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Legal experts & Tax consultants
Non-Dom Company Formation
Digital Nomads
Residence Relocation
Living Tax-Free!



Privacy Management Group

LAWYERS | CHARTERED ACCOUNTANTS | MANAGEMENT CONSULTANTS

CYPRUS

The Mediterranean island of Cyprus, a full member of the European Union (EU), has been an independent state since 1960. More than three million tourists visit the island every year, attracted by its Mediterranean lifestyle, sunny weather and unique flora and fauna.

Cyprus is one of the safest countries in the world, both from a political standpoint and due to the fact that it has one of the lowest crime rates in the world.

The high safety standards, friendly inhabitants and relaxed atmosphere, modern infrastructure, steadily blooming economy and unique, **advantageous tax regulations** have also attracted many migrants to Cyprus. As a result, the island's population has increased from 700,000 to 1,000,000 since 2013.

The Republic of Cyprus is also a member of the United Nations (UN), the Council of Europe, the Organisation for Security and Cooperation in Europe (OSCE) and the World Bank (WB).

In 1974 Turkey carried out a military operation during which Turkish troops seized 37% of the island, leading to a significant population movement. The resulting cultural separation still exists today. Under the auspices of the UN, programs have been put in place to find a solution which is acceptable to both sides.

The Republic of Cyprus became a member of the EU on May 1, 2004 and joined the Eurozone on January 1, 2008. The EU and UN have only recognized the government of the Republic of Cyprus (EU) as a legal government.

Official Language: **Greek / English**

• TAX-FREE

Cyprus offers immigrants a wide range of exemptions regarding taxes on personal income. The prerequisites to make use of these exemptions are the relocation of the tax residence to the EU member state of Cyprus and the filing of an application for the so-called Non Dom status.

The relocation of the personal and tax residence to Cyprus is neither expensive nor overly bureaucratic. EU citizens have three different options when planning their relocation, which are outlined below.

On top of this, Cyprus offers all immigrants the opportunity to assume the so-called Non Dom status. This is especially interesting from an economic standpoint.

The significant benefits which may be reaped from relocating to Cyprus and acquiring the Non Dom status are one of a kind, incomparable to anywhere else in Europe.

All owners and shareholders of companies have a right to a share of the profits of the company. These so-called dividends are usually subject to income tax.

Persons with Non Dom status in Cyprus are not subject to income tax on dividends. This applies regardless of where the Non Dom's company conducts its business: it may be registered in Cyprus, be an offshore company or operate in other countries.

Interest and all other investment results are tax-free! On top of this, Cyprus does not collect tax on such income regardless of the source of the interest or investment results, be it from within Cyprus or from abroad.

A person with Non Dom status in Cyprus has the right to conduct business via so-called offshore companies. This means a lot of flexibility for individuals owning zero-tax-companies and offshore bank accounts, as well as a full tax exemption for all profits gained from their offshore activities.

Social Insurance and Payroll Tax

If an individual wishes to conduct international business out of Cyprus and therefore needs business premises and a business tax file number in order to take advantage of value added tax, he should strongly consider setting up a legal person in Cyprus.

Besides the fact that Cyprus has one of the lowest corporate taxes in Europe, setting up a limited liability company (LLC) in Cyprus has another distinct advantage:

- It is the easiest and quickest way to relocate to Cyprus and achieve the Non Dom status.

- Moreover, company owners and shareholders in Cyprus can "employ" themselves. This means that they can take full advantage of social insurance and the tax-free income bracket for all earned income up to 19.500,00 per year.

- For those who wish to pay a salary exceeding the tax-free amount stated above, be this due to pension regulations, as a safeguard in case of unemployment or for other reasons, there is still a significant tax advantage, namely a 50% reduction on the applicable tax rate over 5 years.

• INTEREST & INVESTMENT RESULTS

Interest and investment results gained abroad are not subject to taxation in Cyprus. This applies both to private persons in Cyprus with Non Dom status, and companies registered in Cyprus (Cyprus Limited, Cyprus Holding, etc.), the latter under certain conditions.

