

# Incorporating a Cyprus Company

## 1. Introduction

*Cyprus is one of the most attractive tax planning jurisdictions. Its favourable taxation system together with its excellent infrastructure facilities and high quality of services have led to Cyprus being considered as one of the most reputable international financial centers.*

*What sets Cyprus apart from any other International Business Centre is the fact that it is a forum of substance. Companies choose to operate and manage their business from Cyprus taking advantage of the favourable tax regime standing today at 12.5% of net profits, along with the extensive network of Double tax Treaties with over 60 other Countries around the globe, and the fact that Cyprus is a full member of the European Union thus enjoying the benefits of uniform laws and practices such as the Parent-Subsidiary Directive.*

*THE PURPOSE OF THE PRESENT GUIDE IS TO OUTLINE IN BRIEF THE MAIN ASPECTS OF THE PROCESS OF INCORPORATION OF A NEW COMPANY IN THE REPUBLIC OF CYPRUS. HOWEVER, THE USE OF SUCH A VEHICLE FOR ANY SPECIFIC PURPOSE OR AS PART OF A GROUP STRUCTURE OR TAX PLANNING EXERCISE MUST BE ADDRESSED IN DETAIL AND SHOULD CONSTITUTE THE OBJECT OF SPECIALISED LEGAL ADVICE.*

## 2. Legal form

Any one or more persons in the case of a private company (or seven or more in the case of a public company) may establish a limited liability company.

A company may either be:

- (a) a company whose member's liability is limited by its memorandum of association to the amount, if any, that has not been paid on the shares issued to that member (a "limited liability company by shares"), or
- (b) a company whose member's liability is limited by its memorandum of association to the amount that such member has undertaken to contribute to the assets of the company in case of its dissolution (a "limited liability company by guarantee").

The most common form of Cyprus company is the limited liability company by shares.

### 3. Information required to register a Cyprus company

(a) Company name:

The name under which the company will be registered must be approved by the Registrar of Companies (hereinafter the “Registrar”). The Registrar takes approximately three to five business days to examine and approve or reject a potential company name. It is suggested that at least two alternative names are submitted to the Registrar for approval in order to save time in the event that the Registrar rejects one of them.

The name of the company can be changed at any time following incorporation.

(b) Objects of the company:

Each Cyprus company must have a memorandum of association which will specify the objects for which the company is formed. Our firm can provide a standard form of memorandum of association which is drafted in very wide terms in order to enable the company to pursue an extensive range of business activities. In the event that the company is intended to pursue a particular objective then we will specifically provide for this in the memorandum of association.

(c) Share capital:

There are no minimum legal requirements as to the minimum or maximum share capital of a Cyprus private limited liability company. However, for practical purposes, it is recommended that companies be incorporated with a minimum share capital of €1,000 divided into 1,000 shares of €1 each. A public limited liability company must have share capital of not less than € 25,629.

The share capital may be demoninated in any currency.

(d) Shareholders:

A private limited liability company must have at least one and a maximum of 50 shareholders. A public company must have at least seven shareholders. There is no restriction as to the nationality of the shareholders and both physical and legal persons can be shareholders of a Cyprus company.

Shares can be held by trustees in Cyprus in trust for the beneficial owners. If required, our firm is able to provide this service.

(e) Articles of Association:

Each company must have articles of association which essentially set out how the particular company will be managed and run. Our firm can provide a standard form of articles of association

which are drafted in such a way as to enable the company to function effectively in accordance with applicable law. If so required, we can purposely draft the articles of association of a company so as to meet the needs of a particular client or transaction.

(f) Directors:

Cyprus companies are managed and controlled by a board of directors. A Cyprus private company must have at least one director, whereas a public company must have at least two. There is no restriction as to the nationality of the directors and both physical and legal persons can be directors of a Cyprus company. Our firm is able to provide the service of director, if required.

Management and control of a Cyprus company will determine its tax status. It is therefore customary for the majority of the directors to be Cypriot residents and for board meetings to be held in Cyprus.

(g) Company secretary and registered office address:

Every Cyprus company must have a secretary and a registered office address in Cyprus.

Our firm is able to provide both secretarial services as well as a registered office address for our clients' companies.

## 4. Time required to incorporate a Cyprus company

The incorporation procedure of a Cyprus company, provided that all the necessary information is made available, can be completed within 5-10 business days.

## 5. Company compliance

There are a number of compliance requirements under the provisions of the Companies Law Cap 113, as amended, for every Cyprus private limited liability company, such as maintenance of certain internal registers and minute books as well as various filing obligations towards the Registrar. Moreover, every Cyprus company is required to prepare financial statements in accordance with the International Financial Reporting Standards and submit tax returns to the appropriate tax authorities.

All Companies registered in Cyprus must pay to Registrar a fixed annual fee of €350 by the 30th of June of each year. In case of a group of companies the total amount to be paid to the Registrar shall not exceed €20.000. Late payment of the fee will give rise to penalties and failure by a Company to pay such fee may result in the Company being struck-off by the Registrar.

## 6. Anti-money laundering and know-your-client requirements

In accordance with Cyprus anti-money laundering and know-your-client legislation and regulations, we are required to complete a client identification procedure prior to agreeing to act for any client. For a list of the information required for the purposes of our client identification please refer to our Company Incorporation Questionnaire.

September 2023  
Pamboridis LLC

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The information contained in this publication is only intended as a brief introduction in relation to the particular subject and it is not a substitution for professional advice. It should not be relied upon and specific legal advice should be taken prior to taking or refraining from taking any action as a result of the information contained herein.

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