

Cyprus: An important business and financial centre

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Retention of title

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The Cyprus tax system

Cyprus has all the tax attributes expected from an international financial centre. To start with, the country maintains one of the lowest corporate tax regime in Europe, which currently stands at 12,5%. This is the primary reason as to why Cyprus is considered as a first-class jurisdiction by international tax planners.

Being a full EU member, Cyprus obtains all tax benefits granted to intra-community transactions. In addition, laws and practices of Cyprus are now aligned with EU laws and directives, the Code of Conduct and the Organization for Economic Cooperation and Development recommendations against harmful tax practices. Whilst Cyprus is considered as a prestigious tax-incentive EU country, at the same time is free of the suspicions usually associated with "taxheavens" which have zero tax. The fact that OECD has recently included Cyprus on its original white list as one of only 40 countries in the world that have substantially implemented internationally agreed tax standards speaks for itself.

Another attractive feature is the exemption of dividend income from tax irrespective of its source, provided that the company paying the dividend either engages directly or indirectly in more than 50% of activities that give rise to noninvestment income or the tax burden on the dividend paying company's income is not lower than 6.25%. Dividends paid to non-resident shareholders are also exempt from withholding tax in Cyprus whilst dividends received from abroad are totally exempt from corporation tax. There are also tax exemptions on the transfer of assets (including shares) under a reorganization as a result of the incorporation of the EC Merger Directive 90/434/EEC into national laws.

For these reasons combined with the stability of the country's tax system and the consistency in the interpretation of tax laws, Cyprus has become an attractive location for reputable individuals and corporations seeking a legitimate tax efficient jurisdiction.

Double Taxation Treaties

A vast network of double taxation treaties has been integral to Cyprus's success as a popular financial center. Cyprus has concluded tax treaties with more than 45 countries (the list of countries with which Cyprus has signed double tax treaties is available at: www.mof.gov.cy/mof/mof.nsf/page26_en/page26_en?OpenDocument), whilst treaties with other countries are currently under negotiations or pending enforcement. Most of Cyprus's treaties follow the OECD Model Convention, with the exception of the US Treaty which follows the model of the United States of America agreements.

The rationale behind the signing of double tax treaties is the avoidance of double taxation of income when the same profits of a natural or legal person are taxed in two or more countries. This is highly beneficial for trading and investment activities since it effectively secures stability and certainty in trade.

Relations with other states

Cyprus maintains diplomatic relations with 178 states and is represented through diplomatic missions in over 40 countries. In addition, Cyprus enjoys solid bilateral partnerships and excellent relations with the rest of the world. Examples include the United States, Canada, Middle East, North Africa, Russia, CIS countries, India, South Africa and Australia.

EU Membership

On 1 May 2004, the island became a full, integral and inseparable member of the European Union completing a long journey that lasted more than three decades. As a result, Cyprus participates in the European Union's internal market where there is free movement of goods, services and capital. European citizens are able to conduct business, travel to, and live in Cyprus with no legal restrictions.

As of 1 January 2008, Cyprus adopted the Euro, giving up its national currency (the Cyprus Pound). At the same time, it entered the Euro zone and benefited from a single monetary policy.

As a result of the accession to the EU, Cyprus has benefited significantly and has significantly increased its business and investments activities.

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Geographical location

Using its geographical advantage by being positioned in the crossroad of three continents (Europe, Asia and Africa), Cyprus has become an ideal gateway and platform for conducting business and investments to Europe as well as to neighboring markets in the Middle East and North Africa.

Highly trained labour / Infrastructure / Telecommunications

The local infrastructure is ideal for business, particularly set and focused on professional services. Two international airports making travelling in and out of the island fast and efficient, a modern road network and multipurpose port facilities have long established Cyprus as a highly attractive and ideal destination for business and investments. As a result of considerable investments that have been made, Cyprus has also extensive telecommunications network and is considered by many as the “telecommunications hub” for the region.

Confidentiality

Confidentiality is protected by legislation and all public authorities have taken steps to ensure that confidentiality is adequately protected in all sectors. Shares held in a company incorporated in Cyprus can be held by nominees (who will hold shares on behalf of the beneficial owners) so that the anonymity of a named individual or company is duly safeguarded. The only authority which will possess information about the actual beneficial owners will be the Central Bank of Cyprus. However, such information will be maintained in the strictest confidence.

Trusts

A new era on Cyprus trusts commenced with the enactment of the long awaited International Trusts (Amending) Law of 2012. The new legal framework builds on the existing attractive Cyprus International Trusts Law and introduces new competitive features such as the concept of International Trusts specifically aimed at non-resident settlors. Settlor are also afforded great flexibility to adapt to changes in circumstances or objectives of the trust. Undoubtedly, Cyprus laws are now aligned to the needs of investors at the same time where strict confidentiality is secured by prohibiting any disclosure of information. The new legal framework on trusts establishes Cyprus as an attractive trust jurisdiction and places the island into the elite financial and business centres.

Shipping

Cyprus has an excellent reputation in shipping worldwide and is one of only two countries in the European Union with an “Open Registry”. Today Cyprus ranks 10th in the world with over 1,000 ships exceeding 21 million gross tonnage under the Cyprus flag. Consequently, some of the world’s largest ship management and

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shipping companies operate through Cyprus thus rendering the island the 2nd largest ship management centre in the world.

In 2010 a new tonnage tax system was introduced with approval of the European Commission. This tonnage tax system includes some of the most favourable features found in tonnage tax systems of EU countries (advantages comprise no income tax duty on shipping profits including profits from the sale of ships and no tax duty on dividends paid from shipping profits) and provides incentives and benefits to the ship owners, charterers and ship managers.

Other advantages

The professional, investor-friendly and efficient government services and tax authorities, the low expense level (fees) for financial and professional services (compared to other EU jurisdictions), the low crime level, excellent climate and the relatively low cost of living are equally significant factors in rendering the island as an attractive destination for investors.

Assisting you in gaining these advantages

The combination of numerous advantages together with the country's well-functioning and stable common law legal system, which is based on principles established through historical links with the United Kingdom, renders Cyprus as an acknowledged centre of financial excellence and ensures that tax planning arrangements will stand the test of time. Our highly specialized team of lawyers and consultants is eager to assist you in achieving these advantages.

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