

# Cyprus: An emerging investment fund centre in Europe



# CYPRUS FUND INDUSTRY: OVERVIEW

Cyprus is one of the top emerging investment fund centers in Europe. Under the Law, all investment products are under the supervision of the Cyprus Securities and Exchange Commission (CySEC), the competent regulatory and supervisory authority. The number of Cyprus domiciled funds amount to 188.



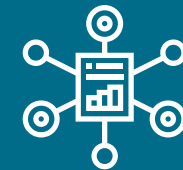
BUSINESS  
ENVIRONMENT



FIRM REGULATION



TAILOR-MADE TAX  
SYSTEM



LEGISLATIVE  
FRAMEWORK

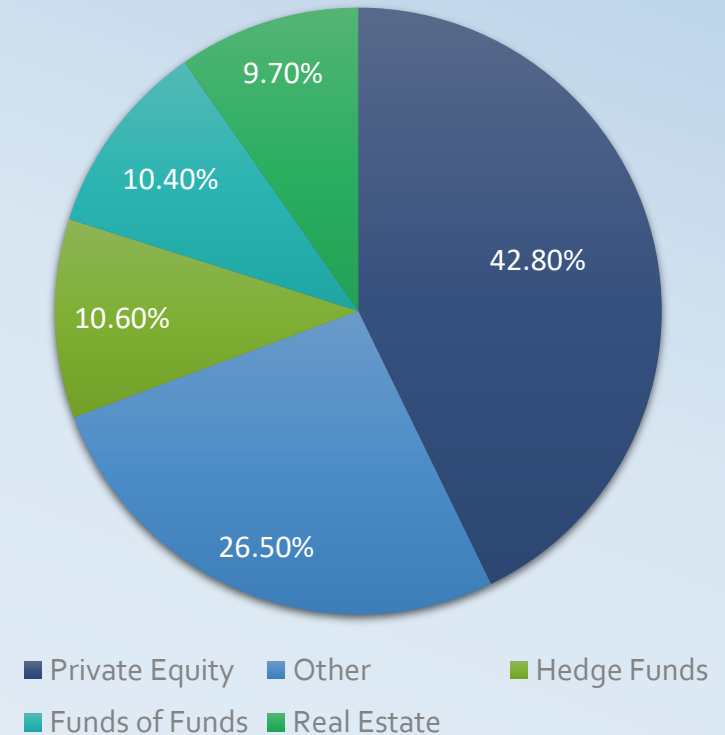
# Cyprus Alternative Investment Funds (AIFs)

An Alternative Investment Fund (AIF) is a collective investment undertaking, which raises external capital from investors with a view on investing it according to a defined strategy.

Types of AIFs:

- AIFs with unlimited number of investors (AIFUNPs)
- AIFs with limited number of investors (AIFLNPs)
- Registered Alternative Investment Funds (RAIFs)

AIFs, AIFLNPs & RAIFs



## Cyprus AIFs may take the following legal forms and/or structures

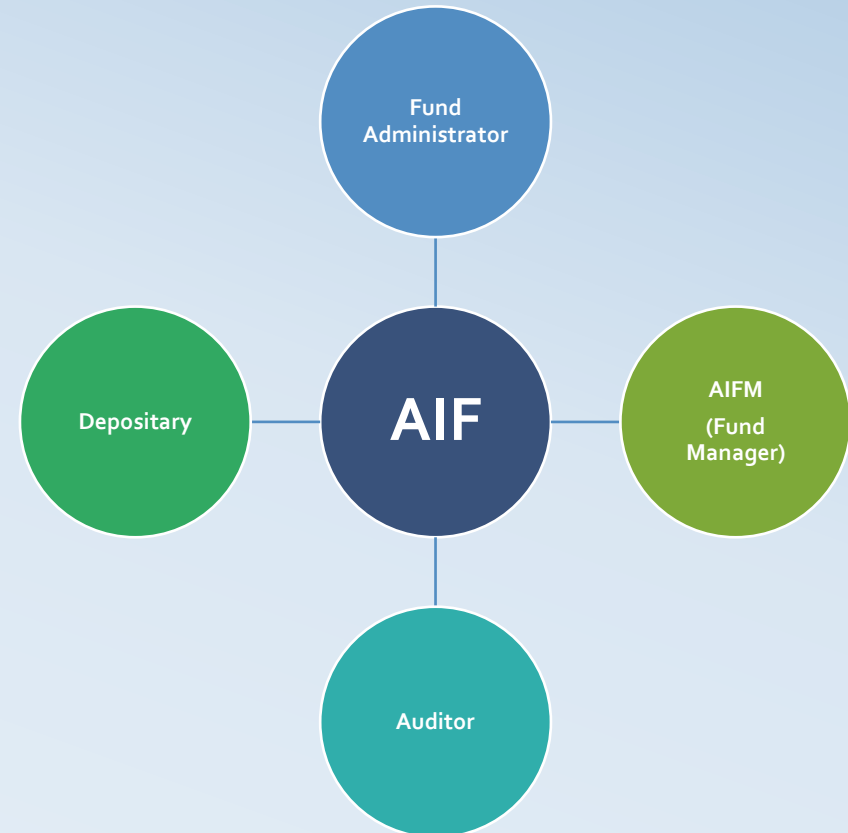
Variable Capital Investment Company (VCIC)

