



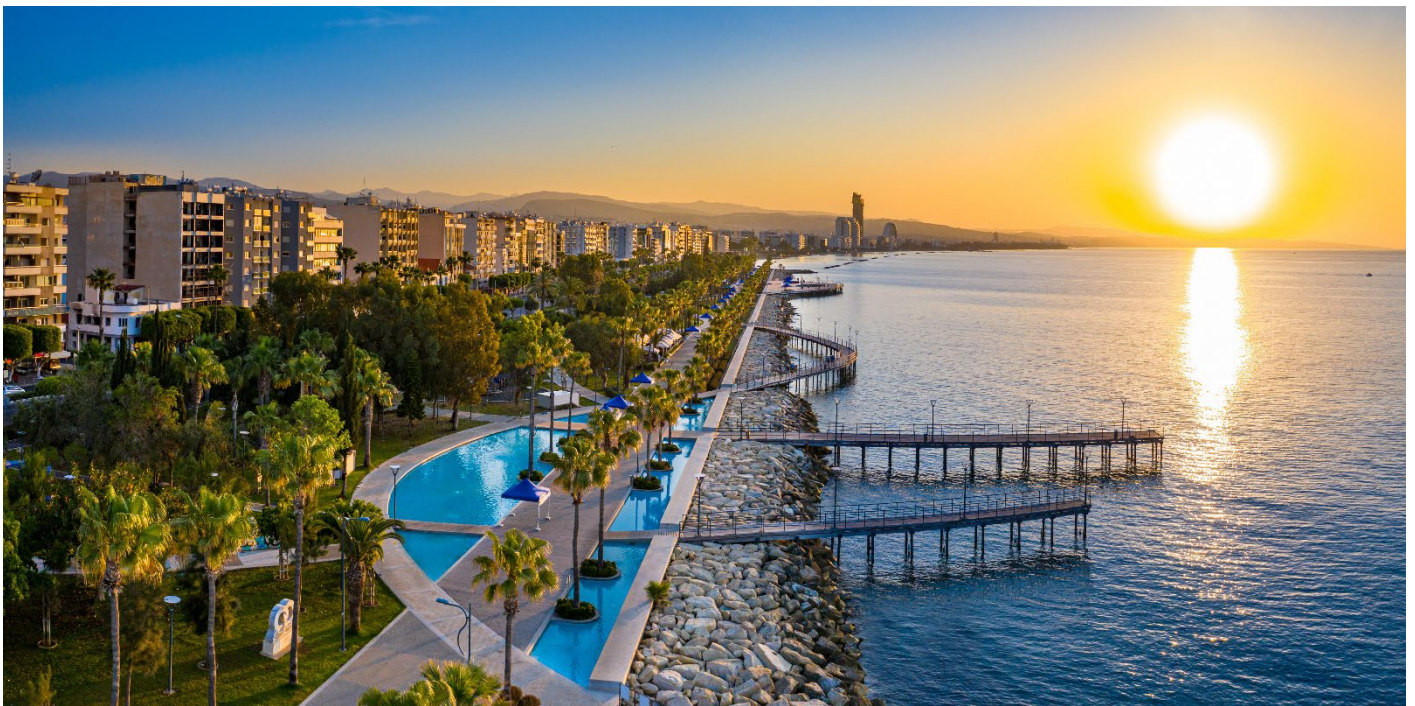
Doing business in Cyprus

A comparative guide

May 2022

A guide to doing business in Cyprus

Deloitte Legal compiled this guide for Legal 500, providing an overview of the laws and regulations on doing business in a variety of jurisdictions. The following country chapter contains the relevant information on the systems of law, the legal forms through which people carry out business, capital requirements, how entities are operated and managed, expansion possibilities, corporate governance, employment law and more.



