



Focus Business Services (Cyprus) Ltd



# International Trading & Other Structures

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**Real Estate**

**Construction & Engineering**

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**Banking Units**

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# International Trading & Other Structures

## Cyprus Tax incentives

The advantages of the Cypriot tax system, as set out in our leaflet titled "Why Cyprus?", apply to all types of trading structures.

## International trading companies

Such companies can be used for the invoicing or re-invoicing of goods and services as well as for the receipt of trading commissions from any country to any destination and for transit trade activities in combination with the operation of bonded warehouses, bonded factories and the free trade zones.

Additionally, Cypriot trading companies may provide services of any kind such as sales promotion, accounting or treasury function, provision of labour – executive staff, consulting, market research, commission agency, intermediation, client introduction and many others.

They may even employ expatriate staff, who benefit from double tax treaty provisions, by paying tax and social insurance in Cyprus at low rates, thus avoiding the high tax rates in their home country.

In this way, profits made by the Cypriot company are taxed at the Cypriot low corporate tax rate of 12.5%, instead of higher corporate tax rates. Trading from a low-tax EU State such as Cyprus and using appropriate tax structuring to mitigate Cypriot tax, sometimes to levels well below 12.5%, is a far superior strategy nowadays than trading through an offshore company registered in a tax haven.

## Popular types of activity

It is no exaggeration to say that there are no activities that a Cypriot entity is not suitable for. Cypriot entities are widely used by corporations as well as by individuals, especially

high net worth individuals, for a number of activities. Please contact us to discuss your particular circumstances.

## Cypriot Nominee structures

These structures typically involve a Cypriot company acting as nominee - undisclosed agent of an overseas principal (usually registered in a tax-efficient jurisdiction). The result is a very low tax burden, often significantly lower than 12.5%, as Cypriot tax is paid only on the commissions charged by the Cypriot company to the overseas principal; with the remaining profits taxed at much lower rates. This is one of the most popular structures in the last few years.

## UK companies managed from Cyprus

These structures involve UK Companies that are tax resident in Cyprus. This is achieved by being managed and controlled through a Cyprus registered branch and via the employment of the appropriate provisions of the UK - Cyprus double tax treaty and local tax legislation.

As Cypriot tax resident entities the UK companies are taxed on their worldwide income in Cyprus and not the UK (a UK face with a low Cyprus tax burden). The result is a 12.5% corporation tax on worldwide taxable income, which with proper tax structuring could effectively be significantly reduced further. Virtually, thousands of such structures were set up in Cyprus in the last 15 years.

## Cypriot non - resident companies

Cypriot non-resident companies which are simply Cypriot registered companies, not managed and controlled in Cyprus. These are not tax resident and are only taxable on Cyprus source income (effectively not taxed for their non-Cyprus income in Cyprus). However, as non-resident persons, they cannot enjoy the benefits of Cyprus' double tax treaties.

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