



SETTING UP BUSINESS IN  
**CYPRUS**  
**2024**



## General Aspects

Cyprus is one of the biggest Mediterranean islands with an area of 9,250 sq km (of which 3,355 sq km has been Occupied by Turkey since the Turkish invasion of 1974), and is the crossroad between three continents Europe, Asia and Africa. Cyprus is a member of the European Union since 1st May 2004, and has adopted the Euro currency on 1st January 2008. The total population of the Cyprus Government controlled island area is

estimated at 847,000 people. The official languages are Greek and Turkish, but English is very widely used and spoken too.

According to the recent evaluation and ranking of 190 economies worldwide on the ease of doing business, for the annual report "Doing Business 2020" conducted by the World Bank, Cyprus is ranked 54th.

## Legal Forms of Business Entities

Legal form	Feature	Remarks
<b>Cyprus Branch of Overseas Companies</b> <i>Continue on page 3...</i>	<p>Overseas companies can operate via a branch in Cyprus. Such branch may be registered under s.347 of the Companies Law Cap 113. The Registration of Branches is effected via the Registrar of Companies under the same name as the foreign entity. A branch is not a legal entity but it can sign contracts, agreements on behalf of the Overseas company.</p>	<p>In order to open a branch the following documents are needed in Greek and the documents shall be legalised and apostil in the country of origin by a Notary Public.</p> <ul style="list-style-type: none"> <li>• A certified copy of the Certificate of Incorporation of the overseas Company</li> <li>• A certified copy of the Memorandum and Articles of Association of the parent company or other similar documentation with any amendments made on them.</li> <li>• Three types of forms on which the directors and secretary of the parent company are stated as well as the names and addresses of people residing in Cyprus who are authorized to accept any legal documents or notices for the company</li> <li>• A written report from the authorized persons of the Company regarding the company's name and legal entity, the registered address of the parent company and of the branch office, the main business activity, the registration number of the company and finally the authorized and issued share capital of the company.</li> </ul> <p>The Branch of a public company is under an obligation to file with the Registrar of Companies a certified copy of the Balance sheet and of the Profit &amp; Loss account of the overseas entity.</p>

Continuation of page 2		<p>Submission of Financial accounts: Overseas Companies with Branches in Cyprus must deliver copies of financial statements, director's and auditor's reports, to the Registrar of Companies annually. If these documents are in a foreign language a certified translation in Greek or English has to be annexed. According to the EU Directives, companies established in member states are exempted from this requirement according to the provisions of the EU Accounting Directives (78/660/EEC, 83/349/EEC and 84/253/EE as amended).</p> <p>Yet, any such exempted companies will have to deliver to the Registrar of Companies a certificate signed by a director and the secretary of the Company stating that it is an exempt company and mention the law which provides for the exemption. Additionally, a statement from the relevant authority of the home state providing that the said company is exempted pursuant to the provisions of the said law is also required.</p>
<b>Cyprus General Partnership</b>	<p>Cyprus General Partnership is an association of persons whereby two or more persons come together with the intention to mutually conduct business.</p> <p>The minimum number of partners is 2 and the maximum number allowed for this type of entity is limited to 20. If the company intends to operate in the banking sector the partner's number is limited to 10.</p> <p>Every partner is liable jointly and severally with all the other partners for an unlimited amount for the debts and obligations of the partnership.</p>	<p>Partnerships, whether general or limited, must be registered to the Registrar of Companies within a month of their establishment.</p> <p>Every partner has an obligation to render accounts and full information to the other partners of all things pertaining to the partnership</p>
<b>Cyprus Limited Partnership</b>	<p>The Limited Partnership must have at least one partner with unlimited liability for the debts and obligations of the partnership, (the general partner/s) and at least one Partner whose liability is limited to the amount of their fixed contribution to the Partnership (limited partner/s).</p>	<p>This type of entity is suitable for medium-sized companies. Neither partnership is a distinct legal entity but it can sue or be sued in its own name. A limited partner must be excluded from the business management and shall not have the power to bind the partnership. Every Limited Partnership must keep books of accounts.</p>
<b>Cyprus Sole Proprietorship</b>	<p>The sole Proprietor has unlimited liability of all debts &amp; obligations of the Proprietorship. Therefore the person establishing the business has full liability for the company's debts; belongings of the Proprietor are used as a guarantee to any liability that can not be covered by the company.</p>	<p>This entity is not considered to be a corporation as its legal existence is the existence of its owner. Therefore it is not subject to any corporation tax. However the owner is subject to personal taxation. Sole Proprietorship allows any Cypriot or EU citizen to conduct any business on his name or through a business name (Business names must be registered under Cap. 116)</p>
<b>Cyprus Company Limited by Guarantee</b>	<p>This type of company is not permitted to have a share capital. The company's Members are those responsible for the guarantee since there are no shareholders.</p>	<p>This type of company is mainly used for charity and nonprofit organizations. It is not suitable for commercial purposes due to the share capital restriction.</p>

