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CORPORATE INCOME TAX	
Resident companies	12.5%
International Business Company (IBC)	12.5%
Offshore companies	12.5%
OTHER TAXES	
Income tax for individuals	From 0% to 35%
Tax on gambling	10% on gross income and 3% on internet gambling
Special contribution for defense	From 0% to 30%
Withholding taxes	Dividends: exempt (but in some cases the 17% special contribution for defense applies) Interests and royalties: exempt
VAT	0%, 5%, 9% and 19%
FISCAL YEAR	Solar year
FILING OF TAX RETURNS	31 March
INCORPORATION TIMES	3 days; 2-4 days for <i>shelf companies</i>
REGISTRATION FEES	€ 165 + € 2.000 for professional costs
MINIMUM CAPITAL	€ 1.000; € 10.000 if administration office in Cyprus
ADVANCE RULINGS	On request
EXCHANGE CONTROLS	Nil
BANK SECRECY	Applied
LEGAL SYSTEM	<i>Common Law</i>
BILATERAL TAX AGREEMENTS	Over 60

## **1- GENERAL INFORMATION**

Cyprus is situated in the North-Eastern Mediterranean Sea, at the crossroads of Europe, Asia and Africa. It is the third largest island in the Mediterranean with an area of 9,251 sq km. Cyprus gained access to the European Union on 1 May 2004. This fact, along with its strategic and convenient location, has established Cyprus as an esteemed international professional and business centre. The capital of Cyprus is Nicosia, located almost in the centre of the island, is the seat of the government.

Cyprus became an independent sovereign republic in 1960. The British, who were the last to govern Cyprus, left their mark on administration, law, communications, commerce and many other areas

After independence in 1960, Cyprus adopted a presidential system of government.

In 1974 Turkey invaded Cyprus and has occupied the northern 40% of the island ever since. The towns of Famagusta and Kyrenia are located in the Turkish occupied area. Negotiations for the solution to the Cyprus problem are in the process of being carried out under the auspices of the United Nations Secretary General.

### **I- Legal system**

English common law is the model upon which the legal system of Cyprus has been structured. British case law is very closely followed and statutes regulating business matters and procedures are based essentially on their British counterparts.

### **II- Currency**

Since January 2008, Cyprus currency is the euro.

### **III-Economic policy**

Thanks to the tax laws in force, Cyprus maintains and values its competitiveness as an international financial center. At the same time, having the lowest tax regime among the EU countries, it has become the reference point for investments to and from the EU.

The new legislation entered into force on 1 January 2003, while some measures have been implemented since 2002.

### **IV- Bank secrecy**

In June 1992, the Confiscation of Proceeds of Trafficking of Narcotic Drugs and Psychotropic Substances Law of 1992 was enacted to give effect to the Vienna Convention. The main provisions of the law are as follows:

- it defines and criminalizes drug money laundering
- it provides for the confiscation of proceeds from drug trafficking
- it requires any suspicions of drug money laundering to be reported to the police, without this being treated as a breach of the duty of confidentiality
- it empowers the courts to order the disclosure and production of information held by any person, including banks, related to drug money laundering investigations.

### **V- Bank activity and exchange controls**

Foreign investments are encouraged by rather favorable tax legislation.

In Cyprus there are the following financial institutions:

- commercial banks
- specialised financial institutions
- international banks
- leasing companies
- cooperative credit societies.

The Central Bank is the supervisor of all banks in the Republic and the regulator of foreign exchange, gold transactions, the money supply and credit conditions. It is also the issuing bank

of the Republic, acts as banker and financial agent to the Government, and determines the exchange rate of the Cyprus pound.

The banking system of Cyprus is modelled on the British system. It is well developed, highly efficient and capable of providing fast and efficient service worldwide.

From the time Cyprus acceded to the European Union, there are no exchange control restrictions.

