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# Regional Franchise Conference

## Tax and Financial Considerations on Locating Your Master Franchise (Holding Company) in Cyprus

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# Cyprus – Facts and Figures

**Member of the European Union since  
1 May 2004**

**Full compliance with OECD**

- **Transparency**
- **Harmful tax practices**



**The purpose of all enterprises is:**

**MAXIMUM  
AFTER-TAX RETURN**

## To Achieve it a jurisdiction is needed with .....

- *Low tax environment for*
  - International holding companies
  - International trading operations
  - Cross-border transactions and distributions

## To Achieve it a jurisdiction is needed with..., *continued*

- *Political, legal and tax systems that are*
  - Stable
  - Reputable
  - Sophisticated and experienced

## To Achieve it a jurisdiction is needed with ....., *continued*

- *Supportive Infrastructure*
  - Good communications
  - Developed business services
  - Developed professional services

# Key features of the Cyprus tax system

- 10% corporate tax rate – Lowest in EU
- Foreign source income generally tax exempt
- Profits on transactions in shares tax-exempt
- Generous tax deductibility rules reduce the effective tax rate

## Key features of the Cyprus tax system, *continued*

- No withholding taxes on outbound dividends, interest & royalties, irrespective of the country of destination ie
  - Tax free exit
- EU tax directives apply
  - Parent / Subsidiary
  - Interest & Royalties
  - Reorganisations
- Unilateral credit relief for foreign taxes

## Key features of the Cyprus tax system, *continued*

- No CFC legislation
- No thin capitalisation rules
- No detailed transfer pricing rules (*arm's length principle only*)

## Key features of the Cyprus tax system, *continued*

- Only Cyprus and Slovenia in the EU have no injudgement proceedings against them
- OECD approved – White listed
- Wide network of favourable tax treaties
- Low personal tax regime - Top rate 30%
- A tax administration that wants to help foreign investors
- Most international transactions free of VAT

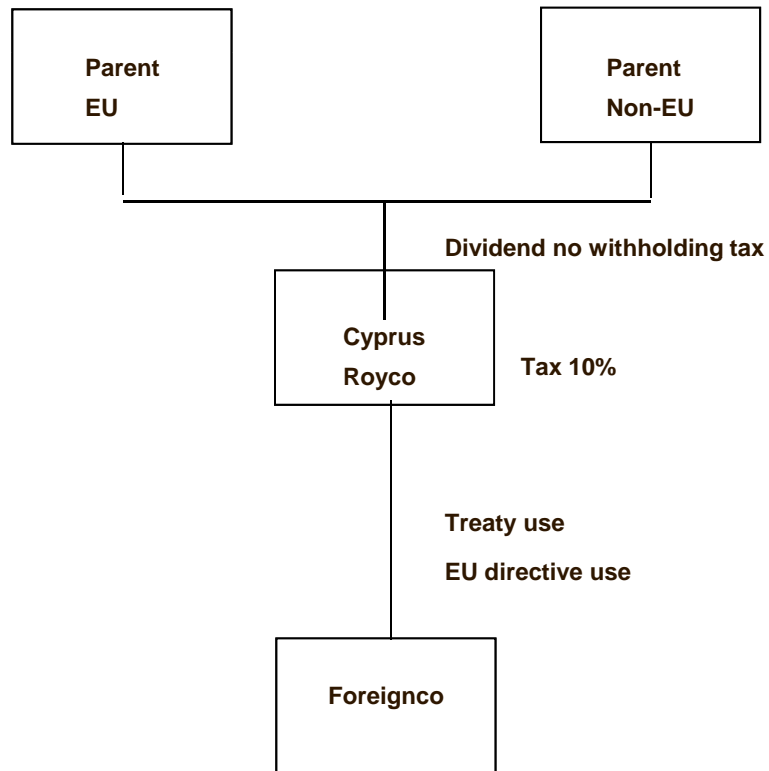
# Tax treaties

Austria	Kuwait	Montenegro
Bulgaria	Malta	Slovenia
Belarus	Mauritius	Slovakia
Belgium	Norway	Cz.Republic
Canada	Poland	Azerbaijan
China	Romania	Armenia
Denmark	Russia	Kyrgyzstan
Egypt	South Africa	Moldova
France	Sweden	Tajikistan
Germany	Syria	Uzbekistan
Greece	Singapore	Ukraine
Hungary	Thailand	Lebanon
India	United Kingdom	Seychelles
Ireland	United States	San Marino
Italy	Serbia	Kadar



