



CHRISTODOULOS G. VASSILIADES & CO. LLC

Advocates - Legal Consultants

CYPRUS HOLDING
COMPANY

2015

The ultimate tax vehicle

LEDRA HOUSE

15 Ayiou Pavlou Street, Ayios Andreas
1105 Nicosia, Cyprus

MAILING ADDRESS:

P.O. Box 24444, 1703 Nicosia, Cyprus

Tel: +357 22 556677

Fax: +357 22 556688

www.vasslaw.com

CYPRUS HOLDING COMPANY 2015

Cyprus, by virtue of its exceptionally advantageous tax system, has emerged into one of the most attractive holding regimes worldwide. It offers one of the lowest corporate tax rate in the EU at 10% and ensures compliance with EU requirements as an EU Member State which is also committed to the OECD requirements against harmful tax practice. Featured with a substantial number of Double Tax Treaties with other States and enhanced with one of the most business-friendly legislative frameworks, Cyprus justifies for an ideal holding and investment destination.

The following circumstances constitute ideal situations for the incorporation of a Cyprus Holding Company, either as an intermediate holding entity or as an ultimate holding company:

- Profit from the disposal of securities is exempt from Cyprus Tax irrespective of whether this profit forms part of a company's trading activity or is of a capital nature.
- No capital gains tax on disposal of real estate or other assets situated outside Cyprus
- Tax losses could be carried forward for five years and there is the provision for group relief utilisation of tax losses.
- Tax credit for any taxes paid abroad is given unilaterally irrespective of the existence of a double tax treaty.
- No withholding tax on dividends paid to non-resident shareholders and on payments of interest and royalties outside Cyprus, irrespective of the existence of a double tax treaty.
- Dividends received by a Cyprus Holding Company from overseas are tax-exempt. This exemption does not apply if both (i) the overseas tax burden of the paying company is significantly lower than the Cyprus tax burden (practically interpreted by the Tax Authorities meaning less than 6.25%) and (ii) the non-resident company paying the dividend carries on, directly or indirectly, more than 50% of investment activities.
- Foreign-held groups are exempt from Deemed Dividend Distribution. The profits of a Cyprus tax resident company which are attributable either directly or indirectly to shareholders who are not Cyprus tax residents will not be subject to the DDD provisions. Furthermore, in the case where such non-Cyprus tax resident shareholders constitute 100% of the ultimate shareholders of the company, the company is not required to submit a DDD return.
- Profits earned from a permanent establishment(PE) abroad are exempt from income tax in Cyprus provided that more than 50% of the income of the PE derives from trading activities or the foreign tax rate imposed abroad is not lower of 6.25%
- Cyprus has an extensive network of Double Taxation Treaties, currently with 48 countries. Most treaties provide for reduced or nil rates of withholding tax on dividends, interest and royalties paid out of the treaty country and the avoidance of double taxation in the case where a resident in one of the treaty countries derives income from the other treaty country.
- 80% of the net royalty income arising from the use of intangible assets (Intellectual Properties) owned by a Cyprus tax resident company, as well as the profit on their sale would be deemed as a tax deductible expense(applicable from 01.01.2012).

NETWORK OF DOUBLE TAX TREATIES

In line with this plethora of advantages, Cyprus maintains an extensive network of Double Tax Treaties with 48 countries worldwide.

Most of the Treaties follow the OECD Model Tax Convention and all of them have the impact of reducing or eliminating the normal withholding tax rates imposed by the Contracting States on dividends, interest and royalty payments.

The following tables give a summary of the withholding taxes provided by the double tax treaties entered into by Cyprus.

Note under Cyprus domestic legislation there is no withholding tax on dividends and interest paid to non-resident of Cyprus at all times thus the treaty rates shown below are not applicable.

	PAID FROM CYPRUS		
	DIVIDENDS %	INTEREST %	ROYALTIES % Used within Cyprus
Non-treaty Countries	0(1)	0(1)	5/10 (2)
Armenia	0	0	5
Austria	0	0	0
Belarus	0	0	5
Belgium	0	0	0
Bosnia(25)	0	0	5/10 (44)
Bulgaria	0	0	5/10 (44)
Canada	0	0	0/5/10 (43), (44)
China	0	0	5/10 (44)
Czech Republic	0	0	0/10 (15)
Denmark	0	0	0
Egypt	0	0	5/10 (44)
Estonia	0	0	0
Finland	0	0	0
France	0	0	0/5 (3)
Germany	0	0	0
Greece	0	0	0/5 (44)
Hungary	0	0	0
India	0	0	5/10 (44)
Ireland	0	0	0/5 (44)
Italy	0	0	0
Kuwait	0	0	5
Lebanon	0	0	0
Lithuania(37)	0	0	5
Malta	0	0	5/10 (44)
Mauritius	0	0	0
Moldova	0	0	5
Montenegro(25)	0	0	5/10 (44)
Norway(39)	0	0	0
Poland	0	0	5
Portugal	0	0	5/10 (44)
Qatar	0	0	5
Romania	0	0	0/5 (27)
Russia	0	0	0
San Marino	0	0	0
Serbia(25)	0	0	5/10 (44)
Seychelles	0	0	5
Singapore	0	0	5/10 (44)
Slovak Republic	0	0	0/5 (27)
Slovenia	0	0	5
South Africa	0	0	0
Spain(40)	0	0	0
Sweden	0	0	0
Syria	0	0	5/10 (44)
Thailand	0	0	5/10 (45)
Ukraine	0	0	5/10 (46)
United Arab Emirates	0	0	0
United Kingdom	0	0	0/5(3)
United States	0	0	0

