

## The Cyprus Company in International Tax Structuring

December 2024

### Introduction

Cyprus is a long established and tested International Business Centre with a simple, competitive and attractive tax regime for foreign investors. Combined with the island's strategic geographical location as well as its advanced infrastructure, business oriented environment and high level of professional services, the use of Cyprus companies is efficient and practical not only for business activities within Cyprus but also for international transactions.

Despite the recent turbulence of the banking sector, the elements that constitute Cyprus a prime EU jurisdiction in international tax structuring remain intact. Furthermore, the banking sector is undergoing restructuring and moving into a stability phase. In any case, there is no requirement for a Cyprus resident company to maintain bank accounts in Cyprus.

### Main Features of Cyprus Tax System

- Compliant with EU and OECD practices
- Full adoption of all relevant EU Directives
- Good double tax treaty network
- Basis of taxation: 'Management and Control'
- 12,5% uniform corporate income tax rate
- Effective tax lower because of favourable tax provisions as certain incomes are tax exempt, e.g. full tax exemption for dividends under easy to meet conditions, no tax on gains from sale of shares and other qualifying titles, no tax on profit from foreign permanent establishment, no capital gains tax on disposal of foreign assets of a capital nature, no tax on profit from qualifying shipping activities, 80% tax exemption on qualifying IP related profit, Notional Interest Deduction (NID) on new equity used in the business
- Standard rate of VAT is 19%
- Unilateral double tax relief
- No withholding taxes on outbound payments to non-residents
- Comparative cost advantage in establishing proper business and economic substance in Cyprus

