



Setting up business in...

Cyprus





General Aspects

Cyprus is one of the biggest Mediterranean islands with an area of 9,250 sq km (of which 3,355 sq km has been Occupied by Turkey since the Turkish invasion of 1974), and is the crossroad between three continents Europe, Asia and Africa. Cyprus is a full Member of the European Union since May 1st 2004 and since 2008 has adopted the Euro. The total population of the island is around 850.000 people. The official language is Greek and Turkish but English is widely spoken too.

According to the recent evaluation and ranking of 178 economies worldwide on the ease of doing business, for the annual report "Doing Business 2011" conducted by the World Bank, Cyprus is ranked 37th.

Cyprus also is ranked 26th overall for starting a Business which is impressive considering that Cyprus was ranked higher than Norway 33, Sweden 39, Japan 98 and Germany 88.



Legal Forms of Business Entities

Legal form	Feature	Remarks
Cyprus Branch of Overseas Companies	Overseas companies can operate via a branch in Cyprus. Such branch may be registered under s.347 of the Companies Law Cap 113. The Registration of Branches is effected via the Registrar of Companies under the same name as the foreign entity. A branch is not a legal entity but it can sign contracts, agreements on behalf of the Overseas company.	<p>In order to open a branch the following documents are needed in Greek and the documents shall be legalised and apostil in the country of origin by a Notary Public.</p> <ul style="list-style-type: none"> ■ A certified copy of the Certificate of Incorporation of the overseas Company ■ A certified copy of the Memorandum and Articles of Association of the parent company or other similar documentation with any amendments made on them. ■ Three types of forms on which the directors and secretary of the parent company are stated as well as the names and addresses of people residing in Cyprus who are authorized to accept any legal documents or notices for the company ■ A written report from the authorized persons of the Company regarding the company's name and legal entity, the registered address of the parent company and of the branch office, the main business activity, the registration number of the company and finally the authorized and issued share capital of the company. <p>The Branch of a public company is under an obligation to file with the Registrar of Companies a certified copy of the Balance sheet and of the Profit & Loss account of the overseas entity.</p> <p>Submission of Financial accounts: Overseas Companies with Branches in Cyprus must deliver copies of financial statements, director's and auditor's reports, to the Registrar of Companies annually, which need to be certified translations in Greek. According to</p>

		the EU Directives, companies established in Member States are exempted from this requirement according to the provisions of the EU Accounting Directives (78/660/EEC, 83/349/EEC and 84/253/EE as amended). A relevant statement from the Director and the relevant authorities of the overseas company providing the exemption needs to be submitted.
Cyprus General Partnership	<p>Cyprus General Partnership is an association of persons whereby two or more persons come together with the intention to mutually conduct business.</p> <p>The minimum number of partners is 2 and the maximum number allowed for this type of entity is limited to 20. If the company intends to operate in the banking sector the partner's number is limited to 10.</p> <p>Every partner is liable jointly and severally with all the other partners for an unlimited amount for the debts and obligations of the partnership. The partners of a partnership may be only companies with limited liability or only partnership or both.</p>	<p>Partnerships, whether general or limited, must be registered to the Registrar of Companies within a month of their establishment. Dealings of Members of a Company or association which are registered as Limited Liability Companies under any Law or incorporated or formed by pursuance of any Law are not considered a partnership.</p> <p>Every partner has an obligation to render accounts and full information to the other partners of all things pertaining to the partnership</p>
Cyprus Limited Partnership	<p>The Limited Partnership must have at least one partner with unlimited liability for the debts and obligations of the partnership, whereas the remaining partners may have limited liability (the general partner/s) and at least one Partner whose liability is limited to the amount of their fixed contribution to the Partnership (limited partner/s).</p>	<p>This type of company is suitable for medium-sized companies.</p> <p>Neither partnership is a distinct legal entity but it can sue or be sued in its own name. The concept of LEP and LLLP are not recognised under Cyprus Partnership Law.</p> <p>A limited partner must be excluded from the business management and shall not have the power to bind the firm.</p> <p>Every Limited Partnership must keep books of accounts, while Partnerships engaged in such retail trade in which keeping accurate books is unusual or a hardship may be exempted.</p>
Cyprus Sole Proprietorship	<p>The sole Proprietor has unlimited liability of all debts & obligations of the Proprietorship. Therefore the person establishing the business has full liability for the company's debts; belongings of the Proprietor are used as a guarantee to any liability that can not be covered by the company.</p>	<p>This entity is not considered to be a corporation as its legal existence is the existence of its owner. Therefore it is not subject to any corporation tax.</p> <p>However the owner is subject to personal taxation.</p> <p>It is run by a single member who has full liability to the companies debts.</p> <p>Sole Proprietorship allows any Cypriot or EU citizen to conduct any business on his name or through a business name (Business names must be registered under Cap. 116)</p>
Cyprus Company Limited by Guarantee	<p>This type of company is not permitted to have a share capital. The company's Members are those responsible for the guarantee since there are no shareholders.</p>	<p>This type of company is mainly used for charity and nonprofit organizations. It is not suitable for commercial purposes due to the share capital restriction.</p>