<b>Cyprus Private Company Limited by Shares</b>	<p>The main characteristics of such a company are:</p> <ul style="list-style-type: none"> <li>• it limits maximum number of its shareholders to 50.</li> <li>• Its Articles restrict the right to transfer its shares prohibits any public subscription to shares or debentures."</li> <li>• Minimum number of Directors is 1.</li> <li>• Minimum number of shareholders is 1.</li> <li>• Minimum number of secretary is 1.</li> </ul>	<p>There is no minimum required share capital for this type of company. It is subject to 12.5% corporation tax, the same for all private companies. It is also subject to defense fund contribution on dividends only for Cypriot residents.</p> <p>Private Companies Limited by Shares must submit audited accounts to the Cypriot Tax Authority and Annual Returns to the Registrar of Companies, accompanied by the accounts. Charges, debentures, floating charges and mortgages must be registered with the Registrar of Companies.</p> <p>Special kinds of shares with preferential or other rights may be issued.</p>
<b>Cyprus Public Company Limited by Shares</b>	<p>The difference between the Private Company Limited By shares and the Public Company Limited by shares is that the Public company is allowed to have transferable shares/minimum share capital of €25,625 and the maximum number of shareholders is not limited. However the minimum number of shareholders is 7, and the minimum required Directors are 2.</p>	<p>Shares may be offered to the public and are freely transferable.</p> <p>A written acceptance must be submitted to the Registrar of companies in order to appoint a new Director.</p> <p>A public company may obtain a listing on the Cyprus Stock or international Stock Exchanges.</p>
<b>Cyprus International Trusts</b>	<p>There are some main provisions for the establishment of a Cyprus International Trust:</p> <ul style="list-style-type: none"> <li>• The settlor must be non-resident preceding the year of creating the trust.</li> <li>• The beneficiaries must be non-residents preceding the year of creating the trust.</li> <li>• At least one trustee must be Cyprus resident</li> </ul>	<p>The income and assets of the International Trusts are usually not subject to any kind of tax in Cyprus.</p> <p>Trustees can be individual or corporate.</p> <p>The Trusts are registered under Cysec, SELK or the Cyprus Bar Association but no confidential information are provided to the authorities or the public.</p>

## Organizational Questions

Topic	Feature	Remarks
<b>Commercial Register</b>	<p>Companies of all legal forms must be entered in the commercial register of the Registrar of Companies.</p> <p>The Registrar of Companies has introduced Electronic Service where everything can be done through their website.</p>	<p>In order for a company to be registered the following documents must be submitted to the Registrar:</p> <p>3 names for approval, Memorandum &amp; Articles of Association, full details of shareholders, directors and secretary, Registered Address of the company.</p>
<b>Bank Account</b>	<p>In order to open a bank account, the following documents are required:</p> <ol style="list-style-type: none"> <li>1. Certificate of Incorporation, Registered office, Directors &amp; Secretary and Shareholders of the Company;</li> <li>2. Memorandum and Articles of Association of the Company;</li> <li>3. Declaration of Trust (if nominee shareholder);</li> <li>4. Utility Bill and Passport Copy Beneficial Owner, Directors, Secretary and Bank Signatory (not older than three months);</li> <li>5. Bank Reference Letter of Beneficial Owner.</li> <li>6. CV; and</li> <li>7. Completed Due Diligence Questionnaire with details such as Expected Annual Turnover, Main Business Activities Distribution of Income etc.</li> </ol>	<p>All the documents which are required to be submitted to the bank must be certified by professional intermediary or an authority. (i.e certified true copy by Certifying Officer or Apostile)</p>