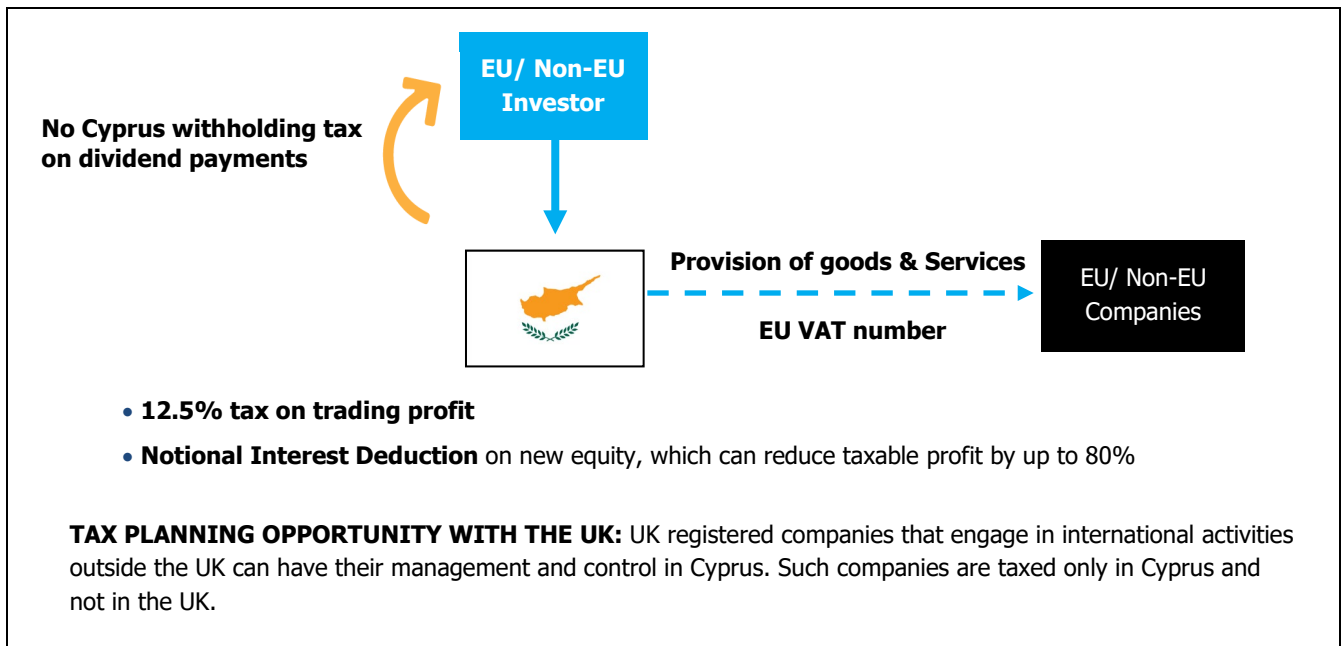
### Uses of the Cyprus Company

The main uses of the Cyprus company in international tax structuring are depicted below and include:

1. Trading company
2. Holding company
3. Financing company
4. Intellectual Property (IP) company
5. Real Estate company
6. Non-Resident Cyprus company

