

Building business presence in Cyprus

In the light of the shifting international tax landscape, enhancing economic substance is becoming a key factor in the formulation of a redefined global tax strategy.

The Base Erosion and Profit Shifting (“BEPS”) project currently being undertaken by the OECD/G20 is introducing tighter regulation of the international tax system as a whole. This has made it clear that establishing appropriate levels of substance in jurisdictions where there has previously been limited presence will become best practice for multinational enterprises. In addition, businesses may look to rationalize the number of entities that they have globally and concentrate certain activities in jurisdictions which are conducive to the establishment of a fully operational business presence.

Establishing substance in Cyprus

Cyprus’ strategic location, full EU membership, developed legal system, competitive corporate tax rate of 12.5%, personal tax incentives, well-educated local workforce and business-friendly environment make Cyprus an ideal country for this purpose.

Under the Cyprus tax legislation a company is a tax resident in Cyprus if it is managed and controlled from Cyprus.

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Pieris Markou
Partner
Tax & Legal Services Leader

In order to support the tax residency position of the company, appropriate corporate governance procedures and indicators of substance should be in place such as:

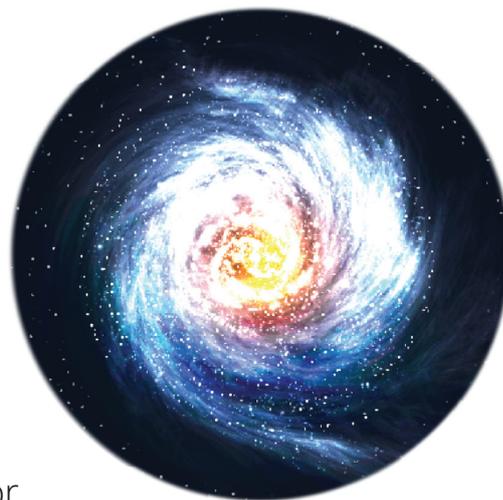
- Strategic decisions actually being taken by directors’ meetings in Cyprus;
- The board of directors including suitably qualified Cypriot resident individuals;
- The company maintaining employees and an office in Cyprus, through which day to day operational functions are exercised;
- Maintaining full documentation of the decision making process and administration of the company taking place in Cyprus.

In addition, taking the above and other measures in Cyprus can mitigate other tax risks such as potential challenges on beneficial ownership and transfer pricing, as well as controlled foreign company (“CFC”) rules.

How Deloitte can assist

Deloitte Cyprus can provide a wide range of services to assist you in the implementation of the strategic objective of increasing business presence in Cyprus. Such services include:

- Diagnostic review of the current level of substance of companies in Cyprus and making recommendations based on best practices;
- Assistance with setting-up of an office, hiring local personnel, dealing with migration formalities and drafting of employment contracts;
- Tax and legal support regarding the redomiciling of companies to Cyprus;



- Real estate services: identifying suitable office space and residential accommodation;
- Support with respect to ongoing administrative functions of companies (accounting, payroll and HR solutions);
- Tax services: corporate, personal and indirect tax compliance and advisory;
- Audit and Advisory services.

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