

CYPRUS

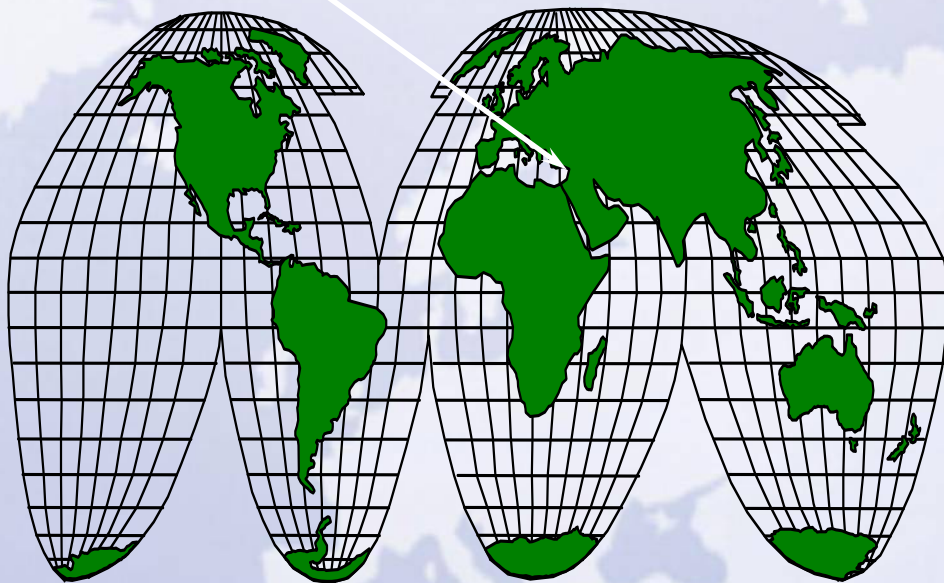
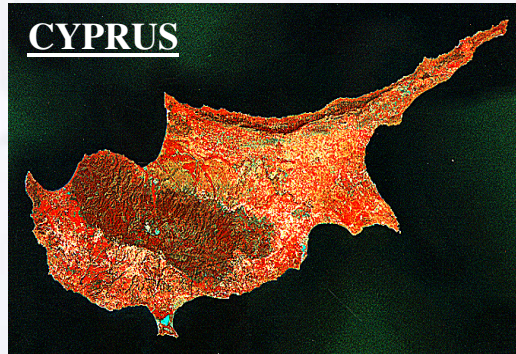
A Centre for International Business



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MGI GREGORIOU & CO

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WHY CONSIDER CYPRUS AS A LOCATION FOR YOUR ACTIVITIES



- Cyprus is a member of the European Union since 2004 so there are a lot of advantages to companies and individuals using Cyprus. It is an Independent Republic member of the UN and the Council of Europe.
- Cyprus has a prime location. It is located in the north-east part of the Mediterranean at the crossroads of Europe, Asia and Africa.
- Cyprus has the lowest Corporation Tax in Europe. 10% Corporation Tax for resident companies and 0% for non-resident companies.

WHY CONSIDER CYPRUS AS A LOCATION FOR YOUR ACTIVITIES



- Dividends, profits from the sale of shares, capital gains and other incomes are totally tax exempt.
- Cyprus has signed favourable tax treaties with more than 45 countries.
- Cyprus is an established reputable International Business Centre and the proof is the 200.000 IBCs that have been registered. They cover a wide range of commercial activities including Forex, Real Estate, HI-TECH, Shipping, International Trusts, International Financial Services (IFS), International Banking Units (IBU) and Insurance Companies.

WHY CONSIDER CYPRUS AS A LOCATION FOR YOUR ACTIVITIES



Cyprus has:

- English based legal system
- Free enterprises economy
- Excellent telecommunications
- Frequent air and sea connections
- Well developed banking system
- High quality of professional services and labour force

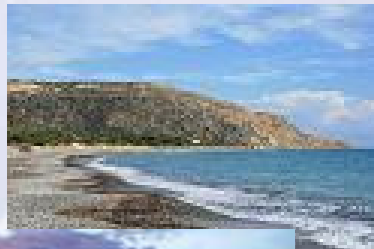
CYPRUS A EUROPEAN UNION MEMBER STATE

- **EU Parent Subsidiary Directive**
- **Transactions between a Cyprus company and other EU countries are zero- rated provided that both companies are VAT registered**
- **By transferring some of the processing in Cyprus, products can be exported from Cyprus with European Union export documents**
- **EU membership allows access to a bigger labour market**
- **Workers from EU member countries can work in Cyprus without a work permit**
- **The above means more diverse labour force and**
- **Potentially lower labour costs**



WHY CONSIDER CYPRUS AS A LOCATION FOR YOUR ACTIVITIES

TO ENJOY THE SUNSHINE AND THE SANDY BEACHES



Exploration of Natural Gas



- Joint natural gas exploration, with a processing facility built in Cyprus, is among recent proposals. Cypriot Foreign Minister flew to Israel in August to hammer out related agreements.
- The Cyprus government has now commenced the process for the second round of permits for exploitation of the new blocks which will offer more prospects for co-operation between Cyprus and Israel

TAXATION OF IBCs



◆ RESIDENT COMPANIES

Resident Companies are the Companies whose management and control is exercised in Cyprus. The Corporation Tax for Resident Companies is 10%.