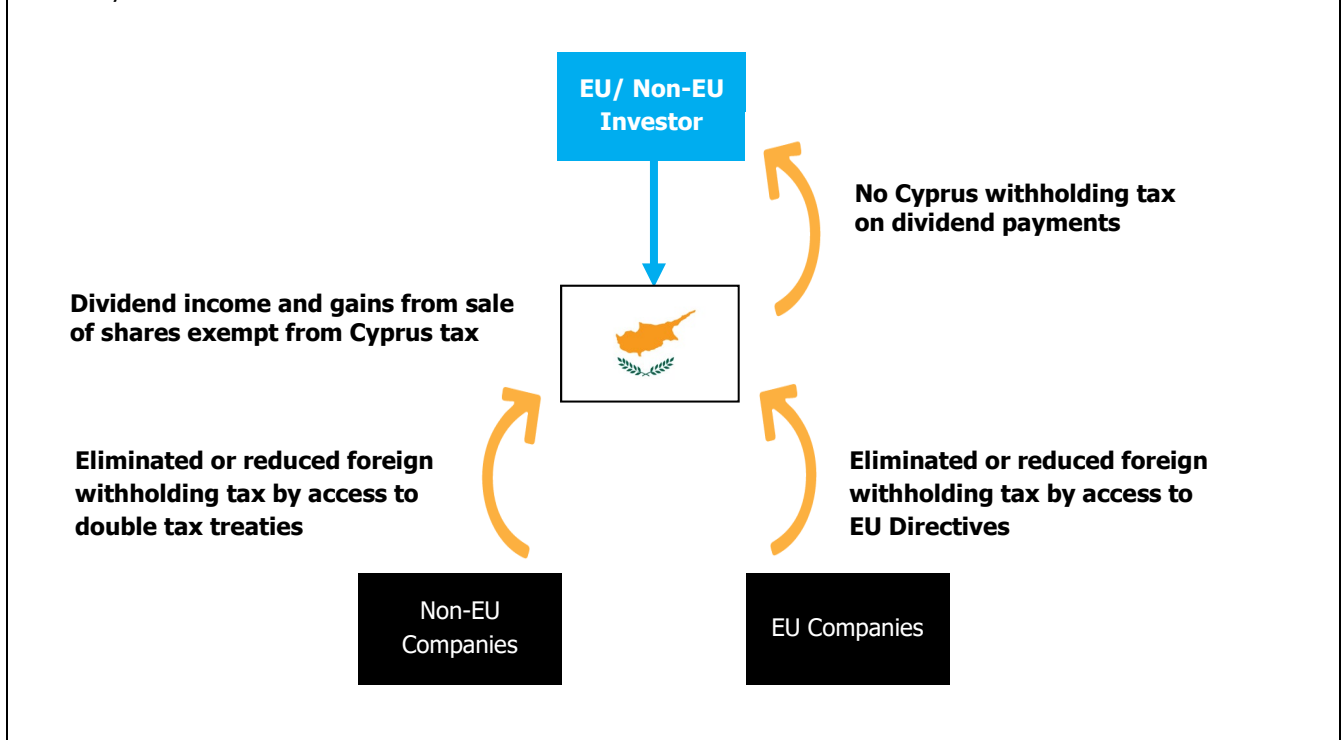
## 1. The Cyprus Trading Company

### TOTALSERVE TRUSTEES LIMITED

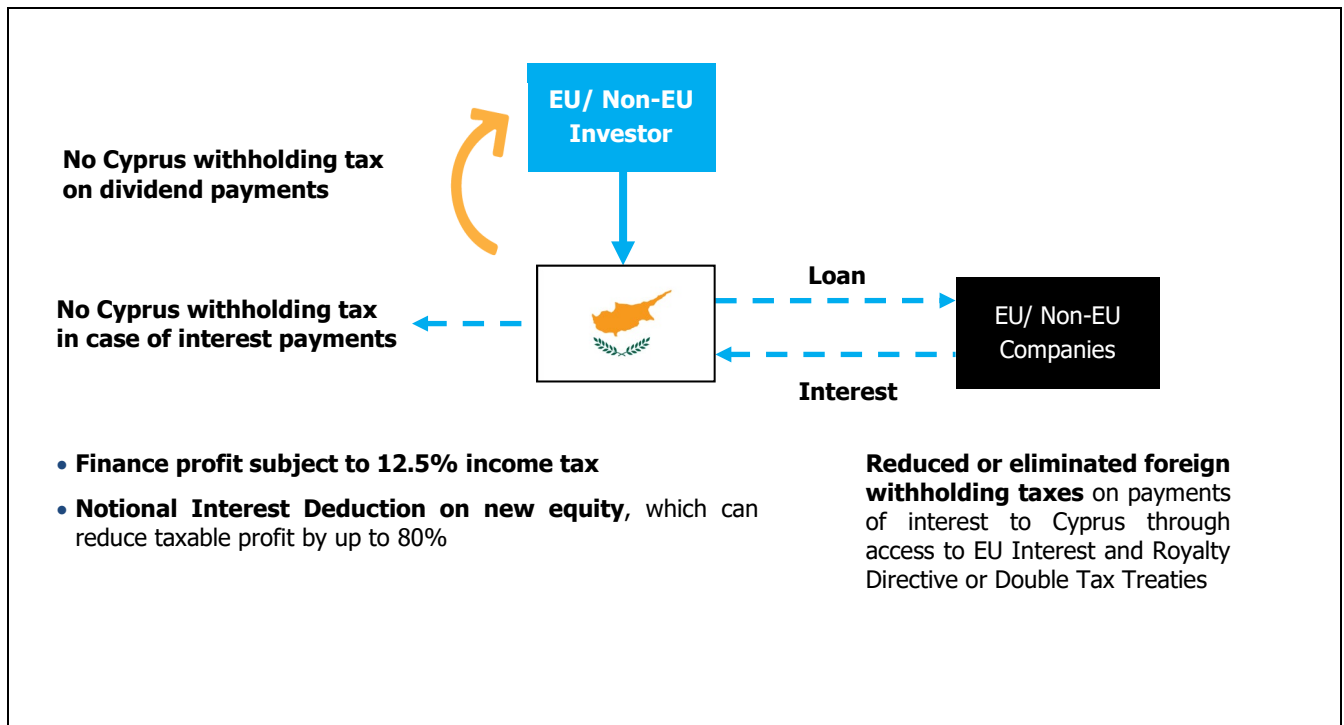


## 2. The Cyprus Holding Company

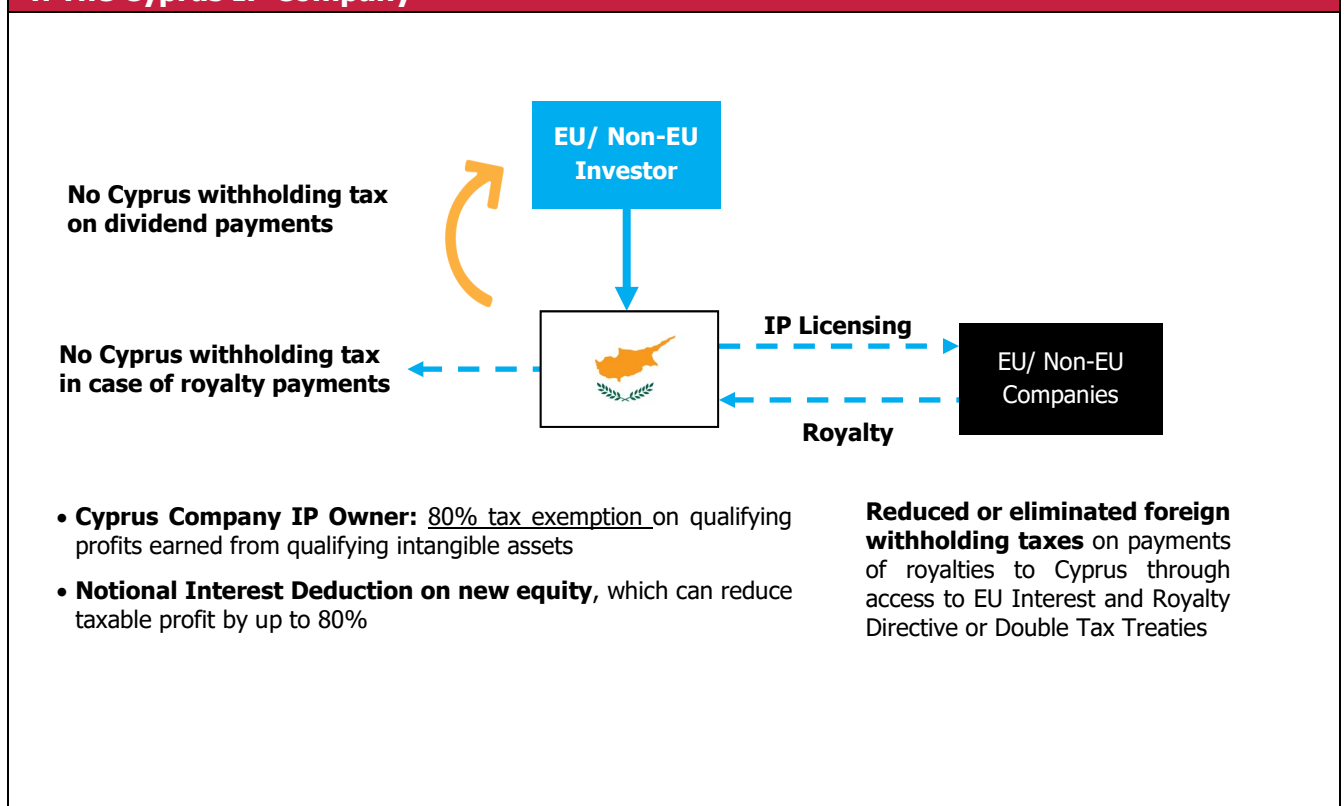
For pure holding companies, there are no Cyprus taxes on the flow of incomes through Cyprus, since dividend income and gains from sale of shares are exempt from Cyprus tax. At the same time there could be a real tax saving from eliminated or significantly reduced foreign withholding taxes, achieved via access to the EU Directives and the beneficial Cyprus double tax treaty network.



