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CORPORATE STRUCTURES OF CYPRUS

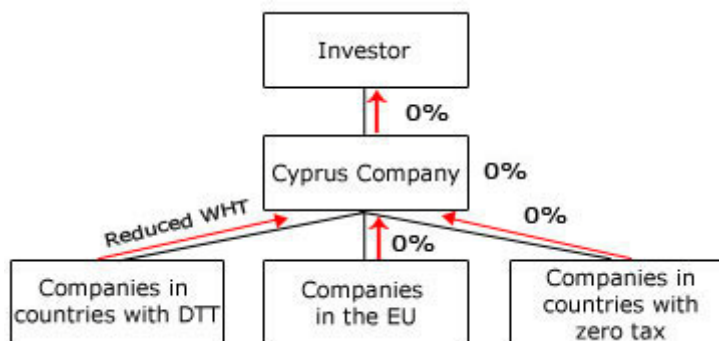
Cyprus, as a modern business and financial centre currently presents a number of opportunities to international investors and business people. The main forms and/or structures most interesting to such investors are the following:

1. HOLDING COMPANY STRUCTURE

Cyprus has become the most popular holding company jurisdiction in Europe and amongst the most popular in the world. A Cypriot holding company enjoys the following tax advantages:

- Full exemption from tax on dividend income received from participations (subject to non stringent conditions).
- No withholding tax on distributions of profits irrespective of the country of residence of the recipient or the existence of a double tax treaty.
- Full exemption from capital gains tax and income tax on the disposal of securities;
- No capital gains or income tax on the liquidation of participations;
- No capital gains or income tax on the sale of the shares of the Cypriot Holding Company;
- No capital gains tax or income tax on the liquidation of the Cypriot Holding Company;
- No capital taxes or net worth taxes during the life of the Cypriot Holding Company;
- Use of the wide double tax treaty network with over 43 countries which provide for reduced withholding taxes on dividends received from treaty countries;
- Unilateral tax credit relief irrespective of the existence of a double tax treaty;
- No substance requirements, no debt-equity restrictions, no minimum holding period and no thin capitalization rules;
- Use of EC Directives.

The basic holding company scenario can be illustrated diagrammatically below:



1. HOLDING COMPANY STRUCTURE (Continued)

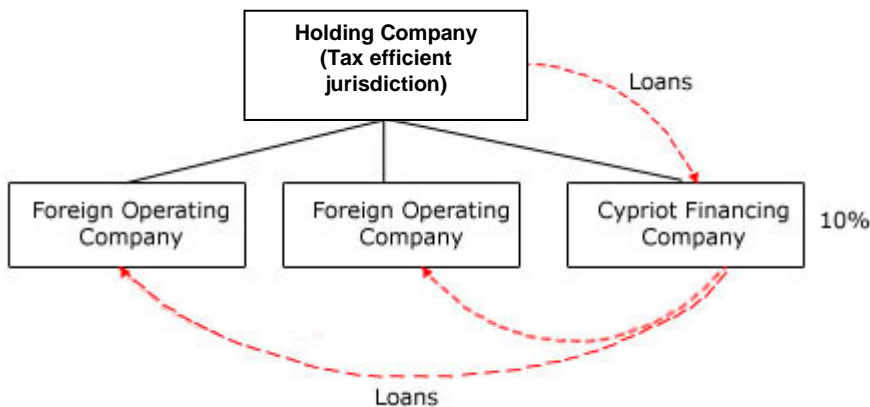
Using a Cyprus company as a holding company of other companies in the EU e.g. Germany or of companies with zero tax e.g. Belize, would result in zero taxation on profit distributions from the operating locations to the ultimate investor.

Similarly in the case where a Cypriot company holds subsidiaries in double tax treaty countries e.g. Belarus, Russia, the use of a Cyprus holding company will result in a minimal withholding tax on dividend distributions all the way to the investor.

Lastly a future sale by the Cypriot holding company of its investments will not result in any taxes in Cyprus. Similarly, the disposal of the shares in the Cypriot company or the liquidation of the Cypriot company will not give rise to any taxation in Cyprus.

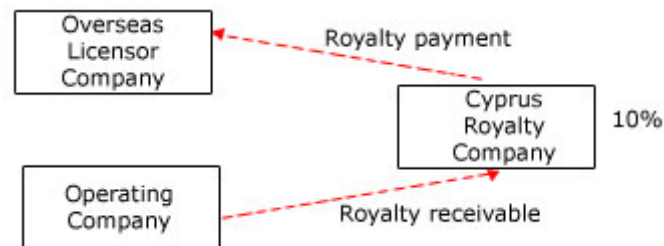
2. FINANCING COMPANY STRUCTURE

Cyprus companies can be used very efficiently for group financing activities as Cyprus has **no thin capitalization rules or withholding tax on interest**. A Cyprus financing company can provide subsidiaries interest bearing loans using the wide double tax treaty network of Cyprus. This can result in a double dip effect provided the financing is undertaken from a tax efficient location i.e., the interest will be tax deductible in the operating location and will be tax free in the recipient jurisdiction. Any margin remaining in the Cyprus company will be subject to income tax at the rate of 10%.



