



## Cyprus Holding Companies

Cyprus is a long established reputable and tax efficient financial centre. Investors can reap the benefits of cross-border opportunities within the EU by selecting the island to host their investment holding and use it as a springboard to carry out business activities, raise funds or list their shares in EU capital markets of their choice.

Cyprus is most commonly used as an intermediate holding company jurisdiction and is of particular interest in the following circumstances:

- For groups, international or domestic investing outside Cyprus, aiming at dividend income streams. Such dividend in most cases will be tax exempt in Cyprus
- To hold subsidiaries with scope for significant capital appreciation that may be spun off or sold in the future.
- Profits arising from disposals are not taxable in Cyprus
- To benefit from the favorable withholding tax provisions of the Cypriot double tax treaties network, the EU Parent Subsidiary Directive and the other directives
- Where a jurisdiction is required that does not have Controlled Foreign Company legislation
- To avail of the favorable repatriation provisions under Cypriot tax law which allows payment of dividend, interest and royalties, in most cases, without payment of withholding tax
- Suitable for any fund or investment vehicle, as there is no tax on transactions in securities even if this is the trading activity of the entity
- Where it may be important to achieve a tax free unwind of the holding company at some stage in the future

Cyprus can be used as the location for the ultimate holding company, for instance, for a group that is relocating to a new jurisdiction or on formation of a new publicly-traded corporation with international operations.



### **Tax Advantages**

- only 10 percent corporation tax - the lowest rate in the EU
- exemption from tax of dividend income, in most cases
- exemption from tax of profits from foreign permanent establishments (PE), in most cases
- exemption from tax on profits generated from transactions in shares, securities, bonds and units
- exemption from withholding tax on the repatriation of income either in the form of dividends, interest and on almost all royalties
- extensive double tax treaties network
- access to EU directives
- no thin capitalization rules
- absence of Controlled Foreign Company (CFC) rules thus exempting foreign income received
- flexible reorganization rules and group relief provisions

### **Withholding taxes - Paid from Cyprus**

No withholding taxes exist for dividend payments which are made to non- tax residents of Cyprus

No withholding taxes exist for interest payments which are made to non- tax residents of Cyprus

No withholding taxes exist for royalty payments if the right is used outside Cyprus

### **Withholding taxes - Paid to Cyprus**

It depends on the Tax Treaties or EU Directives.

In most cases the withholding tax on Dividends, Royalties and Interests is NIL