

Focus Business Services (Cyprus) Ltd



Investment Holding Structures

Intermediate Holding Companies

Investment Funds

Royalty Routing Companies

Group Finance Companies

Head Office Operations

Securities Trading Companies

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Investment Holding Structures

Cyprus Tax advantages

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

Cypriot Intermediate holding company structures

Please refer to our leaflet titled "Cypriot Holding Company Structures".

Cypriot group finance structures

Cypriot group finance companies can fulfill intra-company and inter-company financial management functions, such as granting of loans for project financing or working capital requirements. These structures are particularly attractive for investment into high-tax countries where, local rules permitting, high debt structures are widely used.

Typically, a Cypriot group finance company is interposed between a holding and an operating foreign company in a treaty location. It advances interest bearing loans to fund the operating company. If use is made of Cyprus's double tax treaty network or the EU Directives and the ultimate financing is from a "tax-efficient jurisdiction" then a double dip effect can even be achieved whereby interest expense would be fully deductible in the operating company and at the same time escape tax in the holding company jurisdiction.

Choosing the right international jurisdiction for the use of double tax treaties or the EU Directives can reduce or eliminate withholding taxes on interest payments.

Cypriot royalty routing structures

Rights for intellectual property can be owned by or assigned to a Cypriot Company which typically is interposed between a licensor and an operating foreign company in a treaty location.

If use is made of Cyprus's double tax treaty network or the EU Directives and the ultimate licensor is from a "tax-efficient jurisdiction" then a double dip effect can even be achieved whereby royalties would be fully deductible in the operating company and at the same time escape tax in the licensor company jurisdiction.

Specific incentives advantageous to both finance and royalty companies:

Absence or reduction (under a Double Tax Treaty or the EU Interest and Royalty Directive) of foreign withholding tax on interest or royalty income.

Possibility of deducting interest and royalty expenses from taxable income.

Effective tax depreciation of investments in intellectual property.

Absence of thin capitalization rules or their inapplicability in the case of "back to back" financing.

Absence of interest or royalty (for use of rights outside Cyprus) withholding tax, irrespective of jurisdiction or the absence of a DTT (even for payments to offshore jurisdictions).

Reasonable level of interest / royalty "margin" would be required by the Tax Authorities.

Neutral VAT treatment.

Effective protection of intellectual property rights by Legislation and the participation of Cyprus in international agreements.

Low expense level for professional / financial fees.

Other structures

- Investment funds
- Head office operations
- Securities trading companies

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