◆ NON-RESIDENT COMPANIES

Non-Resident Companies are the Companies whose management and control is exercised outside Cyprus. The Corporation Tax for the Non-Resident Companies is Nil.

◆ MEANING OF MANAGEMENT & CONTROL

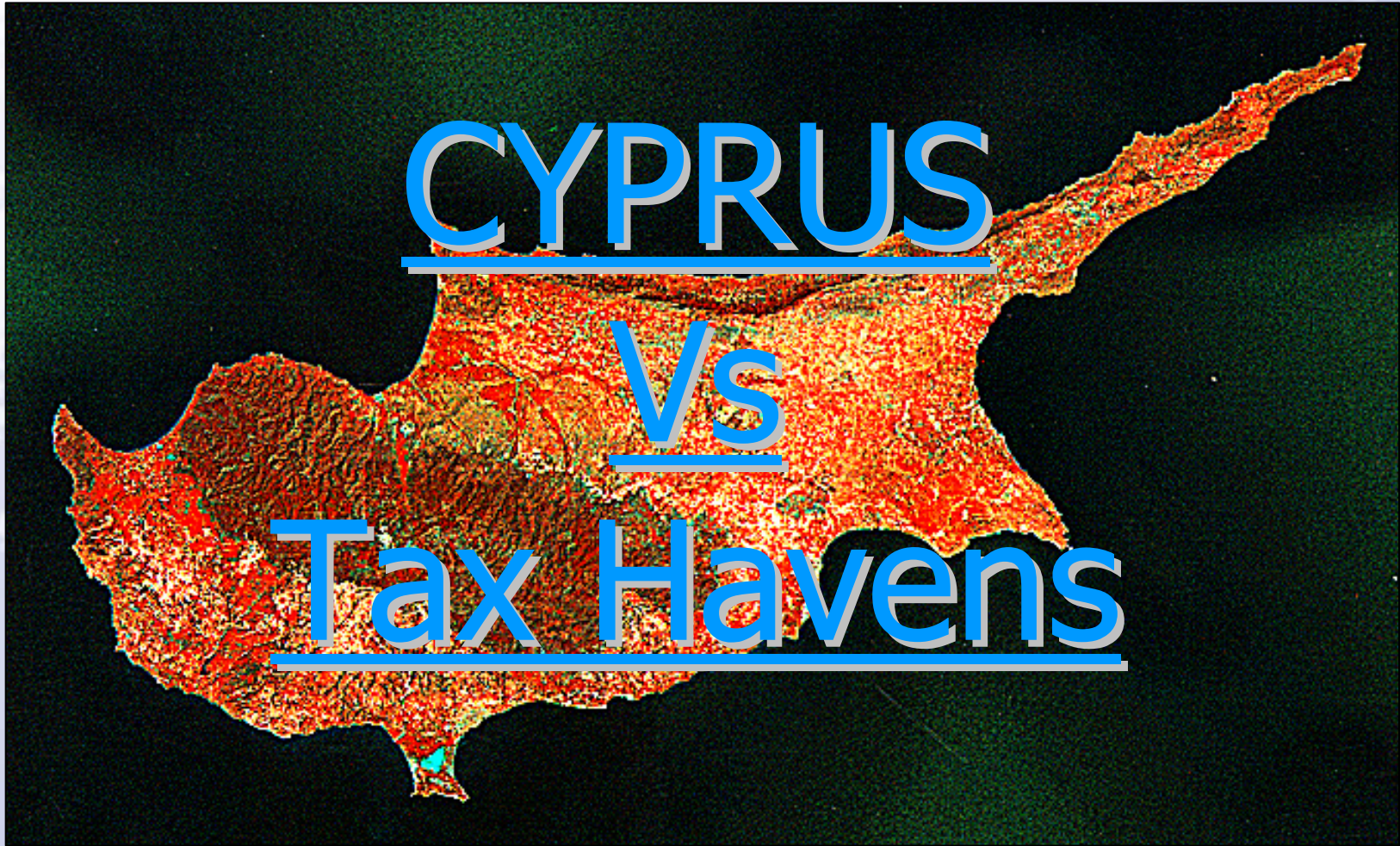
In practice, following decided tax cases management and control is exercised where:

- The majority of the Directors reside.
- The Board meetings are held.
- The general policy of the Company is formulated.

