

Cyprus Companies Information Sheet



Statutory description of company

Private Limited Company.

Governing corporate legislation

Companies Law, Cap 113, as amended. Following changes to personal and corporate tax legislation in 2002, Cyprus signed the accession treaty for the EU on 16 April 2003. Full membership was effected on 1 May 2004. New tax legislation came into effect on 01/01/2003. The corporate tax rate is 10% for all companies, with significant exemptions.

Time-scale for incorporation

About 10 days although a reduction in this time scale may be possible in cases where there is urgency.

Availability of ready-made companies

These are generally available.

The regulations governing availability of names

The name of each company must end with the word 'Limited' or its abbreviation 'Ltd'.

The Registrar will not permit registration of a name the same as or confusingly similar to that of an already registered company.

No company may be registered under a name that, in the opinion of the registrar, is undesirable.

Minimum and maximum number of shareholders

Minimum of one, maximum of 50 Nominee shareholdings are permitted, as is the holding of shares on trust.

Statutory minimum paid up capital requirements

One share must be subscribed to at the date of incorporation but there is no requirement that this be paid up.

There is no minimum share capital requirement under statute.

Standard authorised capital

Usual authorised share capital is € 10,000.

Classes of shares available

The following classes of shares are available: registered (nominative) shares, preference shares, redeemable shares and shares with special (or no) voting rights.

It is not permissible to have shares of no par value.

Denomination of share capital

Shares can be denominated in any recognised hard currency.

Residency requirement on shareholders or shareholders' meetings

There are no residency requirements.

Annual general meetings are required once in each calendar year and not more than 15 months may elapse between such meetings; first annual general meeting may be held within 18 months of the date of incorporation.

Information published relating to shares and shareholders

Issued capital notified on incorporation and annually together with a list of shareholders.

Minimum and maximum number of directors

A minimum of one director and one secretary are required. Where there is only one director and one secretary, they must be different persons.

Are corporate directors permitted?

The office of director or secretary may be held by a company.

Nationality and residency requirements of directors

None.

Nature of the powers of the directors

Freely determinable by the company's articles of association. General powers of management are usually given to the board of directors acting as a board, with provision for a possible limit on borrowing powers.

Directors' meetings

No mandatory rules as to location and frequency.

Information published relating to directors

The directors' names, addresses and nationality must be provided on incorporation and also when changes occur.

There is no legal requirement to provide details of other directorships. Details of directors' shareholdings are included in the general list of shareholders. There is no requirement to report separately.

Must accounts be prepared by the directors?

The Companies Law provides that proper books of account

must be kept in respect of all sums of money received and expended, all sales and purchases of goods, and assets and liabilities.

The first financial period may in certain circumstances cover a period of not more than 18 months from the date of incorporation and, thereafter, the accounting reference period is a 12-month period coinciding with the calendar year.

Must such accounts be filed with the financial authorities?

All companies, are required to file accounts with the registrar, and accounts so filed are open to inspection by the public. In addition, financial statements must be filed with the tax authorities.

Must the company have a registered presence in the territory of incorporation?

A registered office must be situated within the jurisdiction.

What records must be maintained in the territory and are they available for public inspection?

Every company must maintain a register of members, a register of directors and secretaries and a register of directors' shareholdings.

The register of members must be open for public inspection during normal hours of business without charge. The register of directors and secretaries may be inspected during normal business hours by any member free of charge or by any other person upon the payment of a minimal fee. The register of directors shareholdings must be open for inspection during business hours by any member or debenture holder of the company during the period beginning 14 days before the date of the company's annual general meeting and ending 3 days after that date. The books of account must be kept at the registered office and made available to the directors.

Can the company make secured loans?

Yes.

Can the company make unsecured loans?

Yes.

What are the limits placed on the company's borrowing powers?

Limits are often set out in the company's articles of association.

Is there a register of company charges?

A register of all charges on the company's property: must be kept open for inspection by any person on payment of a minimal fee.

Charges must be registered at the Companies Registry and, for certain types of property, in other registers such as the Ships Registry for ships and the Land Registry for real property.

Company seal

Permitted, but not required.

TAXATION ISSUES

Corporate tax rate on trading profits

12.5%

Corporate tax rate on overseas dividends

Not taxable in Cyprus

- provided that the majority of the income of the dividend-paying company is trading income; or

- provided that the dividend-paying company is subject to tax in its country of residence at a rate of 5% or higher

Corporation tax rate on the disposal of shares and securities

Not taxable in Cyprus

Corporation tax rate on interest income

12.5%

Corporation tax rate on royalty income

12.5%

SPECIAL DEFENCE TAX

In certain cases a Defence Tax applies to dividend or interest income of a Cyprus company.

However if a Cyprus company is receiving dividends or interest as described, i.e.

- dividends from a trading subsidiary or subsidiary subject to a tax rate of 5% or more
- interest from loans to finance the ordinary business activity of a company or group then the Special Defence Tax will not apply.

Annual Levy of Euros 350

Every Cyprus company must pay an annual levy to the Cyprus government for the privilege of incorporation in Cyprus.

The levy is Euros 350 per annum.

There are financial penalties for late payment.

Non-payment of the levy will eventually lead to the strike-off of the company.

Cyprus withholding taxes

There are no Cyprus withholding taxes on dividend, interest or royalty payments made to non-residents of Cyprus.

In the case of royalties, the absence of withholding tax assumes the IP giving rise to the royalty is not located in Cyprus.

Margins on back-to-back loans

Where a Cyprus company receives a loan from a related party, which it on-lends to another related party, the spread or profit margin of the Cyprus company on its interest income (after paying interest to its lender) must not fall below the following rates:

Loan facility	Profit Margin
Up to Euros 50 million	0.35%
Up to euros 50 – 200 million	0.25%
More than Euros 200 million	0.125%

The minimum acceptable profit margin on interest income connected to back to back loans will be 0.35%, regardless of the amount of the loan facility.