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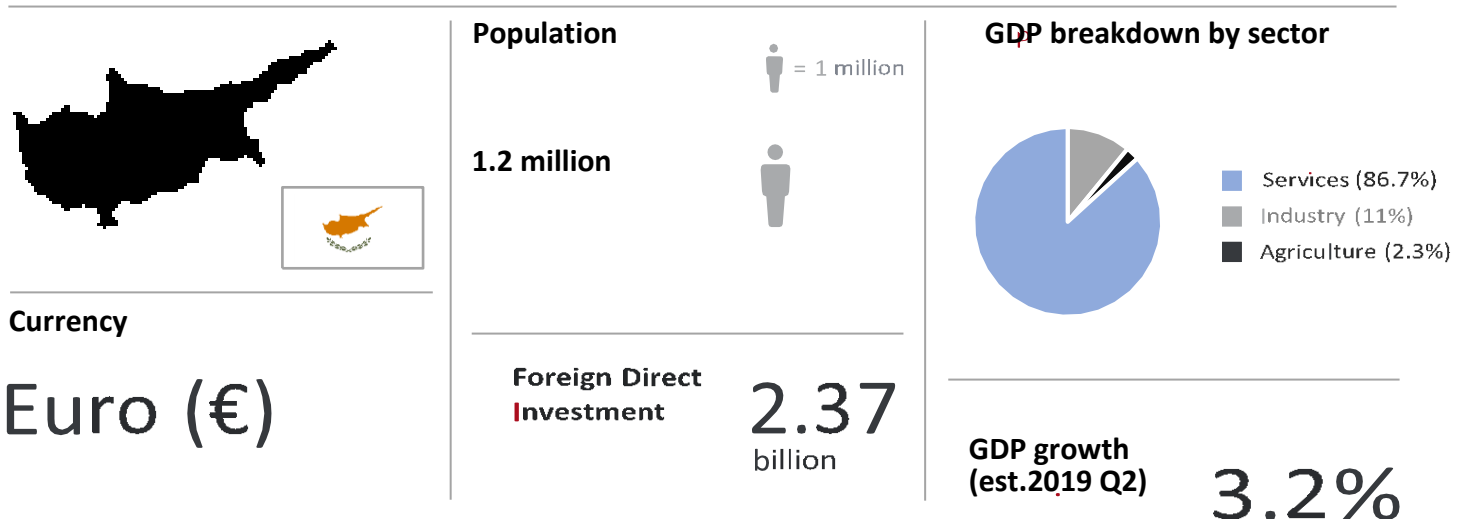
Business in Cyprus

Cyprus, officially the Republic of Cyprus, is an island country in the Eastern Mediterranean and the third largest and third most populous island in the Mediterranean, located south of Turkey, west of Syria and Lebanon, northwest of Israel, north of Egypt, and southeast of Greece. Cyprus covers an area of 9,251 km² and is a full member of the European Union since 1 May 2004 and the Eurozone since January 2008. Nicosia is the capital of Cyprus and the official languages are Greek and Turkish, although English is widely spoken, as in other jurisdictions, is the most common language of doing business.

Cyprus is a small and adaptable free market economy built upon tourism, financial services and real estate, which account for almost 85% of the island's total GDP.

Cyprus is a unitary presidential representative republic whereby the President is both head of state and head of government.

The legal system is mainly based in the English judicial system. Although laws are extensively codified, it is still heavily based on English common law principles.



Business climate

In the last few years, Cyprus has been voted as one of the most attractive European tax jurisdictions by major business organisations across Europe. Cyprus has been admired for the stability of its tax law, the consistency in interpreting its tax legislation and its low tax rates.

Displaying a business-friendly environment for over four decades, Cyprus has attracted foreign investment and capital flows. The country's financial and regulatory environment is harmonised with that of the European Union, its Cyprus tax system is aligned with the framework of the European Union Code of Conduct for business taxation and demonstrates a commitment to the OECD policies against harmful tax practices.

Cyprus' robust economy and swift return to growth following its exit from the EU-IMF bailout programme in 2016, the country has made significant progress towards improving its business environment, re-establishing the attractiveness of its economy and inviting foreign investment. Cyprus' GDP is growing twice as fast as the EU's. The economy is on a sound fiscal footing, FDI is rising and new sectors like education and the funds industry are emerging.

The banking system conforms to EC Directives, under the regulation of the constitutionally independent Central Bank of Cyprus, as integrated with the Eurosystem. The Bank's governance is consistent with the provisions of the Treaty establishing the European Community and the Statute of the European System of Central Banks and of the European Central Bank.

International trade

Cyprus is a member of the World Trade Organisation (WTO) since 30 July 1995 and as a member of the EU, charges third country goods with the EU's Common External Tariff. Cyprus joined the General Agreement on Tariffs and Trade (GATT) in 1963.

According to EU legislation, certain goods are subject to commercial requirements such as import licences. Cyprus as an EU member, the United Nations and the Organisation for Security and Co-operation in Europe (OSCE) implements the policies and measures adopted by these organisations.

