

Cyprus

DER ARAKELIAN-MERHEJE LLC

DER ARAKELIAN-MERHEJE LLC provides corporate and tax planning advice for international businessmen who invest in various countries in Europe and beyond. The firm has 25 years' experience in the area of advising upon international joint ventures and all related legal and tax issues related to such joint ventures.

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Mrs Nairy Merheje, DER ARAKELIAN-MERHEJE LLC founder and advocate, has been practising law in Cyprus since 1984, particularly intensively in the company, commercial and international business enterprises fields. She has been working specifically in the tax planning area for the last 15 years.

She commented: "My firm is exclusive Cyprus member of two prestigious worldwide networks of tax practitioners and lawyers – International Tax Specialists Group and Avrio-Advocati network of European Lawyers. Such affiliations provide us with European and worldwide professional connections, which enables us to provide our clients with 'one stop shop' legal and tax services. Thus, we are fully confident that the professionals we refer provide legal and tax services of the best quality we could wish for."

Cyprus has two revenue raising measures that must be considered when planning to use Cyprus as a base for a holding company. One is the income tax and the other is the defence levy.

From 2013, corporate tax rate is 12.5% on net annual profits. The concept of residency status for corporations has been adopted since 2003 so that tax liability in Cyprus is dependant on the status of a company as a resident. Generally, residents are taxed on worldwide income. However, there are several important exceptions, including exemption of dividends and of profits from the activities of a permanent establishment outside Cyprus.

Mrs Merheje noted: "External factors, such as the specific conditions imposed by each of the EU member

states for the implementation of the EU Parent Subsidiary Directive, are becoming increasingly tougher to comply with, in order to ensure that valid commercial reasoning can be determined behind each structure.

"This is not so difficult because most of the tax structures utilising Cypriot companies are established by businessmen of various nationalities wishing to form partnerships and attract investors in order to invest in business projects in many commercial fields. Here, factors of legislation based on English legislation, strategic location, user-friendly tax regime and well established infrastructure contribute to the popularity of Cyprus as an international business centre.

"My firm, with its long and widespread experience, is in a very good position to assist clients in finding the appropriate structure, custom made to suit each client's requirements."

Mrs Merheje supports the general worldwide trend to discourage and eliminate the use of tax havens, if these are used as a means to divert huge profit flows from the countries in which such profits should in all fairness be taxed.

She added: "However, I do not support the exploitation of such principles in order to victimise enterprising businessmen who essentially oil the wheels of projects and business generation, which afford substantial employment opportunities for the enormous army of young graduates and other unemployed classes, which Europe and the US have recently been experiencing."