

Supporting structures

Cyprus Holding Companies

Carey Group is renowned for its long standing experience and expertise in the implementation and maintenance of corporate and trust services. Our client's tax advisers spend considerable effort in devising complex international tax structures. We specialise in ensuring that any such planning is implemented effectively and efficiently and regularly tested over time.

Carey Group Cyprus



A **Cyprus Holding Company** ('CHC') is an ordinary company which apart from having a participation in domestic and/or non-Cypriot companies, may also be engaged in other activities such as trading or financing.

The **corporate tax** rate is **10%**. However, the various tax exemptions on holding company income make the Cyprus tax regime one of the most favourable worldwide.

The holding company regime applies only if the company can be defined as a Cyprus resident company. Under the residency rules **management and control** is the key test.

There is no definition of management and control contained in the legislation. It is generally taken to mean that:

- all decisions affecting a company should be made and be shown to have been made by its board of directors in Cyprus;
- decisions must be made by the board exercising its powers independently of any particular director or shareholder; and
- the board should have a majority of Cypriot resident directors.

Dividend income received by a CHC from its local and foreign subsidiaries is exempt from tax in Cyprus provided the company receiving the dividend owns at least 1% of the company paying the dividend. This exemption does not apply if more than 50% of the paying company's activities result directly or indirectly in investment income and the foreign tax is significantly lower than the tax rate payable in Cyprus.

Capital gains made by a CHC from 'qualifying securities' (including shares and bonds) in foreign subsidiaries are exempt from tax in Cyprus, provided that no immovable property situated in Cyprus is involved.

Outgoing dividends remitted by a CHC to companies and individuals not resident for tax purposes in Cyprus are not subject to any withholding taxes in Cyprus. Individuals who do not spend more than 183 days in any one year in Cyprus and companies that are not managed and controlled in Cyprus qualify as non-residents.

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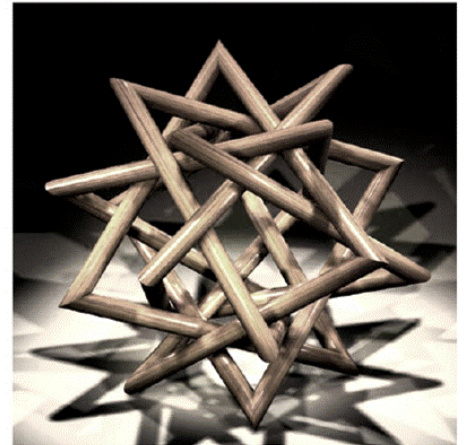
The **EU Parent/Subsidiary Directive** (90/435/EEC as amended) has been transposed into Cypriot law in the form of the Income Tax Law and the Special Contribution for Defence Law. These laws establish a liberal system of double taxation avoidance. Their application also extends to non-EU countries as they merely distinguish between residents and non-residents of Cyprus.

The **EU Interest/Royalty Directive** (2003/49/EC) has been transposed into Cypriot domestic legislation which provides for exemption at source of interest where the beneficial owner is non resident.

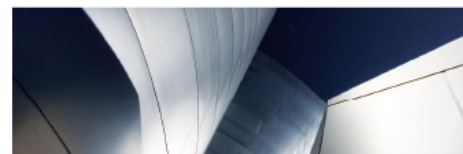
Interest expenses payable by a CHC in respect of borrowing costs incurred in relation to investments in subsidiaries are fully deductible.

CHC's are liable to **10% special defence contribution tax on interest income** from any source whether in Cyprus or abroad. However, this tax does not apply to interest earned by a company in the ordinary course of its business or to interest closely related to the ordinary carrying on of its business both of which are subject to income tax with no exemption available.

For further information about how Carey Group Cyprus can help, please visit our website www.careygroup.com.cy or contact our Cyprus office direct. Please find our Cyprus office details on the following Group Contact page.



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To find out about our other service offerings please visit our website www.careygroup.gg or for initial group enquiries please contact Patrick Bos on +41 79 359 13 53 (or our general number +44 (0) 1481 700300).

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