No.	Question
<h2>A. Legal system and landscape</h2>	
1	<p>Is the system of law in your jurisdiction based on civil law, common law or something else?</p> <p>Cyprus is a common law jurisdiction, and its justice system is based on the adversarial model. The laws applicable in Cyprus are (i) the Constitution of the Republic of Cyprus, (ii) the principles of Common Law and Equity, (iii) the laws enacted by the House of Representatives and (iv) the European Union (EU) laws. The Constitution of the Republic of Cyprus has been amended, following the accession of the Republic of Cyprus to the EU in 2004, so that the European law has supremacy over the Constitution and national legislation.</p>
<h2>B. Entity establishment</h2>	
2	<p>What are the different types of vehicles/legal forms through which people carry on business in your jurisdiction?</p> <p>There are five main types of business structure:</p> <ul style="list-style-type: none"> • The partnership, where individuals jointly and severally share the profits, responsibility, debts, and liability of the partnership as partners; • The limited liability company, which is most commonly formed as a private company limited by shares; • A company limited by guarantee, which are most commonly formed as a charitable or a non-profit company; and • A public company which has more stringent requirements than a private limited liability company, but through which the company can offer its shares to the public; • An SE Company.
3	<p>Can non-domestic entities carry on business directly in your jurisdiction, i.e., without having to incorporate or register an entity?</p> <p>An overseas company may carry on business directly in Cyprus, but it must register with the Cyprus Registrar of Companies (“Registrar”) if it has some degree of physical presence in Cyprus, such as a place of business or branch where it carries on business.</p>
4	<p>Are there any capital requirements to consider when establishing different entity types?</p> <p>Pursuant to the provisions of Companies Law, Cap.113 (“Company Law”), all business forms are required to have share capital, which can be made of cash or kind. In accordance with the provisions of Company Law, there is no minimum amount requirement for a private limited liability company.</p> <p>Unlike private limited liability companies, a public company shall have a minimum capital of €25,629.</p> <p>In partnerships, there is no concept of share capital but there must be some contribution from partners, which is known as the partner’s capital. However, there is no minimum requirement of capital for registering a limited liability partnership.</p>
5	<p>How are different types of vehicles established in your jurisdiction? And which is the most common entity/branch for investors to utilize?</p> <p>The most common entity for investors to use is either a private company limited by shares or a public company:</p> <ul style="list-style-type: none"> • A private company must register the company name, registered address, at least one director, a secretary, at least one shareholder (with a maximum of fifty shareholders); and • A public company must have at least two directors, a secretary, at least seven shareholders and a minimum nominal value of allotted share capital of €25,629, of which each share must be paid up at least as to one-quarter of its nominal value and the whole of any premium.
6	<p>How is the entity operated and managed, i.e., directors, officers or others? And how do they make decisions?</p> <p>Private companies and public companies are managed by their directors acting as a board. There are, however, certain decisions which must be made by shareholders at a general meeting or by a written resolution. Shareholder decisions are either passed by an ordinary resolution (being approved by over 50% of the shareholders) or by a special resolution (being approved by over 75% of the shareholders) pursuant to the provisions of the Companies Law and the company’s articles of association.</p>
7	<p>Are there general requirements or restrictions relating to the appointment of (a) authorized representatives/directors or (b) shareholders, such as a requirement for a certain number, or local residency or nationality?</p> <p>Unless instructed otherwise by the courts, an individual may become a company director unless they are:</p> <ul style="list-style-type: none"> • Disqualified from being a company director; • An undischarged bankrupt (unless allowed by the court); • Declared legally incapacitated; or

	<ul style="list-style-type: none"> • Under the age of 18. <p>Regarding the number of directors and shareholders required, please see question 5 above.</p> <p>Furthermore, it is possible for another company to act as a director of the company. There is no legal requirement for a director to be based in Cyprus or to be a Cypriot national.</p> <p>In case of private limited companies with only one director, this director cannot be appointed as a secretary of the company, except in the situation of the private limited company having only one member, where the director can also be appointed as the company's secretary.</p> <p>There are no local residency or nationality requirements placed on shareholders from a Cypriot company law perspective.</p>
8	<p>Apart from the creation of an entity or establishment, what other possibilities are there for expanding business operations in your jurisdiction? Can one work with trade/commercial agents, resellers, and are there any specific rules to be observed?</p> <p>From a corporate law perspective, there are no restrictions in expanding business operations in Cyprus. Unless specifically noted in the articles or memorandum of association, an entity or establishment is free to work with trade/commercial agents and resellers.</p>

C. Entity operation

C1. Governance

9	<p>Are there any corporate governance codes or equivalent for privately owned companies or groups of companies? If so, please provide a summary of the main provisions and how they apply.</p> <p>N/A</p>
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C2. Capital

10	<p>What are the options available when looking to provide the entity with working capital? i.e., capital injection, loans, etc.</p> <p>Working capital may be provided by the shareholders by subscribing to further shares in the company. A company may also consider a loan to finance working capital loans. This could be from the shareholders, another entity within the same company group or from a third party. In addition to this, the company may consider the following options: overdrafts, revolving credit facilities, debt factoring (or invoice finance), asset refinancing, etc.</p>
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C3. Return of proceeds

11	<p>What are the processes for returning proceeds from entities? i.e., dividends, returns of capital, loans, etc.</p> <p>As a general rule, companies are bound by strict maintenance of capital rules and can only, subject to certain exceptions, return value to their shareholders. As set out below, private companies can return value to their shareholders in several ways.</p> <p>Dividends The most common method of a company returning value to its shareholders is a dividend. A dividend is the distribution of a company's post-tax profits to its shareholders. It is important for a company to have sufficient distributable profits that are justified by reference to relevant accounts for the company to be able to lawfully pay a dividend.</p> <p>Dividends paid out by a company are either in the form of a final dividend (i.e., dividends paid once a year, calculated after the annual accounts have been drawn up) or an interim dividend (dividends paid at any time throughout the year, calculated before the company's annual earnings have been determined).</p> <p>Checking the company's articles of association before recommending or declaring a dividend is of ultimate importance, as they usually contain express provisions regarding dividends. Subject to any restrictions in the articles of association, directors can generally resolve to pay interim dividends, however, final dividends should be recommended by directors but declared by shareholders by ordinary resolution.</p> <p>The directors should have regard for their common law, equitable duties, and their statutory duties under Company Law before paying a dividend. Company directors are under a common law duty to safeguard a company's assets and must also consider the company's future financial requirements before recommending or declaring a dividend.</p>
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Share buybacks

A private limited company in Cyprus cannot buy and hold its own shares. Public companies can acquire their own shares if authorized by its articles of association and conditions as set out in Company Law are satisfied, conditions such as, among others, securing corporate approvals, maintaining the share percentages prescribed by law and ensuring that the consideration is paid out of realized and non-distributed profits.