## 2- CYPRUS COMPANIES AND TRUSTS

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
<i>Companies limited by shares</i>	<p>There are public and private companies. The main characteristics of a public company, for company law purposes, are the power to extend an invitation through a prospectus to the public to subscribe for its shares or debentures, and the existence of a minimum of seven members.</p> <p>The main characteristics of a private company are:</p> <ul style="list-style-type: none"> <li>• the prohibition of an invitation to the public to subscribe for its shares or debentures</li> <li>• the existence of a minimum of two and a maximum of 50 members</li> <li>• the restriction of the right to transfer its shares, and</li> <li>• the issue of bearer shares is prohibited.</li> </ul>	The companies have to file with the Registrar of Companies the memorandum and articles of association.	<p>The formation and registration of a company requires the following procedure:</p> <ol style="list-style-type: none"> <li>(1) obtaining the approval from the Registrar of Companies for the desired company name</li> <li>(2) preparation of the memorandum and articles of association</li> <li>(3) filing with the Registrar of Companies the memorandum and articles of association after their approval by the subscribers</li> <li>(4) appointment of the first directors by the subscribers</li> <li>(5) notification of the location of the registered office to the Registrar</li> <li>(6) arranging for the first meeting of the directors of the company.</li> </ol>
<i>Companies limited by guarantee</i>	The liability of the members of a company limited by guarantee is limited to the extent to which they have agreed to contribute in the event of winding up. Such a company is usually formed by non-profit making concerns.		<p>The formation and registration of a company requires the following procedure:</p> <ol style="list-style-type: none"> <li>(1) obtaining the approval from the Registrar of Companies for the desired company name</li> <li>(2) preparation of the memorandum and articles of association</li> <li>(3) filing with the Registrar of Companies the memorandum and articles of association after their approval by the subscribers</li> <li>(4) appointment of the first directors by the subscribers</li> <li>(5) notification of the location of the registered office to the Registrar</li> <li>(6) arranging for the first meeting of the directors of the company.</li> </ol>
<i>Partnerships</i>	<p>There are three types of partnerships:</p> <ul style="list-style-type: none"> <li>• general partnership</li> <li>• limited partnership</li> <li>• limited liability partnership</li> </ul>		The registration of a partnership in Cyprus is carried out by submitting a declaration to the Registrar, containing the name, object and duration of the company, as well as the names and addresses of the shareholders.
<i>Trusts</i>	For international trusts, the settlor cannot be resident in Cyprus unless they were non-resident for tax purposes during the year preceding the trust's creation. Beneficiaries can be resident or non-resident. Trust property can be held in Cyprus or abroad.	A trust may be created by a settlor in a written document called the "trust deed" executed during the settlor's lifetime ("inter vivos" trusts), or by will. Stamp duty is required.	The law in Cyprus governing trusts is the Cyprus Trustees Law, which is based on the English Trustees Act 1925. This law is complemented by the International Trusts Law.

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
<i>IBC International Business Company</i>	It is a company owned by non-residents and whose activities take place abroad,		
<i>ICIS International Collective Investment Schemes</i>	They are mutual investment funds that can be of fixed or variable capital, with limited or unlimited duration.		

### **I- Companies limited by shares and by guarantee**

The law governing companies in Cyprus is the Companies Law 1951. It is modelled on the UK Companies Act 1948 and it recognises two categories of companies: companies limited by shares and companies limited by guarantee, usually formed by non-profit making concerns.

#### **Incorporation**

The constitution of a registered company consists of two documents: the memorandum and the articles of association. The formation and registration of a company first of all requires obtaining the approval from the Registrar of Companies for the desired company name, then the preparation of the memorandum and articles of association, filing them after their approval by the subscribers, appointment of the first directors by the subscribers, notification of the location of the registered office to the Registrar and arranging for the first meeting of the directors of the company to receive the memorandum and articles of association, to decide on the company's bankers and to appoint auditors.

#### **Capital structure**

There is no minimum capital requirement for Cypriot companies. Shares may be ordinary, preferred, voting or non-voting, and there may be redeemable shares. Shares may be issued at par value, at a premium or at a discount.

#### **Management**

The management and control are exercised by the board of directors. The minimum number of directors is one (who cannot, however, be the secretary at the same time), and there is no maximum.

The majority of directors must be residents of Cyprus. The management and control of the company must be exercised in Cyprus for the company to be considered tax resident in Cyprus.

#### **Accounting and audit requirements**

Companies are required by law to keep proper books of accounts and the accounts have to be audited by independent auditors.

The Cyprus company law provisions regarding the form and contents of accounts are very similar to those of the English Companies Act 1948. Specifically, the company's accounts must consist of:

- (1) a directors' report
- (2) an auditors' report
- (3) a profit and loss account
- (4) a balance sheet
- (5) a source and application of funds statement
- (6) a statement of changes in equity.