## Employment

Topic	Feature	Remarks
<b>Work permit</b>	<p>Citizens of the European Union, the European Economic Area (EEA), can work in Cyprus without any restrictions.</p> <p>Nationals from all other countries need a work permit to work legally in Cyprus.</p>	<p>Work permits are issued for different durations according to each application and feature of employment.</p>
<b>Labour law</b>	<p>In Cyprus a minimum of 20 working days/year of paid holidays is guaranteed, if working 5 days a week, in addition to public holidays.</p> <p>Normal working hours are between 38 and 40 hours or 5 days per week. The notice period for termination of employment depends on seniority of the employee based on employment week.</p>	

<p><b>Social system</b></p>	<p>The social security contributions are paid at the rates of 8,3% of the gross salary by the Employer and 8,3% of the gross salary by the Employee. Contribution to the Redundancy fund and to the Industrial Training Fund is paid by the Employer at the rate of 1,2% and 0,5% respectively. 2% is paid by the Employer to the Cohesion fund.</p> <p>According to the National Health Insurance Law (2001 (N.89(I)/2001) from the 1st of March 2020, the payment for the NHIS purposes will be amended. The employer is responsible for paying both its own and its employee's contributions by deducting the relevant amount from his/her salary through the Social Insurance Services. The contributions will be paid on all employee earnings, as defined by the Social Insurance Law up to the limit of €180,000. It is clarified that the insurance earnings limit of the SI doesn't apply in this case.</p> <p>Each employer will contribute 2.90% on the employee's earning.</p> <p>Each employee will contribute 2.65% on his/her earnings.</p> <p>Each self-employed will contribute 4.00% on his/her earnings.</p> <p>Each Pensioner will contribute 2.65% on his/her pension or it will be deducted by the state if he/she is a pensioner of the Public Sector.</p> <p>Each income earner will contribute 2.65% on his earnings and the deduction will be done by the Department of Taxation.</p>	<p>The Cohesion Fund contribution replaced the Defence Fund Contribution since 2003</p>
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## Taxation

Tax	Feature	Remarks
<b>Corporate Income Tax</b>	<p>The standard corporate income tax rate is 12.5% on the net profits.</p> <p>All expenses incurred for the earning of income ( e.g. depreciation, allowances) is deducted from the gross income.</p> <p>More specifically, all expenses incurred wholly and exclusively in earning taxable income and which are supported by documentary evidence are all fully deductible for corporate tax purpose.</p> <p>Partnerships are not taxed as separate entities, but each partner is taxed on the profits of the entity appointed to him.</p> <p>Partners are taxed on their shares of profits of the partnership.</p>	<p>If the taxable amount has been paid in another country, it shall be credited in Cyprus against the taxable amount.</p> <p>Losses of a permanent establishment outside the Republic of Cyprus Company can be offset against profits arising in the Republic. Subsequent profits of an exempt permanent establishment abroad are taxable up to the amount of losses allowed.</p>
<b>Special contribution for Defence fund</b>	<p>The Cyprus tax resident corporations, as well as the individuals who are tax resident as well as domiciled in Cyprus, are also subject to defence tax of: 30% on interest received unless it is within the ordinary course of business, or closely connected with the ordinary course of business.</p> <p>3 % on 75% of rental income from property, 17 % on dividends received from abroad.</p> <p>Cyprus Companies receiving dividends from abroad are exempt from such tax, however such exemption may be refused where the non-resident paying company is both engaged directly or indirectly by more than 50% of the income derived from activities leading to investment income and the foreign tax obligation is substantially lower than that of a Cyprus Company.</p> <p>17 % on dividends paid to Cyprus-resident physical person shareholder. 0% if paid to a CY company or a Non-Cyprus resident shareholder, 17% on dividends on 70% of distributed profits (deemed dividend distribution) if shareholder is Cyprus-resident physical person shareholder, and 0% otherwise.</p> <p>3% on interest accruing from an approved provident fund, 3% on taxable income of Public Corporate Bodies and the Social Insurance Fund, 3% on interest received by an individual from Cyprus.</p> <p>Government Savings Certificates and Government Bonds</p>	<p>The tax incentive offered is that International corporations may pull out dividends from their Cyprus holding companies using low withholding rates and distribute these profits to their shareholders with 0% withholding tax. The only tax to be levied is 12.5% corporation tax which is the lowest in the European Union.</p> <p>No tax whether in the form of corporation income tax or capital gains tax on the disposal of shares in foreign subsidiaries.</p>