<p>Cyprus Private Company Limited by Shares</p>	<p>The main characteristics of such a company are:</p> <ul style="list-style-type: none"> ■ it limits maximum member of its shareholders to 50. ■ “Its Articles restricts the right to transfer its shares, prohibits any public subscription to shares or debentures.” <p>The company has no limitation as per the minimum number of Directors.</p>	<p>There is no minimum required share capital for this type of company and the sale of shares to the public is not permitted. It is subject to 12.5% corporation tax, the same for all private companies. It is also subject to defense fund contribution on dividends only for Cypriot residents.</p> <p>Private Companies Limited by Shares must submit audited accounts to the Cypriot Tax Authority and Annual Returns to the Registrar of Companies, accompanied by the accounts. Charges, debentures, floating charges and mortgages must be registered with the Registrar of Companies.</p> <p>Special kinds of shares with preferential or other rights may be issued.</p>
<p>Cyprus Public Company Limited by Shares</p>	<p>The difference between the Private Company Limited By shares and the Public Company Limited by shares is that the Public company is allowed to have transferable shares/minimum share capital of €25,625 and the maximum number of shareholders is not limited. However the minimum number of shareholders is 7, and the minimum required Directors are 2.</p>	<p>Shares may be offered to the public and are freely transferable.</p> <p>A written acceptance must be submitted to the Registrar of companies in order to appoint a new Director.</p> <p>A public company may obtain a listing on the Cyprus Stock or international Stock Exchanges.</p>
<p>Cyprus International Trusts</p>	<p>There are some main provisions for the establishment of a Cyprus International Trust:</p> <ul style="list-style-type: none"> ■ The settler must be non resident preceding the year of creating the trust. ■ The beneficiaries must be non residents preceding the year of creating the trust. ■ At least one trustee must be Cyprus resident 	<p>The income and assets of the International Trusts are usually not subject to any kind of tax in Cyprus.</p> <p>Trustees can be individual or corporate.</p> <p>The Trusts are registered under Cysec, SELK or the Cyprus Bar Association but no confidential information are provided to the authorities or the public.</p>



Organizational Questions

Topic	Feature	Remarks
<p>Commercial Register</p>	<p>Companies of all legal forms must be entered in the commercial register of the Registrar of Companies.</p> <p>The Registrar of Companies has introduced Electronic Service where everything can be done through their website.</p>	<p>In order for a company to be registered the following documents must be submitted to the Registrar:</p> <p>3 names for approval (in case an existing company is required to be obtained, then a consent letter needs to be obtained by the owner), Memorandum & Articles of Association, Full details of shareholders, directors and secretary, Address of the company.</p>

Bank Account	<p>In order to open a bank account, the following documents are required:</p> <ol style="list-style-type: none"> 1. Certificate of Incorporation, Registered office, Directors & Secretary and Shareholders of the Company; 2. Memorandum and Articles of Association of the Company; 3. Declaration of Trust (if nominee shareholder); 5. Utility Bill and Passport Copy Beneficial Owner, Directors, Secretary and Bank Signatory (not older than three months); 6. CV; and 7. Completed Due Diligence Questionnaire with details such as Expected Annual Turnover, Main Business Activities Distribution of Income etc. 	<p>All the documents which are required to be submitted to the bank must be certified by professional intermediary or an authority.</p>
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Employment

Topic	Feature	Remarks
Work permit	<p>Citizens of the European Union, the European Economic Area (=EEA), can work in Cyprus without any restrictions.</p> <p>Nationals from all other countries need a work permit to work legally in Cyprus.</p>	<p>Work permits are issued for different durations according to each application</p>
Labour law	<p>In Cyprus a minimum of 20 working days/year of paid holidays is guaranteed, if working 5 days a week, in addition to public holidays.</p> <p>Normal working hours are between 35 and 40 hours or 5 days per week. The notice period for termination of employment depends on seniority of the employee.</p>	
Social system	<p>The social security contributions are paid at the rates of 7,8% of the gross salary by the Employer and 7,8% of the gross salary by the Employee. Contribution to the Redundancy fund and to the Industrial Training Fund is paid by the Employer at the rate of 1,2% and 0,5% respectively. 2% is paid by the Employer to the Cohesion fund.</p>	<p>The Cohesion Fund contribution replaced the Defence Fund Contribution since 2003</p>