The law requires that a person can be qualified for appointment as auditor of a company if he or she is a member of a recognised body of accountants established in the United Kingdom or he or she is authorised by the Government as having obtained adequate knowledge and experience.

An annual fee of €490 must be paid by all companies.

## **II- Trusts**

International trusts are the normal choice for expatriates wishing to make use of Cyprus as a base to hold assets.

Trusts are commonly used for:

- tax planning
- asset protection
- confidentiality
- the protection of the rights of minors.

Cyprus international trust, widely used in international tax planning, has the following characteristics:

- trustees cannot be resident in Cyprus unless they were non-resident for tax purposes during the year preceding the trust's creation
- beneficiaries can be resident or non-resident, and
- trust property can be held in Cyprus or abroad.
- resident trust beneficiaries are subject to tax in Cyprus; non-resident beneficiaries are not subject to tax in Cyprus.

There are no particular formalities required for the creation of a trust, and a trust need not be in writing. It is important that a trust be sufficiently clear in order to show that a trust was intended and to ensure that both the trust property and the beneficiaries and their interests are clearly identified.

Generally, the trustee fulfils the terms of the trust and enforces the trust for the benefit of the beneficiary. The trustee must at all times exercise proper skill, care and diligence in the performance of his or her duties and abide by the applicable trust law.

The stamp duty on the instrument creating the trust is a nominal fee of €427.

There are no capital requirements.

As trusts as such are exempt from taxation there are no accounting and auditing requirements. The beneficiaries, however, are taxed through the trustees, so the trustees have to satisfy the tax authorities as to the correctness of the income.

As there are no registration and reporting requirements for trusts established in Cyprus, absolute confidentiality is ensured. Furthermore, where the settlor does not wish to disclose his or her identity, the trustee may execute a declaration of trust in which the settlor is not named.

International trusts and their beneficiaries are normally not subject to taxation in Cyprus on their income unless it is Cyprus sourced.

## **III- Other entities**

### **General partnership, limited partnership and limited liability partnership**

There are three types of partnership.

The registration of a partnership in Cyprus is effected with the submission of a return to the Registrar containing the name, object and duration of the partnership, as well as the names and addresses of the partners.

Foreign partners have to comply with the Aliens and Immigration Law and associated Regulations.

Each individual partner is liable to income tax on his or her share of profits from the partnership.

### **International collective investment schemes**

In May 1999, the International Collective Investment Schemes Law came into force, and now funds which were previously admissible only as international unit trusts may also be established as international investment companies and international limited liability investment partnerships.

Three types of scheme are possible:

- a scheme aimed at the general public
- a scheme aimed exclusively at experienced investors
- a private international collective investment scheme (private ICIS).

An international investment company may be either an international company with fixed capital, or an international company with variable capital and it may be established for a limited or unlimited duration.

The Central Bank of Cyprus regulates private ICISs. The Securities and Exchange Commission regulates all other schemes.

An international investment company, unlike an ordinary company, can allow the redemption and transfer of shares with minimum formalities. Also, it can take advantage of Cyprus' double tax treaties.

Limited liability companies can be either public companies or private companies. All companies are regulated by the CL.

Public companies can be listed on a stock exchange and are able to raise capital from the public, subject to complying with various regulations relating to capital raising, including the preparation of a detailed prospectus.

Private companies cannot raise capital from the public, cannot have more than 50 shareholders and have restrictions on the transfer of shares.

Under the CL, a company's financial statements are required to be prepared to IFRS and to be audited by a registered auditor. The Commissioner of Taxation also requires that all companies be audited.

## **3- TAX SYSTEM**

Income tax is charged on income accruing in or derived from sources both in Cyprus and abroad in respect of gains or profits from any trade, business, profession or vocation or from any office or employment, including pension, rents, annuities and royalties.

Companies, both local and foreign, are taxed according to the provisions of the Income Tax Law.

The Income Tax Law of 2002, the provisions of which are effective from 1 January 2003, introduced the terms "non-resident companies", which are not managed and controlled in Cyprus and therefore not taxable in Cyprus and "resident of the Republic" which is defined as follows: in respect of companies, a company the management and control of which is exercised in Cyprus, and in respect of physical persons, an individual who lives in Cyprus for one or more periods exceeding in total 183 days in a fiscal year.