Cyprus is not only a paradise for companies and their owners and shareholders, but also for private investors and traders. No other EU member state grants wealthy private persons and companies such a wide range of possibilities and tax benefits.

• LEGAL GUARANTEE

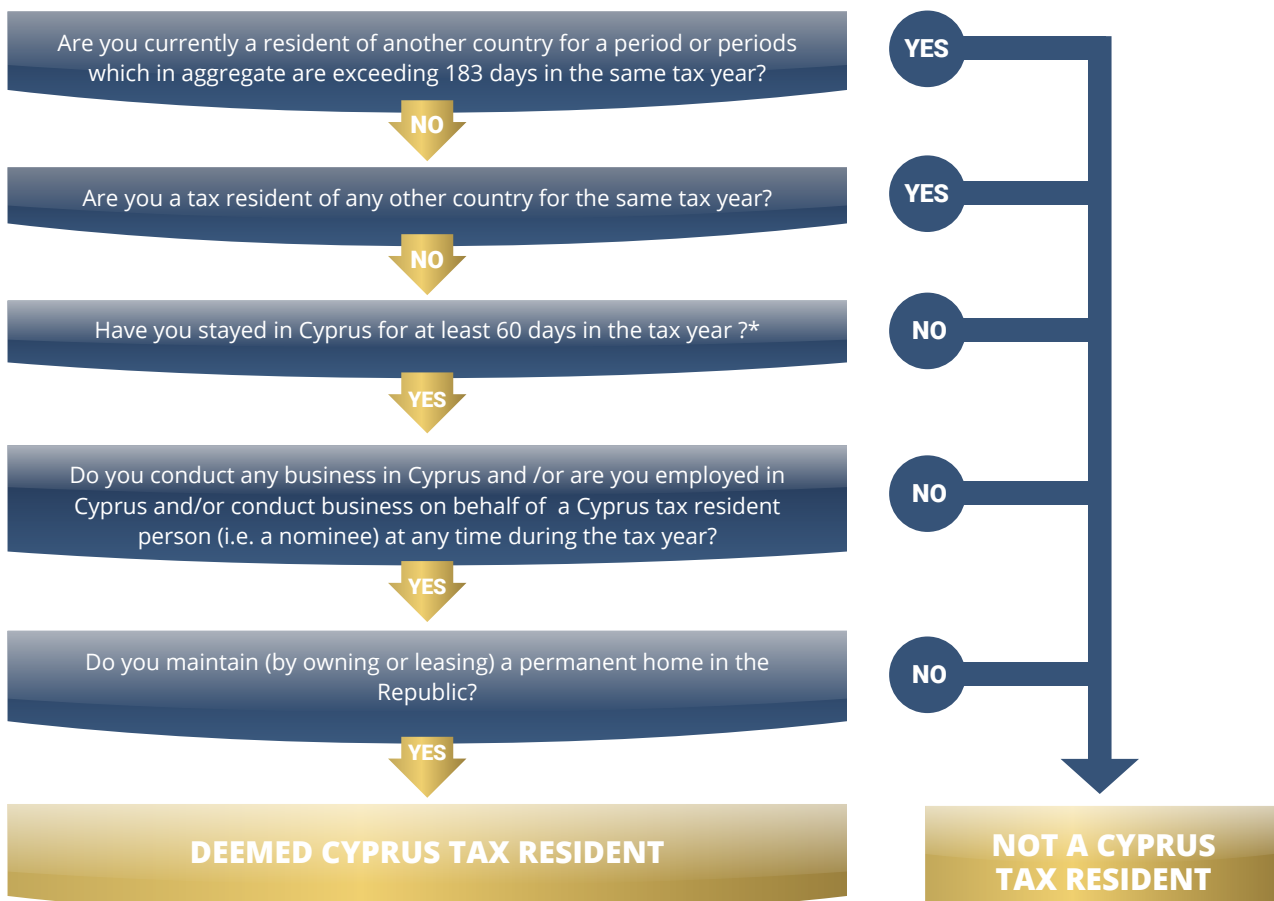
Whereas the “old” countries running Non Dom programs only guaranteed the legal regulations applying to the Non Dom status until these were “recalled”, Cyprus guarantees all benefits arising from its Non Dom Program for 17 years. This means great security in long-term planning for persons with the Non Dom status. Today, the entire world is constantly subject to changes in tax regulations. The 17 year guarantee is another great pro for Cyprus.

