

Incorporation of Companies in Cyprus

General Information

The interest for the incorporation of companies in Cyprus is continuously increasing as more and more businessmen discover the advantages and benefits they can derive from their use. A combination of a reputable international business centre within the European Union, with high quality of support services from professionals, the generous tax incentives and a wide network of Treaties for the Avoidance of Double Taxation with more than 40 countries covering all central and eastern European countries, with some very favourable provisions, distinguish Cyprus from the other international business centers.

The basic condition under the new tax legislation for a company to be considered as a Cyprus-resident company, is that its management and control is exercised in Cyprus. This practically means that the majority of the directors have to reside in Cyprus and the meetings of the board of directors take place also here in Cyprus. Therefore in case that the foreign businessmen who will establish a company in Cyprus, will not have their residence in the island, there is the necessity to appoint Cypriot directors. Our firm can provide these services to its clients who will request so through its network of professionals.

The foreign businessmen who wish to establish a business entity in Cyprus for their international operations, are attracted to Cyprus not only by the sound infrastructure which exists, but also by the numerous tax and fiscal advantages which the companies in Cyprus enjoy, the most important of which are summarised herebelow:

- a. Net profits of the companies who have their residence in Cyprus, are subject to tax at the rate of 10%, which is the lowest corporate tax rate within the European Union country-members.
- b. No withholding tax on dividends declared by companies to non-resident shareholders.
- c. Full tax exemption on profits of companies if their management and control is exercised from outside Cyprus.
- d. Full tax exemption on profits derived from dividends received from abroad or from profits of permanent establishments in other countries under certain circumstances.
- e. No income tax on interest earned by non-residents on foreign fund deposits.

- f. Tax exemption on gains from the disposal of shares and other securities.
- g. Full estate duty exemption on inheritance of shares.
- h. Full capital gains tax exemption on the transfer or sale of shares in a company, except where the company owns immovable property in Cyprus.
- i. A wide network of Double Tax Treaties covering more than 40 countries.
- j. Unilateral relief from tax in Cyprus on amounts of tax paid or withheld abroad.

Documents required and procedure

The required documents and the incorporation procedure are explained in detail here below:

1. Company name

Clients must provide us with two to three names of their choice to apply to the Office of the Registrar of Companies. We can also provide a list with some already approved names we keep for our clients from which a selection can be made. The name of such a company can be changed at anytime at a later stage. In case of emergency a selection can be made from one of the available off the shelf companies.

2. Objects of the Company

A detailed description of the intended activities of the company. The standard Memorandum and Articles of Association used is suitable for a general trading/investment holding company.

3. Proposed capital structure

Clients must inform us about the amount of share capital of the company, the number of shares and their nominal value. There is no legally required minimum amount of issued and paid up share capital of a private limited liability company. However we would recommend that the share capital be at least €1,000.

4. Proposed shareholders

The name, address, passport number, date of birth, nationality and occupation of the proposed shareholders (must be minimum one) and their proposed shareholdings in the company must be provided. The same information must be provided for the ultimate shareholders/owners where different. Local nominees, can be provided through our network of professionals, if the identity of some ultimate shareholders/owners should not be made publicly available. In order to speed up the incorporation local subscribers can be provided to sign the Memorandum

and Articles of Association and to act as the initial shareholders. The shares can be transferred to the proposed shareholders either with effect from incorporation date or at anytime at a later stage.

5. Bank references

Clients must provide a bank reference (Appendix 2) and a curriculum vitae (Appendix 3) as per the attached specimens with respect to the ultimate shareholders'/ owners' financial standing, character, business integrity and credit worthiness. Please note that the bank reference must be typed on the bank's letterhead with full details of the address, telephone and telefax numbers, properly dated, stamped and signed.

6. Corporate Shareholders

In case the proposed or ultimate shareholder(s)/ owner(s) of the new company is a corporate body, we shall need to be provided with a full set of certified copies of all the incorporation documents, that is, certificate of registration, Memorandum & Articles of Association, certificate of directors and secretary, certificate of shareholders and certificate of the address of the registered office. We shall also need to be provided with a resolution of the body's board of directors resolving the establishment of the Cyprus company.

7. Directors

The clients must provide us with the name, residential address, date of birth, nationality and occupation of the proposed directors of the company, (must be minimum one), unless local directors are to be provided.

