

INCORPORATION OF A CYPRUS IBC

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1. INTRODUCTION

Our team of experts will assist and advise you to decide on the type of International Business Company (IBC), which satisfies your business requirements. The type of Company you will require will depend on the activities you are planning to carry out. For example a suitable type of Company for you would be a Trading Company, a Holding and Investment company, a Royalty Company, etc. Our experts will explain to you the advantages of Cyprus IBCs.

2. TIME OF INCORPORATION

The time of incorporation of a Cyprus IBC will be about 10-12 days from the date we receive the required information from you **and after** the approval of the company name (time of approval of company name about 2-3 working days).

3. COMPANY CERTIFICATES AND DOCUMENTS

The following company certificates and documents **with apostil** will be forwarded to you after the incorporation of the Cyprus IBC:

- Certificate of incorporation
- Certificate of directors and secretary
- Certificate of shareholders
- Certificate of registered office address
- Memorandum and articles of association
- Power of Attorney (1 year)
- Blank resignation of nominee directors and secretary
- Declaration of trust and blank transfers of shares
- Share certificates / letterheads / invoices / company stamp

4. DETAILS OF INCORPORATION

Company Name

You can give us 1 to 3 alternative names of your choice to be approved by the Cyprus Registrar of Companies. The time of approval will take about 5 working days.

Registered Office

Every Company must have a registered office locally. The registered office is the place where official documents can be served upon the company. The business address of the company is not necessary to be the same as the registered office address and it can be anywhere in the world.

Our **office address** will be used as the registered office address of the company.

Secretary

The secretary is recognised by the law as an officer of the company appointed by and responsible to the directors. The responsibilities of the secretary include mainly the maintenance of the statutory books and the minute books.

Our office will appoint a nominee secretary.

Director

Every Company must have at least one director. For each director you wish to appoint, we need the following:

- Full name
- Residential address
- Occupation
- Nationality
- Passport copies (data page)

If you wish, our office can appoint a nominee director. The nominee local director is suitable in cases you want to maintain anonymity and/or the management and control of the company will be exercised locally, for example in Cyprus. In order to maintain management and control in Cyprus you should appoint at least 2 Cypriot directors together with the non-resident director.

Share Capital

The Company will be incorporated with a standard authorised capital of €10.000 consisting of 10.000 shares of €1 each. The authorised capital of the company is not required to be paid.

The company will be incorporated with a standard **issued and fully paid up capital** of €1.000 consisting of 1.000 shares of €1 each.

The payment of the incorporation expenses of the company will be considered as a full payment of the issued capital of the company and no other payments will be required for capital.

Shareholders

The **beneficial shareholders** are the company owners. For each beneficial shareholder we need the following:

- Full name
- Residential address
- Occupation
- Nationality
- Passport copies (data page)
- No. of shares to be issued to each beneficial shareholder

The public records kept at the Registrar of Companies will show the names of the registered shareholders of the company. The beneficial shareholders will be registered as the shareholders of the company.

If you wish, **nominee shareholders** can be appointed by our office to maintain the anonymity of the beneficial shareholders. The public records will show the names of the nominee shareholders of the company. A declaration of trust and a blank transfer of shares will be given by the nominee shareholders.

5. Cyprus IBC's

The different types of Cyprus IBC's and also their taxation treatments are listed below:

1. Cyprus Resident Companies
2. Trading and re-invoicing Companies
3. Consultancy Services Companies
4. Employment Companies
5. Holding Companies
6. Investment Companies
7. Finance Companies
8. Trading in Securities Companies
9. Royalty Companies
10. Real Estate Companies
11. UK non-resident Companies
12. Cyprus non-resident Companies

1. CYPRUS RESIDENT COMPANIES

Basis of taxation

A company incorporated in Cyprus is considered to be a tax resident of Cyprus if it is managed and controlled in Cyprus. A company to be managed and controlled in Cyprus is expected to have the majority of directors to reside in Cyprus and to hold Board Meetings in Cyprus.

Corporation tax

Resident companies are subject to corporation tax at the rate of 10% which is the lowest corporate tax rate in the entire European Union.

Dividends distributed

No withholding tax on dividends distributed to non-resident shareholders of Cyprus Companies.

