



An introduction to business opportunities in Cyprus

The scope of this article is to give the reader a brief overview of Cyprus as a jurisdiction and the business opportunities that it may offer.

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Cyprus gained its independence in 1960, having been a colony of the UK for a number of years. Since 1960, Cyprus has established itself as an offshore center and has made gradual progress. In the past decade, however, after entering the EU as a full member in 2004 and greatly amending its tax laws, Cyprus has grown rapidly in popularity as a center for international trade. Cyprus has been removed from the black list of the OECD and that of major countries such as Russia.

Like many countries, there is a separation of powers in Cyprus, with the President holding the executive power, the parliament holding the legislative power and the judiciary acting independently. As a former colony of the UK, the legal system is based on the UK system and closely follows English common law.

Most of the laws in Cyprus are similar to the respective ones in the UK. For example, the Cypriot Companies Law Cap 113 is modeled on the respective UK Companies Law of 1948. Given the wide use of English law on documentation in international transactions, lawyers from multiple jurisdictions are familiar with and can easily understand

the principles of Cypriot law, which facilitates cross-border transactions with a Cyprus element. The most common type of entity used in Cyprus is the limited liability company. Following Cyprus' independence and recognition as an independent country, case law has developed significantly on the island. English case law is still referred to in matters where Cypriot case law is absent and though it has no binding effect on the courts, it does have persuasive authority.

The flat 10% corporate tax, which is the lowest in Europe, the favorable dividend regime (leading in most cases to no taxation of inbound dividend), and the provisions of no withholding taxes on outbound dividends, royalties and interest paid outside Cyprus from Cypriot companies, have increased the popularity of Cypriot companies for use as holding companies by multinational corporations.

Special emphasis should be given to the excellent double tax treaties with Russia and CIS countries (making Cyprus the biggest investor in Russia), as well as the favorable tax treaty with India. The latter claims significant pieces of work from



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Mauritius (the traditional route for investment in India), since the provisions of the double tax treaty of Cyprus with India are equally advantageous and on certain occasions more beneficial (particularly on interest payments out of India). Cyprus also has a double tax treaty with the US.

The non imposition of capital gains on the sale of shares in any company which does not hold immovable property in Cyprus and the exemption from income tax of any income related to sale of securities (including bonds, redemption of preference redeemable shares and units in trusts or funds) makes Cypriot companies even more attractive.

The insignificant taxation of ship management companies and non taxation of ship owning companies have helped to

establish Cyprus as a traditional shipping jurisdiction, with the number of vessels flying the Cypriot flag ranking amongst the 10 biggest in the world.

Most recently, Cyprus has seen growth in International Collective Investment Schemes (ICIS) investing in India and other countries made possible in the form of companies with fixed or variable capital, trusts and partnerships.

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