**There are 18 treaties at various stages of negotiations**

# Cyprus Royalty Company – Owner of intangible



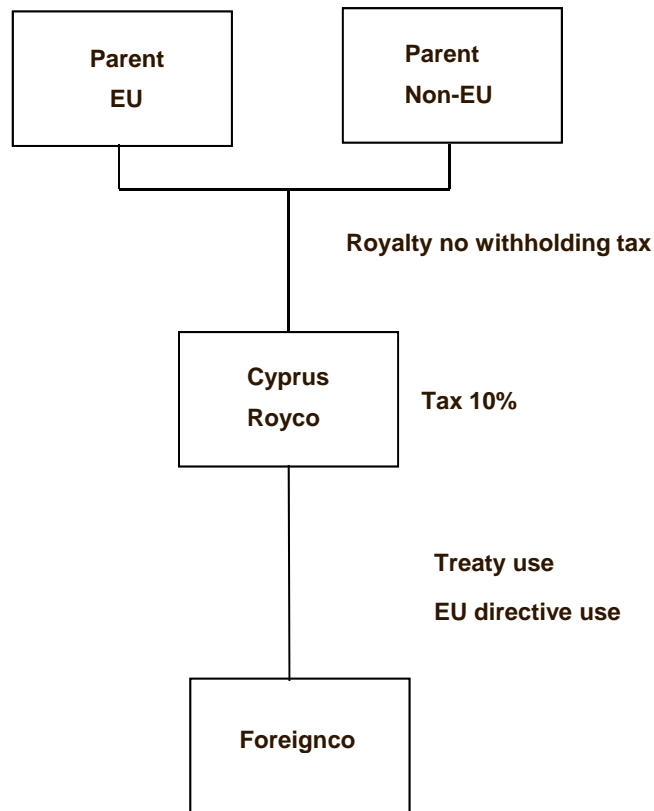
## *Plan*

- Establish Cyprus royalty company to collect royalties from other jurisdictions .

## *Benefits*

- Tax in Cyprus on profit 10%
- Use of treaties
- Use of EU directive
- Royalty deductibility in paying company
- No WHT tax on dividend paid from Cyprus whether to EU or non-EU

# Cyprus Royalty Company – Sublicensing



## *Plan*

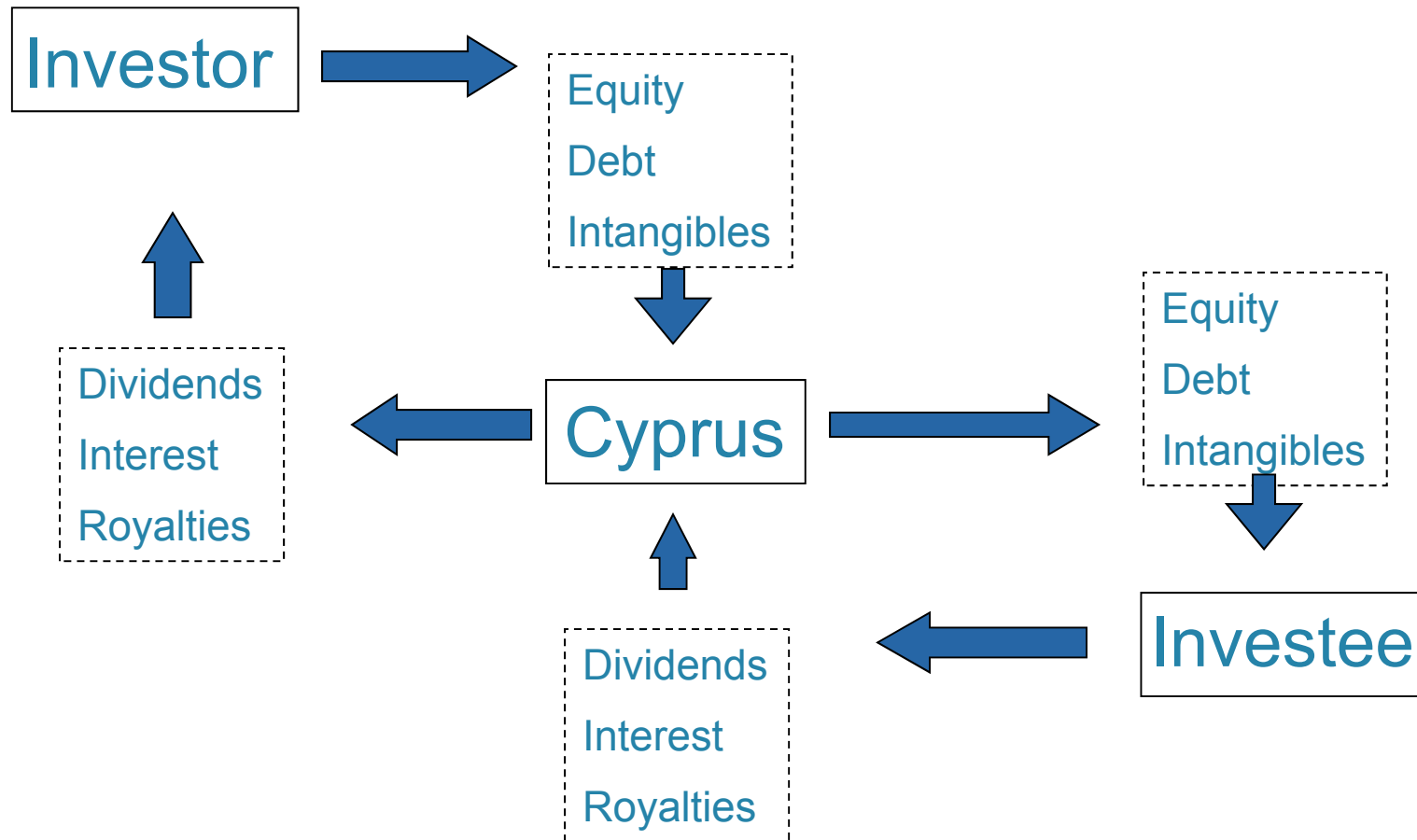
- Parent establishes Cyprus royalty company to collect royalties from foreign companies. The Cyprus company is sublicensing

## *Benefits*

- Tax on profit 10%
- Use of treaties
- Use of EU directive
- Royalty deductibility in paying company
- No WHT tax on royalty paid from Cyprus

# Cyprus

You can do all of these... and more!



Thank you