Taxation

Tax	Feature	Remarks
Corporate Income Tax	<p>The standard corporate income tax rate is 12.5% on the net profits.</p> <p>All expenses incurred for the earning of income (i.e. depreciation, allowances) is deducted from the gross income.</p> <p>Partnerships are not taxed as separate entities, but each partner is taxed on the profits of the entity appointed to him.</p> <p>Partners are taxed on their shares of profits of the partnership.</p>	<p>If the taxable amount has been paid in another country, it shall be credited in Cyprus against the taxable amount.</p> <p>Losses of a permanent establishment outside the Republic of Cyprus Company can be offset against profits arising in the Republic.</p>

<p>Defence fund contribution</p>	<p>The corporations are also subject to defence tax of: 30% on interest received unless it is within the ordinary course of business, or closely connected with the ordinary course of business. 3 % on 75% of rental income from property, 17 % on dividends received from abroad. Cyprus Companies receiving dividends from abroad are exempt from such tax, however such exemption may be refused where the non-resident paying company is both engaged directly or indirectly by more than 50% of the income derived from activities leading to investment income and the foreign tax obligation is substantially lower than that of a Cyprus Company.</p> <p>17 % on dividends paid except if paid to a CY company or a Non-resident shareholder, 17% on dividends on 70% of distributed profits (deemed dividend distribution), 3% on interest accruing from an approved provident fund, 3% on taxable income of Public Corporate Bodies, 3% on interest received by an individual from Cyprus government stocks & bonds.</p>	<p>The tax incentive offered is that International corporations may pull out dividends from their Cyprus holding companies using low withholding rates and distribute these profits to their shareholders with 0 withholding tax. The only tax to be levied is 12.5% corporation tax which is the lowest in the European Union.</p> <p>No tax whether in the form of corporation income tax or capital gains tax on the disposal of shares in foreign subsidiaries.</p>												
<p>Personal Income Tax</p>	<p>The application of personal tax is applicable as follows:</p> <table border="1" data-bbox="395 927 1005 1106"> <thead> <tr> <th>Income in €</th> <th>Tax rate</th> </tr> </thead> <tbody> <tr> <td>0 - 19,500</td> <td>0%</td> </tr> <tr> <td>19,501 - 28,000</td> <td>20%</td> </tr> <tr> <td>28,001 - 36,300</td> <td>25%</td> </tr> <tr> <td>36,301 - 60,000</td> <td>30%</td> </tr> <tr> <td>60,000 and above</td> <td>35%</td> </tr> </tbody> </table>	Income in €	Tax rate	0 - 19,500	0%	19,501 - 28,000	20%	28,001 - 36,300	25%	36,301 - 60,000	30%	60,000 and above	35%	<p>For a person to be subjected to this type of tax, he has to be a Cyprus resident, meaning that he/she has to live in Cyprus for a period of 183 days per year.</p>
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<p>Capital Gains Tax</p>	<p>The disposals of immovable property or shares in companies whose assets consist mainly of immovable property are liable to 20% tax on gains (the difference between original cost and sale price). If the seller is not a resident the liability still exists.</p> <p>Individuals are entitled to deduct from the gains the following: sale of principal private residence = €85,430, sale of land for agricultural purpose = €25,629, any other sales = €17,086</p>	<p>Transfer of immovable property on death, gifts from close relatives up to third degree, gifts to companies by members of the shareholders close family, charity donations, consolidation, exchange of equal value properties, profit on the sale of shares listed on the Stock Exchange and expropriation of property are exempted from Capital Gains Tax.</p>												
<p>Value Added Tax (VAT)</p>	<p>The normal VAT rate is 19%, however 9% VAT is charged on holiday accommodation, public transportation and restaurants and 5% VAT is charged for convenience products or services such as water cinemas, newspapers, food, pharmaceutical, etc.</p> <p>Medical, postal, financial, insurance services, education, rent or disposal of immovable property (when building permission was given before May 2004), exports, food, medicine, etc. are generally excluded from VAT.</p>	<p>Every person or business providing goods or services subject to VAT with an annual income of €15.600 must be registered with the VAT authorities. Businesses with lower income can be registered voluntarily.</p>												

This material has been prepared by ANTEA. It is intended as general guide only. Accordingly, we recommend that readers seek appropriate professional advice regarding any particular problems that they encounter. This information should not be relied on as a substitute for such an advice. While all reasonable attempts have been made to ensure that the information contained herein is accurate, ANTEA accepts no responsibility for any errors or omission it may contain whether caused by negligence or otherwise, or for any losses, however caused, sustained by any person that relies upon it.



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