DOUBLE TAX TREATIES

Cyprus signed tax treaties with the following Countries:

Armenia (CIS)	Malta	Ukraine (CIS)
Austria	Mauritius	United Kingdom
Belarus (CIS)	Moldova (CIS)	United States of America
Belgium	Montenegro	Uzbekistan (CIS)
Bulgaria	Norway	United Arab Emirates
Canada	Poland	
China	Qatar	
Czech Republic	Romania	
Denmark	Russia (CIS)	
Egypt	San Marino	
France	Serbia	
Germany	Seychelles	
Greece	Singapore	
Hungary	Slovakia	
India	Slovenia	
Ireland	South Africa	
Italy	Sweden	
Kuwait	Syria	
Kyrgyzstan (CIS)	Tajikistan (CIS)	
Lebanon	Thailand	



The background of the slide features a sunset over the ocean with a world map overlay. The sun is low on the horizon, casting a golden glow across the sky and reflecting on the water. The world map is faint and light blue, showing the continents. The text is centered in a bold, blue, serif font.

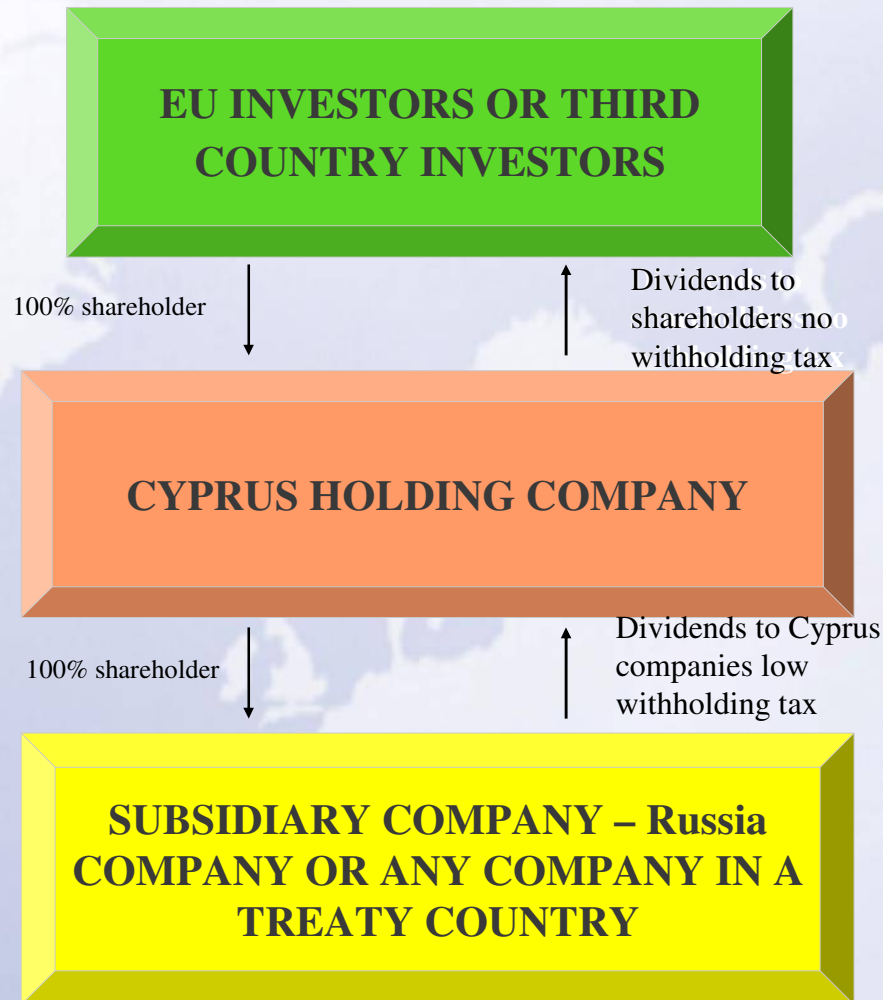
INTERNATIONAL TAX PLANNING VARIOUS SCENARIOS



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HOLDING COMPANIES (Dividend Income)

