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CONTACT DETAILS OF

701
TAX
SPECIALISTS

CYPRUS...

AFTER MARCH 2013

CYPRUS HAS BEEN IN THE SPOTLIGHT SINCE 15 MARCH 2013 DUE TO INTENSE pressure from the Eurogroup, the meeting of eurozone finance ministers. The island and its banking system has been the subject of global speculation and a worldwide media feeding frenzy. International financial assistance was only made available after draconian terms were imposed by TROIKA. So how much has this changed Cyprus?

Despite the damage to the island's banking system, Cyprus remains the most attractive jurisdiction and international financial centre in Europe and – probably – the world. It offers a unique cross-border bridge and investment-friendly environment into, and from, Central and Eastern Europe, Russia, India, the Arab world, Africa, Israel, India and Asia.

Here's a quick snapshot of Cyprus today.

TAX

Capital gains tax?	0% (excluding disposal of property in Cyprus)		
Tax on gain from trading in titles?	0% (includes debt instruments, equity etc)		
Corporate income tax?	12.5% on net profits		
Dividends received?	0% (subject to some easily met conditions)		
Dividends distributed?	0% withholding tax		
Holding participation period?	No		
Tax on interest paid to non-Cyprus residents?	0%		
Tax on royalty fees received by Cyprus entity?	Up to 2.5%		
Back-to-back loans?	Thin margin allowed ¹		
Thin capitalization rules?	No		
Advance tax ruling possibilities?	Yes (currently within one month from date of request)		
Shipping companies taxation:			
Owners and charterers (of Cyprus flagged ships)	0% (taxed under tonnage tax regime)		
Owners and charterers (of non-Cyprus flagged ships)	May opt for 12.5% net profits tax or to be taxed under tonnage tax regime		
Ship management companies	May opt for 12.5% on net profits tax or to be taxed under tonnage tax regime		
Forty-five double tax treaties in place, including:	0% withholding tax on dividends paid to Cyprus company from: Ukraine, Armenia, South Africa, Kyrgyzstan, Tadzhikistan, Mauritius, San Marino, Syria, Singapore	5% withholding tax on dividends paid to Cyprus company from: Russia, Belarus, Lebanon, Moldova	10% withholding tax on dividends paid to Cyprus company from: China, India, Kuwait, Serbia, Thailand

¹For a back-to-back loan you need to have a profit margin of 0.35% for loans up to €50m, 0.25% for loans up to €200m, and 0.125% for loans over €200m.



The banking situation (in Cyprus) has not affected the benefits that Cyprus companies have to offer.

LEGAL

European member state?	Yes, since 2004, taking full advantage of EU parent/subsidiary directive whereby EU member states have abolished taxes on dividend payments between parent/subsidiary companies situated within the EU
Legal system?	Cyprus ' legal system is based on the English legal system and common law (company law, trusts law, contract law, civil and criminal litigation procedures, corporate governance rules, law of evidence etc are identical to English law)
Courts in Cyprus	Based on Cyprus statutes and EU directives and regulations, including Cypriot, British and Commonwealth court precedents
Cyprus arbitration?	Yes, founded based on LCIA arbitration rules
Cyprus lawyers	Barristers, members of the Cyprus Bar Association, mostly qualified in UK and Greece
Cyprus accountants/auditors	ACA or ACCA members
Cyprus fiduciary and corporate services	Either lawyers or auditors may offer such services, or professionals licensed and regulated by the Cyprus Securities and Exchange Commission (CySEC)
Cyprus trusts	Broadly used, according to Cyprus trust law and the Cyprus International Trust Law
Level of confidentiality for beneficiaries	Absolute. No registration of the beneficiary's identity in any local, governmental or semi-governmental authority – trustee/beneficiary relationship is under strict confidentiality protection, secured by Cyprus law and courts
How can a beneficiary's identity be disclosed?	Only by court order, or by order of the Attorney General of Cyprus, where it is clearly identified that the beneficiary is the subject of a criminal investigation in accordance with Cyprus law

The Cyprus banking system may be facing difficulties as a result of the Eurogroup's 'draconian' measures, however the banking situation has not affected the benefits that Cyprus companies have to offer. There is no restriction on Cyprus companies having money or bank accounts in Cyprus, if that is what clients are worried about.

Cyprus remains attractive as always, and that can only be improved upon even further.



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