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The Re-domiciliation of overseas companies within the Cypriot jurisdiction.

What is Re-domiciliation:

Re-domiciliation is the relocation of a company from the country of its incorporation, overseas, to a diverse jurisdiction. In other words, the legal entity is transferred to another country and is no longer bound by the legislation and frameworks of the country in which it has been founded but is bound by these in the country in which it has been redomiciled. For this to be attained, the legal entity should not have been liquidated or dissolved in the country in which it is operating to commence its relocation proceedings. The company's existence will cease after it has been relocated to a foreign jurisdiction.

What are the benefits of redomiciling a country in Cyprus?

Cyprus for decades now has been established as an international financial center and a pole of attraction for foreign financiers, also being portrayed as a 'home of entrepreneurs' and through the re-domiciliation of the company the investors are benefited through the plethora of advantages the Cypriot market has to offer them. What motivates though, these myriads of entrepreneurs to invest or re-domiciliate their companies in Cyprus?

First of all, the island has a plethora of skillful populations with knowledge in diverse areas to aid the foreign investors' endeavours to re-domiciliate their already existing companies within the Cypriot jurisdiction. Our office will aid those interested in relocating their companies to Cyprus and who will be assisting them along the way until the procedure is finalised. Additionally, we will assist in the relocation of such companies if they require to find relevant premises by introducing the appropriate people. Furthermore, we suggest that Larnaca at this moment is the most cost-effective up and coming town for the relocation of such business.

Most importantly though, Cyprus has one of the lowest corporate taxes in the European Union,

12,5% to be exact, which is very enticing for potential investors as they can headquarter the company within the Cypriot jurisdiction while they can be residing elsewhere. Commendably, there are no restrictions as to the investor's origins and cultural background as Cyprus seeks to attract investors with diverse ethnicities. Nevertheless, Cyprus can offer along with others another opportunity. The one of temporary residence permit to third party nationals.

The companies who wish to re-domiciliate in Cyprus can even migrate their employees along with the company and acquire temporary work and employment permits. An advantageous feature provided by the Cypriot jurisdiction to third country nationals as the companies



might bring their own trained personnel who already runs and operates the foreign company in key positions as of January 2022 where this Business Facilitation Unit has been put in effect. The third country nationals can acquire a temporary residence and employment permit if they can demonstrate they have an employment contract of no less than 2 years from which their gross salary is not less than €2,500, as well as they, possess a university degree/diploma or any other relevant qualification in an analogous employment position as minimum as 2 years. The temporary residence permit can be granted to employees of a foreign interest company running and operating in Cyprus. The companies who qualify for these permits are either shipping companies, high technology/innovation companies, pharmaceutical companies with an area of expertise either in biotechnology or biogenetics, or either foreign companies who wish to re-domiciliate or wish to establish within the Cypriot market and the company should operate in self-sufficient premises not connected with any other offices except in the event of cohabitation. It should also be noted that the participation of third-party nationals should not surpass the 30% of support personnel within a company. The duration of such permits is three years and the issuance of such is made promptly by the relevant authorities and the examination of the application does not surpass 1 month. In conjunction with the employees gaining permits, their family members/spouses can also obtain residence permits provided they are not supporting staff and they meet the salary requirements (of gross income €2,500 monthly).

Adding to this, the companies will be benefited from the Cypriot tax legislation which provides 0% tax rates to foreign financiers on dividends income, interest incomes, profits on shares, bonds, debentures, or other securities. A further incentive for migrating a company from a foreign country to Cyprus is the double tax treaties between Cyprus and approximately other 45 countries. These double tax treaties are in effect between Cyprus and numerous countries including Middle Eastern countries. The investors in this instance are not bound to pay double taxation on their incomes, viz an additional tax on their income in their country of origin.

Cyprus legislation and principles derive from the English common Law system which can be familiar to international investors and the country's second official language is English. Our team is fluent in English and familiar both with the Companies Law Chapter 113 and the process that needs to be undertaken to commence the proceedings of migrating a foreign company within the Cypriot jurisdiction thus being able to assist any interested investors. Adding to this, the documentation for incorporating a company can be made in English to be more understandable to the investors. Another flexibility provided by the Cypriot jurisdiction to potential companies is the ability to incorporate a company with solely a shareholder and a director saving the trouble of finding further shareholders or interested parties.

What is the re-domiciliation process:

The company wishing to undertake the process needs to be aware that it is a prerequisite that its national legislation should foresee the ability of re-domiciliation/transfer of the company abroad. Furthermore, the company's memorandum should enable the continuance of the legal entity's operations in a diverse jurisdiction. If the foreign company's memorandum does not foresee it then it can amend it in order to be able to proceed with the procedure. Once the company establishes these preconditions to enable it to relocate, it should proceed with the relevant applications.

Firstly, when the company decides to re-domiciliate, our office will immediately commence name approval proceedings, initially by conducting research to the Registrar of Companies to ensure no other companies exist with an identical or similar name or trademarks in Cyprus with which the company wishes to operate. We can even try to approve the name in which the foreign company is operating overseas if it wishes to do so. Subsequently, once we establish whether or not a similar or identical name exists, we will continue through the submission of the relevant documents to secure the name and proceed with the relevant applications.