• 60 DAYS AND NOT 183

Cyprus has adjusted its tax regulations to the modern world of business. By dispensing with the European 183 day regulation, it has especially opened its doors to entrepreneurs looking for maximal flexibility.

The legal relocation of the tax residence and several of the benefits enjoyed with the Non Dom status, are already available to persons spending only 60 days per year in Cyprus. This applies regardless of whether the person has spent this minimum of 60 days in Cyprus as a single period or through several visits.

This simplified overview shows how the tax residence in Cyprus can be maintained in the long-term:



*Exception Option (C), 183+ Days

• NO REMITTANCE BASE TAXATION

One of the most significant advantages of the Non Dom status in Cyprus is that the country foregoes all Remittance Base taxation. Cyprus' tax law does not impose taxes on any dividends coming in from abroad. This means that capital earnings can be freely moved, held and distributed internationally. Tax-free!

The Non Dom countries UK, Malta, Ireland & Co. offer foreign individuals who have relocated their tax residence the opportunity to be subject to exclusively UK tax regulations. This is the so-called Non Dom status, and resembles the program run in Cyprus.

However, unlike the EU member state Cyprus, the Non Dom status in these countries have a significant disadvantage. In Malta, Ireland, UK & Co. the Non Dom Status is linked to a complicated and detrimental tax regulation: the so-called **Remittance Base Taxation**.

What does „Remittance Base Taxation“ mean?

To be exempt from the taxation, the respective capital must be moved, held and distributed via a bank account outside the Non Dom country. It may not be moved into the Non Dom country or be used there.

On top of this the capital may not be originate from domestic sources. If the individual with Non Dom status disregards these regulations, any capital related to the breach will be subject to the regular income tax of the respective country, regardless of the Non Dom status.

The Disadvantages

There are several examples that demonstrate that this regulation can cause enormous problems in day-to-day business operations and private affairs, in effect leading to the opposite of “simplified tax structures”:

No Flexibility

For example, an entrepreneur moves to the island of Malta to take advantage of the tax benefits of the Non Dom status there. But due to the Remittance Base Taxation he is subject to the following restrictions:

If the Non Dom individual wants to conduct his business locally but also wants to benefit from the low corporate taxes by basing his corporation in Malta, any dividends that he earns would be subject to the regular income tax applicable in Malta.

35% Income Tax

Even merely using his international credit card in Malta will lead to the fact that any overseas capital that is thereby made available in Malta will be subject to the 35% Income Tax.

Conclusion: Apart from the fact that correctly splitting the different incomes and their uses can quickly become an accounting nightmare, the Remittance Base taxation also causes significant issues in day-to-day life. How is a Non Dom living in Malta supposed to cover ongoing costs, living expenses, investments and purchases?

Definitely not tax free!

To compensate for the disadvantages arising from the Remittance Base taxation, internet based company set-up agencies offer a so-called Holding Model for Malta. To conclude, let's take a look at this “solution”.

Short and Sweet: the Malta Holding Model

In order to stay financially flexible and not have to give up the tax benefits of the Non Dom status in Malta, the Non Dom sets up not only one company in Malta, but at least two – one operational company and one Malta Holding.

The sole shareholder-owner of the operational Malta company is the Malta Holding company. In turn, the Malta Holding Company is owned by a company or private person outside Malta.

On top of this, several points must be taken into consideration so that this construct remains legal in practice. For example, it must be avoided that either the operational Malta company or the Malta Holding company is suspected of being an illegal intermediate company. This is the case when either company is not substantively a company (for example, it is just a shell company with no employees or offices) or is run completely from abroad.

This example, which can also be found in publications regarding the UK, Ireland & Co., prompts the question: “why take the difficult path when there is an simple one?”

