

Doing Business in Cyprus

2009



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1. Introduction

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 70 countries throughout the world. Business partners work together through the network to conduct trans-national operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Cyprus has been provided by the office of UHY representatives:

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UHY Antonis Kassapis Ltd has been established since 1991 and specialises in the provision of accountancy, audit and taxation services. Clients include mainly internationally oriented companies originating from all over the world and ranging from private individuals and small private or family business to large multinationals. They cover a broad range of sectors, mainly trading, manufacturing and construction. Other sectors include shipping, consultancy, trusts and charities.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at April 2009.

We look forward to helping you do business in Cyprus.



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2. Business environment

Geography and population

Cyprus is situated in the eastern Mediterranean, lying at the hub of three continents and close to the busy trade routes linking Europe with the Arab World and the Far East. Cyprus' total area is 9.251 sq km and is the third largest island in the Mediterranean, after Sicily and Sardinia.

The island enjoys an excellent climate with about 300 days of sunshine per year. The temperature varies from 6C to 13C in winter to 21C to 36C in summer.

Cyprus' population is estimated at approximately 800,000. The official languages of the Republic are Greek and Turkish but English is very widely spoken and is regularly used in business. Nicosia, with an estimated population of approximately 300,000, is the capital city, situated in the middle of the island. All other major cities are on the coast and all are popular holiday resorts, as well as business centres.

Government and legal system

The structure of government is similar to other western democracies where human rights, political pluralism and private property are safeguarded. The Republic's constitution is largely modelled on the American constitution. The Head of State is the President who is elected for a five-year term of office. The Council of Ministers, appointed by the President, is the executive organ of the Republic. Legislative power lies with the House of Representatives whose members hold office for five years. A multi-party system is in operation and the electoral system is based on proportional representation.

The island was under British administration from 1878 to 1960 when it became an independent republic. The legal system and all statutes regulating business matters are based essentially on English Law. Most laws are officially translated into English. There is a highly trained and efficient civil service. English is widely used and anyone may correspond with government departments in this language.

Political stability

The Republic of Cyprus is a member of the European Union, the United Nations, the Council of Europe and the British Commonwealth. It has a very stable political system.

Part of the territory of Cyprus is occupied since 1974 by Turkey. Discussions are in progress aiming to resolve the problem.

Education and human resources

Primary education is free and universal. Most elementary and secondary schools are state-owned and of a high standard. In addition, there are numerous first class private schools. These schools offer tuition in Greek, English, Russian, French, Italian, Armenian and Arabic and they offer specialised courses leading mainly to entrance to British and American universities or to professional qualifications.

A high proportion of Cypriots have been to university, either in Cyprus or abroad. As a consequence, Cyprus ranks among the leading countries in the world in terms of its proportion of university graduates. Qualified technical, clerical and professional staff, with wide experience and fluency in English and other languages, are available for employment at reasonable remuneration.

Transport and telecommunications

A wide network of air-routes connects Cyprus with Europe, Africa and Asia. The island has two busy international airports, in Larnaca and Paphos, handling a large number of scheduled flights and served by many international and chartered airlines. Cyprus is an established international transit station for commercial air transportation with excellent connections within the entire region. Seaborne traffic is served by a fully renewed port system comprising the multi-purpose ports of Limassol and Larnaca, the industrial port of Vassiliko, and the three specialised oil terminals of Larnaca, Dhekelia and Moni.

A large number of shipping lines include Cyprus in their regular schedules to and from five continents ensuring that thousands of ships call at Cypriot ports each year.

Cyprus has one of the most advanced telecommunications systems in the world, based on the latest technology.

Economy

The economy of Cyprus is based on free enterprise, with most economic activity taking place in the private sector. The service sector, which dominates the Cypriot economy, accounts for about half of employment and almost two-thirds of its GDP. The average rate of inflation for 2008 was 4.67% (2007: 2.38%) and the unemployment rate only 2.9% in 2008 (2007: 3.9%). The standard of living is relatively very high with estimated annual income per capita for 2008 of EUR21.454 The Cyprus economy recorded real GDP growth of about 3.7% in 2008 which compares favourably with the EU average for the twelve new member states. It is noteworthy that this growth was accomplished in an environment of

almost full employment, low inflation and a stable and strong currency. Cyprus' per capita GDP has reached about 80% of the corresponding EU average.