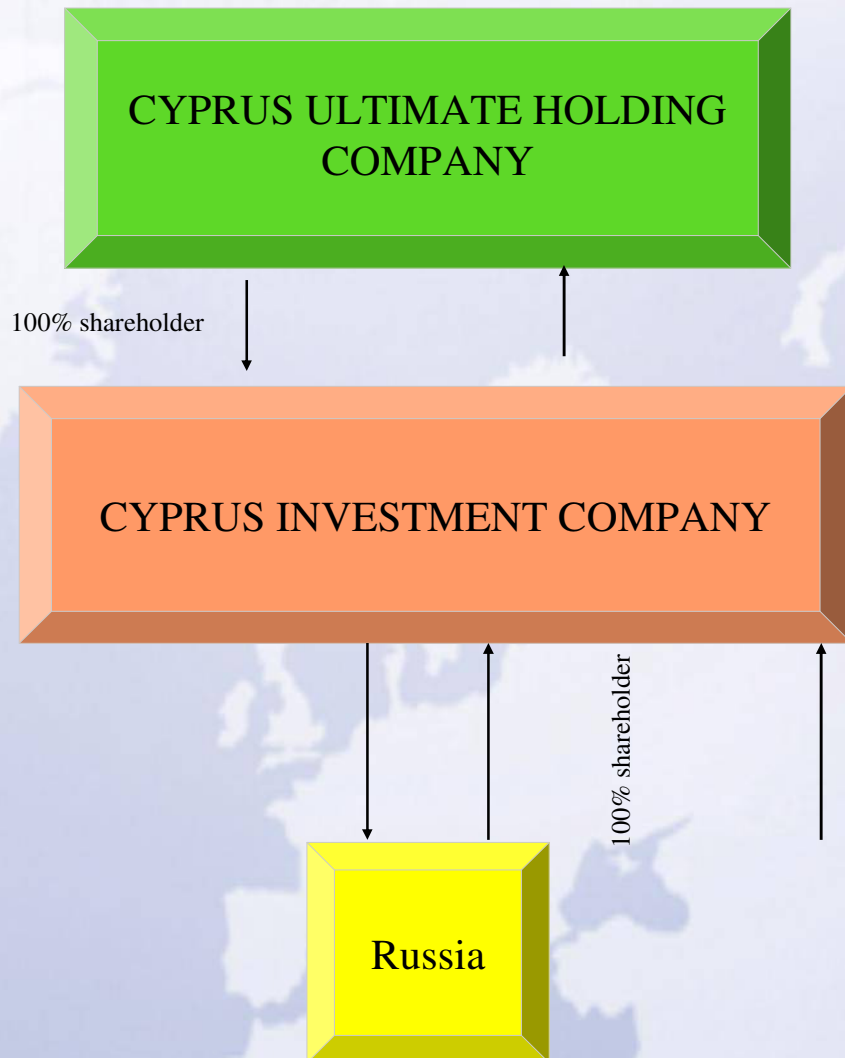
EXAMPLE



- ◆ A Cyprus IBC holds shares say in a Company operating in Russia
- ◆ Dividends received in Cyprus are totally tax exempt
- ◆ Dividend income is paid to Cyprus with a low withholding tax of **5%**
- ◆ In particular the advantages apart from the above are the low withholding taxes from Countries which signed the Double Tax treaties

INVESTMENT COMPANIES

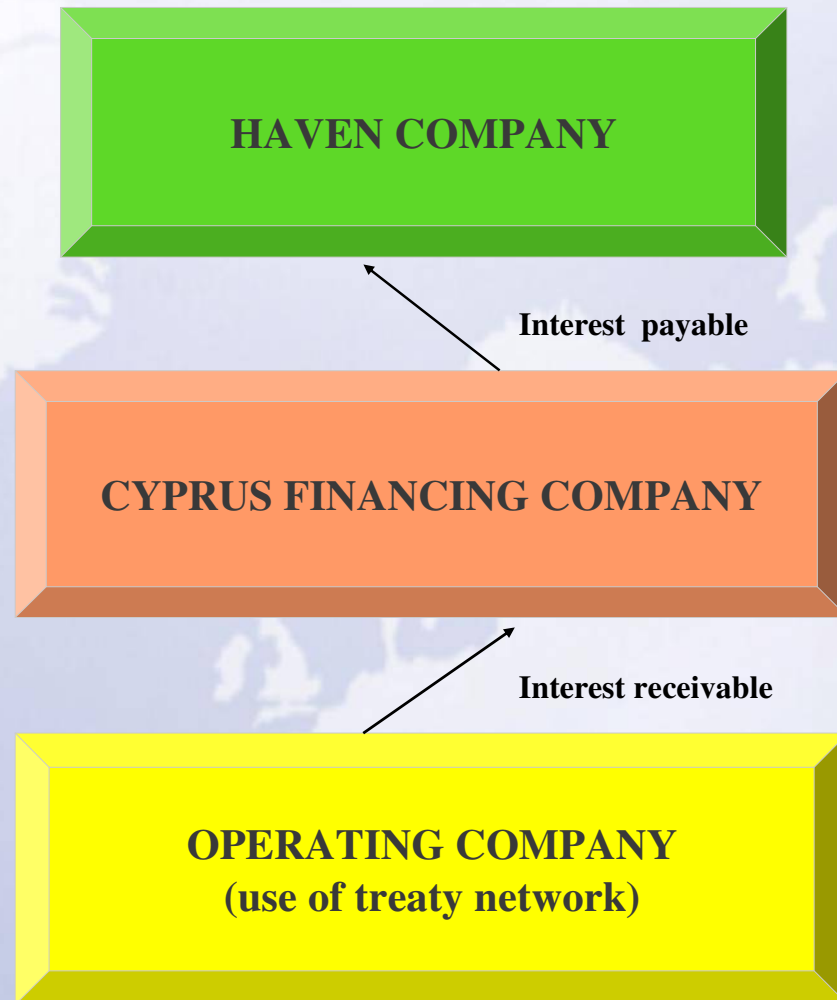
(Expecting exit from Project)



