

# Company Registration in Cyprus - FAQ



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Cyprus as Member State of the European Union has developed into an ideal destination for doing business for foreign enterprises and individual investors who wish to take advantage of the suitability of the Cyprus legal entities. It has become as an important financial centre and one of the most well-known jurisdictions in Europe for registering companies and setting up businesses.

**A Cyprus Company is one of the most popular and effective method of tax planning.** Cyprus has one of the lowest corporate tax rates in Europe at just 12,5% and double tax treaties with more than 40 countries. The island's geographic position between three continents is an added advantage. Further, the island is renowned for the high level of service providers such as lawyers and accountants. Furthermore, the legal system is based on the English legal system and the country has a business friendly mentality and approach.

The key condition of incorporating a Cyprus Company by a non-resident is the presence of the treaties for the avoidance of double taxation between the country of registration and the countries where the Cyprus Company or its subsidiaries will have activities. The existence of these treaties, combined with the low tax paid by a Cyprus company offer the possibilities for effective international tax planning.

Below are some of the most frequently asked questions in regards to forming companies in Cyprus and the Cyprus Companies Law:

## 1. Who can register a company in Cyprus and are there restrictions?

There are no such restrictions. Anyone can register a company in Cyprus irrespective of nationality, country of residence or other circumstances. The owner of a company registered in Cyprus does not have to be a resident in Cyprus.

## 2. What are the advantages of setting up a company in Cyprus?

- a. Cyprus is a well-established financial centre that has the professionals with vast experience in offering corporate services to foreign owners. Lawyers, accountants, banks, other service providers and the Companies Registrar are highly experienced and skilled in offering their services to companies with owners from countries throughout the world.
- b. The country has a very good legal system that is based on English Common Law and stable tax law.
- c. Corporate tax rate is 12,5% and one of the lowest in Europe.
- d. Cyprus has double tax treaties with more than 40 countries.
- e. Process to form a company is quick, simple and straightforward.
- f. No tax on the transfer of shares.
- g. No withholding tax for dividends paid to non-residents.



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### 3. How long does it take to register a company?

If one uses the expedited process it usually takes around 2 or 3 working days for the Companies Registrar to approve the name of the company. From the date the name has been approved it takes around 5 working days until the company is registered.

### 4. What are the different types of companies I can register?

- Private limited liability company by shares;
- Private limited liability company by guarantee;
- Public company;
- Branch of a foreign company;
- Societa Europea;
- Re-domiciliation of a foreign company;
- Limited partnership;
- General Partnership;
- Trust

### 5. What is the registration process of a Company in Cyprus?

The registration of a Cyprus company is easy and straight forward. Strictly spoken Cyprus company formation and Cyprus company registration are two different procedures, where the Cyprus company registration completes the Cyprus company formation.

Formation of a Cyprus company mainly comprises the drafting of the Cyprus company's Memorandum and Articles of Association, the appointment of directors and company secretary, and, if desired, the drafting of a shareholder agreement. The formation of a Cyprus company legally constitutes with the signing of the Memorandum and Articles of the Cyprus Company.

### 6. Can my company have any line of business whatsoever?

A typical Memorandum and Articles of Association of a company will allow a company to offer a wide range of services. However, certain financial services and activities are regulated and require a license from Cyprus Securities and Exchange Committee or other bodies. For example a Forex company requires such a license.

### 7. Terms used in Companies

- 'Shareholder': The shareholders of a company are essentially the owners of the company. The degree of ownership depends on the percentage of shares owned. Shareholders of a limited liability company are not personally liable for the debts of the company. They are liable up to the amount already invested through the share capital repayment.
- 'Nominee shareholder': Nominee Shareholders are used mostly to protect the anonymity of the ultimate beneficial owner of the company. The 'Nominee Shareholder' although the registered shareholder of the company is essentially a trustee holding the shares in trust for the ultimate beneficial owner. The Nominee Shareholder will sign and provide the ultimate beneficial owner of the company with a 'Trust Declaration' which states that the nominee shareholder holds these shares in trust for the beneficiary and that he will follow the beneficiary's instructions as to how to deal with these shares from time to time. Moreover, the Nominee Shareholder will commonly provide the beneficiary with an Instrument of Transfer which the beneficiary can use at any time to transfer the shares into his name.
- 'Director': The Director of the company manages the business activities of the company. Anyone can be a Director of a company unless he/she has a criminal record or is bankrupt. The Director of a company can be a natural person or a company. A person can be both the Director and Shareholder of a company.



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- 'Nominee Director': Many foreign owners choose to have a Nominee Director because of anonymity reasons and/or for tax planning purposes. The 'Nominee Director' will follow the instructions of the ultimate beneficial owner of the company in managing the affairs of the company.
- 'Ultimate Beneficial Owner': Ultimate beneficial owner is the physical person who owns and controls a company. That can be the Shareholder of the company or in the case that the Shareholder is simply a nominee, the ultimate shareholder is the owner of the company who gives instructions to the 'Nominee Shareholder' and other possible nominees. The relationship between a nominee Shareholder and the ultimate beneficial owner is commonly determined by a 'Declaration of Trust'.
- 'Share capital': The Share Capital of a company is the amount invested by the owners of the company in exchange for shares of ownership. The Articles of Association of a company define what the 'Authorised Capital' of a company is, meaning the maximum capital a company can issue. 'Issued Capital' is the share capital already issued to the shareholders and 'Unissued Capital' is the part of the Authorised Capital that has not yet been issued. The Cyprus Companies Law does not set a minimum Share Capital. Most small size companies tend to have a Capital Share between 1.000-2.000 Euros. Larger companies often have higher Capital Share. The value of the Issued Share Capital must be paid into the company's bank account and must be used only for company purposes.

### **8. Is the identity of the ultimate beneficial owner of the company protected?**

The law firm or other service provider which helps with the management of the company will not reveal the identity of the beneficial owner of the company to anyone besides the bank with which the company will have a bank account.

### **9. Can a company registered in Cyprus open a bank account abroad?**

Yes. A company registered in Cyprus can open a bank account anywhere in the world.

### **10. Does the beneficial owner of the company have to come to Cyprus to open a bank account in Cyprus?**

No. Many law firms and other service providers are professional intermediaries to various banks and have the ability to manage this process without the presence of the owner of the company. Moreover, introducers to banks have the authority to certify as true copies the documents which the bank requires before opening the bank account.

### **11. Can the ultimate beneficial owner of the company manage some of the affairs of the company on his own without the constant support of the nominee directors?**

Yes. A Power of Attorney can be given from the company to the beneficial owner if the company that will allow him/her to open bank accounts, carry out the business activities of the company, enter into contracts, etc.

### **12. What are the responsibilities of a company registered in Cyprus?**

A Cyprus company must be registered with the tax authorities within 60 days of incorporation. Audited accounts have to be filed with the Companies Registrar and the Inland Revenue Department. Further, every company has to pay to the Companies Registrar an annual levy of 350 Euros. Furthermore, every company must hold Annual General Meetings and submit to the Companies Registrar an Annual Return with attached financial statements.



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