Currency

Cyprus joined the Euro zone as from 1 January 2008.

International business

Cyprus is a developed and established international business centre, with many tax and other advantages to international business. The extensive network of treaties for the avoidance of double taxation which Cyprus has formed makes the island very attractive to international investors.

There are a large number of International Business Companies (IBCs), i.e. companies incorporated in Cyprus whose beneficial ownership and business activities lie outside Cyprus. It is worth mentioning that Cyprus has the lowest corporation tax rate in the EU at 10% on operating profits. Furthermore, as holding companies in Cyprus are in practice free of any tax both on their income from dividends and on their proceeds/going on disposal of their investments, without any restrictions to relation to the time for which the investment was held or in relation to thin capitalisation, the island has become a favourable location for establishing holding companies by international business.

European Union and OECD: tax reforms

The tax system of Cyprus fully conforms with EU directives and codes of conduct and with the OECD to eliminate "harmful tax practices".

3. Foreign investment

Foreign Direct Investment Policy

- Attracting foreign capital has always been among the primary objectives of the country's development policy.
- Administrative procedures are simple and, in most cases, foreign participation of up to 100% is permitted.

Inward investment regulations

Direct investment

Foreign investors have the opportunity of participating in most sectors of the economy, with equity participation of up to 100% in any Cypriot enterprise, without a minimum level of capital investment. Foreigners considering registering companies, acquiring shares in existing companies, or setting-up business activities in Cyprus can register a company directly with the Registrar of Companies, and obtain any license, if needed, from the appropriate authority according to the nature of investment. The Foreign Investors Service Centre of the Ministry of Commerce, Industry, and Tourism has been set up for the purpose of providing guidance and direction to interested foreign investors.

Portfolio investment

Trading of shares by foreigners on the Cyprus Stock Exchange (CSE) is as easy as on any modern stock market. Foreign investors are subject to the same rules and regulations of the CSE as Cypriots or other EU nationals, regarding capital distribution. Provided that the investment is in line with the CSE's laws and procedures, investors may acquire up to 100% of the share capital of all Cypriot companies listed on the CSE, except companies operating in specific sectors, such as the banking sector.

As far as the banking sector is concerned, no person, either resident or non-resident, may own directly or indirectly 10% or more of a banking company's share capital or voting stock without the Central Bank's approval. Banking companies are also required to obtain the Central Bank's approval before registering more than 50% of their share capital in the name of non-residents.

Exchange control

Since 1 May 2004 all exchange controls have been abolished; hence, residents and non-residents may hold and manage assets and liabilities in

any currency and in any country, including freely convertible and transferable balances with banks on the island.

Other Laws and Regulations

The liberalisation of the FDI policy should not be interpreted as conferring the right to the companies' foreign shareholders, principals/directors or employees to secure residence and/or work permits. Furthermore, it will not prejudice the stance of other governmental departments, organisations or authorities regarding the issue of any other permits or consents which may be required under separate laws or regulations.

Incentives

The general advantages offered by Cyprus are enhanced by considerable tax incentives such as:

- Low corporation tax with a maximum of only 10%. Zero tax on certain types of income (eg. on dividend income and on the profit from the sale of securities)
- Significant annual depreciation allowances.
- Industrial free zone
- Exemption from customs and excise charges for operations in the industrial free zone.

Other incentives include:

- industrial training schemes
- export promotion services
- bonded warehouses
- very low rentals in industrial estates.

Real estate

EU citizens

EU citizens who are residents of Cyprus may acquire any property in Cyprus without restrictions.

EU citizens who are not residents of Cyprus may acquire any property in Cyprus without prior permission, except a residence (a house or a flat). For the acquisition of a residence they require the permission of the Council of Ministers (delegated to the Local District Officer) as for non-EU citizens (see below). On the completion of 5 years from the date when Cyprus became a member of the EU, (i.e. on 1 May 2009) all restrictions to EU citizens will be lifted.

Non-EU citizens

Non-EU citizens are allowed to acquire title to immovable property in Cyprus provided they first obtain the approval of the Council of Ministers (delegated to the Local District Officer). When the real estate concerned exceeds an area of two donums (1 donum =1.338 metres), approval may only be granted for:

- a residence for own use (must not exceed 3 donums)
- professional or commercial purposes
- industrial use in sectors considered by the Council of Ministers as beneficial to the Cypriot economy, provided the acquisition of the real estate is related to the production of goods or to industries using new technology or know-how.