### **I- Resident entities**

A company deemed resident is liable to corporation tax on worldwide income, whereas a non-resident company is liable to corporation tax on profits earned from a permanent establishment in Cyprus.

Corporate taxpayers must submit a tax return to the Income Tax Office not later than 31 March after the tax year end. The rate of corporation tax is 12.5%.

A company or branch is considered to be a resident of Cyprus if its management and control is exercised in Cyprus. The place of incorporation of the company is not generally relevant.

However, from 31 December 2022, a company is also considered to be a resident of Cyprus if it is incorporated in Cyprus, its management and control is exercised outside of Cyprus and it is not resident in another jurisdiction.



## II – Individuals

A physical person deemed a “Resident of the Republic” is liable to income tax on their worldwide income. A physical person who cannot be considered a “Resident of the Republic” is liable to tax on income accruing in Cyprus from: profits from a permanent establishment or from any office or employment, pensions in respect of services rendered in Cyprus, rental income from property, professional services, royalties, film rentals, and entertainment and athletic services.

The income tax rates from 2012 onwards for physical persons are as follows:

<i>Chargeable income</i> €	<i>Tax rate</i> %	<i>Cumulative tax</i> €
0 – 19,500	0	0
19,501 – 28,000	20	1,700
28,001 – 36,300	25	3,775
36,301 – 60,000	30	10,885
Over 60,000	35	

From 26 July 2022, non-resident individuals taking up employment in Cyprus by 31 December 2027 are entitled to an additional allowance of 20% of their salary up to a maximum of €8,550 for the first 7 full tax years following employment. To qualify, non-resident individuals must have been employed outside of Cyprus by a non-resident employer for a period of at least 3 years prior to taking up employment in Cyprus.

From 1 January 2022, non-resident individuals taking up employment in Cyprus are entitled to a 50% exemption from income tax for 17 years from the first year in which their income exceeds €55,000. To qualify, individuals must not have been resident in Cyprus for a period of 15 years prior to taking up employment in Cyprus. An individual benefiting from this exemption may not also benefit from the 20% additional allowance.

## III- Exemptions

Cyprus provides the following exemptions from corporation tax:

- income of a company incorporated solely for the promotion of art, science or sport
- interest earned in the normal course of business, or closely connected with the normal course of business, including interest earned by open or closed-ended collective investment schemes, is regarded as trading income and included in taxable profit
- dividend income
- profit on disposal of "titles" ("titles" encompasses shares, bonds, debentures, founding and other titles of companies or other legal entities incorporated in Cyprus or abroad, and the rights thereon). The redemption of a unit or a share in an open or closed-ended collective investment scheme is also regarded as a disposal of title
- for intellectual property registered before 1 July 2016, up to 80% of net positive income from the disposal of intellectual property rights or up to 80% of net positive royalty income received as remuneration for the use of intellectual property rights until June 2021. Net positive income is gross income reduced by expenses incurred in direct economic connection with the generation of the income. Any negative net income remains entirely deductible.

## IV- Deductions

The following annual wear and tear allowances apply:

<i>Assets</i>	<i>Rate %</i>
Plant and machinery purchased before 2012 or after 2018	10
Plant and machinery purchased between 1 January 2012 and 31 December 2018	20
Furniture and fittings	10
Commercial vehicles	20
Computer hardware and operating software	20
Industrial or hotel buildings purchased before 2012 or after 2018	4
Industrial or hotel buildings purchased between 1 January 2012 and 31 December 2018	7
Commercial buildings	3

Life assurance premium contributions to a social insurance fund, and contributions to approved provident and medical funds, are deductible from taxable income.

Contributions and donations for charitable and cultural purposes are deductible from taxable income.

Losses of a business can be carried forward and set off against profits of following years.

Losses cannot be carried back to previous years.

Losses of a company can be set off against profits of another company of the same group in the same financial year.

Losses of a business carried out abroad can be set off against other income or carried forward.

Reorganisations, mergers, acquisitions and amalgamation of companies can generally be made without any tax implications.

#### **V- Taxes on capital**

Cyprus does not impose taxes on the capital of companies or on capital gains. However, gains from the sale of immovable property located in Cyprus are generally subject to a tax rate of 20%. Gains from the sale of shares in a company that owns immovable property located in Cyprus are also subject to tax at a rate of 20%.