Redeemable preference shares

Even though a private limited liability company cannot buy back its own shares, shares may be redeemed if such shares were issued as redeemable preference shares (“RPS”). RPS are shares issued in the share capital of a company with the intention that such shares will be redeemed or shall have the right to be redeemed at the option of the issuing company or the holder of the RPS in exchange for cash or a fresh issue of shares, subject to (i) the redemption provisions agreed upon the issuance of the RPS, (ii) the relevant mechanics provided under the company’s articles of association, and (iii) the relevant provisions of Company Law.

Capital reductions

A reduction of capital occurs when a company reduces the amount of its share capital. This may be an option when the company has capital that is surplus to its requirements and that it wishes to return to shareholders. Company Law gives a company the right to reduce its capital when certain requirements are satisfied. It needs to be allowed through the company’s articles of association and be approved through a special resolution. The company must then submit a court application in order to receive the court’s approval for the proposed reduction of share capital before proceeding with the reduction.

A company can reduce its share capital, inter alia, by:

- Extinguishing or reducing the liability on any of its shares in respect of share capital not paid up; or
- Either with or without extinguishing or reducing liability on any of its shares, cancel any paid-up share capital which is lost or unrepresented by available assets; or
- Either with or without extinguishing or reducing liability on any of its shares, return any paid-up share capital which is in excess of the wants of the company.

Bonus issue

A bonus issue is an issue of new shares (bonus shares) by a company to holders of existing shares in the company, generally in proportion to their existing holdings. No payment is required from shareholders as the bonus shares are paid up using the company’s existing profits or reserves.

The articles of association should be checked before a company can carry out a bonus issue to ensure that the directors have authority to capitalize the relevant profits or reserves and issue bonus shares.

The company’s directors must have the necessary authority to allot the bonus shares.

The directors’ authority to capitalize profits or reserves and issue bonus shares is usually subject to the approval of shareholders by ordinary resolution.

Loans

It is also possible for a company to loan cash to its shareholders. The terms of such a loan should be closely examined to ensure they do not give rise to any tax or legal issues.

C4. Shareholder rights

12	<p>Are specific voting requirements/percentages required for specific decisions?</p> <p>There are two types of resolution which may be put to a general meeting or in certain circumstances be passed as written resolutions: an ordinary resolution and a special resolution. Ordinary resolutions require a simple majority and special resolutions require a 75% majority to pass.</p> <p>Corporate actions that require a special resolution, inter alia, include:</p> <ul style="list-style-type: none"> • Amending the company’s memorandum and articles of association; • Changing the company’s name; • Approving a reduction of capital; • Approving the buy-back of shares in public companies; and • Approving a member’s voluntary liquidation.
13	<p>Are shareholders authorized to issue binding instructions to the management? Are these rules the same for all entities? What are the consequences and limitations?</p>

Directors must immediately convene an extraordinary general meeting of the company if requested by:

- Members of the company holding at least 10% of the paid-up capital of the company.
- For companies with no share capital, members representing at least 10% of the total voting rights of all shareholders.
- For listed companies in a regulated market, members representing at least 5% of the total voting rights of all shareholders.

Additionally, companies' articles of association usually provide for shareholders' reserved matters, where such matters shall be decided by the shareholders.

C5. Employment

14 What are the core employment law protection rules in your country (e.g., discrimination, minimum wage, dismissal, etc.)?

Employees hired to work in Cyprus will be covered by Cypriot employment law. We have set out below a summary of the core employment law rights and protections that employees benefit from in Cyprus. This is not exhaustive but covers the core areas. All financial figures are the current figures and are subject to review.

Right/Protection	Details
National Minimum Wage	<p>Minimum wages are governed under the Minimum Wages Law, Cap.183. Minimum wage is set annually by the government in consultation with social partners for certain occupations in which unionization and collective bargaining coverage is low. The recommendations for updating the minimum wage are made by the tripartite labor advisory board with representation from the government, employers, and the workers' side.</p> <p>There is no national minimum wage in Cyprus. The minimum wages are announced for the following nine occupations through an Order/Decree of the Council of Ministers: sales staff, clerical workers, auxiliary healthcare staff (personal care staff), auxiliary staff (childcare staff) in nursery schools, in crèches and in schools, security guards, caretakers and cleaners.</p>
Holiday	Employees are entitled to four weeks of paid holiday each year (a minimum of 20 days for those working five days a week and a minimum of 24 days for those working six days a week)
Working Hours	The working hours in Cyprus are set to 40 hours a week, and the employee may work an additional five hours a week of overtime. Opt-out agreements are commonplace.
Rest Periods	<p>Unless an exemption applies, employees are entitled to the following rest periods:</p> <ul style="list-style-type: none"> • 11 hours' uninterrupted rest per day; • 24 hours' uninterrupted rest per week (or 48 hours' uninterrupted rest per fortnight); and • A rest break of 15 minutes when working more than six hours per day. <p>Where exemptions apply, compensatory rest will usually have to be given.</p>
Pension Rights	<p>An employee must meet the following social insurance conditions in order to be entitled to an old-age pension:</p> <ul style="list-style-type: none"> • Completion of the 65th year of his age (pension year). • The employee must have paid or merged contributions for at least 10 insurance points (the amount resulting from the conversion of real and assimilated insured earnings to insurance points) and 520 weeks must have passed since the week of his/her insurance commencement. • The employee must have met the total number of insurance points of real and assimilated real insurance which shall not be less than 30% of the years which fall within the relevant reference period. <p>The old-age pension consists of a basic allowance and an additional benefit, calculated on a weekly basis. The weekly basic allowance is equal to 60% of the average weekly basic insurable earnings received by the person concerned, calculated in accordance with the yearly insurance points average which the insured person holds in his/her basic insurance during the relevant reference period. With the incorporation of the supplement of dependent members, the basic allowance is increased to 80%, 90% and 100% for one, two or three members, respectively (maximum three dependent members).</p>
Discrimination	<p>Employees are protected against discrimination on the basis of the following protected characteristics:</p> <ul style="list-style-type: none"> • Age; • Disability; • Pregnancy and maternity; • Race; • Religion or belief; • Sex; and

