



# New Requirements in Residency, Management and Control of Cyprus Companies

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# Contact Information

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# Summary

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Despite the 2013 bail-in and capital controls, Cyprus remains an attractive investment location.

New requirements on the management and control of Cypriot companies mean that investments in Greece held via Cyprus need to adapt their management structures and operations.

# Overview

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1. Cyprus Company Tax Residency
2. Management and Control
3. What is Substance and How to Establish It?
4. Definition of Income
5. Non-Tax Resident PE
6. Income Tax Rate
7. Company Administration
8. Nominees and Beneficial Ownership
9. Know Your Customer – Anti Money Laundering Requirements

# 1. Cyprus Company Tax Residency

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A company which is tax resident in Cyprus, is taxed on income accruing or arising from sources both within and outside the Republic.

A company which is not a tax resident in Cyprus is taxed on income accruing or arising only from sources within Cyprus.

A company is considered to be a tax resident of Cyprus if it is managed and controlled in Cyprus.

## 2. Management and Control

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- The composition of the Board of Directors.
- Where the Board Meetings take place and whether major decisions are properly taken during these meetings.
- The place where the discussion and approval of the Financial Statements takes place.
- The Board of Directors must have control over the bank account which must be situated in Cyprus.
- The place where the seal of the company is authorized to be used.

# 3. What is Substance?

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- personnel-people working at the premises of the company
- premises, an office, real physical presence
- registered as an employer with the Cypriot ministry of Labor
- Have sufficient equity and be properly capitalized
- local decision power- the majority of the board of the Directors should be Cyprus resident
- maintenance of proper accounting books in Cyprus and preparation and submission of the annual financial statements of the company to the Cyprus Tax Office
- local costs-spending money locally- telephone line, fax line, internet lines, servers, website, email addresses
- at least one bank account opened with a Cyprus bank and operated by one of the local resident directors

## 4. Definition of Income

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- trading,
- manufacturing,
- industrial,
- mining, and agricultural,
- profession or vocation,
- interest,
- rentals from immovable property,
- royalties and profit from sale of goodwill.



## 5. Non Tax-Resident PE

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A company which is non-tax resident of Cyprus, will only be taxed on its profits arising from a permanent establishment in Cyprus in other words, its PE.

- an office,
- a branch,
- a factory or laboratory,
- a mine,
- an oilfield,
- or a construction site for a project exceeding three months

## 6. Income Tax Rate

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**flat rate of 12,5%.**

# 7. Nominees and Beneficial Owners

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“A nominee shareholder is the ostensible or registered owner who hold shares on behalf of the actual owner or beneficial owner under a custodial agreement”

“Beneficial owner refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement”

# 8. KYC-AML Requirements

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## **Physical persons**

Passport

Utility Bill

Bank reference

Employment contract/ employer's reference

## **Legal persons**

Company's legal documentation (certificates etc)

UBO's, director's, shareholders', nominee's documentation:

Passport

Utility Bill

Bank reference

Employment contract/ employer's reference

-Ongoing monitoring

-Enhanced due diligence

-World compliance databases such as World check or Lexis Nexis etc

Thank you all 😊

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