EXAMPLE

- ◆ A Cyprus company owns a second Cyprus company which owns real estate in Russia
- ◆ The exit is achieved from the project via either selling the shares in the first Cyprus company or selling the shares of the Cyprus investment company
- ◆ Any gain from the sale of the shares is completely tax free in Cyprus.
- ◆ The above conditions hold irrespective of the time frame of the ownership of the shares

FINANCE COMPANIES

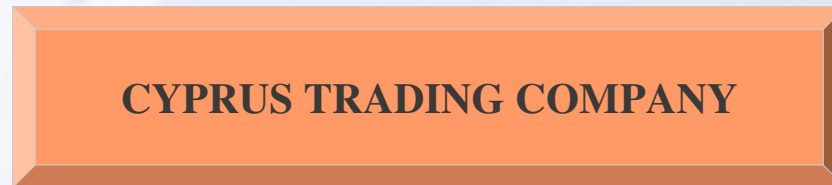


EXAMPLE

- ◆ Cyprus Company borrows money
- ◆ Cyprus Company lends money
- ◆ Small margin taxable in Cyprus at 10%
- ◆ No withholding taxes on payments out of Cyprus
- ◆ Credit relief for withholding tax
- ◆ Profits reduced in operating country

TRADING IN SECURITIES

EXAMPLE

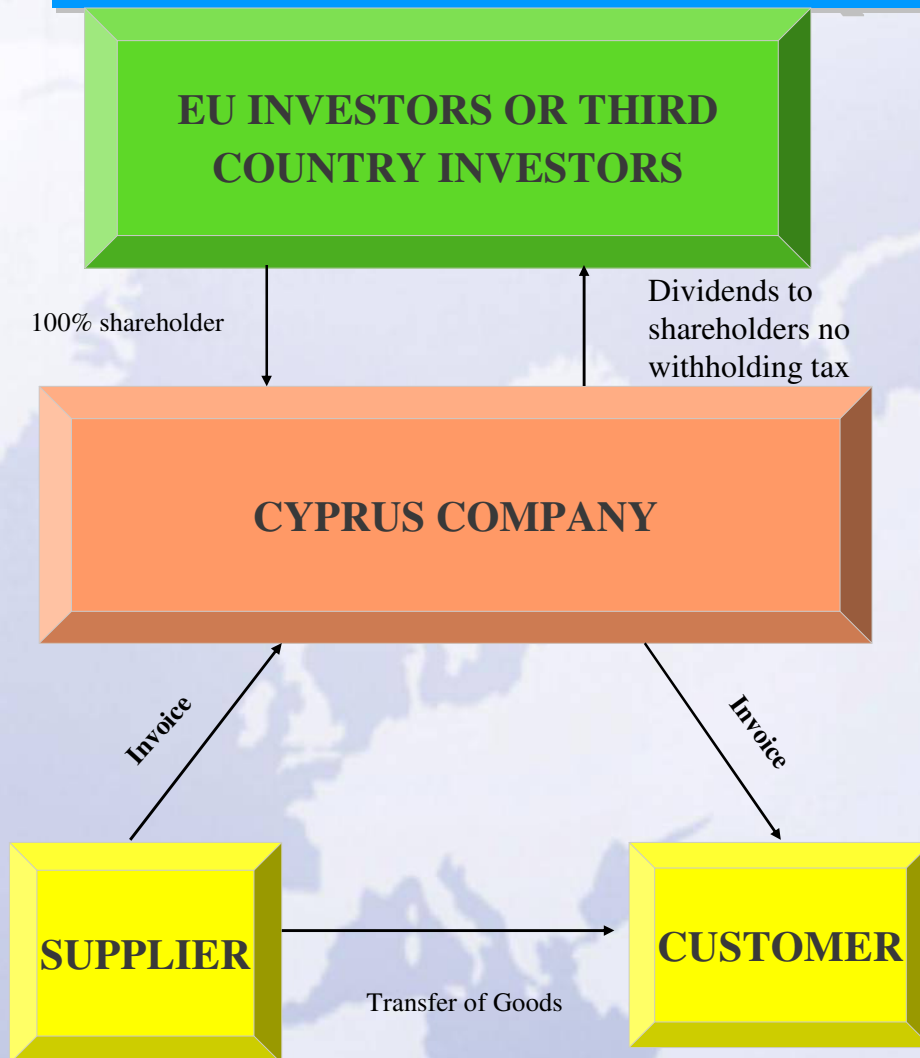


Buy Securities

Sell Securities

- ◆ Cyprus Company buys securities
- ◆ Cyprus Company sells securities
- ◆ Profit is exempt from tax
- ◆ No withholding tax on payments out of Cyprus
- ◆ Dividend income exempt from tax as it is derived from trading activities
- ◆ Interest income tax offset by overseas tax

