

1. LEGAL AND TAX SYSTEM

LAW

- Cyprus is a member of the EU where advantageous tax planning structures can be achieved.
- Cyprus Legal System is based on the English model.
- The most common form of a legal entity used is the Cyprus Private Limited Liability Company.
- There is limited liability to the shareholders.
- Nominee shareholders can be used.
- Proper accounting records must be maintained and audited Financial Statements must be prepared annually.

TAX

- The Tax residency of a Cyprus Company is determined by where its management and control is exercised.
- Worldwide profits of Tax Resident Companies are liable to corporation tax in Cyprus.
- Resident companies pay one of the lowest taxation in Europe (12.5%) on their net profits. However effective tax can be lower (see tax structure below).
- Losses can be carried forward for 5 years and set off against future profits.
- Re-organisations, mergers, de-mergers, exchange of shares, transfer of assets are made without any taxation.
- Unilateral tax credits are granted on any tax paid abroad to any foreign country, irrespective of whether Cyprus has a Double Taxation Treaty or not.

2. TAX STRUCTURES

Holding Companies

- Dividend income is exempt from Corporation tax.
- Any profits made from the sale of titles (i.e. shares, bonds etc) is exempt from corporation tax.
- No withholding taxes on payment of dividends from Cyprus to a non-resident shareholder.

Financing Companies

- Interest income is taxed under corporation Tax at 12.5% on resulting net profits.
- No withholding taxes on payment of interest from Cyprus to a non-resident borrower.
- Unilateral tax credit is granted on tax paid abroad

Intellectual Property Companies

- 80% of "Royalty Profit" is exempt from corporation tax, therefore, the maximum effective tax rate is 2.5%.
- No withholding taxes on payment of dividends from Cyprus to a non-resident shareholder.
- Unilateral tax credit is granted on tax paid abroad

Property Companies

- No capital gains tax is paid on the transfer of immovable property owned abroad (outside Cyprus).
- Any taxation paid abroad on immovable property can be claimed as a tax credit in Cyprus.

3. INTERNATIONAL TAX PLANNING

DOUBLE TAX TREATY NETWORK

•Cyprus has a wide network Double Taxation Treaties which makes it an efficient jurisdiction for International Tax Planning. Currently Cyprus has active Double Taxation Treaties with the following countries:

| RECEIVED IN CYPRUS | | | | | | | |
|--------------------------|---------------|--------------|---------------|--------------------------|---------------|--------------|---------------|
| Payer | Dividends (%) | Interest (%) | Royalties (%) | Payer | Dividends (%) | Interest (%) | Royalties (%) |
| Treaty countries: | | | | Treaty countries: | | | |
| Armenia | 0 | 5 | 5 | Lebanon | 5 | 5 | 0 |
| Austria | 10 | 0 | 0 | Lithuania | 0 | 0 | 5 |
| Bahrain | 0 | 0 | 0 | Malta | 15 | 10 | 10 |
| Belarus | 5 | 5 | 5 | Mauritius | 0 | 0 | 0 |
| Belgium | 10 | 10 | 0 | Moldova | 5 | 5 | 5 |
| Bosnia | 10 | 10 | 10 | Montenegro | 10 | 10 | 10 |
| Bulgaria | 5 | 7 | 10 | Norway | 0 | 0 | 0 |
| Canada | 15 | 15 | 10 | Poland | 0 | 5 | 5 |
| China, P.R. | 10 | 10 | 10 | Portugal | 10 | 10 | 10 |
| Czech Republic | 0 | 0 | 0 | Qatar | 0 | 0 | 5 |
| Denmark | 0 | 0 | 0 | Romania | 10 | 10 | 5 |
| Egypt | 15 | 15 | 10 | Russia | 5 | 0 | 0 |
| Estonia | 0 | 0 | 0 | San Marino | 0 | 0 | 0 |
| Ethiopia | 5 | 5 | 5 | Serbia | 10 | 10 | 10 |
| Finland | 5 | 0 | 0 | Seychelles | 0 | 0 | 5 |
| France | 10 | 10 | 0 | Singapore | 0 | 10 | 10 |
| Georgia | 0 | 0 | 0 | Slovak Republic | 10 | 10 | 5 |
| Germany | 5 | 0 | 0 | Slovenia | 5 | 5 | 5 |
| Greece | 25 | 10 | 0 | South Africa | 0 | 0 | 0 |
| Guernsey | 0 | 0 | 0 | Spain | 0 | 0 | 0 |
| Hungary | 5 | 10 | 0 | Sweden | 5 | 10 | 0 |
| Iceland | 5 | 0 | 5 | Switzerland | 0 | 0 | 0 |
| India | 10 | 10 | 15 | Syria | 0 | 10 | 10 |
| Iran | 5 | 5 | 6 | Thailand | 10 | 15 | 5 |
| Ireland, Rep. of | 0 | 0 | 0 | Ukraine | 5 | 2 | 5 |
| Italy | 15 | 10 | 0 | United Arab Emirates | 0 | 0 | 0 |
| Jersey | 0 | 0 | 0 | United Kingdom | 15 | 10 | 0 |
| Kuwait | 0 | 0 | 5 | United States | 5 | 10 | 0 |
| Latvia | 0 | 0 | 0 | | | | |

OUR FIRM

Kinanis LLC, a law and consulting firm, is one of the leading business law firms in Cyprus. The firm has been advising international investors and private clients on all aspects of law, tax and accounting for over 33 years. We are an innovative multidisciplinary firm providing a full range of services combining law and accounting with the extensive expertise to ensure that our clients will obtain the best possible spherical advice. Our involvement and participation in international transactions over the years, have established our firm as one of the key players in the field.

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