	<ul style="list-style-type: none"> Sexual orientation.
Maternity Leave / Pay	<p>Employees are entitled to maternity leave of 18 consecutive weeks.</p> <p>Benefits are also paid for a period of 16 weeks to adoptive mothers of children under the age of 12.</p> <p>Under the Social Insurance Law 2010 (N. 59(I)/2010) (“Social Insurance Law”), the insured woman is entitled to maternity allowance payable by the Social Insurance Fund, subject to certain contributions and other conditions. Maternity allowance is composed of basic and supplementary benefits.</p> <p>Under the Social Insurance Law, a woman who has given birth is also entitled to a maternity grant in the form of a lump sum payment, provided that either she or her husband satisfies the relevant contribution conditions. A separate claim must be made for the grant, no later than 12 months after the date of delivery.</p>
Paternity Leave	<p>Any employee whose wife gave birth or had a child through a surrogate mother or adopted a child up to the age of 12 is entitled to paternity leave for two consecutive weeks starting from the week of birth or adoption and ending after a period of 16 weeks.</p> <p>The paternity allowance corresponds to 72% of the worker's weekly salary and is paid for two consecutive weeks.</p>
Shared Parental Leave	<p>Any employed parent, male or female, is entitled to take unpaid parental leave for a total of 18 weeks, by reason of the birth or adoption of a child, and for the purpose of taking care of and participating in raising of the child.</p>
Statutory Sick Pay	<p>Under Cyprus law, no payment is made for the first three days of sick leave by the Ministry of Labour, Welfare and Social Insurances. An employee who is absent for more than three consecutive days is entitled to file a claim for receiving a sick leave payment which is a percentage of his/her salary by the Social Insurance Fund (not by the employer).</p> <p>To be eligible for sick pay, a person must not be receiving full salary during the period of sickness, must have at least 26 weeks of insurance, paid contributions on earnings of at least 26 times the weekly basic insurance coverage earnings, and paid or credited earnings contributions of at least 20 times the weekly basic insurance coverage earnings in the last year.</p>
Statutory Notice Periods	<p>The following notice periods must be given by the employer to his employee:</p> <ul style="list-style-type: none"> From 26 to 51 weeks' service: one week's notice. From 52 to 103 weeks' service: two weeks' notice. From 104 to 155 weeks' service: four weeks' notice. From 156 to 207 weeks' service: five weeks' notice. From 208 but less than 259 weeks' service: six weeks' notice. From 260 to 311 weeks' service: seven weeks' notice. From 312 weeks' service or more: eight weeks' notice. <p>The following notice periods must be given by the employee to his employer:</p> <ul style="list-style-type: none"> From 26 to 51 weeks' service: one week's notice. From 52 to 259 weeks' service: two weeks' notice. From 260 weeks' service or more: three weeks' notice <p>If the contract of employment provides for a longer period of notice, then the contractual notice period will prevail over the statutory minimum notice period.</p>
Unfair Dismissal	<p>Every employee in Cyprus is protected by a statutory right to not to be dismissed unfairly. If an employee has been dismissed for no good reason, then such a dismissal can be considered as unfair which may entitle the dismissed employee to a compensation by his/her employer and such compensation may be calculated in accordance with the provisions of relevant law.</p> <p>Dismissal is considered unfair unless the employer proves one of the following grounds: unsatisfactory performance (other than temporary incapacity due to illness, injury or childbirth), redundancy, force majeure, act of war, civil commotion or natural disaster, termination at the end of a fixed-term contract, employee reaching normal retirement age, conduct leading to the immediate dismissal of the employee and conduct making it clear that the relationship between employer and employee cannot reasonably be continued, the commission of serious disciplinary or criminal offences, obscene behavior or repeated violation or ignorance of employment rules.</p>

	In case of unfair dismissal, an employee must submit a labor dispute action, with the Labor Court of the district of his/her employment, within 12 months from the day of the dismissal. Failing to abide by the limitation period rules will result in a time barred action.
Statutory Redundancy Payment	An employee who has been continuously employed by the same employer for at least 104 weeks is entitled to redundancy compensation from the Surplus Personnel Fund (funded by the employer's contributions) when they are made redundant. The redundancy allowance varies according to age, the length of service, and pay.
Statement of Particulars	Cyprus labor law does not specifically require employment contracts in written form, however, it does require employers to provide employees with specific information about the terms of their employment within one month of commencement of employment.

