

Favourable Aspects of Utilising Cyprus as a Holding Company Jurisdiction

Nairy Der Arakelian-Merheje is the founder of DER ARAKELIAN-MERHEJE LLC. She has been practicing law in Cyprus since 1984, particularly in the relation to company, commercial, and international business enterprises.

The firm's fields of practice include: company law; international business companies (registration and administration); commercial law; international tax planning; employment law; administration of estates; wills and succession; Eastern European trade; distribution agreements; leases and leasing ; joint ventures; international trusts; debt collection; and private international law.

The founder's involvement in international joint venture projects over the last 25 years includes legal and tax planning advice to: IP; marketing, mining, real estate, shipping/ship management/registration in Cyprus; water processors/bottlers; healthcare/health supplements producers; oil and gas drilling as well as ancillary products and service groups; and international groups involved in several other trading/services areas worldwide.

Ms Arakelian-Merheje's underlying principle is to offer clients as personalised and tailor-made a service as possible.

"Following recent changes in taxation legislation the taxation regime in Cyprus as applicable to companies owned by non-residents has not been altered much, except for the increase in corporate income tax from 10% to 12.5% on net profits," observed Ms Arakelian-Merheje.

"Concerning holding companies, dividends continue to be free of tax whether paid into or out of Cyprus companies subject to certain minor conditions."

She stated that the key factors contributing to the development of Cyprus as an international business base remain:

- Its strategic geographic location;
- A favourable tax package with one of the lowest corporate tax rates in Europe;
- A well developed double tax treaty network;

- Legal system and legislation based on English law;
- The existence of an efficient, high level professional services sector.

She added that the main areas of taxation which remain beneficial to international business ventures are:

- Participation Exemption still applicable on dividend income and PE profits (0%)
- Intellectual property IP - 80% income deduction - effective tax rate 2,5%
- Sale of shares, stocks, securities 0% on gains on disposal. .
- Shipping companies 0% on profits
- Ship Management Companies subject to 12,5% corporate tax or tonnage tax
- Financing Companies – interest taxation – 12,5% within Cyprus
- Tax credit available against Cypriot tax on same income
- No CFC rules and thin cap restrictions
- Simple transfer pricing framework
- No exit charges
- 45 double tax treaties

"We are members of two prestigious, high level networks of Europe and Global Lawyers and Tax Advisors all of whom know each other personally and therefore our firm acts as a one stop shop for joint ventures with international partners with business and tax concerns in various jurisdictions," concluded Ms Arakelian-Merheje.



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