	RECEIVED IN CYPRUS		
	DIVIDENDS (%)	INTEREST (%)	ROYALTIES (%)
Armenia	0/5 (30)	5	5
Austria	10	0	0
Belarus	5/10/15 (17)	5	5
Belgium	10/15 (8)	0/10 (6,18)	0
Bosnia(25)	10	10	10
Bulgaria	5/10 (22)	0/7 (6,23)	10 (23)
Canada	15	0/15 (4)	0/10 (5)
China	10	10	10
Czech Republic	0/5 (28)	0	0/10 (29)
Denmark	0/15 (6), (32)	0	0
Egypt	15	15	10
Estonia	0	0	0
Finland	5/15 (35)	0	0
France	10/15 (36)	0/10 (10)	0/5 (3)
Germany	5/15(47)	0	0
Greece	25	10	0/5 (11)
Hungary	5/15 (8)	0/10 (6)	0
India	10/15 (48)	0/10 (10)	15 (14)
Ireland	0	0	0/5 (11)
Italy	15	10	0
Kuwait	0	0	5
Lebanon	5	5	0
Lithuania(37)	0/5 (38)	0	5
Malta	0	10	10
Mauritius	0	0	0
Moldova	5/10 (26)	5	5
Montenegro(25)	10	10	10
Norway(39)	0/15 (12)	0	0
Poland	0/5 (34)	0/5 (6)	5
Portugal	10	10	10
Qatar	0	0	5
Romania	10	0/10 (6)	0/5 (7)
Russia	5/10 (16)	0	0
San Marino	0	0	0
Serbia(25)	10	10	10
Seychelles	0	0	5
Singapore	0	0/7/10 (6), (24)	10
Slovak Republic	10	0/10 (6)	0/5 (7)
Slovenia	5	5	5
South Africa	0	0	0
Spain(40)	0/5 (31)	0	0
Sweden	5/15 (8)	0/10 (6)	0
Syria	0/15 (41)	0/10 (4)	10/15 (42)
Thailand	10	10/15 (20)	5/10/15 (21)
Ukraine	5/15 (19)	2	5/10 (33)
United Arab Emirates	0	0	0
United Kingdom	0/15 (13)	10	0/5 (3)
United States	5/15 (9)	0/10 (10)	0

CYPRUS HOLDING COMPANY 2015

NOTES

1. Under Cyprus legislation there is never any WHT on dividends and interest paid to non-residents of Cyprus.
2. Royalties earned on rights used within Cyprus are subject to WHT of 10% with an exception on royalties relating to cinematographic films, where the WHT rate is 5%. Royalties earned on rights used outside Cyprus are not subject to WHT in Cyprus.
3. A rate of 5% on cinematographic films and TV royalties.
4. Nil if paid to a government/Central Bank/ Public Authority or for export guarantee.
5. Nil on literary, dramatic, musical, or artistic work.
6. Nil if paid to the government/Central Bank/ Public Authority of the other state.
7. 5% rate applies for patents, trademarks, designs or models, plans, secret formulas, or processes, or any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience.
8. A rate of 15% if received by a company holding less than 25% of the share capital of the paying company and in all cases if received by an individual.
9. A rate of 15% if received by a company controlling less than 10% of the voting power of the paying company and in all cases if received by an individual. If a company controls at least 10% of the voting power of the paying company in order to benefit from the WHT rate of 5% other conditions relating to the income of the paying company need to be satisfied, otherwise a WHT rate of 15%.
10. Nil if paid to a government, bank, or financial institution.
11. A rate of 5% on film royalties.
12. Nil rate applies if the beneficial owner is a company (other than partnership) which holds directly at least 10% of the capital of the company paying the dividend or if the beneficial owner of the shares is the Government of Cyprus or Norway. A rate of 15% in all other cases.
13. A rate of 15% applies to individual shareholders regardless of their percentages of shareholding. Companies controlling less than 10% of the voting shares are also entitled to a rate of 15%. Companies controlling at least 10% of the voting shares are entitled to nil WHT.
14. A rate of 10% for payments of a technical, managerial, or consulting nature.
15. 10% for patent, trademark, design or model, plan, secret formula or process, computer software or industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience.
16. A rate of 10% on dividend if paid by a company in which the beneficial owner has invested less than EUR100.000 in the share capital of the company paying the dividend.
17. A rate of 5% if the investment is not less than EUR 200.000 in the share capital of the company paying the dividend. If such investment is less than EUR 200.000, dividend are subject to 15% WHT which is reduced to 10% if the recipient company controls 25% or more of the paying company.
18. No WHT for interest on deposits with financial institution.
19. A rate of 15% if a dividend is paid by a company in which the beneficial owner holds less than 20% of the share capital of the company paying the dividends and the beneficial owner invested less than EUR100.000 in the share capital of the company paying the dividend.
20. A rate of 10% on interest received by a financial institution or when it relates to sale on credit of any industrial, commercial, or scientific equipment or of merchandise.
21. The 5% rate applies for any copyright of literary, dramatic, musical, artistic, or scientific work. A 10% rate applies for industrial, commercial, or scientific equipment. A 15% rate applies for patents, trademarks, designs or models, plans, secret formulas, or processes.
22. The 5% rate applies to companies holding directly at least 25% of the share capital of the company paying the dividend. In all other cases the WHT is 10%.
23. The treaty rates do not apply if the payment is made to a Cyprus entity by a resident of Bulgaria owning directly or indirectly 25% or more of the share capital of the Cyprus entity.
24. A rate of 7% if paid to a bank or financial institution.
25. Serbia, Montenegro and Bosnia apply the Yugoslavia/Cyprus treaty.
26. A rate of 5% applies if the dividend is received by a company (excluding partnerships) that holds directly 25% of the capital of the company paying the dividend. A rate of 10% applies in all other cases.
27. 5% rate applies for patents, trademarks, designs or models, plans, secret formulas, processes, or any industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.

