

THE ITPA

# green book

2010:2011



TAX PLANNING  
COMPANY FORMATION  
TRUSTEES  
ESTATE PLANNING  
LEGAL SERVICES  
ASSET PROTECTION

international  
tax planning  
association

DIRECTORY  
OF SERVICES



also • accountancy • ship registration • financial planning • mutual fund establishment  
• investment advice • auditing • corporate finance • banking • property investment  
• immigration • insurance • aircraft registration • licensing  
• forensic accounting • pensions • commodity trading  
• government body • supervisory authority



# Cyprus 2010: a stable jurisdiction with fiscal stability – a proven fact!

By Angelos Paphitis



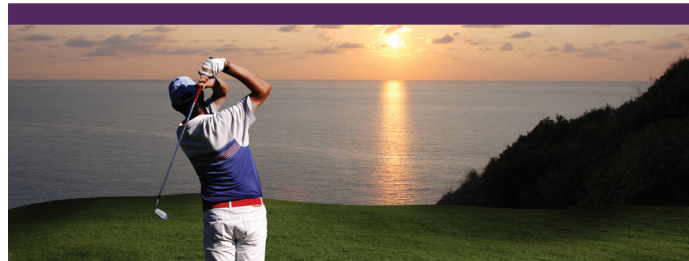
CYPRUS HAS TRADITIONALLY been a stable jurisdiction offering security and professionalism to the financial markets and the world at large. Throughout the years, Cyprus has created the infrastructure, the know-how, the tax incentives, the fiscal stability, the legal system, the professional services and the expertise to successfully stand up its strategic role as a major International and EU Financial centre.

Cyprus' presidential system of government, where no party has an outright majority in parliament, has proven to be an additional stability factor to the Cyprus economy. While on June 2010 the elected Cyprus government has proposed a raise of the income corporate tax by 1%, getting it from 10% to 11% – still one of the lowest income tax rates within the EU, when the bill was presented to the Cyprus Parliament on 8 July 2010, the Government's proposal was instantly defeated by the vast majority of the Parliament.

Cyprus' fiscal stability is now a proven fact, backed by a political stability, and certainly a security factor necessary within the ingredients of an International Business and Financial Centre. Cyprus remains the most beneficial gateway into the EU

for Russia, Asia, the Arab World, Africa and Eastern Europe.

On the contrary with the above unsuccessful proposal there were a lot of advantageous changes to the Cyprus Income Tax Law during the year. For example, the 1% minimum shareholding threshold which was previously required to qualify for the participation exemption has been abolished



and dividends received are exempt from Cyprus tax irrespective of the size of shareholding. This makes Cyprus an efficient jurisdiction for one to manage its portfolio of investments in equity securities listed to exchanges worldwide. Advantageous changes also took place, during 2010, in relation to the shipping industry, mutual fund and Collective investment schemes.

The Cyprus Company still is probably the world's most beneficial special purpose vehicle (SPV), and not only

when considering structuring, restructuring and reorganizational measures for minimizing costs, expenses and taxes.

Apart from the traditionally and often the most common usages of the Cyprus company, such as the Holding, Commission Agent, Investment, Group Finance, Royalty Company etc, much interest and efforts are

now in place for the advantages that can be offered by the Cyprus Headquarters Company. The results are no less than outstanding, in terms of savings and tax minimization and quality of services. According to the World Bank, through its report

*Doing Business 2010*, Cyprus is comfortably in the top 25% and just behind the Nordic countries. The report compares objective indicators on business regulations and the protection of property rights across 183 countries on a consistent basis over time. The regulations considered affect ten important categories of business operations such as

**AGP**  
A.G. PAPHITIS & CO LLC  
LAW OFFICES  
CYPRUS - GREECE

dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Cyprus ranks above the European average in seven out of the ten categories.



For more details email the author: [apaphitis@agpaphitis.com](mailto:apaphitis@agpaphitis.com)

Angelos Paphitis LLB; LL.M Commercial & Corporate;  
PgD Int'l Tax Law; TEP, Barrister (Gray's Inn)

**A.G. Paphitis & Co LLC – Law Offices**  
[www.agpaphitis.com](http://www.agpaphitis.com)