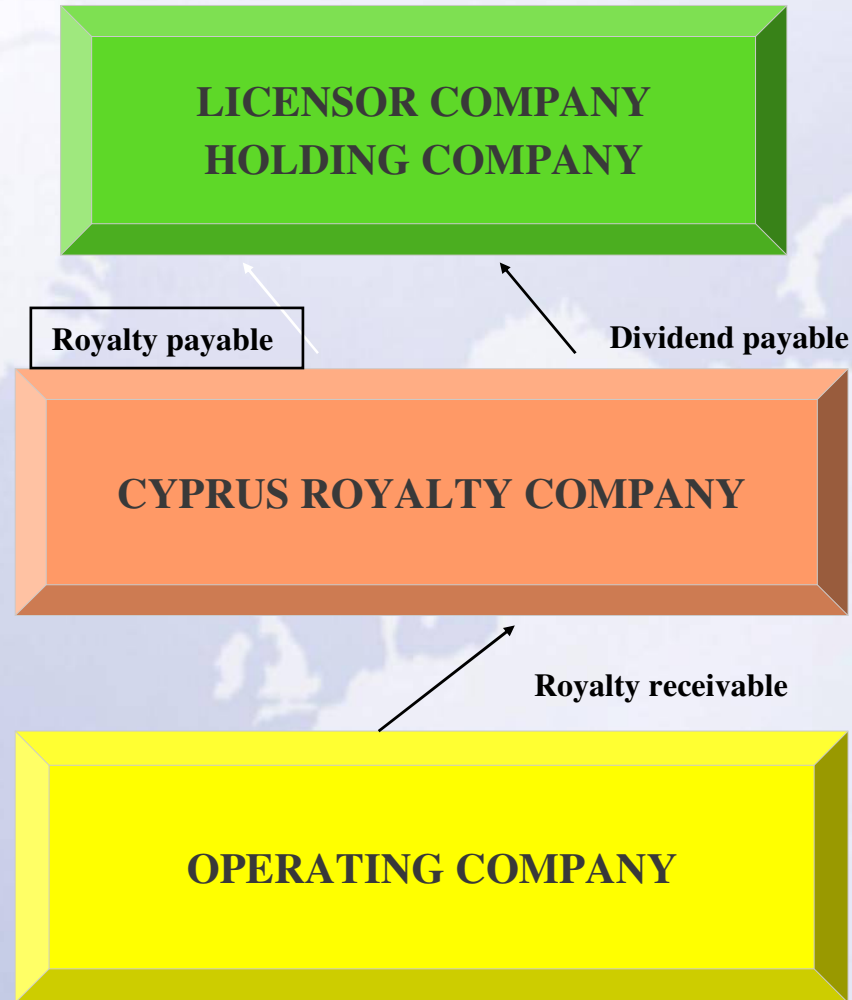
TRADING & RE-INVOICING COMPANIES (Triangle Trade)



EXAMPLE

- ◆ Cyprus company purchases goods
- ◆ Cyprus company sells goods
- ◆ Profit taxable in Cyprus at 10% or zero%
- ◆ No withholding tax on distributed dividends from Cyprus

