

## The Cyprus Holding Company

Choosing the right location for a holding company involves careful consideration of various tax and non-tax factors. A Cyprus holding company is often the preferred choice, due to the remarkable advantages of Cyprus.



### About Cyprus as a Jurisdiction for Holding Companies

The Republic of Cyprus has established itself as the most attractive jurisdiction within the EU and globally for holding companies. Its investor friendly environment, business-friendly and unique tax system, EU membership and OECD compliance made Cyprus an ideal location for holding company.

Being full member of the EU, Cyprus participates in the European Single Market, which allows the free movement of goods, capital, services and labour between EU member states.

During the last decades Cyprus has proven itself as a reputable international business and financial centre with a general corporate tax level of only 12.5 % on taxable income. Benefitting from specific, wisely shaped tax incentives, the overall effective rate of taxation may even be lower.

Cyprus has signed Double Taxation Treaties with more than 60 countries by now and it is in negotiations with several other countries.

Furthermore, Cyprus fully complies with all relevant regulations and directives of the EU, OECD, FATF and FSF. It is on the White list of OECD and has legally committed to the highest standards of transparency, which is an essential criterion for successful businesses in today's world.

A Cyprus holding company may serve as a perfect gateway to the EU while receiving and paying dividends does not suffer from tax or withholding taxes.

### The main advantages of a Cyprus holding companies:

- **No tax on dividends received**, provided that;
  - said dividends are not allowed as a tax deduction in the jurisdiction of the foreign paying company;

- the dividend paying subsidiary company must not engage directly or indirectly more than 50% in activities which lead to passive income;
- or if the foreign tax burden of the dividend paying company is not lower than 6.25%;
- **The Corporate tax rate is only 12.5%**
- **No withholding tax** on dividends paid to non-residents shareholders (except to non-cooperative countries as per EU list);
- **No withholding tax** on interest paid from Cyprus (except to non-cooperative countries as per EU list);
- **No tax on dividend or income distribution** received from a foreign permanent establishment (PE) of a Cyprus holding company; provided one of the following conditions are met:
  - The PE must not engage more than 50% directly or indirectly in activities which lead to passive income.
  - The foreign tax burden on the profit of the dividend paying company is not lower than 6.25%.
- **No withholding tax on royalties** paid from Cyprus in respect of intellectual property exploited outside Cyprus;
- **No tax on disposal or trading of securities in general** – securities include bonds, future contracts, option contracts, CFDs, ETFs, company shares and others;
- **Intellectual property: only 2.5% -4.5% effective taxation (Nexus approach)** on profits from qualifying intellectual property;
- **Notional interest deduction** upon the introduction of new equity.



In general, a Cyprus holding company structure may help to decrease or to eliminate the tax charged on dividend income and gains.

Although there are no restrictions on the legal form of a Cyprus holding company, the most commonly used form is the Cyprus private limited liability company.

### **Basic requirements of a Cyprus Holding Company**

#### **Share Capital:**

Legally, the minimum paid capital of a Cyprus Holding Company is the smallest payable amount, which is one Euro cent. However, as such a low capital would not make much sense, the usually authorized minimum capital is generally € 1.000,00.

But: a paid capital reflecting the actual business of a company is advisable for the financial standing of a company in general.

#### **Shareholders:**

The minimum number of shareholders of a Cyprus private limited company is 1 and the maximum is 50. The shareholder may be natural or legal person. There is no restriction on nationality or residency. A Cyprus Company can be incorporated with 100% foreign ownership. The use of nominee shareholders is allowed, but not advised anymore in the today's world of transparency and mandatory disclosure of beneficial owners.

#### **Appointment of Directors:**

Under the Cyprus Companies Law a Cyprus private limited company must have at least one director. The location of the management and control of a company determines the tax residency of a company.

Therefore, in order to meet the requirements of the Cypriot tax legislation regarding the determination of tax residency, the director of a Cyprus holding company must to be resident of Cyprus, or the majority of directors must be resident of Cyprus.



#### **Secretary of a Cyprus Holding Company:**

A company secretary must be appointed. It can be natural or legal person preferably residing in Cyprus.

#### **Registered office of a Cyprus Holding Company:**

A Cyprus holding company must have a registered office in Cyprus.

#### **Bookkeeping and Audit of a Cyprus Holding Company:**

All Cyprus Companies, including holding companies, must maintain proper bookkeeping and account and must prepare a full set of annual financial statements in accordance with International Financial Reporting Standards (IFRS).

The accounts of all Cyprus Companies must be audited by an auditor licensed in Cyprus.