



Anthony Ashiotis  
& Co

WHY CYPRUS!

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# Why Cyprus! - Introduction

Cyprus is the third largest island in the Mediterranean, with an area of 9,251 km<sup>2</sup> and with a population close to 1 million people. The strategic location of the island has played an important role in establishing Cyprus as a business hub since antiquity and as a very popular tourist destination. Cyprus has been a member state of the EU since 2004 and a member of the Eurozone since 2008. The combination of quality people and infrastructure as well as investment opportunities render Cyprus an ideal location for business worldwide.



# *Doing business in Cyprus*

## *A common law legal system*

The Republic of Cyprus is a member state of the European Union and a member of the Eurozone. Cyprus is an independent, sovereign republic with a presidential system of government and a written constitution which safeguards the rule of law, political stability, human rights and the ownership of property. Cyprus is a member of the British Commonwealth, Council of Europe, International Monetary Fund, United Nations, World Bank and World Trade Organisation and is signatory to many international conventions and treaties.

Cyprus' close links to Great Britain as a result of being part of the British Empire (it was a British Crown Colony until achieving independence in 1960) mean that its legal and judicial system is very much aligned with that of the United Kingdom. As such, Cyprus' primary corporate statutes are based on and derive from English company legislation and its legal system is modelled on the English common law system.

Cyprus' legislation is fully compliant with the European Union legislation. European Union directives are fully transposed into local legislation and European Union regulations have direct effect and full application in Cyprus.

## *Setting up in Cyprus*

The procedures for registering a company with the relevant authorities in Cyprus can be completed within approximately 5-10 days and we can assist with all set up procedures (including set up of bank accounts, set up offices, recruiting of staff and other actions that may be needed / desired).

# *Doing business in Cyprus*

## *A modern, transparent and efficient tax system*

Cyprus has a very modern transparent and efficient tax system which is fully aligned with EU and international regulations. Cyprus tax resident companies benefit from Cyprus' extensive and growing double taxation treaty network with approximately 60 countries worldwide as well as access to all EU directives. The OECD includes Cyprus on the White List of jurisdictions that have substantially implemented the internationally agreed tax standard on transparency and exchange of information.

Cyprus' corporate income tax rate of 12.5%, is generally what is applicable on the profits/net income of a Cyprus tax-resident company. However, a number of exceptions exist, namely:

- Foreign-sourced dividends.
- Disposals of shares and other qualifying titles (such as corporate bonds) provided the disposed company does not hold any immovable property in Cyprus.
- No withholding taxes on payments made abroad at all times.
- Profits of foreign branches (but an option to tax is available for the tax payer).
- The Cyprus IP tax regime can be utilised to achieve an effective tax rate of as low as 2.5%.
- Foreign exchange gains, unless they are earned by Forex traders/ dealers.

# *Doing business in Cyprus*

The traditional main pillars of the economy have been Tourism, Shipping and Professional Services Industries whilst looking to develop an ecosystem that promotes innovation, research & development as well as start ups. Cyprus is a well regulated funds jurisdiction and is looking to become an Eastern Mediterranean Oil & Gas hub.

Furthermore, the Cyprus real estate is booming with great opportunities for a sound investment especially with so many attractive hotels, theme parks, casinos and marinas emerging all over the island.



# *Doing business in Cyprus*

## *Financial reporting considerations*

### *Reporting framework for Cyprus entities*

International Financial Reporting Standards as adopted by the European Union (“EU IFRS”) constitute the local Generally Accepted Accounting Principles (“GAAP”) in Cyprus and also form the basis for the computation of taxable income. Therefore, Cyprus-registered entities need to maintain only one set of financial statements for both financial reporting and tax purposes, based on a reporting framework widely accepted by investors, financiers and analysts across the globe.

**12,5%**

*Cyprus maintains a statutory corporate tax rate of 12.5%*

**Dividends**

*Foreign sourced dividends are generally exempt from tax in Cyprus, when received by a Cypriot tax resident company*

**60**

*Cyprus has an extensive network of double taxation agreements with close to 60 countries*

# The Cyprus Tax System

*Simple and attractive!*



## *Personal tax system*

Personal income tax rates reach a top marginal tax rate of 35% (this on taxable income in excess of €60,000). Income of up to €19,500 is not subject to any tax.

There is a 50% exemption from Cyprus personal income tax on the remuneration from any employment exercised in Cyprus by an individual who was not a resident of Cyprus before the commencement of the employment. The exemption is available for 10 years where the annual remuneration exceeds €100,000.

