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The Legal Business Climate and Current Trends

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Historical Facts

- Presidential Republic since 1960 (previously English Colony)
- Member of the European Union since 2004
- Member of the Eurozone since 2008
- Greek Official Language (English widely used at all levels)
- Number of inhabitants: 947,000 (2016 figure)
- Turkish occupation in the north part since 1974 (Nicosia is the last divided capital of the world)
- Green Line manned by a UN quota opened in 2003



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Noteworthy Elements

- Economic Growth: 3.8% (2018) 3.3% (2019)
- Growth Sectors: Energy, Construction, Shipping, Financial (Fund Industry), Tourism, Education
- Located in the Eastern Mediterranean at the crossroads of Europe, the Middle East and Africa
- An important European and regional financial and business services hub



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Strategic Geographical Location

- Cyprus' strategic position plays a key role in shaping its history and in developing the island into a convenient center for trade and international business.





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Regulatory Context: Sources of Law

- European Union Law (5th Amendment to the Constitution Law 127 (I)2006)
- Constitution of the Republic of Cyprus Conventions / Treaties / International Agreements
- Formal Laws (approved by the House of Representatives)
- Regulatory Acts (issued by the government)
- Law of the Supreme Court
- Common Law



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Sources of Company Law and Principal Legal Forms

The Company law in Cyprus is based on the Companies Law (Cap. 113), which derives from the UK Companies Act of 1948 with subsequent adjustments.

The main legal forms of companies are as follows:

Limited responsibility

- Private company limited by shares. No Minimum Capital
- Public company limited by shares (PLC). Minimum Capital 25,630 Eur
- Company limited by guarantee. No Minimum Capital

Unlimited liability

- Partnership (general, limited). No Minimum Capital



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Private Company Limited by Shares (LTD)

- Simple and fast incorporation procedure
- No Minimum Capital required (usually 1000 Eur)
- Minimum 1 - Maximum 50 members
- Liability limited to the subscribed shares
- Possibility of issuing different classes of shares
- Unclassified corporate purpose (holding / operating)
- Possibility to hold the shares through a Fiduciary (nominee shareholder) and to use a Fiduciary Administrator (nominee director)

Since 18 December 2018, the registration tax was abolished on capital first equal to 0.6% and today is therefore no longer due even in the event of an increase.



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Fiscal Background for Companies

- Tax system perfectly harmonized with European legislation and OECD standards (Cyprus adheres among others to the MAAT, BEPS, CRS conventions)
- There are 62 Treaties in place, preventing the double taxation
- Tax Residence based on the place of «Management and Control»
- Full application of IFRS principles
- Financial statements are subject to compulsory audits



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Double Taxation Agreement: Cyprus – Hungary

- Cyprus differs from most other offshore jurisdictions, in that it offers a big number of double tax treaties.
- The agreement between Cyprus and Hungary was first signed on 30/11/1981.
- Its purpose is to establish a legal framework for the avoidance of double taxation on income and on capital gains between the two states.

	Dividends %	Interest %	Royalties %
Received in Cyprus	5/15	0/10	0
Paid from Cyprus	-	-	0 *

* No tax is withheld for payment of dividends and interest to non-residents in Cyprus and non-domiciled in Cyprus. No tax is withheld when the royalty is paid for use outside Cyprus.



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Tax Rates for Companies

- 12.5% Corporate Tax Profit
- No Tax on the distribution of dividends to non-residents
- No Tax on dividends received from other companies (local or foreign)
- No Tax on capital gains deriving from the sale of investments or liquidation
- No Tax on capital gains deriving from activities carried out outside Cyprus
- Special schemes for companies in the Shipping, Oil and Gas, Insurance, Financial (Fund Industry), and Cinematographic sectors



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Value – Added Tax (VAT)

- Scope of application: Transfer of goods and services in the State, and imports of goods
- Standard rate 19% (Vies / intrastate system for sales invoices)
- NO Taxable property below a turnover of 15,600 Eur
- Reduced rate 9% for catering, hotel accommodation services and transport of people by land or sea within the country
- Reduced rate 5% for food products, pharmaceuticals, books and newspapers and building renovations (under certain conditions)
- Rate 0 on exports and special regimes in shipping and aviation
- Exemption for real estate leases, financial and insurance services, medical and educational services



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Cost of Labor

Contributions for social insurance and other related funds are calculated on the gross remuneration with the following percentages:

	Employer %	Employee %	Self-Employer %
Social Insurance Fund	8,3	8,3	15,6
Redundancy Fund	1,2	-	-
Industrial Training Fund	0,5	-	-
Social Cohesion Fund	2,0	-	-
Contribution to the General Healthcare System (GHS):			
- From 01/03/2019	1,85	1,70	-
- From 01/03/2020	2,65	2,90	-



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Individual Tax Rates

- Tax rates in 2018 (worldwide principal for domiciled residents)

Tax %	Tax Base (EUR)
0	Up to 19.500
20	19.501 – 28.000
25	28.001 – 36.300
30	36.301 – 60.000
35	Over 60.001

- Retirement income abroad is taxed at a fixed rate of 5% on the amount exceeding 3.420 EUR.



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Real Estate

- The tax on Real Estate has been abolished since January 2017.
- Real Estate capital gains tax is 20% (also applied in the case of capital gains from sales of investments with assets made up of more than 50% by Real Estate)
- The transfer of Real Estate is instead taxed with a tiered system according to the value of the property with rates between 3% and 8% of the market value (not applicable if the transfer is carried out as part of a company restructuring or if it is subject to VAT)
- VAT on Real Estate transfers (when applicable): 19% which can be reduced to 5% in the case of a first home purchase
- Donations to spouses or relatives within the third degree: Tax rate 0.1%
- Donations to children: No Tax
- Contribution to Trust: Tax in a fixed amount



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Fees of the Land Registry

(on transfer of title deeds)

Market Value €	Rate %	Accumulated LRF
First 85.000	3	2.550
From 85.001 to 170.000	5	4.250
Over 170.000	8	



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Intellectual Property

- Cyprus offers an efficient tax regime perfectly integrated with European standards and all the main treaties and protocols on the subject.
- The new tax regime provides tax exemptions for income from intellectual property.
- In particular:
 - 80% of revenues from international royalties generated by intellectual property of companies resident in Cyprus (net of any direct expenses) and exempt from income tax
 - 80% of the profits generated by the sale of intellectual property of Cyprus resident companies (net of any direct expenses) and exempt from income tax
 - Any costs to assets for the acquisition or development of intellectual property can be deducted for tax purposes in the year in which it was held and in the four years following
 - All the aforementioned exemptions are also applied to intellectual properties purchased or developed before 2012



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Conclusion

- Robust and transparent regulatory and fiscal framework fully integrated with all EU and international standards
- Particularly strategic geographical positioning between Europe, the Middle East, Africa and Asia
- High quality standards in services
- Exceptional Cooperation and Interchange potential with all European countries in various sectors



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Thank you for your attention!

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