UK COMPANIES RESIDENT IN CYPRUS

Certain developments in U.K. tax legislation and international tax treaties have opened the door for U.K. incorporated companies to be treated as non-U.K. resident for treaty purposes.

A U.K. incorporated company is a U.K. resident by default under U.K. domestic law however if place of effective management is Cyprus, then the company will be non-U.K. resident for treaty purposes.

A UK-incorporated company whose effective management and strategic decision-making are exercised in Cyprus, including where its directors are resident and operate from Cyprus, may be regarded as resident in Cyprus under the treaty. Where treaty residence is allocated to Cyprus, the company may benefit from Cyprus tax residency, including access to Cyprus's double tax treaty network and taxation in Cyprus in accordance with its domestic corporate tax regime.

Establishing Place of Effective Management

The "place of effective management and control" is a factual test and may be difficult to substantiate. To establish effective management and control of the company in Cyprus, it is generally necessary to demonstrate that this is reflected in the company's governance and operations including the following:

- **All or a majority of the board of directors are residents in Cyprus.** If only a majority of directors reside in Cyprus it is important that the majority should be enough to form a quorum for the conducting of the board meetings under the articles of association. The minority directors who are not resident(s) should consider traveling to Cyprus for an occasional board meeting;

- **Board meetings should be held in Cyprus** with substantive matters discussed and decided there. Board minutes should be available to accurately reflect the decisions taken in Cyprus;

- **General business policy, strategy and risk management** of the company are determined in Cyprus. Material contracts, financial decisions and business plans are approved in Cyprus;

- **Company bank accounts are operated from Cyprus** which control exercised by Cyprus-based directors or authorised personnel;

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- **Day to day management and oversight** of the business is carried out in Cyprus.

Demonstrating Commercial Presence in Cyprus

It may also be advisable to maintain an appropriate level of **substance and presence in Cyprus** to support the effective management position, which may include:

This can be done by:

- Dedicated office premises or shared serviced offices;
- Local employees of senior personnel with decision-making authority;
- All local document, application forms, rental agreements etc. will be signed by the Cypriot directors;
- Open bank account(s) in Cyprus with the local directors as signatories;

The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained.

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