Objectively speaking, Cyprus is a paradise for entrepreneurs, self-employed persons, freelancer, e-commerce, offshore businesses and much more. And the 60 day regulation, means that Non Dom's of Cyprus have enough time to spend in countries of their own choice. Flexible, tax free and safe.

• OECD AND EU-FATCA

Cyprus does not release tax and bank account information to other countries, provided you have your tax residence exclusively in Cyprus.

Within the framework provided by the OECD CRS and EU-FATCA information from banks is only reported to the country in which the respective account holder, or beneficial owner, has his tax residence.

If the account holder of a private or business bank account has his tax residence in Cyprus, all domestic and overseas banks will only report the relevant information to Cyprus. Which information is relevant is decided by the OECD CRS and EU-FATCA.

Cyprus does not collect taxes on interest and investment results, regardless of their origin. In addition, foreigners in Cyprus are exempt from any taxes on dividends from domestic and foreign companies under the Non Dom program.

A tax residence in Cyprus in conjunction with Non Dom status grants the individual ultimate privacy and complete financial freedom.

• LOW-TAX

According to standard international criteria, Cyprus is not a tax haven per se.

A tax haven is normally defined by substantially lower income taxes. This means that, if the income tax of a the destination country is significantly less than that of the country of origin, the tax authorities will regard it as a tax haven. The income tax in Cyprus usually amounts to 35%.

Tax exemption regulations, like the “50% income tax reduction” which foreigner can take advantage of via the Non Dom status, are legally seen only as exemptions and do not make Cyprus a tax haven.

• ADVANTAGES FOR COMPANIES

Cyprus offers the corporations based in Cyprus, specifically Cyprus Limited Liability Companies, significant advantages regarding taxes and duties. The corporate tax in Cyprus for corporations is only 12.5% and the tax for income from licences, IP and similar turnover is only 2.5%.

In addition, payments to offshore companies are tax deductible for Cyprus companies as business expenses.

The corporate tax in Cyprus of 2.5%, or 12.5%, is part of the final tax assessment. In this regard, Cyprus foregoes progressive taxation, or taxation by instalments, and thus „saves“ business owners and shareholders complicated tax returns, applications for tax reimbursements and associated waiting periods.

As a full-fledged company with a corporate tax file number and offices, it is possible to conduct business operations internationally (Limited Liability Company may be compared to the German GmbH or the Spanish Sociedad de responsabilidad limitada, referred to as SL).

Cyprus does not collect trade taxes, nor are there statutory defense or welfare contributions

If the Cyprus Company owns shares in another company, all dividend earnings are exempt from taxes!

Earnings from stock trading and most other form of investment are also tax-free.

If the Cyprus Company makes losses, these can be carried over *

The offices of the Cyprus can usually be registered at the private residence of the sole shareholder-owner (this does not include manufacturing plants). This regulation is especially advantageous for individuals with the Non Dom status in Cyprus, as this means that the costs of rent fall under business expenses.

If so desired, Cyprus based bank accounts can also be maintained from abroad (capital protection clause).

In Cyprus the inheritance of shares in companies is exempt from taxes.

Cyprus offers business owners and shareholders these and many other benefits. In conjunction with ensuring Non Dom status for one or more of the business owners or shareholders, setting up a company in Cyprus is a great variation to relocating your tax residence to Cyprus. The Cyprus Company offers valuable, long-term benefits and those with Non Dom status have access to their dividends tax free.