3. ROYALTY COMPANY STRUCTURE

A Cyprus company can be used as an intermediary licensing company between a foreign licensor and a foreign operating company in a Cyprus treaty location. The Cyprus intermediary licensing company can reduce the taxable profits in the operating location and achieve a double dip effect i.e., the royalties will be tax deductible in the operating location and will be tax free in the ultimate licensor's jurisdiction (provided he is located in a tax efficient jurisdiction). Any margin remaining in the Cyprus company will be subject to income tax at the rate of 10%.



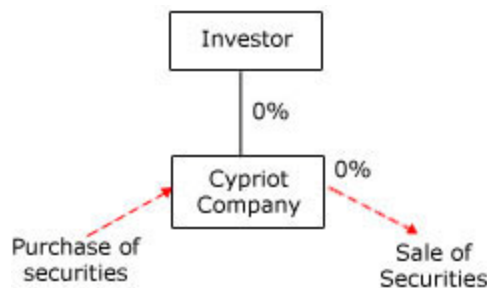
4. EMPLOYMENT COMPANY STRUCTURE

A Cyprus company can be used tax efficiently as an employment company. It can employ staff on overseas assignments and charge operating companies at a cost plus basis. The profits will be taxable in Cyprus at the rate of 10% and the taxable profits of the operating companies will be reduced accordingly. In addition, the salary costs for the operating companies will be significantly reduced as social security and other employer contributions are much lower in Cyprus than most other EU countries. The employees, as non residents, are not subject to any tax in Cyprus.

5. TRADING COMPANY STRUCTURES

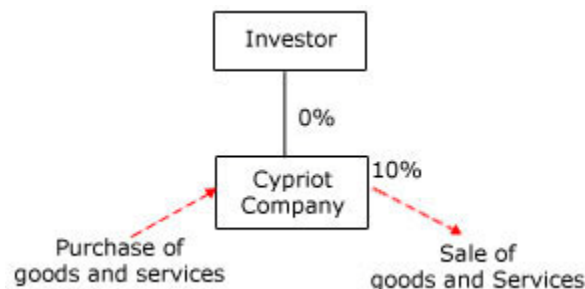
a. Companies trading in securities

Any profits from the disposal of securities, irrespective of whether the profits arise from the company's trading activities or are of a capital nature, are exempt from tax in Cyprus. Hence, security trading companies can structure their operations via Cyprus and achieve nil taxation. Such companies enjoy EU status, identity and regulations. In accordance with the tax legislation "Securities" are defined as shares, debentures, Government Bonds, founder's shares or other shares of companies or other legal entities which have been incorporated in Cyprus or abroad and any kind of options thereon.



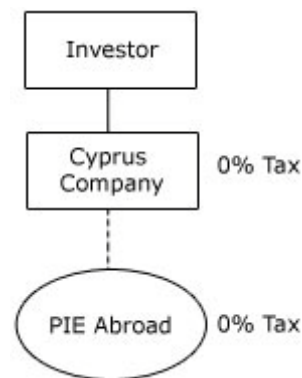
b. Companies trading in goods and services

Cyprus companies can be used efficiently in trading activities either in the form of purchasing and selling goods or receiving and providing services. Any profit realised by the Cypriot company would be taxable at the rate of 10% with no further corporate tax implications. In addition, the profits accumulated in the Cypriot company can be distributed to the holding company with no withholding taxes irrespective of the country of residence of the recipient or the existence of a double tax treaty between Cyprus and the country where the recipient resides. The Cypriot company conducting the trading activities would be able to obtain a VAT registration number in Cyprus and thus obtain a refund of VAT input. In the circumstances no physical delivery of the goods in Cyprus is required.



6. FOREIGN PERMANENT ESTABLISHMENTS

Profits from a permanent establishment abroad are exempt from taxation in Cyprus. This together with Cyprus' extensive treaty network can result in such profits becoming free of taxation altogether. The 0% tax effect can be achieved when, for example, a Cyprus company carries out a project (construction, assembly, etc) in a foreign country lasting more than 3 months (which is the minimum period to satisfy the permanent establishment criteria in accordance with the Cypriot law) but which does not last for more than 12 months (which per the DTT is the minimum period for establishing a p/e in the latter Contracting State e.g. Czech Republic, Russia). In such a case a p/e would be created in Cyprus, in accordance with the Cypriot legislation and any profits derived there from would be tax exempt, whereas in the latter State no p/e would be created and hence there would be no right of taxability.



The entire group of Eliades & Partners, is at your disposal to further advise you on the potential of Cyprus as a business and financial centre as well as to assist you in structuring your international business in a tax efficient way in Cyprus and beyond.

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