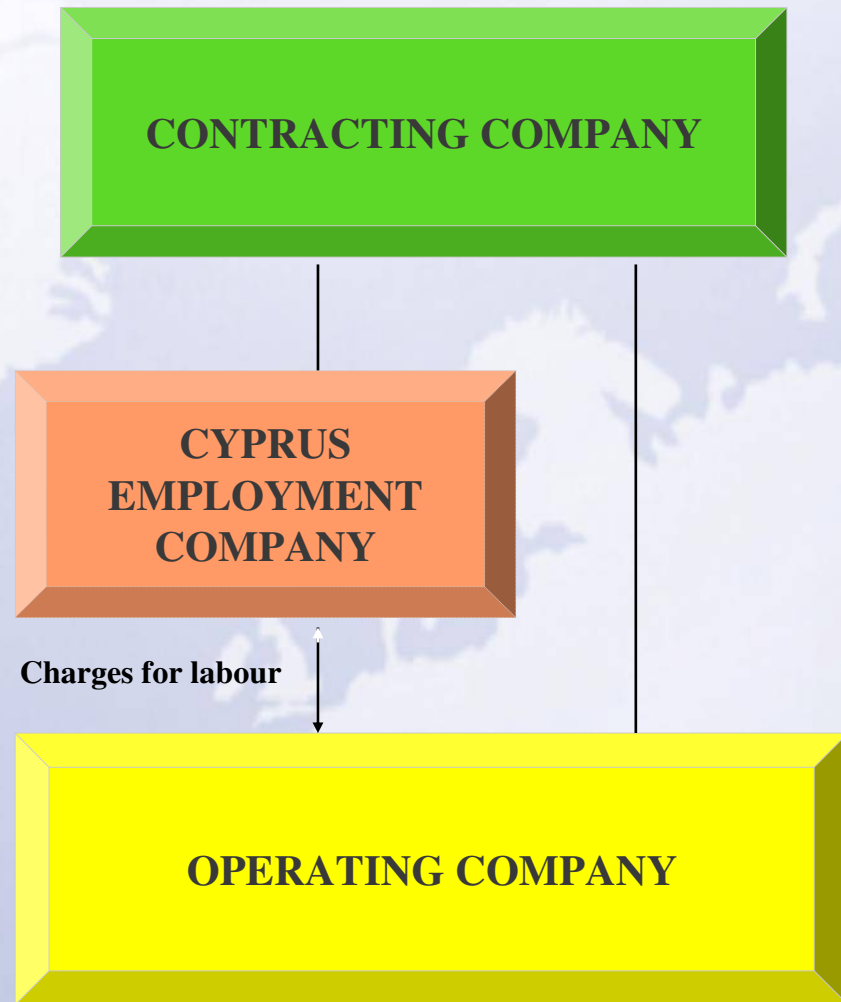
ROYALTY COMPANIES



EXAMPLE

- ◆ Use of treaty network
- ◆ Small margin taxable in Cyprus at 10%
- ◆ No withholding taxes on payments from Cyprus to non-residents regarding Royalties or Dividends
- ◆ Credit relief for withholding tax
- ◆ Profits reduced in operating country

EMPLOYMENT COMPANIES

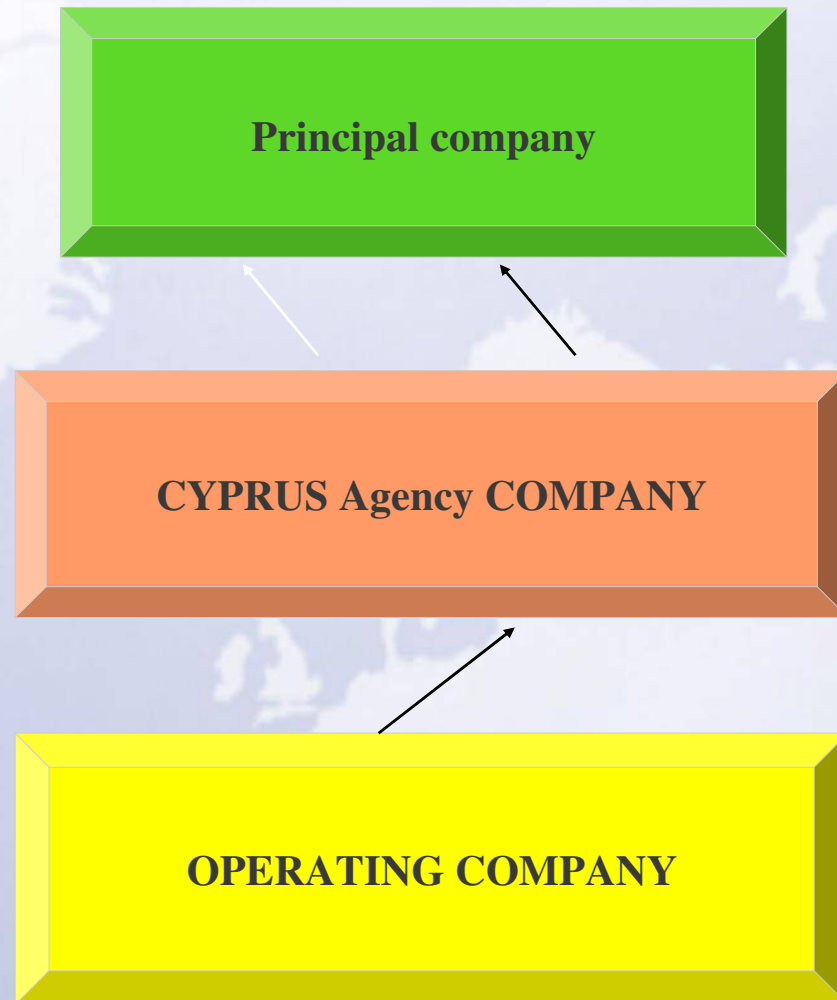


EXAMPLE

- ◆ Cyprus company employs staff
- ◆ Profits taxable in Cyprus at 10%
- ◆ Charges at cost plus small margin of profits
- ◆ Profits reduced in operating country
- ◆ Employee costs reduced as employees pay no tax and no S.I. contributions