15	<p>On what basis can an employee be dismissed in your country, what process must be followed and what are the associated costs? Does this differ for collective dismissals and if so, how?</p> <p>Dismissal is considered unfair unless the employer proves one of the following grounds:</p> <ul style="list-style-type: none"> The employer can show that the reason for the dismissal was one of the following potentially fair reasons: unsatisfactory performance, capability of qualifications, redundancy, force majeure, termination at the end of a fixed-term contract, employee reaching normal retirement age, conduct, breach of a statutory duty or of employment rules. <p>Associated costs The costs of a dismissal will depend on the reason for the dismissal. Potential costs will include:</p> <ul style="list-style-type: none"> Notice Pay (see above); and Redundancy Pay (see above). <p>Collective dismissals An employer who intends to proceed with collective dismissals of at least 10 workers in companies with 21-99 employees, 10% in firms with 100-299 employees or at least 30 employees in firms with 300 or more staff, over a period 30 days, is obliged to consult in good time with the employees' representatives with the view to reaching an agreement. The employer must have completed the consultations with the employees' representatives before he/she notifies the relevant authority on the intention to proceed to collective dismissals, since he/she must provide information to the relevant authority also on the outcome of these consultations.</p> <p>Collective dismissals can take effect at the earliest 30 days after the relevant authority has been notified.</p>
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16	<p>Does your jurisdiction have a system of employee representation/participation (e.g., works councils, co-determined supervisory boards, trade unions, etc.)? Are there entities which are exempt from the corresponding regulations?</p> <p>The right of association, including the right to form and to join trade unions in workplaces, is safeguarded by Article 21 of the Cyprus Constitution. It includes the right for the workforce to decide who will represent them in the workplace, without any kind of input, interference or compulsion from or by the owners or employers. Matters concerning collective negotiations, collective agreements, the settlement of disputes, the conditions governing the calling of strikes and the imposition of lockouts are regulated by the Labor Relations Code 1977.</p>
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C6. Anti-corruption/bribery/money laundering/supply chain

17	<p>Is there a system governing anti-bribery or anti-corruption or similar? Does this system extend to non-domestic constellations, i.e., have extraterritorial reach?</p> <p>The main body involved in investigating bribery and corruption allegations and complaints is the police, which cooperates with specialist financial intelligence units such as the Unit for Combating Money Laundering (“MOKAS”). The Office of the Attorney General examines the findings of the police and decides whether a case should be heard by a court. The Audit Office of the Republic may also refer incidents of bribery and corruption to the Attorney General for investigation. Some of the main laws, as amended from time to time, establishing the legal framework against bribery and corruption are as follows:</p> <ul style="list-style-type: none"> The Prevention of Corruption Law, Cap 161, The Civil Servants Law, Law 1 of 1990, The Criminal Code, Cap 154, The Law Ratifying the Criminal Law Convention on Corruption, Law 23(III) of 2000, The Political Parties Law, Law 175(I) of 2012, The Law on the Illicit Enrichment of Public Officials and Officers, Law 51(I) of 2004.
18	<p>What, if any, are the laws relating to economic crime? If such laws exist, is there an obligation to report economic crimes to the relevant authorities?</p> <p>Please see question 17.</p>

	<p>Additionally, the Prevention and Suppression of Money Laundering Activities Law (L58(I)/2010) provides provisions in relation to reporting money laundering to relevant authorities.</p>
19	<p>How is money laundering and terrorist financing regulated in your jurisdiction?</p> <p>The main regulation which considers money laundering and terrorist financing in Cyprus is the “Prevention and Suppression of Money Laundering Activities Laws of 2007 to 2019” (the “Law”) which has also implemented the EU Directive 2015/849 of the European Parliament, as amended from time to time, into domestic legislation.</p> <p>The Law provides that the Central bank of Cyprus (“CBC”) is the competent authority for the enforcement of the provisions of the legislation in relation to the financial activities of entities supervised by the CBC, which include credit, payment, electronic money, currency exchange, leasing and credit acquiring institutions.</p> <p>The national center for reporting suspicious transactions and other relevant information concerning money laundering and terrorist financing, is MOKAS at the Attorney General’s office.</p>
20	<p>Are there rules regulating compliance in the supply chain (for example, comparable to the UK Modern Slavery Act, the Dutch wet kinderarbeid, the French loi de vigilance)?</p> <p>Further to European legislation and international conventions to which Cyprus is a party, domestic legislation provides the following, without being an exhaustive list:</p> <p>Slavery and servitude Provisions related to slavery are found in the Constitution in Article 10(1) which declares that no person shall be held in slavery. Article 8 of Law on the Prevention, Fighting against Trafficking in and Exploitation of Human Beings and Protection of Victims also makes slavery, through the specified means, a prohibited form of labor exploitation.</p> <p>Forced labor Provisions related to forced labor are found in the Constitution which prohibits forced labor in Article 10(2). Article 8 of the Law on the Prevention, Fighting against Trafficking in and Exploitation of Human Beings and Protection of Victims also makes forced work or services a prohibited form of labor exploitation.</p> <p>Human trafficking Provisions related to trafficking in persons are found in the Law on the Prevention, Fighting against Trafficking in and Exploitation of Human Beings and Protection of Victims which prohibits trafficking under Article 6.</p>
<h2>C7. Compliance</h2>	
21	<p>Please describe the requirements to prepare, audit, approve, and disclose annual accounts/annual financial statements in your jurisdiction.</p> <p>Every company is under an obligation to file every year an annual return with the Registrar. This annual return is accompanied by the audited financial statements of the company which were presented at the annual general meeting of the company. Failure on the part of the company to file its annual returns together with the audited financial statements could result in the dissolution of the company by the Registrar by means of a strike off of the company’s name from the register of companies maintained by the Registrar as a defunct company.</p> <p>Therefore, a company must prepare audited financial statements every year in compliance with the IFRS standards and it is imperative that the company appoints an audit firm in Cyprus for this particular purpose.</p>
22	<p>Please provide details on any corporate/company secretarial annual compliance requirements?</p> <p>Under the corporate compliance regulations imposed by the Company Law, all companies must keep records of all the minutes of the proceedings and the annual general meeting of the company’s shareholders. These minutes will then be kept at the Cypriot registered office of the company.</p>
23	<p>Is there a requirement for annual meetings of shareholders, or other stakeholders, to be held? If so, what matters need to be considered and approved at the annual shareholder meeting?</p> <p>Every company must hold a general meeting in each calendar year as its annual general meeting. Not more than 15 months must pass between the date of one annual general meeting and the next. Apart from the concession that the first annual general meeting must be held within 18 months of incorporation, the annual general meeting cannot be postponed, and the 15-month rule must be followed.</p>
24	<p>Are there any reporting/notification/disclosure requirements on beneficial ownership/ultimate beneficial owners (UBO) of entities? If yes, please briefly describe these requirements.</p>

