ship Management Company

The majority of incorporations for tax-optimization are private company limited by shares. Trusts are another popular option in Cyprus and can be used as a standalone entity or with an international business company.

Private company limited by shares:

- Restricts the right to transfer its shares
- Limits the number of its members to 50
- Prohibits any public subscription to shares or debentures
- Minimum of 2 directors are necessary

International Trusts are available and most suitable for the international settlor who seeks asset protection:

Key characteristics of International Trust:

- The settlor must be non-resident
- Beneficiaries must also be non-resident
- One of the Trustees must be Cypriot (individual or corporate)
- 100 year trust period
- Confidentiality is protected in the law
- Foreign judgments are not recognized
- No registration requirement
- Trust documents are in English
- Trust assets may not include immovable property located in Cyprus
- Creditors have to prove intent and must claim within two years
- Stamp Duty

- Generally, the income and assets of International Trusts are not taxable in Cyprus

Language	Greek, Turkish	English & Greek are languages of legislation and of corporate documents
Level of Confidentiality	High	
Tax on Offshore Profits	Yes	10% 0% for shipping companies 4.25% for maritime management companies
Local Registered Office	Yes	
Minimum Members	1, 7	1 = private company, 7 = public company
Local Director Required	No	
Corporate Directors	Yes	
Corporate Shareholders Permitted	Yes	
Company Secretary Required	No	The Aspen Group encourages this service and can provide qualified company secretarial services.
Bearer shares	No	
Annual Return filing	Yes	
Audited Accounts	Yes	
Shelf Companies Available	Yes	

OUR OBSERVATIONS

Cyprus joined the European Exchange Rate Mechanism (ERM2) in May 2005 and adopted the euro as its national currency on 1 January 2008. Since becoming a full member of the European Union, Cyprus' image has improved significantly. Cyprus' offshore style regime was abolished and a simplified, effective and transparent tax system in place that is fully EU, OECD, FATF and FSF compliant. Currently, Cyprus is viewed as a stable EU, "non-offshore" tax-competitive jurisdiction with exciting tax planning potential for EU and non-EU individuals and companies.

Invoices from any offshore companies are acceptable in Cyprus Companies' books.

Payments to offshore companies bear no withholding tax.

Possibility to obtain Advance Tax Rulings.

Absence of strict transfer pricing rules.

No specific substance requirements.

Commercial value and monetary benefits due to the ability to register for EU VAT in Cyprus.

Foreign beneficial owners of Cypriot companies, Branches and Partnerships are not liable to additional tax on dividends or profits over and above the amount paid or payable by the respective legal entities.

All these factors make Cyprus a very interesting jurisdiction. It is an attractive option for those clients, specifically within the EU or doing business with the EU.

The foregoing does not constitute legal advice and it is merely Aspen Global Incorporations opinion based on use and experience. If you are not a professional service provider, please consult a tax attorney, solicitor, and/or accountant before you pursue any venture in a tax free environment. Aspen Global Group will be glad to meet with you and assess your requirements. Legal evaluations in each jurisdiction are available at a time cost fee.

If you would like additional information on this jurisdiction or our current shelf list, please contact us at enquiries@aspentaxco.com; or contact any of our offices.

HONG KONG

Aspen Global Incorporations Limited
Suite 2302-3 Pacific Plaza
410 Des Voeux Road West
Hong Kong, S.A.R.
Tel: (852) 3175-8758
Fax: (852) 3175 8456
E-mail: enquiries@aspentaxco.com

PANAMA

Aspen Legal Services
Local 11-12 Causeway Blvd. Commercial Center
Isla Perico, Panamá City
Republic of Panamá
Tel: (507) 314 3392
E-mail: silka@aspentaxco.com

PRAGUE

Aspen Business Consulting s.r.o.
Opletalova 1603/57
110 00 Praha 1
Česká republika
Tel: (420) 221 419 747
E-mail: aspentaxco@aspentaxco.com

NEW ZEALAND

Aspen Fiduciaries Limited
Level 5, 10 Customhouse Quay
Wellington, 6143
New Zealand
E-mail: enquiries@aspentaxco.com