



Cyprus Companies in a Nutshell.

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1. CYPRUS COMPANY LAW: ORIGINS

The Cyprus legal system is based on the Anglo-Saxon model of law. Cypriot companies are regulated by the **Cyprus Companies Law, Cap. 113**. The law has been revised several times after Cyprus's succession in the European Union, and it is now fully compatible with all the European company law directives.

2. THE KEY FEATURES OF A CYPRUS COMPANY.

The key features of a Cyprus company are the following:

- The **ownership** of the company, in other words the shares may belong to **natural** or **legal** persons.
- The company once incorporated has **separate legal personality**.
- A company is also **regulated by law**. This means that the organization, the structure, the powers and duties of the officers of the company and the powers, duties and obligations of the company itself are regulated by statute.

3. THE ORGANS OF A CYPRUS COMPANY.

A Cyprus company is in essence governed by two organs:

- **The Board of Directors** and
- the **General Meeting**.

Reference must also be made to the **company secretary** who is the administrative officer of the company having administrative functions.

The Board of Directors is the executive body of the company. It is composed by the directors who are considered as the **agents** of the company. They are the **voice and the eyes** of the company and they represent it in all outside transactions. They are also the **mind** of the company in the sense that they **think, decide and express the will of the company**. Another important aspect of the office of the director is that directors are also **trustees** of the company's property. This is a special legal relationship which means that the directors have to display **due diligence** and exercise **care and skill** when they carry out their functions as directors.

The **General Meeting**, on the other hand, is the forum or the organ where the **owners of the shares** of the company express their voice and take their decisions. The General Meeting has powers that are included in the Companies Law and in a company's constitutional documents: the Memorandum and Articles of Association.

4. TYPES OF COMPANIES.

It is possible to categorize the types of companies under Cyprus Companies Law as follows:

- Companies of limited liability by guarantee,
- Companies of limited liability with shares.

The above can be private companies or public companies.

In this article we refer to **private companies with limited liability**.

This company is the most commonly used business vehicle not only in Cyprus but all over the world. It is a "creature" of the law and regulated by it.

The main attributes of a private limited company under Cyprus Companies Law are:

- The restriction in the transfer of shares.
- The number of shareholders must not exceed 50.
- It is not possible to make an invitation to the public to buy shares.
- It must have at least 1 director.
- There is no minimum share capital.
- It is possible to register on many companies. Companies in other words where you have the one person being director, shareholder and secretary.

5. WHAT IS LIMITED LIABILITY.

The idea of **limited liability** is the second most important characteristic of a private company, the first one being the separate legal personality. Limited liability refers to the liability of the shareholders towards the company. This means that the liability of shareholder is limited up to the amount of his shares. Liability becomes relevant in the event of liquidation of the company. For example, if we have a company with 1000 shares of €1 each and one shareholder, in the case of liquidation that shareholder will only have to pay €1000 towards the debts of the company and that's it. Of course the concept of limited liability is very important and it is one of the key factors that let to the success of the use of the company as a medium for carrying out commercial transactions.

6. STEPS TO REGISTER A COMPANY.

1. Decide the name. Choosing the right company name depends on a host of considerations - some as obvious as the kind of business, others as unique as your own tastes and style.

2. Decide the structure. The next step is to decide the structure of the company. Here we need to make decisions about tax planning or whether the company will have a bank account. In relation to tax planning one should give special attention to questions like anonymity whether he will use nominees shareholder and/or directors or a trust.

3. Decide the purpose. In this step one should define the objects of the company, the share capital and address special concerns like what powers will be given to the Board of Directors, if there will be special rights of shareholders, majority or special majority voting certain instances etc.

4. Documentation. The final step rates to documentation. Here there is a duty to carry out due diligence and a know your client (KYC) procedure. Typical information that is required includes the personal details or the owners of the company, the name, addresses (of work and home), utility bills, passports, bank reference etc.

7. ABOUT LEGAL FEES.

The fees for incorporating a company may be distinguished to the **incorporation fees** that are paid only once and the **annual fees** that occur annually. The incorporation fees relate to the set up of the company and the annual fees relate to accounting, the nominee fees and usually the registered office.

8. OBLIGATIONS OF A COMPANY.

The typical obligations of the Cyprus company are:



- The filing of the **annual return**. This is a report that has to be filed every year at the Registrar of Companies and it outlines any changes that took place on the shareholding, directors, secretary of the company.
- **VAT Reports**. If the company is registered with the VAT then VAT returns must be filed every quarter.
- Payment of **special government levy** every June. The amount is €350.
- **Accounts**. Audited accounts must be prepared and filed with the Registrar of Companies and the Tax Office revenue every year.

9. CONCLUSION.

Over all one could say that the Cyprus company is a business vehicle with tremendous advantages.

It is **safe** because it operates in a stable and well known globally legal system. It is **flexible** since it can address all the needs of today's businessmen. It is very **simple** in its operation and management and for all these reasons it has proven to be so **successful** over the years.

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