Interest paid

No withholding tax on interest paid by a Cyprus Company to non-resident creditors.

Double Taxation Treaties

Cyprus has concluded tax treaties with more than 40 countries worldwide. Apart from that, a Cyprus company, being an EU-based entity, is entitled to the benefits of the EU Parent-Subsidiary directive and the EU Interest and Royalty directive, under circumstances providing for withholding tax exemption for interest, dividends and royalty payments made by companies in other EU-member states to a Cyprus company.

2. TRADING AND RE-INVOICING COMPANIES

International trading is one of the most commonly used examples where a Cyprus IBC can be used. An intermediary Cyprus IBC can be placed in between a Buyer and a Seller. In this way, taxable profits can be transferred from a high tax jurisdiction to one with low taxes. The trading will continue with the goods moving directly from the seller to the final buyer and the documents through the intermediary Cyprus IBC Company.

The addition of a Cyprus IBC in the commercial chain can be suitable for a seller or a buyer. Both the seller and the buyer can use an intermediary IBC to reduce taxes paid on the profits arising from the trading in their home countries.

It must be mentioned that the transactions with the intermediary company should be entered into on terms and conditions which could be obtained on an arm's length basis from independent third parties.

For trading within Europe it is necessary to register the company for VAT purposes. We can assist you to register with the VAT Authorities in Cyprus and we can administer the VAT documentation.

The advantages of Trading and Re-invoicing Cyprus IBC's are the following:

Movement of goods

Goods are not necessary to be physically delivered to Cyprus. They are delivered directly to their destination.

VAT registration

VAT registration in Cyprus, a European Union member country.

Trading Profits

Trading profits will be subject to corporation tax at the rate of 10% after deducting all relevant expenses.

Dividends distributed

No withholding tax on dividends distributed to non-resident shareholders of Cyprus Companies.

Interest paid

No withholding tax on interest paid by a Cyprus Company to non-resident creditors.

3. CONSULTANCY SERVICES COMPANIES

Professionals and consultants with international business activities can use a Cyprus IBC as a tax-planning tool for the management of their operations in Europe or to third countries.

The Cyprus IBC will enter into contracts with other parties for the performance of the relevant work and will invoice and receive payments accordingly. Therefore, the profits will be transferred to a low tax jurisdiction.

Cyprus is a suitable jurisdiction with extensive double tax treaty agreements.

The advantages of a Cyprus IBC offering consultancy services are the following:

Consultancy income

The income from consultancy services will be subject to corporation tax at the rate of 10% after deducting all allowable expenses such as salaries and consultancy fees.

Salaries

The salaries paid by a Cyprus IBC to employees who are not resident in Cyprus, are not subject to any taxation or social insurance contributions in Cyprus.

Consultancy fees

The fees paid by a Cyprus IBC to consultants who are not resident in Cyprus, are not subject to any taxation in Cyprus.

Dividends distributed

No withholding tax on dividends distributed to non-resident shareholders of Cyprus Companies.

4. EMPLOYMENT COMPANIES

The use of a Cyprus IBC can be tax advantageous to Individuals who are not tax residents in Cyprus and who receive substantial amounts of income and benefits in kind in respect of employment exercised outside Cyprus.

The right to receive their income and benefits in kind can be assigned to a Cyprus IBC.

In other words, the Cyprus IBC would contract with the Employer for the performance of a relevant work and would invoice and receive payment accordingly. The Individual will be and employee of the Cyprus IBC.

Personal Taxation

The Individual will not be taxed in Cyprus personally for salaries received from his employment contract with the Cyprus IBC in respect of employment exercised outside Cyprus.

Corporation Tax

The net income of the Cyprus IBC will be subject to corporation tax at the rate of 10% after deducting all relevant expenses including salaries, bonuses and other benefits paid to the Individual. Therefore, a small margin of the income will be taxable in Cyprus at 10%.

Dividends Distributed

The net profits after taxation of the Cyprus IBC can be distributed as dividends without any withholding taxes in Cyprus.

5. HOLDING COMPANIES

Cyprus IBC's are very popular to hold shares in subsidiaries and associate companies operating internationally. The advantages of a Cyprus Holding IBC are the following:

Dividend income

Dividends received by a Cyprus Holding Company are totally exempt from taxation provided that the Cyprus Holding Company owns at least 1% of the overseas company.