Any gain made on disposal of the real estate situated in Cyprus is subject to capital gains tax at the rate of 20%. (See section 6 below for more details).

4. Setting up a Business

Types of business entities in Cyprus

Business entities in Cyprus can operate under the following forms:

- Limited company
- Sole proprietor or partnership
- Branch.

A recent development as a result of Cyprus' entry in the EU, is the introduction of legislation enabling the registration of European Public Limited Companies, otherwise known as Societas Europaea ("SE").

In addition, recent legislation enables the redomiciliation of foreign companies to Cyprus and vice versa. This means that companies may migrate from another jurisdiction to Cyprus (and vice versa) without the need for a takeover or a transfer of assets to another company already registered in the destination country.

Registration procedure of a limited liability company

Under the Companies Law the procedure for the formation and registration of a company in Cyprus is quite simple as follows:

1. Approval of name

Before any other steps are taken with regard to the incorporation of a company, the Registrar of Companies must be approached to ascertain whether the proposed name is acceptable.

2. Filing of the Memorandum and Articles of Association

To effect registration of a company the Memorandum and Articles of Association must be submitted for filing with the Registrar of Companies.

A Specimen Memorandum and Articles of Association can usually be made available but care should be taken to ensure that the first few main object clauses are tailored to the specific circumstances and main business objects (aims or activities) of the company.

3. Share capital requirements

There are no legal requirements as to the minimum or maximum share capital of the company. In the case of foreign direct investment there are some indicative minimum levels of investment depending on the sector.

4. Shareholders

Under the relevant legislation there must be at least one shareholder for whom the following information is required to be disclosed to the Registrar of Companies:

- full name & nationality
- address & occupation

- number of shares held.

Directors

How directors are appointed is usually laid down by Articles of Association as well as how many constitute a quorum. However, it is usual for there to be at least two directors. The names of the directors are also required to be disclosed to the Registrar of Companies.

Company Secretary

The appointment of the secretary is made by the directors in accordance with the Articles of Association. For practical purposes a body corporate may be appointed secretary.

Registered Office

Every company must have a registered office in Cyprus, which is determined by the directors.

5. Labour

Labour and employment conditions

The labour force in Cyprus consists of hard-working and skilled people, working at relatively inexpensive rates. There is a consensus between management and unions and industrial peace safeguards exist for ongoing production and a growing economy. The unemployment rate is about 2.9% (2008).

Cyprus ranks amongst the leading countries in the world in terms of the proportion of university graduates, ensuring the availability of high-quality managerial and administrative personnel.

Cyprus has full employment among blue-collar workers and unskilled labour. In fact, it has been necessary to import foreign workers from some eastern European and Asian countries. As Cyprus is now a full member of the EU, where there is in general higher unemployment, labour is also available from any of the other EU countries.

Employment legislation and regulations

EU Acquis Communautaire

The Labour related legislation in Cyprus has recently been amended in order to comply with EU regulations.

Employer's contributions

Social insurance

From 1 April 2009 the employer's contribution to Social Insurance is 6.8% (6.3% up to 31 March 2009) of the employee's salary. This contribution is used to pay unemployment and sickness benefits, payment for maternity leave, disability and old-age pensions.

Redundancy Fund

The employer's contribution to the Redundancy Fund is 1.2% of the employee's salary. This contribution is used to pay some compensation to employees in case they are made redundant.

Training Development Fund

The employer's contribution to the Training Development Fund is 0.5% of the employee's salary. This contribution is used to pay for various government-sponsored training needs of industry.

Social Cohesion Fund

The employer's contribution to the Social Cohesion Fund is 2% of the employee's salary.

Fringe benefits

In addition to the above compulsory contributions, many employers offer provident or pension funds which offer payment to employees on retirement or voluntary termination of employment, as well as medical and other similar funds.

Income Tax Law

Under the Income Tax Law all employers are obliged to deduct from their employees' salaries the amount of income tax applicable to each employee and remit it to the Income Tax Authorities (Pay As You Earn system).