## 3. The Cyprus Financing Company

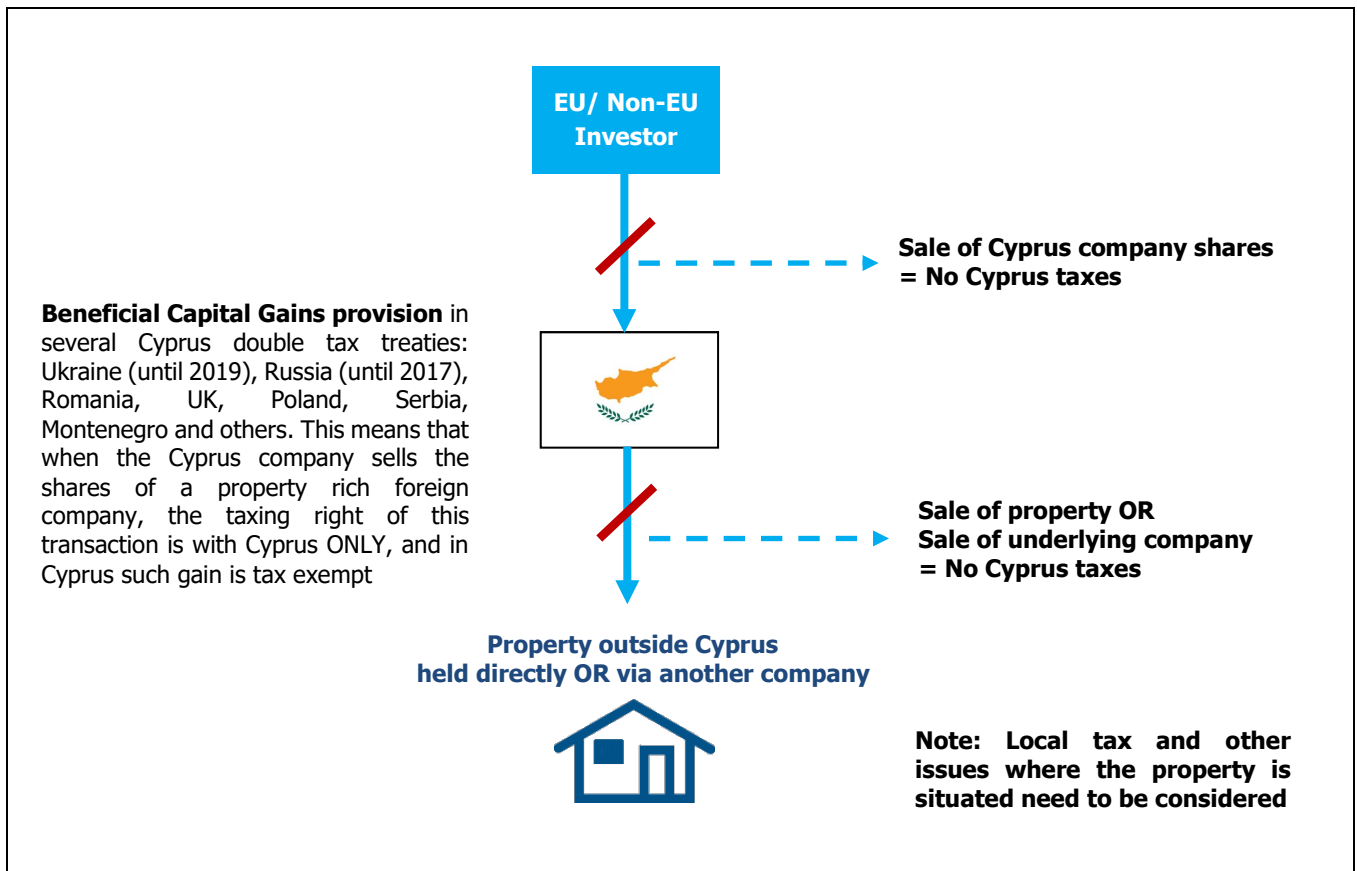


## 4. The Cyprus IP Company



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## 5. The Cyprus Real Estate Company



## 6. The Cyprus Non-Resident Company

A Cyprus company having its management and control abroad and being registered for tax purposes in another country is subject to Cyprus tax only on Cyprus sourced income. This means that such Cyprus incorporated company may be used for certain purposes in Europe and elsewhere without any Cyprus taxes.

### NOTES

The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained. Totalserve Trustees Limited will be glad to assist you in this respect. Please do not hesitate to contact us.