For physical persons the following lifetime allowances are available:

- €17,086 from the disposal of immovable property
- €25,629 from the disposal of agricultural land
- €85,430 from the disposal of a house used as a residence.

#### **VI- Withholding taxes**

There is no Cyprus withholding tax on dividend or interest income, as both dividends and interest are exempt from Cyprus income tax.

There is also a withholding tax on dividends for the special defence contribution at the rate of 17% (see below).

#### **VII- Other taxes**

##### **Social cohesion fund**

Every employer is obliged to contribute to the social cohesion fund, 2% of the emoluments of his or her employees.

##### **Stamp duty**

Stamp duty is payable at the time a document is used or drafted. In the absence of an agreement between two parties, the stamp duty is paid by the person receiving the benefit or service. Documents referring to reorganizations are exempt from stamp duty.

## **VAT**

The standard VAT rate is 19%. There are reduced rates of 0%, 3%, 5% and 9% for some supplies. The VAT law provides, however, that no VAT is paid on transactions made outside Cyprus. IBCs can register for VAT purposes provided they are managed and controlled in Cyprus. Through registration they will be entitled to claim a refund of VAT paid by them on purchases.

### **Bank deposit tax**

Banks operating in Cyprus are obliged to pay a levy of 0.15% on their customer deposits. Interbank deposits and deposits from foreign financial institutions are exempt from the levy.

### **Tax on gambling**

Betting companies pay a special tax of 10% based on their gross monthly earnings. Internet gambling on sports is subject to a 3% contribution on revenue. Online casinos in Cyprus were banned on 11 July 2012.

### **Contribution on sales of immovable property.**

From 22 February 2021, a 0.4% contribution applies on the sale price of sales of immovable property in Cyprus and sales of shares in companies that own real estate in Cyprus where the buyer acquires control of the company. The contribution is payable by the seller.

### **Special contribution for defence**

The special contribution for the defence of the Republic is another form of tax in Cyprus, commonly referred to as the "special defence contribution" (SDC) and it applies only to dividends, interest and rents received. In the case of dividends and interest, the contribution is withheld at source. This tax does not apply to non-resident companies or to individuals who are considered to be non-domiciled.

## **VIII- Dividends**

Dividends paid are not a deductible expense. The paying company is obliged to issue to the shareholder a dividend certificate which states the following:

the amount of the dividend payable to the shareholder, and

the amount of the special contribution for defence deducted from the dividend.

Dividends received, even if included in taxable income, are exempt from Cyprus income tax, with the exception of the special contribution for defence.

However, the tax exemption on dividends may be disregarded if the paying company qualifies for a dividend tax deduction in its country of residence or in the case of artificial constructions to avoid taxation.

## **IX- Taxation of trusts**

International trusts and their beneficiaries are normally not subject to taxation in Cyprus on their income unless it is Cyprus sourced.

## **X- Taxation of foreign source income**

Liability to taxation of foreign source income is governed by the term "Resident of the Republic" as defined by the Income Tax Law 2002.

Pensions in respect of services rendered abroad up to the amount of €3,420 that are remitted to Cyprus are exempt. Any excess remitted over this amount is taxed separately from other income at the flat rate of 5%.

As for double tax relief, any tax paid on foreign income which, when remitted to Cyprus, will be liable to either income tax or special defence contribution is credited against the tax or contribution payable in Cyprus. In regard to double tax treaties, Cyprus has concluded a large number of double tax treaties which, combined with a low corporation tax rate of 12.5%, make Cyprus a tax-incentive country offering very good possibilities for international tax planning.

The transfer of income earned in Cyprus must be declared to the Cyprus tax authorities. After the income has been assessed and the tax payable on it, if any, has been paid, approval of the Central Bank of Cyprus is easily obtainable and the said net income can be remitted abroad.

Capital gains tax is imposed only on the disposition of:

1. immovable property situated in Cyprus, and
2. shares of companies which are not listed on the Cyprus Stock Exchange and which have among their assets immovable property.

#### **4- NON-RESIDENT AND OFFSHORE COMPANIES**

##### ***I - International Business Company (IBC)***

Cyprus offshore companies have been established since 1977, following the addition of a rule to the tax law which required companies owned by non-residents, and whose business was overseas, to pay corporation tax on the profits of the 4.25%, exempting them from all other Cypriot taxes.

