

Cyprus Holding Company  
Setting-up regional offices in Cyprus  
– PPT (Principal Purpose Test)





## **Cyprus Holding Company**

### **Setting-up regional offices in Cyprus – PPT (Principal Purpose Test)**

An international group sets up a company in Cyprus to act as a regional investment company and regional headquarters for the group.

Following factors were taken into consideration in choosing the location:

- Availability of skilled properly qualified labor who can effectively manage the investments of the company
- Reliability of legal system
- Business friendly environment
- Political stability
- Extended DTT network
- Applicability of all EU Directives

### **What actions should have been taken or taken now to face MLI challenges**

- Identify and review existing structures that rely on obtaining treaty benefits to determine if there are commercial reasons for such establishment and the level of substance available.
- Consolidate structures which involve SPVs into one company, is to add substance to all companies (if needed). Alternatively,
- in planning new structures take into consideration the MLI requirements, including commercial reasons, activities and substance

## **How can a holding company meet the PPT?**

A Cyprus holding company or group should fulfil the following criteria:

- Maintain a permanent office
- Have qualified management and staff
- Carry out management & decision making
- Provide financing to group of companies
- Conduct financial management
- Pursue any of these other activities: trading, investing, licensing, marketing, other services
- Conduct other regional activities
- Maintain accounting books
- Prepare and file audited financial statements annually
- The above list is non-exhaustive

By fulfilling the above requirements, the company can demonstrate valid business reasons for its operation and existence.

Our firm provides a comprehensive solution that would enable our clients to comply and meet all the above requirements on an ongoing basis, and substance remains a critical point of reference and must be met.

We will also suggest during the ongoing operation of a Cyprus Holding company additional steps to be taken to enhance substance in Cyprus, in the light of further demands by foreign Tax Authorities.

The PPT test will not apply as there were other important reasons other than taking advantage of the treaty network, provided:

- The Cypriot company is making all the decisions necessary for its business through its own properly qualified and empowered management team
- It has assets and assumes real risks for performing its functions
- The business is carried out by its own personnel out of its own fully fledged offices and facilities
- Maintains proper books of accounts in Cyprus and fully complies with its local filing requirements

### **Turning Cyprus into a regional Business Centre in the wider region and Europe**

In addition, new strategies have recently been presented by the Cyprus Government in attracting Business in Cyprus with emphasis amongst others on high technologies, shipping, innovation and research development in a bid to turn Cyprus into a Business Centre in the wider region and Europe.

The new action plan has been implemented on 1<sup>st</sup> January 2022.



### Our Action Team-Unit

1. Will have the following duties:

- Advisory services offered for the establishment of corporate entities and render entities in full operational status
- Management and operation of companies in Cyprus
- Issuance of residence and employment permits in Cyprus

Issuance of temporary residence and employment permits in Cyprus for 3<sup>rd</sup> country nationals.

We have the knowledge and expertise of obtaining such permits from the Migration office/ other Government Offices involved.

We will provide full ongoing support to set up a Cyprus holding Company to meet the PPT, anti-abuse of DTT, as well as to assist in setting up regional presence in Cyprus meeting all criteria to be in line with the new strategy recently announced by the Cyprus Government, and to continually enhance substance.

We are available to elaborate and provide more detailed suggestions and advisory services so that the announcements made by the Cyprus Government are strictly met and benefitted therefrom.