Non-domiciled (non-dom) individuals are not taxed on any income from dividends and interest for 17 years.

All citizens of the EU who wish to reside and work in Cyprus need to apply for an EU Registration Certificate. This is a simple, one-off procedure which does not need renewal.

Non-EU nationals wishing to reside and work in Cyprus need to apply for a Temporary Employment and Residence Permit at the Civil Registry and Migration Department. These permits are usually issued for a period of 1 year and upon expiry they are renewed.

# Becoming a Cyprus tax resident

## Non-Domiciled individuals

Non-Dom status can be maintained by Cyprus tax resident individuals for 17 consecutive years.

There are significant tax incentives for Cyprus tax resident non-domiciled individuals as follows:

	SDC*	IT*
Dividends	Exempt	Exempt
Interest	Exempt	Exempt
Rent	Exempt	Taxable
Salaries	N/A	Taxable

\*IT= IncomeTax; \*SDC= Special Defence Contribution

\*\* 50% exemption from Income tax for the remuneration from any employment exercised in Cyprus, provided that the annual remuneration exceeds €100.000. The exemption applies for a period of 10 years (effective tax can be lower than 8%).

Other exemptions from taxes in Cyprus, include the exemption of gains arising from the disposal of shares, bonds and similar financial instruments (qualifying “titles”). In addition, there is no inheritance tax in Cyprus.

# Becoming a Cyprus tax resident

For ascertaining Cyprus tax residency, the “183 day rule” applies where individuals are tax residents in Cyprus if they spend more than 183 days in the calendar year, in Cyprus.

Individuals are also considered as tax residents of Cyprus if they satisfy the “60 day rule” in the calendar year.

*The “60 day rule” applies to individuals who in the relevant calendar year reside in Cyprus for at least 60 days and:*

1	2	1	Do not reside in any other single state for a period exceeding 183 days in aggregate; and
		2	Are not tax residents in any other state; and
3	4	3	Carry out business in Cyprus and/or are employed in Cyprus and/or hold an office (director) of a Cyprus tax resident company; and
		4	Maintain a permanent residential property in Cyprus which is either owned or rented

# Anthony Ashiotis & Co profile

Anthony Ashiotis & Co ([www.ashiotis.com.cy](http://www.ashiotis.com.cy)) was founded in Nicosia in 1990 and is a well-established, highly awarded firm of auditors, accountants and consultants offering a wide range of services of the very highest standard to a large portfolio of clients based in Cyprus and abroad.

Our office premises are located in the heart of Nicosia, which is the capital of Cyprus, house state of the art technology and meeting facilities and are manned by a team of professionals who aim to add value to the level of work and protect the interests of their clients.

Our services include the following:

- **Accounting services**
- **Auditing services** (including preparation of audited financial statements as per International Financial Reporting Standards)
- **Tax services**
- **Vat / Vies services**
- **Legal, corporate and arbitration services** (mainly by our legal/corporate department also where needed in cooperation with our external legal advocates)
- **Obtaining work and residence permits** as well as **Cyprus Citizenship** by means of investment
- **Setup of offices** in Cyprus
- **Other Services** (e.g. Tax planning, banking services, marketing, feasibility studies etc.).

# Anthony Ashiotis & Co profile

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**Anthony Ashiotis & Co** is a member of FY International and has received many awards both by ICPAC (Institute of Certified Public Accountants of Cyprus) and ACCA (Chartered Association of Certified Accountants of the UK) in recognition that the firm applies best practice procedures and suitable quality control in all areas of business.

The firm has also received an award from ACCA in recognition of the highest standards of training and support to ACCA trainees and development provided to its professional staff.

The firm has twice received the “Cyprus Export Award for Services” (for years 2009 and 2012). This award was granted by the Ministry of Commerce, Industry & Tourism which award was personally handed to Mr. Anthony Ashiotis at a specially held ceremony by the then President of Cyprus Mr. Demetris Christofias (for year 2009) and the current President Mr. Nicos Anastasiades (for year 2012). It is worth noting that the office premises of Anthony Ashiotis & Co were inaugurated in 2001 by late President of Cyprus Mr. Tassos Papadopoulos. Effectively, this firm has been honoured by all three consecutive Presidents of Cyprus!

Anthony Ashiotis, the Managing Partner of the firm is also a member of the board of the Cyprus Chamber of Commerce Industry business associations:

- Cyprus – Canada
- Cyprus – Germany
- Cyprus – UK