This rate was much lower than that paid by resident companies and, given that the EU does not allow similar discrimination between taxpayers, on 1 January 2003 - also in anticipation of Cyprus' entry into the EU in May 2004 - the tax was standardized for all types of companies and, starting from 1 January 2013, it was set at 12.5%.

A company owned by non-residents and operating outside of Cyprus is now referred to as an International Business Company (IBC) and therefore the term "offshore company" is no longer used. The IBC is regularly used in international tax planning in order to take advantage of the reduced taxation offered by Cyprus, of the participation in the EU and of the vast network of bilateral tax agreements. There are different types of IBCs: business holding and investment companies, finance companies, licensing companies, trading companies, shipping and real estate companies.

##### ***II-International trusts and offshore trusts***

Both international and offshore trusts have the same tax benefits and advantages.

1. The income and gains of an international/offshore trust derived from sources outside Cyprus are not subject to tax.
2. An alien, beneficiary or not, who creates an international/offshore irrevocable trust in Cyprus and retires in Cyprus is exempt from tax if all the property settled and the income earned is abroad.
3. International and offshore trusts are not subject to exchange controls.

International trusts are governed by the Trustee Law CAP 193 of 1995, which is based on the English Trustees Act 1925, and the International Trusts Law 1992 (as amended).

The stamp duty on the instrument creating an international trust is a nominal fee amounting to €430.

Trustees cannot be resident in Cyprus. Beneficiaries can be resident or non-resident: non-resident beneficiaries are not subject to tax in Cyprus.

Trusts are tax-free and therefore there are no accounting or auditing charges, even if the beneficiaries are taxed through the trustees, who must therefore answer to the tax authorities regarding the correctness of the income. Trusts established in Cyprus guarantee absolute confidentiality.

##### ***III- Offshore holding companies***

Holding companies and investment companies can be used in Cyprus for the elimination of double taxation in view of the zero or reduced withholding tax under the interest and dividend agreements. A holding company can be the parent of a number of international companies registered in Cyprus or of companies registered abroad.

Unlike other countries in Europe, a Cyprus holding company need only hold at least 1% of the share capital of a foreign subsidiary in order to receive the tax benefits awarded by the new tax reform.

#### **IV- Offshore finance companies**

Cypriot finance companies are active in providing loans to entities from countries with which Cyprus either has double tax treaties or where either no or very low withholding tax is levied.

#### **V- Offshore trading companies**

Cyprus is suitable as a base for business activities, as evidenced by the numerous offshore companies registered there. Trade and transit depot activities may be facilitated by use of a bonded warehouse and the Cyprus Chamber of Commerce is always available to assist with the issue of the necessary certificates.

#### **VI- Offshore administration companies**

Cyprus offers ideal conditions for the establishment of decentralized management centers of multinational companies, given its location between Europe, Asia and Africa and has become a popular base for the activities of American, European and Far Eastern multinational entities.

#### **VII- Offshore shipping companies**

According to the Merchant Shipping Law 1963, a ship may be registered under the Cyprus flag, provided that more than half of the shares in the ship are owned by either Cypriot individuals or companies incorporated in Cyprus, or foreign incorporated companies with the controlling interest vested in Cypriots, under special authority from the Ministry of Communications and Works.

A ship registered under the Cypriot flag may be mortgaged at the same time as her provisional registration or at any time thereafter. The mortgage may be registered either in Cyprus with the Registrar of Cypriot Ships or abroad at a Cypriot consulate.

The major advantages of Cyprus-registered shipping companies are the following:

- no income tax, estate duty or capital gains
- no income tax in Cyprus for foreign crew
- the possibility of employment of crew of other nationalities
- recognition of competence certificates of many countries
- no stamp duty on documents or mortgage deeds
- full protection of mortgagees/financiers
- the possibility of provisional registration of ships
- easy deletion of ships from the Register of Ships, and
- low registration fees and other fees.

#### **VIII- Other offshore companies**

##### **International Banking Units (IBU)**

In 1981 the Government introduced a new policy whereby the establishing of IBUs was encouraged.

IBUs must be registered in Cyprus under the Companies Act and have to obtain exchange control permission from the Central Bank.

A licence is required under the Banking Business (Temporary Restrictions) Law, which is granted by the Minister of Finance.