Other labour related regulations

Annual Holidays with Pay Law

Under this Law, an employer-sponsored Central Holiday Fund was established out of which employees obtain their holiday entitlement. All employees with at least 50 weeks' service are entitled to a minimum of 20 working days of paid holidays. Employers have to contribute 8% of the employee's salary to this fund. They may, however, apply for exemption from having to contribute to the fund provided they offer better conditions to their employees.

Other leave of absence

There is no legislation yet in relation to sick leave entitlement or other leave of absence. Maternity leave is 16 weeks.

Termination of Employment Law

The Termination of Employment Law provides for minimum periods of notice before dismissals (i.e. from one to six weeks' notice) and for payment of compensation in case of arbitrary dismissal or redundancy (i.e. two to four weeks' salary for each year of employment).

Aliens and Immigration Law

Under this Law, foreigners wishing to take up employment in Cyprus must have either a “business permit” or an “employment permit”. Citizens of EU member states may be employed in Cyprus without restrictions. Other aliens require residence/employment permits

6. Taxation

Main focus of income tax legislation

- Residents of Cyprus are taxed on their worldwide income. Non-residents are taxed only on some specific income from sources in Cyprus.
- An individual is resident in Cyprus if he/she stays in Cyprus for more than a total of 183 days in any calendar year.
- A company is resident in Cyprus if its business is centrally managed and controlled in Cyprus. (Incorporation, by itself is insufficient to establish residence in Cyprus).
- There are two main forms of direct taxation in Cyprus :
 - Income Tax
 - Defence Fund Contribution

All these sections should be read to obtain a full understanding of the main forms of direct taxation affecting companies and individuals.

Corporation tax

Basic features

As stated above, a company is resident in Cyprus if its business is centrally managed and controlled in Cyprus.

- A Cyprus resident company is taxed on its' worldwide income.
- The rate of tax is 10% (see below for significant exemptions)
- Profits earned by a Cyprus shipping company which owns ships under the Cyprus flag and operate in international waters are exempt from income tax
- Profits of ship management companies are taxed at 4.25% unless the company elects to pay tonnage tax on the ships it manages.

Tax exemptions apply to the following income:

- Dividend income.
- Profits from the sale of shares and other securities.
- 50% of passive interest
- Profits of a permanent establishment (p.e.) abroad (provided the foreign tax is not significantly lower than Cyprus tax and the p.e. does not derive more than 50% of its total income from investments.

Tax losses

- These can be carried forward indefinitely until set off against future profits.
- Group relief is available.
- Losses for a p.e. abroad can be set off against other profit of the Company.

Withholding taxes

- No Cyprus withholding tax on dividends, interest or royalties paid to non-residents, (except royalties on films shown in Cyprus which are subject to a 5% withholding tax).
- Income from Cyprus sources of non-resident professionals, entertainers and sportsmen is subject to a 10% withholding tax.

Personal income tax

Basic features

Residents of Cyprus are taxed on their worldwide income. Non-residents are taxed only on some specific income from sources in Cyprus.

An individual is resident in Cyprus if he/she stays in Cyprus for more than a total of 183 days in any calendar year.

Remuneration for salaried services rendered outside Cyprus to a non-Cyprus resident employer (or to a permanent establishment of an employer who is a resident of Cyprus) are exempt from Cyprus taxation provided that the period of these services in any calendar year is more than 90 days

Applicable Rates

The applicable rates of income tax are:

2006 and 2007	2008 & 2009	
Taxable income	Taxable income	Tax rates
CYP	EUR	%
0-10.000	0-19.500	-
10.001-15.000	19.501-28.000	20
15.001-20.000	28.001-36.300	25
Over 20.001	Over 36.000	30

Exemptions

Certain types of income are exempt from income tax (but see below section 6.4 Defence Fund Contribution) , including :

- Interest
- Dividends
- Profits from sale of securities

Tax deductions

	2006 & 2007	2008 & 2009
Contributions to trade unions or professional bodies	The whole amount	The whole amount
Loss of current year and previous years	The whole amount	The whole amount
Rental income	20% of rental income	20% of rental income
Donations to approved charities (with receipts)	The whole amount	The whole amount
Expenditure incurred for the maintenance of building in respect of which there is a preservation order	Up to CYP200, CYP300 or CYP350 per sq m	Up to EUR342, EUR513 or EUR598 per sq m
Social insurance, Provident Fund, medical fund, pension fund and life insurance premiums	Up to 1/6 of the chargeable income	Up to 1/6 of the chargeable income

Defence Fund Contribution

Defence fund contribution is a form of taxation imposed only on certain types of income of resident individuals and companies, as listed below.

