

Outlined Benefits of Cyprus Holding Company

Cyprus has been established as one of the favorite European jurisdictions for the establishment of holding companies not only due to its favorable tax regime but also due to the high level of services provided by the relevant professionals.

A Cyprus Holding Company may offer the following tax advantages if included in your corporate structure:

- Any Dividends received by a Cyprus Holding Company from an overseas company will be tax-exempt.
- Any profits, deriving from Permanent Establishment (PE) established outside Cyprus, are tax-exempt and its losses can be set-off against the income of the Cyprus company (exemption apply).
- Benefits from the use of Cyprus's wide treaty network with over 40 countries (including main Western European countries as well as most of Eastern European Countries) which provides for reduced withholding tax rates on dividends received from treaty countries.
- Cyprus as a full member of the European Union offers the benefits from the provisions of the Parent - Subsidiary Directive, provided the required conditions are satisfied under the local legislation of the relevant EU country, with payment of dividend from any other member state to be free of withholding tax.
- Cyprus unilaterally does not impose any withholding taxes on distribution of profits by a way of dividend to non-residents, irrespective on the whether the recipient is a body corporate or individual and any provisions to the contrary by a DTT.
- No capital gains or income tax on the liquidation of participations or the liquidation of the Cyprus Holding Company itself.
- No capital gains tax is payable on the sale or transfer of securities and the gains are exempt from Income Tax, provided that the company does not own real estate property situated in Cyprus.
- Tax losses are carried forward indefinitely and can also be surrendered as group relief subject to certain conditions.

- The Cyprus legislation is in line with the EU Directives and therefore, tax free reorganization may be accomplished.
- There are no CFC rules applicable.
- There are no substance requirements, no debt-equity restrictions, no minimum holding period and no thin capitalization rules relating to deduction of interest.
- Unilateral tax-relief is granted to all Cyprus Companies for foreign tax paid irrespective of any provisions to the contrary.
- Cyprus is in line with the European Law and in compliance to OECD Directives against harmful tax practices.
- Preferable IP regime with a potential effective tax rate of only 2% or less.