	<p>In early 2021, the Cyprus government transposed the 5th EU Anti-Money Laundering (AML) Directive into Cyprus legislation, amending the Law for the Prevention and Suppression of Money Laundering Activities. Consequently, all companies and other legal entities that are incorporated or registered in the Republic of Cyprus are now obliged to identify and record on the Beneficial Ownership (BO) Register all relevant information about their beneficial ownership.</p> <p>Definition of beneficial owner</p> <p>In accordance with the law, a beneficial owner is defined as any natural person(s) who ultimately owns or controls the Obligated Entity and/or the natural person(s) on whose behalf a transaction or activity is being conducted and includes at least:</p> <ol style="list-style-type: none"> For corporate entities: the natural person(s) who ultimately owns or controls a legal entity through direct or indirect ownership of a sufficient percentage of the shares or voting rights or ownership interest in that entity, including through bearer shareholdings, or through control via other means. A shareholding of 25% plus one share or an ownership interest of more than 25% in the customer held by a natural person shall be an indication of direct ownership. For trusts: the settlor; the trustee(s); the protector, if any; the beneficiaries, or where the individuals benefiting from the legal arrangement or entity have yet to be determined, the class of persons in whose main interest the legal arrangement or entity is set up or operates and any other natural person exercising ultimate control over the trust by means of direct or indirect ownership or by other means. For legal entities, such as foundations and legal arrangements similar to trusts: the natural person(s) holding equivalent or similar positions to those referred to in point (b) above. <p>Obligated entities</p> <p>Entities considered as “obliged entities” are the following:</p> <ol style="list-style-type: none"> Companies incorporated or registered under the Companies Law Cap.113, European Public limited liability Companies, Partnerships. <p>The Directive does not apply to the following entities:</p> <ol style="list-style-type: none"> Companies listed on a regulated market that is subject to disclosure requirements consistent with EU law, Companies whose directors submitted an application for strike off pursuant to Article 327 (2A) (a) of the Companies Law, prior to the commencement of the Directive (12 March 2021), Companies whose liquidation has been enacted before the commencement of the Directive (12 March 2021). Overseas companies (branches).
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C8. Tax

25	<p>What main taxes are businesses subject to in your jurisdiction, and on what are they levied (usually profits), and at what rate?</p> <p>Corporation tax The corporate tax rate is 12.5%.</p> <p>Special Contribution for the Defence of the Republic (“SDC”) SDC is levied on certain types of income received by or credited to Cypriot tax resident companies. The rate of SDC depends on the source of the income:</p> <ul style="list-style-type: none"> 3% (on 75% of net rental income from immovable property), 17% (on dividends received from non-resident companies), 30% (on interest not generated in the ordinary course of the business). <p>Value added tax (“VAT”) The supply of goods and provision of services in Cyprus is subject to VAT at 19%. However, there are several categories of goods and services that attract VAT at lower rates or even exempt from VAT.</p> <p>Capital gains tax Subject to a few exceptions (including transfers on death and transfers due to reorganizations), capital gains tax at 20% is imposed on profits from the disposal of immovable property situated in Cyprus or shares in private companies holding immovable property in Cyprus.</p>
26	<p>Are there any particular incentive regimes that make your jurisdiction attractive to businesses from a tax perspective (e.g., tax holidays, incentive regimes, employee schemes, or other)?</p> <p>Substantial incentives are currently in place, which have been introduced by Cyprus to boost foreign investment and the development of innovative start-up companies. Some key regimes are as follows:</p> <p>Non-domicile rules for individuals</p>