- 10% on passive interest received by residents of Cyprus (individuals or companies).
- 3% on interest received by provident funds.
- 3% and 10% on interest from government bonds by individuals and companies respectively.
- 3% on any interest received by an individual whose income does not exceed EUR11.960 (2007: CYP7.000)
- 3% on 75% of rents.
- 15% on dividend income received by resident individuals.

Exemptions

- Dividend income received by a Cyprus resident company from another Cyprus resident company is exempt from defence fund contribution.
- Dividend income received by a Cyprus resident company from abroad is exempt from defence fund contribution provided that the company receiving the dividend owns at least 1% of the company paying the dividend. This exemption does not apply if
 - a) more than 50% of the company's activities result in investment income;
 - b) the foreign tax is significantly lower than the tax rate payable in Cyprus.

When the exemption does not apply, the dividend income is taxed at the rate of 15%.

- Non-residents of Cyprus are not subject to defence fund contributions.

Deemed dividend distribution

There is a 15% defence fund contribution on deemed dividend distributions to resident shareholders of a Cyprus resident company. A deemed dividend distribution is defined as the 70% of distributable accounting profits of a company which have not been distributed within two years from the year end. This contribution does not apply when the shareholders (at the time of the deemed distribution, i.e. two years from the year end) are non-residents of Cyprus.

Capital gains tax

Rate

Capital gains tax is payable only on capital gains arising from the disposal of immovable property (real estate) situated in Cyprus or the disposal of shares of non-listed companies, which own immovable property situated in Cyprus, at the rate of 20%.

Taxable gain

The taxable gain is the difference between the sale proceeds and the original cost of the property plus improvements as adjusted for inflation.

Lifetime exemptions

Lifetime exemptions are available to individuals on gains up to:

	2007	2008 & 2009
	Limit in CYP	Limit in EUR
Disposal of any property	10,000	17,086
Disposal of agricultural land by a farmer	15,000	25,629
Disposal of own residence	50,000	85,430

Note: Each individual is entitled to only one of the above three exemptions, whichever is the greater.

Exempt disposals

- Disposal of property situated outside Cyprus;
- Profits from the disposal of securities quoted on any recognised stock exchange;
- Profits from disposal of any securities (except for shares in non-listed companies owning real estate property in Cyprus);
- Transfers by reason of death;
- Gifts between relatives up to the third degree of relation;
- Gift to Republic/local authority/approved charitable institutions;
- Exchange of properties, provided that the whole of the gain made on the exchange is used to acquire the other property. The gain that is not taxable is deducted from the cost of the new property;
- Exchange or sale in accordance with the Agricultural Land (Consolidation Laws);
- Gifts to family companies of which all the shareholders are, and continue to be, members of the donor's family for at least five years;
- Gifts from family companies to their shareholders provided the company originally acquired the property by way of gift. In cases where the shareholder disposes of the property gifted by the company before the expiration of three years from the date of the gift, he will not be entitled to the lifetime exemptions applicable to individuals set out under exempt gains above;
- Expropriations;

- Disposal of property, or shares of companies owning immovable property, as part of a reorganisation of companies;
- Disposal of property acquired between 1 August 1980 and 13 July 1990 with foreign exchange imported into Cyprus by non-residents of Cyprus and expatriates residing in Cyprus.

Value added tax

Main provisions

Legislation is based on the 6th European Directive. Its purpose is to achieve harmonisation with EU provisions. The main provisions are:

Registration threshold

The registration threshold is EUR15,600 (2007: £9,000) pa. Therefore all businesses that have taxable supplies exceeding EUR15,600 in a year have to register.

Voluntary registration

Any enterprise which carries on business outside the Republic, and whose operations would be taxable if they were carried out in the Republic, can apply for voluntary registration. This can be advantageous to such businesses as their supplies will not be subject to VAT but they will be able to claim input VAT on their purchases and expenses.

Group registration

Single registration for a group of companies incorporated in Cyprus is now possible. For this purpose companies are considered a group if:

- one company controls each one of the other companies
- a person (legal or natural), controls all the other companies
- two or more individuals carrying out a business as a partnership control all the other companies.