Fixed capital Investment company (FCIC)

Common fund (CF)

Limited partnership (LP)

## Main Stakeholders required in an AIF Structure



# Advantages of a Cyprus AIF

- ❖ No restrictions regarding the type of investments
- ❖ Simple application process and time efficient
- ❖ Can be set up as umbrella fund, allowing different asset pools with different investment policies
- ❖ Can be listed on Cyprus Stock Exchange or any other EU stock exchange
- ❖ Attractive tax incentives
- ❖ Low setup and maintenance costs
- ❖ Supervised by a competent and accessible regulatory authority
- ❖ EU Passporting

- ❖ Ideal location for fund domicile and in fact various factors constitute Cyprus to be a strong contender amongst other traditional fund jurisdictions.
- ❖ Cyprus is a well-regulated EU member state, combines tax efficient features of a modern financial centre with the necessary infrastructure for the fund's industry
- ❖ Low-cost base, efficient and investor friendly government authorities
- ❖ Rigorous anti-money laundering regulations
- ❖ On the whitelist of the OECD and FATF approved country
- ❖ Highly skilled professional services
- ❖ Strategic geographical position not far from the heart of Europe and close to Middle East and Asia where significant investor pools are located

# Tax Considerations

## Tax benefits for Cyprus funds

- ❖ The tax and legal systems are in full compliance with the EU and the OECD requirements against harmful practices; Cyprus as an EU member, has implemented all EU Directives
- ❖ 12.5% Corporation Tax on taxable profits (interest, trading income, intellectual property income)
- ❖ Notional Interest Deduction may reduce the effective corporate tax down to 2,5%
- ❖ Cyprus has concluded 67 Double Tax Treaties for the avoidance of double taxation
- ❖ No withholding tax on dividends paid by the Cyprus fund to unitholders were non-domiciled Cyprus tax resident individuals or non-Cyprus tax resident individuals
- ❖ Profit on sale of titles such as shares (assuming no real estate is held in Cyprus), and bonds is not subject to Cyprus tax
- ❖ Inbound dividends are not taxable, under easily met conditions
- ❖ Tax paid abroad can be credited against any tax payable in Cyprus on such income, either through a Double Tax Treaty or unilaterally where a Double Tax treaty does not exist
- ❖ Straight forward and quick procedures with the Cyprus Tax Department

## Tax benefits for foreign investors/individuals

- ❖ No tax on dividends received by non-domiciled Cyprus tax resident or non-Cyprus tax resident unitholder
- ❖ No tax on redemption of share/unit by the holders
- ❖ No capital gains tax on disposal of shares/units by the holders (assuming no real estate is held in Cyprus)
- ❖ 50% exemption to individuals in respect of new Cyprus source employment income exceeding €55.000 per annum for period of 10 years
- ❖ Pension received from past employment exercised outside Cyprus is taxed in Cyprus at the rate of 5% on amounts in excess of €3.420
- ❖ No wealth tax, inheritance tax or gift tax

## HOW PELAGHIAS, CHRISTODOULOU, VRACHAS LLC CAN HELP YOU?

We will be happy to assist in advising you as to which is the most suitable fund structure option for your business

Provide guidance, drafting and reviewing of all supporting documentation needed in the preferred fund structure option

File an application with CySEC and accompany all relevant documents for the filing and follow-up of the application until final approval

Ongoing legal support for any matter in relation to the Fund