Agency Company

EXAMPLE



- ◆ Use of treaty network – Commonly used with Ukraine
- ◆ Cyprus company enters into the transactions with the companies in the treaty companies
- ◆ There is an agency agreement between the Cyprus company and the principal company
- ◆ Small margin taxable in Cyprus at 10%
- ◆ No withholding taxes on the transfer of the funds to the principal

International Investment Collective Scheme

- International Fixed Capital Company and International Variable Capital Company falling under The Cyprus Companies Law. Cap. 113
- Regulated by the Central Bank making it easier to attract investors
- Easier entry and exit of new investors
- Enjoys the same tax benefits as a normal Cyprus company
- Physical presence in Cyprus needed
- Duration of the process varies between 3-6 months

UK NON RESIDENT COMPANY

UK REGISTERED COMPANY

**MANAGED AND CONTROLLED
FROM CYPRUS**

- ◆ UK non-resident Company managed and controlled from Cyprus with activities outside UK will not pay any tax in the UK but 10% in Cyprus which is the lowest in Europe
- ◆ Take advantage of UK reputation
- ◆ Make use of the double tax treaties concluded by Cyprus

INTERNATIONAL TRUSTS

◆ 1992 International Trust Law

◆ Conditions:

↙ Settlor is non-resident

↙ Beneficiaries are non-resident

↙ Trust property are situated outside Cyprus

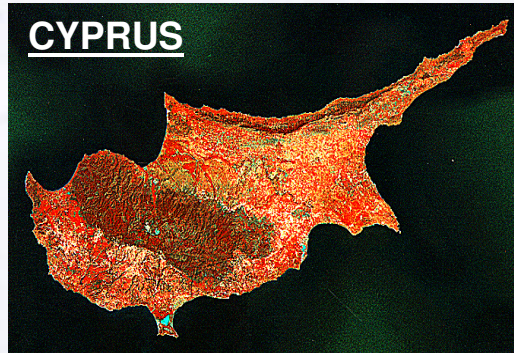
↙ At least one resident trustee

INTERNATIONAL TRUSTS

◆ Benefits include:

- Complete exemption from tax**
- Complete confidentiality**
- Quick and easy to set up**
- Low administration costs**
- Advantageous for asset protection and for inheritance planning**

RECENT TRENDS COMPANIES MOVING THEIR PHYSICAL PRESENCE TO CYPRUS



Over the last few years many companies begin establishing their physical presence in Cyprus hiring local staff and staff from European Union or third countries.

These companies mainly are dealing in:

- High technology sector
- E –commerce companies
- Trading companies
- Real estate companies

ADVANTAGES FROM MOVING THE OPERATIONS TO CYPRUS

- **Strengthens demonstration of management and control of the company exercised from Cyprus**
- **Access to more diverse labor force**
- **Potentially lower administration costs**
- **Employees relocating to Cyprus for the first time will be entitled to a tax free income of 28,050 euro for the next three years!**
- **An employee with gross income of EUR 50,000 will have after tax profit of 44,678 euro, i.e effective tax rate of just over 10%**
- **Daily flights to Tel Aviv and other EU destinations**



ABOUT US

WHY CONSIDER MGI GREGORIOU & CO **TO BE YOUR AUDITOR, TAX AND** **BUSINESS ADVISORS**

With MGI Gregoriou & Co:

- **You will always be valued clients**
- **You will have a strong personal and professional relationship**
- **You will anticipate new ideas and inspired solutions**
- **You will realize that our integrity never compromises**



MGI GREGORIOU & CO IN CYPRUS



Nicosia Head Office

Our History

MGI Gregoriou & Co was founded in 1973. Over the years our Firm has experienced a substantial growth and today we are one of the leading accounting firms in Cyprus with more than one hundred partners and employees and with offices in all towns, offering the most comprehensive range of services to our clients.

Our Recognition

MGI Gregoriou & Co is also one of the first four accounting firms of Cyprus which has been authorised by the Institute of Chartered Accountants in England and Wales for the training of university graduates to be qualified as Chartered Accountants.

Our International Associates

MGI Gregoriou & Co is a member of MGI. MGI is a worldwide association of independent auditing, accounting and consulting firms. Established over fifty years ago, MGI is now represented in over 280 offices, on all continents, and in more than 82 countries throughout the world. The MGI international network provides the advantage of international links to all its members, but still allows them the freedom to operate independently in their city and cultural environment, providing services appropriate to their unique client base.



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Certified Public Accountants (CY), Tax and Business Advisors

Our Services

- **International Tax Planning**
- **Company and Trust Formation and Administration in Cyprus, UK and offshore jurisdictions like BVI, Seychelles, Belize**
- **Banking in Cyprus, UK, Austria**
- **Audit, Assurance and IFRS Advisory services**
- **Corporate Finance – Valuations due diligence**
- **Escrow Services**
- **Preparing Applications for licenses from CYSEC for regulated entities**

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