Focus Business Services (Cyprus) Ltd

Cypriot Holding Company Structures

Tax Exempt Dividend Income

No Capital Gains

Absence of CFC Legislation

Participation Exemption

No Capital or Net Worth Taxes

Double Tax Treaties

Tax Free Unwind

No Thin Capitalisation Rules

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Tax Exempt Disposal of Securities

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Access to EU Directives

No Need for Complex Tax Structuring

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Cypriot Holding Company Structures

Cyprus is emerging into the most popular intermediate holding company jurisdiction in Europe and a serious contender to The Netherlands, Luxembourg, Switzerland and other traditional holding company jurisdictions. International investors find that the unique tax advantages together with EU membership and OECD compliance are compelling reasons to set up a Cypriot holding company.

Cyprus Tax incentives

The advantages of the Cypriot tax system, as set out in our leaflet titled " Why Cyprus?".

The use of the wide double tax treaty (DTT) network and EU Directives to eliminate or mitigate **foreign withholding and other taxes.**

Foreign dividend income is tax-exempt, provided that a minimum of 1% holding in the paying company is maintained. Also, profits from permanent establishments (PEs) outside Cyprus are tax-exempt and their losses can be set-off against Cypriot income.

Anti-avoidance: Note that the above exemptions do not apply if the paying company BOTH engages, directly or indirectly, by more than 50% in activities giving rise to investment income AND the overseas "headline tax" is lower than 5%. No other rules, minimum holding period, minimum investment thresholds etc. exist.

Sale of shares and other securities: No capital gains tax is payable and the gains are exempt from income tax (except shares in companies owning real estate, situated in Cyprus).

No withholding taxes **on outgoing dividends, interest and royalties** in most cases, irrespective of whether the recipient is an individual or a legal entity, the country of residence of the recipient (even offshore jurisdictions) or the existence of a double tax treaty.

No capital gains or income tax on the liquidation of participations or the **liquidation** of the Cypriot holding company itself.

No annual net worth taxes or capital taxes during the **life of the Cypriot holding company.**

No **CFC** legislation, no **thin capitalisation r**ules or strict **anti-avoidance** provisions; thus avoiding further **complex and expensive tax structuring.**

In conclusion, the Cypriot tax system enables:

(a) the **extraction of foreign sourced dividends** at mitigated or zero rates of foreign withholding tax, owing to the use of the Parent Subsidiary Directive or the use of double tax treaties, if the Directive is not applicable.

(b) the **receipt of foreign dividends in Cyprus** at zero rates of corporation tax or special defence contribution (local withholding tax) or any other local taxes (subject to conditions - anti avoidance provisions, that are easy to satisfy), i.e. no domestic tax leakage on holding activities.

(c) **the distribution of available profits** to non-resident shareholders at zero rates of dividend withholding tax, irrespective of jurisdiction or the absence of a DTT (even to offshore jurisdictions), and

(d) allows for the **realization of capital gains** from the disposal of shares in foreign companies at zero rates of corporation and capital gains tax on the gains, irrespective of holding period and shareholder percentage and no capital gains tax on the liquidation of the holding company itself.

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