	<p>Subject to the provisions of the relevant legislation and the introduction of the "non-domicile rule", a non-domiciled Cyprus tax resident individual are subject to certain exemptions.</p> <p>No withholding taxes Non-resident shareholders enjoy exemption from any withholding tax for any amounts paid as dividends. The same applies for any interest and/or royalties paid from Cyprus with regards to intellectual property exploited outside Cyprus.</p> <p>IP Box The IP Box is an incentive allowing for certain notional interest deductions on IP income and qualifying capital gains from the disposal of IP rights. Qualifying profits include:</p> <ul style="list-style-type: none"> • Profits generated from royalties, • Amounts received from the granting of a license to use IP, • Trading income arising from the sale of IP. <p>Notional interest deduction Notional interest deduction is a deduction against taxable profit based on the application of a reference interest rate to new equity in a company, which effectively decreases corporation tax.</p>
27	<p>Are there any impediments/tax charges that typically apply to the inflow or outflow of capital to and from your jurisdiction (e.g., withholding taxes, exchange controls, capital controls, etc.)?</p> <p>There are no exchange control regulations. Cyprus nationals and non-Cyprus nationals can hold and manage assets and liabilities in any foreign currency.</p>
28	<p>Are there any significant transfer taxes, stamp duties, etc. to be taken into consideration?</p> <p>Stamp duty Stamp duty is payable on certain types of documents relating to acts performed or objects located in Cyprus, regardless of the place of execution.</p> <p><u>Applicable Rates</u> Stamp duty amounts depend on the contract value, as follows:</p> <ul style="list-style-type: none"> • €1 to €5,000: Zero, • €5,001 to €170,000: €1.50 for every €1,000, • Over €170,000: €2 for every €1,000 up to a maximum of €20,000, • Unspecified contract value: €34.17. <p>Property transfer fees Transfer of the ownership right from the developer to the buyer is accompanied by property registration tax paid by the buyer to the state, a so-called "Transfer Fee". The Transfer Fee is calculated based on the contract value.</p>
<h2>C9. M&A</h2>	
29	<p>Are there any public takeover rules?</p> <p>The primary source of legislation relating to public M&A transactions in the Republic of Cyprus is the Law to Make Provision for Public Takeover Bids for the Acquisition of Securities of Companies and Related Matters, Law 41(I)/2009 ("Takeover Law").</p> <p>The competent authority responsible for the supervision and application of the provisions of the Takeover Law is the Cyprus Securities and Exchange Commission (CySEC). CySEC also retains the authority to issue directives for supplementing and/or clarifying any provisions of the Takeover Law. To date, CySEC has issued four directives, which complement the provisions of the Takeover Law.</p> <p>In addition to the Takeover Law and the directives, the array of the legislative arsenal in relation to M&A transactions comprises of the following legislative instruments:</p> <ul style="list-style-type: none"> • Companies Laws of Cyprus, Cap. 113 as amended ("Companies Law"), • Cyprus Securities and Stock Exchange Law, Law 14(I) of 1993 as amended, • Market Abuse Law, Law 102(I)2016, • Transparency Requirements in relation to information about issuers whose securities are admitted to trading on a regulated market Law, Law 190(I) of 2007 as amended.
30	<p>Is there a merger control regime and is it mandatory/how does it broadly work?</p>

	<p>The Control of Concentrations Between Undertakings, Law 83(I) of 2014 (Merger Control Law), is the statute regulating the control of concentrations between undertakings in Cyprus.</p> <p>Enforcement of the Law rests with the Commission for the Protection of Competition (CPC). The CPC has the overall responsibility for implementing the Law and is the competent authority for the control of concentrations. The CPC is empowered under the Law to declare a concentration as compatible or incompatible with the functioning of competition in the market. The investigation and procedural aspects relating to notifications of concentrations are performed by the civil service of the CPC (the Service).</p> <p>The Law applies to concentrations between undertakings resulting in a change of control on a lasting basis. A concentration of undertakings shall be deemed to arise where a change of control on a lasting basis results from:</p> <ul style="list-style-type: none"> • Merger of two or more previously independent undertakings or parts of undertakings, or • Acquisition, by one or more persons already controlling at least one undertaking, or by one or more undertakings, of direct or indirect control of the whole or parts of one or more other undertakings, whether by purchase of securities or assets, by contract, or by any other means; or • The creation of a joint venture that performs all functions of an autonomous economic entity on a lasting basis. <p>The Law only requires notifications of concentrations of major importance. A concentration of undertakings is deemed to be of major importance and therefore meets the jurisdictional thresholds if:</p> <ul style="list-style-type: none"> • The aggregate turnover achieved by at least two of the undertakings concerned exceeds, in relation to each one of them, €3.5 million; and • At least two of the undertakings concerned achieve a turnover in Cyprus; and • At least €3.5 million of the aggregate turnover of all undertakings concerned (taken together) is achieved in Cyprus.
31	<p>Is there an obligation to negotiate in good faith?</p> <p>Under Cyprus law, there is no express obligation on parties which have entered into negotiations (whether in respect of an M&A transaction or otherwise) to conduct such negotiations in good faith.</p>
32	<p>What protections do employees benefit from when their employer is being acquired, for example, are there employee and/or employee representatives' information and consultation or co-determination obligations, and what process must be followed? Do these obligations differ depending on whether an asset or share deal is undertaken?</p> <p>Share sale</p> <p>There are no specific employee rights/protections relating to a share sale (other than the ordinary employment law rights/protections). From an employee relations perspective, it is best practice to inform the employees about the sale and related information so that they understand the rationale for the sale and to alleviate any concerns about the potential impact of the sale.</p> <p>Automatic transfer of employees</p> <p>Employees are not entitled to object to a business transfer. Objecting to working for a new employer may constitute a material breach of the employment contract and be seen as resignation on the part of the employee. If the working conditions or the contract of employment are changed to the employee's detriment (for example, if the employee's duties radically change) this can constitute a breach of contract by the employer and breach of the Law on the Preservation and Protection of the Employee's Rights during the Transfer of Business, Facilities or Parts of Business or Facilities of 2000-2018 (Law 104(I)/2000); Termination of Employment Law of 1967-2018 (Law 24/1967), as amended. Both the transferor and transferee must notify and consult either the employees affected by the transfer or their representatives. Before employees are transferred to the new employer, it is advisable that the relevant government departments are notified, although this is not a legal requirement.</p> <p>Protection against dismissal</p> <p>A transfer cannot in itself constitute grounds for the dismissal of an employee by either the transferor or the transferee. However, there is a right to dismiss due to economic, technical or organizational reasons that require changes to the workforce. Essentially, lawful dismissals can arise in cases where the business transfer results in redundancies, as provided for in Section 18 of the Termination of Employment Laws 1967, as amended.</p> <p>If the employment contract or employment relationship is terminated due to the transfer or because the transfer involves a substantial change to the terms of employment that are to the employee's detriment, the employer will be deemed responsible for the termination of the contract or employment relationship.</p> <p>Harmonization of employment terms</p> <p>All the rights and duties of the transferor stemming from the employment contract or employment relationship as it exists at the date of the transfer must be transferred to the transferee. The transferee must retain the same terms that have been agreed on in any collective agreement, in the same way as was done by the transferor, for the remainder of the term of the collective agreement and for at least one year after the transfer. Employees do not retain the rights that they had with the transferor concerning old age and disability benefits, plus any rights to supplementary occupational retirement benefits except for those provided by the Social Insurance Law.</p>