In addition to the advantages available for all international business/offshore companies, the following advantages apply to offshore banks:

- (1) exemption from Central Bank regulations
- (2) banking secrecy and the possibility of having numbered accounts
- (3) no requirements to maintain minimum reserves with the Central Bank, and
- (4) no withholding of tax on dividends and interest at source.

Membership of Cyprus in the Society for Worldwide Investment Financial Telecommunications (SWIFT) system enables banks to transmit financial messages internationally between member banks.

### Offshore captive insurance

Cyprus has in recent years been developed into a suitable place for the registration of offshore captive insurance companies. An offshore captive insurance company is one which is beneficially owned by non-residents and carries on business exclusively outside Cyprus. The establishment and operation of offshore insurance companies in Cyprus is regulated by the Insurance Companies Law. The Insurance Companies Law specifically empowers the Council of Ministers through the Minister of Finance to exempt on application offshore captive insurance companies from:

- capital requirements so that they may operate with a paid-up share capital of not less than €17,086 instead of not less than €341,720
- depositing with the Central Bank €17,086 per class of business to be transacted, and
- provisions regarding solvency margins and other requirements.

The following are the main conditions applying to offshore captive insurance companies: operations must be offshore, dealings must be with non-residents, transactions only in foreign currencies; the captive will not obtain any finance from local sources, and the captive will advise the Central Bank annually of the funds imported into Cyprus from external funds.

### 5- BILATERAL TAX AGREEMENTS

There is no Cyprus withholding tax on dividends, interest or royalties paid to non-residents, except for royalties pertaining to rights that are used within Cyprus

The following rates of Cypriot withholding tax apply to non-resident entities:

	<i>Dividends</i>	<i>Interests</i>	<i>Royalties</i>
	%	%	%
<i>Non-treaty countries</i>	0/17	0/30	0/5/10
<i>Treaty countries</i>			
Andorra	0	0	0
Armenia	0	0	0/5
Austria	0	0	0
Azerbaijan	0	0	0
Bahrain	0	0	0
Barbados	0	0	0
Belarus	0	0	0/5
Belgium	0	0	0
Bulgaria	0	0	0/5/10
Canada	0	0	0/5/10
Cina	0	0	0/5/10
Czech Republic	0	0	0/5/10
Denmark	0	0	0
Egypt	0	0	0/5/10
Estonia	0	0	0
Ethiopia	0	0	0/5
Finland	0	0	0
France	0	0	0/5
Georgia	0	0	0
Germany	0	0	0
Greece	0	0	0
Guernsey	0	0	0
Hungary	0	0	0
Iceland	0	0	5
India	0	0	0/5/10
Iran	0	0	0/5/6
Ireland	0	0	0

Italy	0	0	0
Jersey	0	0	0
Jordan	0	0	0/5/7
Kazakhstan	0	0	0/5/10
Kuwait	0	0	0/5
Kyrgyzstan	0	0	0
Latvia	0	0	0/5
Lebanon	0	0	0
Lithuania	0	0	0/5
Luxembourg	0	0	0
Malta	0	0	0/5/10
Mauritius	0	0	0
Moldova	0	0	0/5
Montenegro	0	0	0/5/10
Norway	0	0	0
Poland	0	0	0/5
Portugal	0	0	0/5/10
Qatar	0	0	0/5
Romania	0	0	0/5
Russia	0	0	0
San Marino	0	0	0
Saudi Arabia	0	0	0/5/8
Serbia	0	0	0/5/10
Seychelles	0	0	0/5
Singapore	0	0	0/5/10
Slovakia	0	0	0/5
Slovenia	0	0	0/5
South Africa	0	0	0
Spain	0	0	0
Sweden	0	0	0
Switzerland	0	0	0
Syria	0	0	0/5/10
Tajikistan	0	0	0
Thailand	0	0	0/5/10
Ukraine	0	0	0/5/10
United Arab Emirates	0	0	0
United Kingdom	0	0	0
United States	0	0	0
Uzbekistan	0	0	0

### Russia

Russia has suspended its tax treaty with Cyprus with effect from 8 August 2023.

Cyprus has no stand-alone tax information exchange agreements (TIEAs) in place, but has incorporated tax information exchange provisions in line with the OECD standard into a number of existing treaties, and has entered a number of limited savings tax conventions.