# Establishing EU corporate headquarters in Cyprus

***Key features***

Cyprus is the optimal jurisdiction to establish EU corporate headquarters. This is the case for a number of reasons:

- it features one of the most attractive tax regimes in the EU, fully aligned with OECD / BEPS and EU State aid rules
- there is no withholding tax on dividends
- it has concluded over 50 agreements for the avoidance of double taxation, including with the UK, the USA, Canada, India, China, Switzerland and the UAE
- its common law system affords certainty and clarity
- the Cypriot corporate law framework is modelled after English company law
- it is a member of the Eurozone and has the euro as its currency
- it adheres to the highest anti-money laundering standards and features on the white list of the OECD
- reorganisations, such as mergers, demergers, exchanges of shares and transfers of assets / liabilities, can be effected in a tax efficient manner

***Taxation***

The primary tax benefits a Cyprus-headquartered company can expect are the following:

- corporate taxation on profit at 12.5%, which is one of the lowest tax rates in the EU
- the possibility of extracting dividends from underlying subsidiaries without tax, by relying on either a double tax treaty, or the EU Parent Subsidiary Directive
- there are no withholding taxes on dividend payments from Cyprus companies to persons not resident in Cyprus
- the avoidance of double taxation vis-à-vis all other jurisdictions where the group is present, through the wide network of 50+ double tax avoidance treaties, including with the USA, the UK, Canada, India, China, Jersey, Switzerland and the UAE
- a deduction (notional interest) against the company's taxable profits arising as a result of new capital introduced by shareholders

- deductions of interest expense incurred for the direct or indirect acquisition of the share capital of another company subject to conditions

- there is no capital gains taxation on the disposal of shares

- the elimination of taxation in the case of intra-EU transactions

- tax relief at a corporate group level for at least seventy-five percent (75%) of the relevant group holdings on the results of the current financial year

- the possibility of deducting losses incurred by a Cyprus company in relation to business carried on outside Cyprus

- reorganisations, such as mergers, demergers, exchanges of shares and transfers of assets / liabilities, may be effected in a tax neutral manner and tax losses may be carried forward by the receiving entity.

***Certainty of a sophisticated common law system***

Cyprus is a common law jurisdiction, which affords legal certainty and clarity. English judicial precedent is of persuasive authority in Cyprus. The Cypriot corporate law framework is modelled after English company law. It is modernised on an ongoing basis and Cyprus has fully transposed all EU law instruments in its legal order.

Cyprus companies can merge with other companies both inside and outside the EU. The relevant EU rules on cross-border mergers are fully applicable in Cyprus.

Each cross-border merger involves a company from one EEA state acquiring (at least) one company from another EEA state. Companies are dissolved without going into liquidation, with the absorbing company taking on all the assets and liabilities of each absorbed company.

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