**Personal Income Tax**

The application of personal tax is applicable as follows:

Income in €	Tax rate
0 - 19,500	0%
19,501 - 28,000	20%
28,001 - 36,300	25%
36,301 - 60,000	30%
and above 60,000	35%

For a person to be subject to this type of tax, he has to be a Cyprus tax resident, meaning that he/she has to be present in the Republic of Cyprus for a period of 183 days per tax year.

Also, such a person who is tax resident in Cyprus, is taxed with these rates on all his/her chargeable income accruing or derived from sources both within and outside the Republic of Cyprus.

An individual who is not tax resident in Cyprus, is taxed via these rates on his/her income accruing or arising only from sources within the Republic of Cyprus.

Foreign taxes paid can enjoy a credit against the Cyprus personal income tax liability.

**Capital Gains Tax**

The gains from i) the disposals of immovable property situated in Cyprus, ii) the disposal of shares in companies which indirectly own immovable property situated in Cyprus and derive at least 50% of their market value from such immovable property, and iii) the disposal of shares of companies not listed on a recognised stock exchange which own immovable property situated in Cyprus, are liable to 20% Capital Gains tax. If the seller is not a Cyprus tax resident the liability still exists.

In computing the capital gain any expenses which are considered expenses wholly and exclusively for the production of the gain are deductible.

Gains from sale of immovable property ( land, or land with building[s], or buildings) are 100% exempt from Capital Gains Tax when they are originally acquired between the period 16 July 2015 to 31 December 2016, as long as they are acquired from an independent non-related party at market value, via an ordinary purchase agreement, and not through:

a donation, or gift, neither by way of exchange, trade, nor way of settlement of debt, and the sale must not be related to any foreclosure agreement either.

Individuals are entitled to deduct from the gains the following lifetime allowable deductions:

For disposal of principal private residence = €85,430, For disposal of land for agricultural purpose = €25,629, For any other disposals = €17,086

Transfer of immovable property on death, charity donations, gifts from close relatives up to third degree, gifts to companies by members of the shareholders close family, consolidation, exchange of equal value properties, profit on the sale of shares listed on the Stock Exchange and expropriation of property are exempted from Capital Gains Tax.



<p><b>Value Added Tax (VAT)</b></p>	<p>Value Added Tax is applicable to the supply of all goods and services in Cyprus, on acquiring of goods from other EU member states, and on the import of goods from third countries.</p> <p>The standard VAT rate is 19%, which applies to the supply of all goods and services in Cyprus except those ones which are subject to a zero rate, to reduced rates or are exempt. The reduced rates are at 9% and 5%. The reduced 9% VAT rate is charged on holiday and tourist accommodation, public transportation, and restaurants and catering services. The reduced 5% VAT rate is charged on convenience products or services such as water, the supply of prepared or unprepared foodstuff, the supply of pharmaceutical products and vaccines, books, newspapers and magazines, also charged to entry fees to theaters, festivals, concerts, museums etc, and entry fees at sports events and fees for using athletic centres, amongst others. Exportation of goods is subject to the 0% VAT category. While hospital and medical caring services, postal, financial, insurance services, education, rent of immovable property, or disposal of immovable property when the building permission had been submitted before 1 May 2004, are generally exempt from VAT</p>	<p>Every individual or business providing taxable supplies exceeding €15.600 within a period of 12 months, must be registered with the VAT authorities. Businesses with lower income can be registered voluntarily. Also individuals or companies providing services to a VAT registered person within EU with nil registration threshold is obliged to register with the VAT Authorities.</p> <p>Those involved in the acquisition of goods from other EU member states, and offer exempt supplies of goods and services, or are non-profitable organisations, need to register as well, with their registration threshold set at €10,250 36.</p> <p>Obligation to register also extends to individuals and companies offering zero rated supplies of goods or services, and to those acquiring a company on a going concern basis.</p> <p>A taxable person from abroad who makes distance sales, needs to register as well, with registration threshold set at €35.000.</p>
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