Group registration means that transactions between members of the group are disregarded for VAT purposes. Only one VAT return is required to be submitted for all the companies in the group, instead of one VAT return for each company.

Rate of VAT

Tax at the rate of 15% is charged on taxable supplies within the Republic. The supply of medicines and air and sea transport are zero rated. Exempted items include medical services, postal services, education etc. Books and magazines are taxed at 5%.

Estate duty

There is no estate duty (inheritance taxes) in Cyprus.

Stamp duty

Stamp duty is payable on various legal documents.

Double taxation treaties

Cyprus has a wide double taxation treaty network which serves as a strong incentive for foreign investment.

Double taxation treaties were concluded with the following countries:

Austria	Belarus	Belgium	Bulgaria
Canada	China	CIS * (USSR)	Czech Republic
Denmark	Egypt	France	Germany
Greece	Hungary	India	Ireland
Italy	Kuwait	Lebanon	Malta
Mauritius	Moldova	Montenegro**	Norway
Poland	Romania	Russia	San Marinos
Serbia**	Seychelles	Singapore	Slovakia
Slovenia **	South Africa	Sweden	Syria
Thailand	UK	USA	

*Includes Armenia, Kyrgyzstan, Tajikistan, Ukraine

** The treaty between Cyprus and SFR Yugoslavia is still in force in relation to Slovenia and Serbia. Although not officially confirmed, in practice it is also enforced in the case of Montenegro.

Most of these agreements are comprehensive and follow the pattern of the OECD Model Agreement. They normally provide for relief as follows:

Specified items of income are fully exempt from tax in one of the two countries, where it would otherwise be taxed twice, e.g. royalties are not taxed in the country where they arise.

The scope or extent of tax chargeable on certain other types of income is restricted, e.g. Tax on interest in the country where it arises must not exceed 10%.

Tax paid in one of the countries is allowed as a tax credit against tax payable in the other country on the same income.

The exact provisions of the double tax treaty of each of the above countries with Cyprus are available on request.

7. Accounting & reporting

Books and records

Companies incorporated in Cyprus are required to keep proper books of account either at the company's registered office or at any place designated by the directors. The books and records of a company are not open to inspection by anyone other than the directors and auditors. The Inland Revenue as well as the VAT authorities can, however, request the production of any records while examining accounts for tax or VAT purposes.

The accounting records must show all sums of money received and expended, all sales and purchases, and assets and liabilities.

Other books required to be kept are:

- register of members
- register of directors and secretary
- register of directors' interests (in shares of the company)
- register of debentures and charges
- minutes of directors' and shareholders' meetings.

Annual Returns

All companies must file an annual return giving details of the company's capital structure, mortgage particulars, and particulars of registered shareholders, directors and secretary. A copy of the annual financial statements must be attached to the annual return, with an auditors' report where this is required (see below). The documents filed with the Registrar of Companies must be in Greek (or Turkish) and are open to public inspection.

Financial Statements

Financial Statements must be prepared by all Cyprus incorporated companies once a year and presented at the shareholders' annual general meeting. They may be in any language, but a Greek translation is required to be filed with the Registrar of Companies as an attachment to the company's Annual Return. The accounting period should be for twelve months ending on any date decided upon by the directors. Financial Statements should be prepared in accordance with International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards as issued by the IASB and the requirements of the Cyprus Companies Law, Cap.113. International Financial Reporting Standards and should comply with the Companies Law, Cap. 113. The

Accounting year-end is deemed to be 31 December, unless notice of another date is given.

Stand Alone and Consolidated financial statements

In relation to the obligation to prepare consolidated financial statements or not, following recent amendments to the Cyprus Companies Law, the following exemptions were introduced:

- a) small sized groups may be exempt from the obligations to draw up consolidated financial accounts (see definition below)
- b) groups of companies the holding or mother companies of which publish consolidated financial accounts on the basis of Generally Accepted Accounting Principles shall be exempt from the obligation to draw up consolidated financial accounts

Small sized groups of companies

Under the Companies Law, the term 'small sized group' shall mean a group of companies, of which the companies that are being consolidated:

- i. are non publicly-traded companies;
- ii. The drawing up of their consolidated financial accounts is not subject to other legislation;
- iii. Fully comply with two out of the following three criteria at the date of closure of the balance sheet of the holding company:
 - a) The balance sheet total of the net assets being presented (and without extracting liabilities) does not exceed EUR14,6m;
 - b) The net turnover does not exceed EUR29,2m;
 - c) The average number of employees during the financial year does not exceed 250.

