

Cyprus a Holding Company Jurisdiction

Cyprus holding companies are a popular tool for international tax planning and optimization. The process of creating and setting up a holding company is simple. A holding company is a type of company that allows nominee shareholders. A license to operate is only required if the activity carried out is included in the list of activities required by law such as an investment company, banking, etc. Cyprus holding companies have 0% tax on dividends paid for shares that are held in any company abroad and 0% tax on dividends paid by it to its shareholders.

How to choose a jurisdiction to establish a holding company?

There are certain criteria that international investors should consider when deciding which jurisdiction to set up a holding company. The criteria are related to the ability of a holding company to:

- Investment disposing in a subsidiary without the capital gains to be taxed under the host country/jurisdiction tax regime.
- Pay dividends without any withholding taxes under the host country/jurisdiction tax regime.

- Receive income from operations from abroad/subsidiaries or from abroad in the host country with zero or minimum tax loss. It applies for both – in the host country/jurisdiction tax regime and in the source country.

**Cyprus fulfils
all the criteria**



Why Cyprus?

Cyprus belongs to one of the major financial and business centres. Cyprus is considered as an optimal location for holding companies due to banking services, world-class professionals, a transparent legal system, and its tax regime.

Furthermore, Cyprus has been a member of the European Union since 2004, with no restrictions on capital movements and its tax system is fully compliant with OECD and EU requirements.

Cyprus is an ideal gateway for investments between the European Union and strong economies such as India, China, Eastern and Central Europe.

Cyprus Tax Incentives

The use of a Cyprus company in international tax planning can mitigate the overall tax liability arising from international activity. Proper structuring of a Cyprus company can reduce taxes in the country where the income is derived, lower withholding taxes, reduce or defer taxes of the ultimate beneficial owners and shareholders, and increase the return on investments.

Main Cyprus Tax Benefits

The standard VAT rate is 19%. The minimum annual turnover, which a company has to reach to be mandatory to register for VAT, is 15.600 EUR (or 10.251 EUR for acquisition of EU goods).

The standard corporate tax rate for companies registered in Cyprus is one of the lowest in Europe - 12.5%.

The following income and capital gains are totally exempt from Cyprus taxation:

- foreign source income of non-residents,
- business profits of non-resident companies,
- capital gains realised on the sale of shares in private and public companies,
- capital gains on the disposal of shares in subsidiaries,
- dividend income paid by a Cyprus company to its non-Cyprus resident shareholders,
- dividends received from EU subsidiaries,
- income of international trusts and capital gains from the sale of property located outside Cyprus.



1. Tax exemption on disposal or trading of securities

Income gained from the disposal or trading of securities (such as shares, debentures, bonds, founder shares, options on titles, or other securities of companies or other legal entities in Cyprus or abroad) is exempt from corporate tax.

2. Dividends

Any dividends received by a Cyprus holding company, which is tax resident or non-tax resident which maintains a permanent establishment in the country, are not taxable but there are some exceptions to rule.

In case of dividends from abroad the exemption does not apply where:

- the tax burden on the foreign company income is significantly lower than the Cyprus corporate rate - which means less than 50% of the 12.5% Cyprus corporate tax rate,
- more than 50% of the activities of the paying company overseas result directly or indirectly in a passive income (meaning non - trading income).

3. Corporate Tax Rate

A Cyprus Holding Company is liable to tax on all worldwide income at a tax rate of 12,5%. This rate is one of the lowest in the EU.

A holding company is considered as tax resident in Cyprus when controlled and managed from Cyprus.

4. Withholding tax

Dividends or interest paid by a Cypriot resident company to non-resident shareholders, corporate or individuals, are not subject to any withholding tax. The same applies to royalties paid from Cyprus with the exception of intellectual property used in Cyprus. In this case the withholding tax is at the rate of 10%.

Setting up a company in Cyprus

Since Cyprus joined the EU in 2004, citizens of the EU are allowed to work as a self-employed person or start a business in Cyprus without any restrictions. The exception to this relaxation of regulations is businesses related to financial services that are subject to a license.

Cyprus is a major shipping centre, hosting many foreign banks and overseas companies. Currently more than 250,000 international business companies are registered in Cyprus.



Why White November?

White November has extensive experience advising clients internationally, we have been involved in transactions in virtually every corner of the world. From our offices in London, Malta and Cyprus we offer a wide range of services to both corporations and individuals. We provide advanced, tailor-made solutions with care and confidentiality.

We pride ourselves on being one of the few providers of tax and corporate solutions who focus extensively on developing new technical solutions from our in-house IT department. Our clients have access to state-of-the-art web interfaces allowing easy and safe communication and storage of corporate data.

Our multicultural staff speak your language; Swedish, Norwegian, German, Italian, Czech, Polish, Russian, Maltese, English, Philippine, and Greek.

The White November Story

The name “White November” was inspired by the rare and valuable “white truffle” or “trifola d’Alba Madonna”. The white truffle is found almost exclusively in a small area in Northern Italy. Unlike black truffles, which can be farmed and harvested, white truffles must be hunted by intrepid truffle hunters and their sniffer dogs. As of yet, no one has worked out how to cultivate this unusual truffle, thus increasing its value and desirability.

November is the month in which truffle hunters set out with their dogs in hope of unearthing some of these rare commodities. White truffles have an extremely short season, making November an exciting and lucrative time of the year in the small area where they can be found.

Our name, White November, thus reflects an allegory: white truffles are like your tax solutions and investments – the most rewarding ones are unlikely to just cross your path without some help from experienced, dedicated, and knowledgeable professionals.



Disclaimer: Whilst every effort has been made to ensure that the details contained herein are correct and reflect the conditions at the time of publishing (October 2016), it does not constitute legal or professional advice. White November does not accept responsibility, legal or otherwise, for any errors or omissions.



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