This exemption does not apply if more than 50% of the overseas company's activities result directly or indirectly in investment income **and** the foreign tax is significantly lower than the tax rate payable in Cyprus.

Profit from the sale of securities

Profits realized by a Cyprus Holding Company from the sale of shares and other securities are exempt from tax.

The only exemption applies, and taxation at 20% will take place, if and to the extent that a profit is realized upon the sales of shares in certain companies owning Cyprus real estate.

Dividends distributed

No withholding tax on dividends distributed to non-resident shareholders of Cyprus Companies.

Interest paid

No withholding tax on interest paid by a Cyprus Company to non-resident creditors.

Dividends received

Cyprus has concluded tax treaties with more than 40 countries worldwide. Dividend Income received in Cyprus benefits from the low withholding taxes imposed by countries, which signed Tax Treaties with Cyprus.

6. INVESTMENT COMPANIES

A Cyprus IBC can be used as an investment company financing various projects internationally belonging to the same group. The advantages of a Cyprus Investment IBC are the following:

Interest income

Interest income of investment companies is considered to arise from the ordinary activities of the company and is subject to 10% corporation tax.

Dividends distributed

No withholding tax on dividends distributed to non-resident shareholders of Cyprus Companies.

Interest paid

No withholding tax on interest paid by a Cyprus Company to non-resident creditors.

Interest received

Cyprus has concluded tax treaties with more than 40 countries worldwide. Interest Income paid to Cyprus benefits from the low withholding taxes from countries with which Cyprus signed Tax Treaties.

For example interest is paid to Cyprus from Russia, Ukraine, Austria, Ireland, Norway, and South Africa with zero withholding taxes.

7. FINANCE COMPANIES

An intermediary Cyprus Finance IBC can be placed in between a parent company in a no tax jurisdiction and subsidiary companies operating in countries, which signed Tax Treaties with Cyprus. The Cyprus Finance IBC will borrow money from the parent company in a no tax jurisdiction and lend money to the subsidiary companies operating in countries, which signed Tax Treaties with Cyprus.

The advantages of a Cyprus Finance IBC are the following:

Interest income

Interest income of finance companies is considered to arise from the ordinary activities of the company and is subject to corporation tax after the deduction of the interest payable.

Therefore, a small margin of net interest income will be taxable in Cyprus at 10%

Dividends distributed

No withholding tax on dividends distributed to non-resident shareholders of Cyprus Companies.

Interest paid

No withholding tax on interest paid by a Cyprus Company to non-resident creditors.

Interest received

Cyprus has concluded tax treaties with more than 40 countries worldwide. Interest Income paid to Cyprus benefits from the low withholding taxes from countries, which signed Tax Treaties with Cyprus.

For example interest is paid to Cyprus from Russia, Ukraine, Austria, Ireland, Norway, and South Africa with zero withholding taxes.

8. TRADING IN SECURITIES COMPANIES

Cyprus has a favourable tax regime for IBC's trading in securities worldwide.

The advantages of a Cyprus IBC used to buy and sell securities such as bonds and shares worldwide, listed in a stock exchange or not, are the following:

Profit from the sale of securities

Profits realized by a Cyprus IBC from the sale of shares, bonds and other securities are exempt from tax.

The only exemption applies, and taxation at 20% will take place, if and to the extent that a profit is realized upon the sales of shares in certain companies owning Cyprus real estate.

Dividends distributed

No withholding tax on dividends distributed to non-resident shareholders of Cyprus Companies.

Withholding taxes

No withholding taxes on payments out of Cyprus.

9. ROYALTY COMPANIES

Royalties are the payment of license fees or commissions by one individual or entity to another for the use of intellectual property such as:

- patents

- trademarks

- copyright

For many international companies, the development and licensing of intellectual property can be considered as one of their most important activities. Licenses can be granted to third parties or related parties. Adequate structuring of the ownership of the intellectual property and channelling of the license payments can lead to significant tax benefits.

The advantages of a Cyprus IBC granted the royalty rights to use a patent, trademark or innovation outside Cyprus are the following:

Royalty income

The royalty income of a Cyprus IBC will be subject to corporation tax at the rate of 10% after deducting all relevant expenses including royalties paid. Therefore, a small margin of net royalty income will be taxable in Cyprus at 10%.