Secondly, we will aid the foreign company to proceed with the submission of an application to the Cyprus Registrar of Companies. This application comprises the ME1 form along with the documents indicated in Article 354C-354D of the Cap 113. The documents include:



Documentation for Private Company:

1. The foreign company's resolution or any other relevant document which enables the company to be relocated overseas.
2. A copy of the foreign company's memorandum.
3. The foreign company's certificate of good standing.
4. An affidavit from the foreign company's director confirming the:
5. The name of the foreign company and the name it wishes to operate in the Cypriot market.
6. The jurisdiction with which the foreign company has been initially incorporated.
7. The date of the initial incorporation.
8. The resolution or any other document proving the company's willingness to be incorporated within the Cypriot market.
9. Proof that the company has formally declared to its country's authorities its decision to relocate its company within the Cypriot jurisdiction.
10. It should be noted that the affidavit should be accompanied by official documents proving that no administrative nor criminal procedures are pending against the company in regard to violations of either the country's legislations or jurisdiction in which it has been incorporated.
11. An affidavit from the company's director proving the company's solvency and that they are not aware of any circumstances that might negatively affect the company's solvency within a period of 12 months from the date of submitting the relevant application.
12. Certificates of the company's directors and secretary or to the persons where the company's administration has been assigned if they do not have any directors or secretaries.
13. Certificates of the company's shareholders.
14. Any other company documents that might be required by the Registrar to prove the company's shareholders have consented to the relocation of the company to Cyprus.
15. The consent has been taken from such a number or proportion of shareholders, employees, or bondholders as the national legislation requires.
16. If the company performs any particular activities for which a license is required under the foreign jurisdiction or within the Cypriot jurisdiction then it needs to provide relevant proof to the Registrar which has been issued by the relevant authority in the foreign country.



Documentation for Public Company:

If a company is a public company, then it needs to provide to the Registrar along with the previously mentioned documents some additional documents which include:

1. The latest invitation it has offered to the public for shares or bonds if it did offer any, that satisfy the legislation's requirements.
2. Proof from a recognised stock exchange provided the company has listed shares in it, proving to the Registrar that this relevant authority has consented that the company is relocated overseas. A "recognised stock exchange" is one that is recognised by the relevant authorities.
3. The company's members' data is duly certified in a way that will be acceptable by the Registrar of Companies.

It should be noted that any director making a false declaration in reference to the company's financial position or in the event where he is not aware of facts he should have known, can be liable of a criminal offense sentenced to up to one-year imprisonment, or a fine of more than €34,000.

Once the abovementioned procedures have been finalised and provided the Registrar of Cyprus Companies has been satisfied with the documentation, it will issue a temporary certificate to the company which will be valid for 6 months with the possibility of a 3 month extension for reasonable causes. Within this given period the company should provide to the Registrar the ME4 form about the supplementary data regarding its foreign company.

These data include a certificate or any other document from the competent authority of the foreign jurisdiction verifying that the company has ceased to exist in the jurisdiction it has been incorporated and the temporary certificate it has been given by the Registrar of Companies.

Provided the abovementioned steps are fulfilled and the company complies with Cap. 113 it is most probable that the company will receive the certificate of continuation enabling its operations to continue within the Cypriot jurisdiction. Although one might say that it is a time consuming and lengthy process to re-domiciliate a company in Cyprus, it is worth the wait and both the company and all of its members will be benefited. Starting from the low corporate taxation compared to other countries (both within the EU and worldwide) and the double taxation treaties between Cyprus and other countries. Besides, a low taxation expenditure signifies greater availability of a company's funds to be used in building the business's asset portfolio or expanding the business.

Disclaimer:

The purpose of this article is informative and is addressed to any interested companies wishing to re-domiciliate within the Cypriot jurisdiction. It should not, in any event, be considered substitution of legal advice. Those interested can contact the author of the article for further directions and inquiries they might have in reference to this matter at: e.zamba@kaimakliotislaw.com

A further advantage which the Cypriot market offers making it an international business center and the reason why it attracts an overabundant number of entrepreneurs; it's the fact that it gives a residency status to investors who in turn are becoming EU citizens and are benefiting from the incalculable benefits offered by the EU. To name a few, the entrepreneur can move freely across the borders of EU countries without a visa, or it can expand and set subsidiaries in other countries while its parent company will be running in Cyprus. Having considered all the advantages of this process, our offices have been offering services to hundreds of international investors for several years now and manage to aid them in establishing or re-domiciliating their business in Cyprus. At a time when international tension is rising Cyprus may serve as a safe hub for businesses to establish a footprint in Cyprus.

During these uncertain and unprecedented times when humanity is encountering a resource scarcity, global inflation, and crisis as well as the economy trying to recover from an intercontinental pandemic; the company re-domiciliation process is more significant than ever. Cyprus provides a haven for these foreign entrepreneurs who wish to invest their assets in a stable business ecosystem, hence encouraging them to establish headquarters, warehouses, and local centers in Cyprus, trusting that the Cypriot jurisdiction will offer them the economic stability they are in search of while opening a door to Europe both for their companies themselves and their families.