C10. Foreign direct investment

33	<p>Please provide details on any foreign direct investment restrictions, controls or requirements. For example, please provide details on any limitations, notifications, and/or approvals required for corporate acquisitions.</p> <p>As part of the general Cypriot policy of attracting foreign investment, subject to certain exceptions, the Cypriot Government has fully liberalized direct investment by foreign nationals, with the only exception being certain regulated, and/or strategic areas or industries.</p> <p>In general, EU nationals have no restrictions on ownership and investment in Cyprus. Similarly, subject to the above, foreign nationals from outside the EU are equally free to invest and acquire up to 100% of the share capital in Cypriot companies.</p> <p>There is no restriction on the acquisition and ownership of real estate in Cyprus by EU nationals. However, there are certain restrictions for foreign owners or entities.</p>
34	<p>Does your jurisdiction have any exchange control requirements?</p> <p>There are currently no exchange controls, capital controls or similar restrictions in force in Cyprus. However, in line with other EU member states there is a requirement for travelers to Cyprus to declare on arrival any cash amount over €10,000.</p>

D. Entity closure

35	<p>What are the most common ways to wind up/liquidate/dissolve an entity in your jurisdiction? Please provide a brief explanation of the process.</p> <p>Members' voluntary liquidation A company may only be liquidated:</p> <ul style="list-style-type: none"> • When the period, if any, fixed for the duration of the company by the articles expires, or the event, if any, occurs, on the occurrence of which the articles provide that the company is to be dissolved, and the company in general meeting has passed a resolution requiring the company to be wound up voluntarily. • If the company resolves by special resolution that the company be wound up voluntarily. • If the company resolves by extraordinary resolution to the effect that it cannot by reason of its liabilities continue its business, and that it is advisable to wind up. <p>A members' voluntary liquidation starts with a statutory declaration (usually referred to as a declaration of solvency) by the directors (or a majority of them if there are more than two) that, having enquired fully into the affairs of the company, they consider that the company will be able to pay its debts in full within a maximum of 12 months. The statutory declaration must be made within five weeks before the date of the proposed resolution to wind-up and delivered to the Registrar of Companies before the date of the proposed resolution to wind-up.</p> <p>Creditors' voluntary liquidation Creditors' voluntary liquidation is used to distribute the available assets of an insolvent company among the creditors and bring the company's existence to an end.</p> <p>The first step in a creditors' voluntary liquidation is the convening of separate meetings of members and creditors:</p> <p><u>Members' meeting</u>- The purpose of the members' meeting is to pass a resolution to wind up the company and appoint a liquidator.</p> <p><u>Creditors' meeting</u>- The purpose of the creditors' meeting is to:</p> <ul style="list-style-type: none"> • Present creditors with a statement of the company's financial position and a list of creditors' claims; • Nominate a liquidator to act in place of the liquidator appointed by the members, or approve the liquidator appointed by the members; • If the creditors wish they may appoint a committee of inspection of up to five persons to assist and oversee the liquidator and fix his/her remuneration. <p>Compulsory =liquidation (by an order of the court) In contrast to the voluntary liquidation proceedings, which are 'internally' initiated, a compulsory liquidation is ordered by the Court by virtue of a court order issued in the course of an application filed to that end by the company, a creditor, a contributor or any other interested party, among others, in case the company has by special resolution resolved that it shall be wound up by the Court, in case of default in pursuing any of its statutory liabilities, and/or commitments or in case the company is unable to pay its debts.</p> <p>Strike-off</p>
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The strike-off of a company from the Companies' Registry constitutes an alternative way through which a company is dissolved, available to dormant companies and/or companies the businesses and/or operations of which have been ceased and which (companies) have no longer any assets or liabilities and do not intend to carry on any business and/or in the future. In fact, the strike off constitutes an administrative procedure, effected, among others, through the communication of a notice or series of notices from the Registrar to a company or of a letter-request from a company to the Registrar, directly leading to the strike off of the company's name from the registry as held by the Registrar.

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