Any withholding taxes over the royalties received by the Cyprus Company can be deducted from corporate income tax payable in Cyprus.

Royalties paid

If a Cyprus IBC is granted the royalty rights to use a patent, trademark or innovation outside Cyprus, and then there are no withholding taxes on royalties paid by the Cyprus Company.

Dividends distributed

No withholding tax on dividends distributed to non-resident shareholders of Cyprus Companies.

Interest paid

No withholding tax on interest paid by a Cyprus Company to non-resident creditors.

Royalties received

Cyprus has concluded tax treaties with more than 40 countries worldwide. Royalty payments to Cyprus licensing companies' benefit from the low withholding taxes imposed by countries with which Cyprus signed Tax Treaties.

For example royalties are paid to Cyprus from Russia, Ukraine, Austria, Belgium, Denmark, Hungary, Italy, Norway, South Africa, USA, and Sweden with zero withholding taxes, Ireland and Greece 5% on film royalties only, France, Germany and UK 5% on film and TV royalties only.

10. REAL ESTATE COMPANIES

In certain jurisdictions the use of an IBC owning a real estate will minimize or eliminate capital gains taxes, inheritance taxes and income taxes.

For example, if a Cyprus IBC beneficially owned by a UK non-resident, purchased a property in the UK for investment purposes and the property was then later sold on to a third party, the capital gain arising from the transaction would not be subject to UK capital gains tax.

The advantages of a Cyprus non-resident Company are the following:

Capital Gains Tax

Gains from the disposal of immovable property situated outside Cyprus including gains from the disposal of shares in companies which own such immovable property are exempt from capital gains tax in Cyprus.

Dividends Distributed

No withholding tax on dividends distributed to non-resident shareholders of Cyprus Companies.

11. UK NON-RESIDENT COMPANIES

A company incorporated in a foreign country is considered to be a tax resident of Cyprus if it is managed and controlled in Cyprus. A foreign company to be managed and controlled in Cyprus is expected to have the majority of directors to reside in Cyprus and to hold Board Meetings in Cyprus.

A UK register company managed and controlled from Cyprus and with activities outside UK will not be taxed in the UK but it will be considered a tax resident of Cyprus.

The UK Company will be register in Cyprus with the Registrar of Companies as a foreign company and with the tax authorities as a tax resident of Cyprus.

The advantages of a UK register non-resident Company are the following:

Corporation tax

The profits of the UK non-resident company managed and controlled in Cyprus will be taxed in Cyprus at rate of 10% which is the lowest corporate tax rate in the entire European Union.

Reputation

Take advantage of the UK reputation.

Double Taxation Treaties

Cyprus has concluded tax treaties with more than 40 countries worldwide. A UK register non-resident company managed and controlled in Cyprus can take advantage of the Double Tax Treaties concluded by Cyprus.

12. CYPRUS NON-RESIDENT COMPANIES

A company incorporated in Cyprus is not considered to be a tax resident of Cyprus if it is not managed and controlled in Cyprus. A Cyprus company not managed and controlled in Cyprus is expected to have the majority of the directors to reside outside Cyprus and to hold Board Meetings outside Cyprus.

Companies incorporated in Cyprus but not tax residents of Cyprus are not subject to taxation in Cyprus unless they have a permanent establishment in Cyprus or they receive rental income from property in Cyprus or they make profits from the sale of Cyprus based real estate.

The advantages of a Cyprus non-resident Company are the following:

Trading Profits

The Cyprus non-resident company can buy and sell worldwide and the profits will be exempt from taxation in Cyprus i.e. zero tax in Cyprus.

Interest income

Interest income from deposits with Cyprus banks will be received without any deductions and with zero tax in Cyprus.

VAT registration

VAT registration in Cyprus, a European Union member country.

Dividends distributed

No withholding tax on dividends distributed to non-resident shareholders of Cyprus Companies.

Interest paid

No withholding tax on interest paid by a Cyprus Company to non-resident creditors.

A Cyprus non-resident company cannot take advantage of the Double Tax Treaties concluded by Cyprus.