RESIDENCY: NON-DOM STATUS

	OPTION A: CYPRUS COMPANY SET-UP COMPANY FOR INTERNATIONAL BUSINESS WITH NON-DOM STATUS 1 PERSON	OPTION B: SIMPLY NON-DOM BUSINESS REGISTRATION FOR NATIONAL SOLE TRADERS 1 PERSON	OPTION C: FINANCIALLY INDEPENDENT PERSONS (SEE NOTE 2)* 1 PERSON
Original Passport (Proof of Identification). Valid for at least 6 months	✓	✓	✓
Certificate of Employment (signed and stamped by the employer no more than one week before the appointment).	✓	not applicable	not applicable
Proof of Payment of the Insurance Contributions for the last 2 months, if not Certificate of Employment can be provided.	● required	● required	not required
Application fees of €20.00 (in cash and exactly)	● required	● required	● required
Proof of a valid Health Insurance (in- and out-patient treatment). Options: 1) S1 Form/ E121 Form 2) E106 Form 3) Cyprus Hospital Card (pink Card) 4) Private Health Insurance If the Health Insurance Provider is in another country, the Health Insurance Agreement must be provided. It must be shown that the existing Health Insurance covers both in- and out-patient treatment costs.	not required	not required	● required
Rental Agreement or Title Deeds (in case of ownership)	● required	● required	● required
As Proof of Income, bank account statements from the last 6 months must be provided. The bank account states must be certified by the relevant bank.	not required	not required	● required
Minimum stay per year	60+ Days	60+ Days	183+ Days

NOTES:

Note 1:	A Cyprus mobile phone is required - PAY AS YOU GO	A Cyprus mobile phone is required - PAY AS YOU GO	A Cyprus mobile phone is required - PAY AS YOU GO
Note 2:		✱ ⁽¹⁾	✱ ⁽²⁾

- ✱⁽¹⁾ • The applicant has previously conducted the business activities which he wishes to register in Cyprus. Proof of these prior business activities can be submitted in the form of trade licenses, evidence of existing customer relations and similar documentation.
• Other prerequisites include a short CV and relevant proof of qualification for the business activities to be carried out in Cyprus.
• Furthermore, the application requires the submission of consumption bills, consisting at a minimum of water and electricity bills. The utility bills must be in the name of the applicant and be addressed to his current address in Cyprus.

- ✱⁽²⁾ If the Applicant is the owner of, for example, a Foreign or Offshore Company, he/she must also provide documentation of the respective monthly profits, by providing the bank account statements from the private account of the Applicant (minimum monthly income c. 2,500.00 Euros - proof of the last 3 to 6 months).



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**Thank you for your interest in our services.
Do you have any further questions about our offer?**

Your personal contact person is:
Ms Mercedes Saez

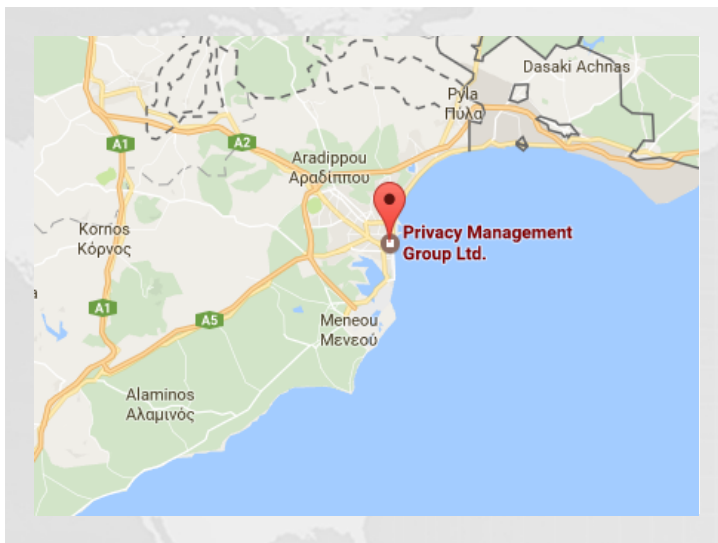
 +357 240 20 603  ms@eu-ibc.com

The information included in this PDF is also available at:
<https://www.tax-residence.com/cyprus-non-dom/>

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LAWYERS & CHARTERED ACCOUNTANTS



 **Privacy Management Group^{Ltd.}**
LAWYERS | CHARTERED ACCOUNTANTS | MANAGEMENT CONSULTANTS

Privacy Management Group^{Ltd.}

61-63 Lord-Byron-Street, 5th Floor

6023 Larnaca, Cyprus

Mon - Fri 9:00 - 16:00 (GMT+2)

Phone: +357 240 204 00    

E-Mail: backoffice@tax-residence.com

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