Although it is not a legal requirement to appoint local directors it is advisable in order to be able to demonstrate that the company is managed and controlled in Cyprus which is an important factor for maintaining tax residency in Cyprus that the majority of the directors comprises of locally resident directors. If however, one or more directors from outside Cyprus are to be appointed then please provide the details required in paragraph 8(a) of the questionnaire.

The appointment of local directors can be arranged through our network of professionals.

8. Passport and other documents

Certified true copies of the passports, as well as an original utility bill for all individual proposed shareholders and directors who will participate in the company must be provided. The same documentation must be provided for the ultimate shareholders/owners.

9. Company secretary and registered office address

Cyprus law requires that every company must have a company secretary and a registered office address in Cyprus which will be used as the company's official address for the service of any official documents. The provision of a company secretary and of a registered office address can be arranged through our network of professionals. Otherwise, please provide details of the company secretary and the registered office address by completing paragraph 9 of the questionnaire.

We attach hereto a questionnaire (Appendix 1) which includes all the information needed to register a company in Cyprus as explained in more detail hereinabove and which can be used to collect and send to us all the necessary information. The incorporation procedure is finalised approximately within 15 days from the submission of all the relevant documents to the Registrar of Companies, provided of course that the name of the company is approved and all of the required documents are in order.

The completed questionnaire should be sent to us and the appropriate fee should be remitted to our bank account, before we commence the incorporation procedure:

Through us our clients can have access to a complete range of services connected with the establishment and operation of a company in a reputable, valuable and well regulated centre, enjoying many tax advantages within a country-member of the European Union. A Cyprus company can prove extremely useful in setting up tax efficient structures when planning the tax affairs of international businessmen of whatever nationality. Clients must always have in mind the extensive network of Double Tax Treaties which Cyprus has.

Our Services

The services we offer include Audit and Enterprise Risk services, Tax services which include tax planning and tax compliance work, Consulting (enterprise applications, technology integration, strategy and operations and human capital advisory), Wealth Management and Financial Advisory. Furthermore, through our Integrated Services Department we provide services related to the establishment, administration and management of business entities, as well as accounting and financial reporting services and in addition through our network of professionals we can arrange for the provision of local directors, nominee shareholders, company secretarial services and registered office address.

Deloitte in Cyprus

Deloitte in Cyprus tracks its origin back to 1958 and is one of the largest professional services firms in Cyprus.

We consider ourselves to be a significant contributor to the success of Cyprus as an international business centre. We have participated in many initiatives in Cyprus and abroad to promote Cyprus in this field. As a result of these efforts our firm provides services today to many large national and international clients.

The accession of Cyprus to the European Union has changed the infrastructure and legal environment in Cyprus. Deloitte has always been in the forefront to advise its clients to cope with the new challenges.

The firm operates from three offices in Nicosia, Limassol and Larnaca, delivering through the personal contact of over 450 very well trained and experienced partners and staff, a seamless and consistent service always aiming at the highest client service standards. Our core services include Audit, Tax, Consulting and Financial Advisory services.

At Deloitte we have all the necessary resources and knowledge to understand all our clients' business needs and create opportunities. Our expert professionals will ensure that clients successfully meet all their business challenges. International tax planning. Implementation of cross border optimisation strategies. Setting up of companies. Audit. Administration and compliance. Wealth management.

Our firm was awarded the 2009 Cyprus Employers and Industrialists Federation (OEB) Excellence Award in the professional services sector. As we strive to be Always one Step Ahead with the ultimate goal to achieve our vision to be the Standard of Excellence, this award demonstrates our commitment to excellence and the quality of our people. Our Winning framework provides a structured approach to tackling the challenges of the downturn in the business environment with the goal of achieving superior performance.

The client is always at the focus of our attention and we use our best endeavours to ensure that our clients receive the best this firm has to offer – size or location is never a factor. Our firm has built its success primarily on its clients and associates with whom for years, through the delivery of high quality services we have created a spirit of teamwork and cooperation, which are essential ingredients leading to optimizing our activities and our approach to work for the benefit of the clients.

Our clients, for which we are extremely proud, include leading organisations across all sectors ranging from banking, insurance, manufacturing, shipping, financial services to the tourist, industrial and trading sectors as well as a large number of international business companies (IBC's) operating throughout the globe.