CYPRUS HOLDING COMPANY 2015

NOTES

28. Nil rate applies if received by a company (excluding partnership) which holds directly at least 10% of the share capital of the paying company for an uninterrupted period of no less than one year. 5% applies in all other cases.
29. 10% for patent, trademark, design or model, plan, secret formula or process, computer software or industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience.
30. A rate of 5% if a dividend is paid by a company in which the beneficial owner has invested less than EUR 150.000.
31. A rate of 5% if received by a company holding less than 10% of the capital of the paying company and in all cases if received by an individual or a company not limited at least partly by shares.
32. A rate of 15% if received by a company controlling less than 10% of the share capital of the paying company or the duration of any holding is less than one uninterrupted year. A rate of 15% also applies if received by an individual.
33. A 5% WHT will be levied on payment of royalties in respect of any copyright of scientific work, any patent, trade mark, secret formula, process or information concerning industrial, commercial or scientific experience. 10% WHT will be levied in all other cases.
34. Nil rate applies if the recipient company (partnership is excluded) holds directly 10% of the share capital of the paying company for an uninterrupted period of at least 2 years. 5% in all other cases.
35. A rate of 15% applies if received by a company controlling less than 10% of the voting power in the paying company and in all cases if received by an individual.
36. A rate of 15% if received by a company (excluding partnership) holding less than 10% of the share capital of the paying company and in all cases if received by an individual.
37. The treaty with Lithuania is effective from January 1, 2015. This is the first double tax treaty between the two countries.
38. A rate of 5% if received by a company (other than partnership) holding less than 10% of the capital of the company paying the dividend and in all cases if received by an individual.
39. The treaty with Norway is effective from January 1, 2015. This replaces the previous treaty effective between the two countries.
40. The treaty with Spain is effective from January 1, 2015 but the withholding taxes were effective since May 28, 2014. This is the first double tax treaty between the two countries.
41. A rate of 15% if received by a company holdings less than 25% of the share capital of the paying company and in all cases if received by an individual or a company not limited by shares.
42. 10% rate applies on payment of royalties of any copyright of literary, artistic or scientific work including cinematograph films, and films or tapes for television or radio broadcasting. A rate of 15% applies on payments of royalties of any patent, trade mark, design or model, plan, secret formula or process, or any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience.
43. 0% on literary, dramatic, musical, or artistic work excluding motion pictures films and works on film or videotape for use in connection with television.
44. The WHT rate of 5% is applicable on cinematographic film royalties.
45. 5% WHT applies for any copyrights of literary, dramatic, musical, artistic or scientific work.
46. A 5% WHT will be levied on payment of royalties in respect of any copyright of scientific work, any patent, trademark, secret formula, process, information concerning industrial, commercial or scientific experience and cinematographic films.
47. A rate of 15% if received by a company holding less than 10% of the share capital of the paying company and in all cases if received by an individual.
48. A rate of 15% if received by a company holding less than 10% of the shares of the paying company and in all cases if received by an individual.

CONCLUSION

The Tax Legislation of Cyprus has created a unique environment for holding and trading companies. It has introduced numerous advantages making Cyprus a prime location in the international field of holding and trading regimes. Cyprus has committed itself to the preservation of its low tax regime as an ideal location for holding companies on an international scale.



© Copyright 2015



CHRISTODOULOS G. VASSILIADES & CO. LLC

Advocates - Legal Consultants

CAUTION: The information in this booklet does not create a precedent. It is intended only as a general Guide and is not to be relied upon as the basis for any decisions or outcome on the subject matter. Professional advice and consultation by Lawyers as applicable to the specific matter in question and in accordance to the laws and regulations in force at that time, must be obtained.