Audit of Financial Statements

The Financial Statements of all Cyprus companies except those which, in accordance with the Cyprus Companies Law, are small companies and are not:

- required to prepare consolidated financial statements, or
- public companies have to be audited by an independent auditor or auditors. (But see below requirements of Income Tax law which effectively obliges all Cyprus companies to prepare audited financial statements).

Under the Companies Law, a “small company” for this purpose must satisfy at least two of the following criteria:

- total assets not exceeding EUR3,417,200
- turnover not exceeding EUR6,834,400
- average number of employees not exceeding 50.

The auditors are required to express an opinion on the financial statements and state the following in the auditors' report:

- whether they have obtained all the information and explanations which, in their opinion, were necessary for the purpose of their audit;
- whether, in their opinion, proper books of account have been kept by the company;
- whether the financial statements (balance sheet and profit and loss account) are in agreement with the books of account;
- whether, in their opinion, the financial statements give the information required by law, and give a true and fair view of the state of the company's affairs as at the date of the balance sheet and the profit or loss for the financial year ended on the balance sheet date;
- whether, in their opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

Furthermore, auditors in Cyprus have to follow International Standards on Auditing and report as to whether the financial statements comply with International Financial Reporting Standards.

Annual Income Tax Return

Every company resident in Cyprus for tax purposes is required to complete and submit an annual Income Tax Return to the Department of Inland Revenue (Income Tax Office).

The annual Tax Return for all Cyprus companies (including small companies) should be based on financial statements which have been audited by auditors who must be licensed to act as auditors in Cyprus. Although it is not necessary to file a copy of the financial statements themselves, except if the Income Tax Office requests, this provision means that effectively all Cyprus companies must produce annual audited financial statements, (but the audit report of small companies is not required to be made available to the public).



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UHY Antonis Kassapis Ltd, is the Cyprus member firm of UHY International.

Within the Association we have particular experience of working with family and owner-managed businesses, and a special understanding of the needs of personal clients. Our strong specialisation is in providing a wide range of services to clients with international business, originating from all over the world, who are using Cyprus because of the excellent opportunities it provides for international business.

Our partners and directors are highly specialised professional accountants, members of internationally recognised prestigious professional bodies, such as ICAEW, ACCA and CPA). Working with them is a dedicated team of managers and staff, trained to the highest technical standards and supported by the latest business technology. A particular strength of our firm is our ability to work in many languages such as English, Greek, Russian and others.

We are recognised by other professionals with whom we work, including bankers, lawyers, the Inland Revenue and other Government bodies, as a quality firm with a reputation for integrity, reliability and professionalism.

Our services

- Financial accounting, auditing and taxation
- Bookkeeping
- Management and financial accounting
- Management consultancy including international tax planning
- Taxation, local and international, including VAT
- Auditing
- Special investigations

In addition, in association with our preferred corporate services company



A.K. COSMOSERVE LTD, we can provide a wide range of corporate, fiduciary, administrative and managerial services, such as:

International and non resident companies and trusts

- General consultancy relating to international business enterprises
- Selection of international location/jurisdiction
- Registration of companies and trusts
- Redomiciliation of companies

Shipping

- Shipping companies registration
- Ship registration

Legal and company secretarial

- Legal consultancy
- Registered office facility
- Trustee and nominee services
- Company secretarial
- Company directorships

Management and administration

- Mail box service and mail handling
- Office and secretarial facilities
- Legalisation of documents
- Opening and/or managing of bank accounts

Immigration, set-up and relocation

- Office acquisition and set-up assistance
- Residence and work permits
- Staff recruitment
- Acquisition of property

Our clients

Our clients are mainly internationally oriented companies with interests in Europe, CIS, the Middle East and Asia. They come from a broad range of sectors, mainly trading, manufacturing, oil exploration and oil field services and construction. Other sectors include shipping, consultancy, trusts and charities.

A large number of our clients are not residents of Cyprus - yet they are controlling very successful companies through our office in Nicosia. Others have set up their own administrative offices on the island and have chosen Cyprus to be their home.

9. UHY offices worldwide

For contact details of UHY offices worldwide, or for details on how to contact the UHY executive office, please visit www.uhy.com