Foreign Direct Investment Policy

In the run-up to EU membership, in order to attract inward investment and enhance economic prosperity in Cyprus, the government liberalised foreign direct investment policy for both EU and non-EU nationals.

Cyprus currently attracts significant inflows of foreign investments from countries like the US, Asia, Russia and the Middle East. Cyprus' improved credit ratings by international credit rating agencies, the successful recapitalisation of its major banks and recent government bond issues raising over €5 billion in the international markets coupled with the numerous large-scale projects, have all contributed to the revival of Cyprus as a top FDI destination.

It is being seen that Brexit is also providing opportunities.

Tax regime

The main direct taxes applicable in Cyprus are:

Corporation tax: Applies to entities that are tax residents in Cyprus, being taxed on their worldwide income. An entity is considered as tax resident in Cyprus if its management and control take place in Cyprus. The corporation tax rate is 12,5%.

Personal income tax: Applies to individuals who are tax residents in Cyprus, being taxed on their worldwide income. An individual is considered as tax resident in Cyprus if he/she resides in Cyprus for more than 183 days in any calendar year, or for more than 60 days in any calendar year based on certain criteria. The personal income tax rate varies between the range of 20% and 35% based on the net earnings scales.

Special defence contribution: Applies to entities that are tax residents in Cyprus and to individuals who are both tax resident in Cyprus and domiciled in Cyprus, being taxed on specific sources of income:

- Dividends at the rate of 17%
- Rents (reduced by 75%) at the rate of 3% - Passive interest at the rate of 30%

Non-resident income tax: Individuals and entities non-resident in Cyprus are taxed on certain income accrued or derived from sources in Cyprus, including income generated from a permanent establishment in Cyprus.

The main indirect taxes applicable in Cyprus are:

Value-added tax (VAT): VAT is imposed on the sale of goods and provision of services in Cyprus, on the acquisition of goods from the European Union and on the importation of goods into Cyprus.

Trade Agreements

The EU has free trade agreements with associations and countries, thus providing a higher level of mutual market access. Cyprus itself is also party to a number of bilateral trade agreements.

EU Trade Policy is an exclusive competence of the EU, meaning that only the EU, and not individual member states, has the authority to legislate on trade issues and conclude international trade agreements.

Foreign Trade Zones

In Cyprus there are two free trade zones, found on the main seaports of Limassol and Larnaca cities. These zones are treated as not being part of the usual EU customs territory.

A taxable person can be registered for VAT compulsorily or voluntarily based on certain criteria.

The VAT rates vary based on the nature of the goods or services provided between Standard rate of 19%, Reduced rates of 5% and 9% and Zero rate. There are also certain transactions that are exempt from VAT such as education, health and welfare, cultural etc.

Stamp Duty: is payable on any document that relates to property situated in Cyprus, or any matters or things to be executed or done in Cyprus, irrespective of the place of execution. The payable duty rates vary depending on the nature of the document.

Establishing a business

Cyprus offers a wide range of choice of different legal forms for setting up companies. One, therefore, has to identify the most suitable form of company from an organisational point of view, also taking into account the objects of the business to be pursued, the capital to be committed, the degree of liability each legal form involves, the various tax implications and, lastly, the complexity of the accounting and organisational measures each kind of form implies.

At present business in Cyprus may be conducted through the following legal corporate forms:

- Cyprus company (private limited company, public company, company limited by guarantee)
- Branch of a foreign company
- Re-domiciliation of a foreign company (where this is permitted)
- Societea Europea (SE)

Business can also be conducted through other legal forms such as partnerships, trusts, business names and sole proprietors' business.

For private limited companies, there are no requirements as to the minimum amount of share capital. The minimum share capital for public companies is €25,630.

The procedure for registering a company with the relevant authorities in Cyprus can be completed relatively swiftly for a fairly standard operating model.

Employment affairs

Nationals of EU member states as well as third country nationals may live and work in Cyprus subject to possessing the requisite residence permits.

The minimum wage currently stands at €870 and rises to €924 after six months of continuous employment.

Maternity & Paternity Leave: 18 consecutive weeks paid for maternity leave and 2 consecutive weeks for paid paternity leave

Unemployment Benefits: unemployment benefits are paid to workers or to voluntarily insured people working for a Cypriot employer. The self-employed are not entitled to unemployment benefits.

Unemployment benefits are paid for a period not exceeding 156 days in each period of unemployment and are paid from the 4th day of unemployment, or, in the case of people working overseas on behalf of a Cypriot employer, the benefits are paid from the 31st day.

Retirement: The pensionable age is 65. It is possible to receive a pension at the age of 63 under certain conditions.

The main tax incentives of Cyprus system are:

- One of the lowest corporate taxes across the EU
- An attractive Double Tax Treaty network over 60 countries
- Zero withholding of tax on payments to non-Cypriot tax residents
- Avoidance of tax liabilities for properly structured holding companies
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- Tax incentives for new capital injection via cash or benefit in kind
- Tax incentives for Intellectual property companies
- Tax incentives for expatriates, high-salaried executives and first-time Cyprus tax residents
- Tax incentives for film industry companies.

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