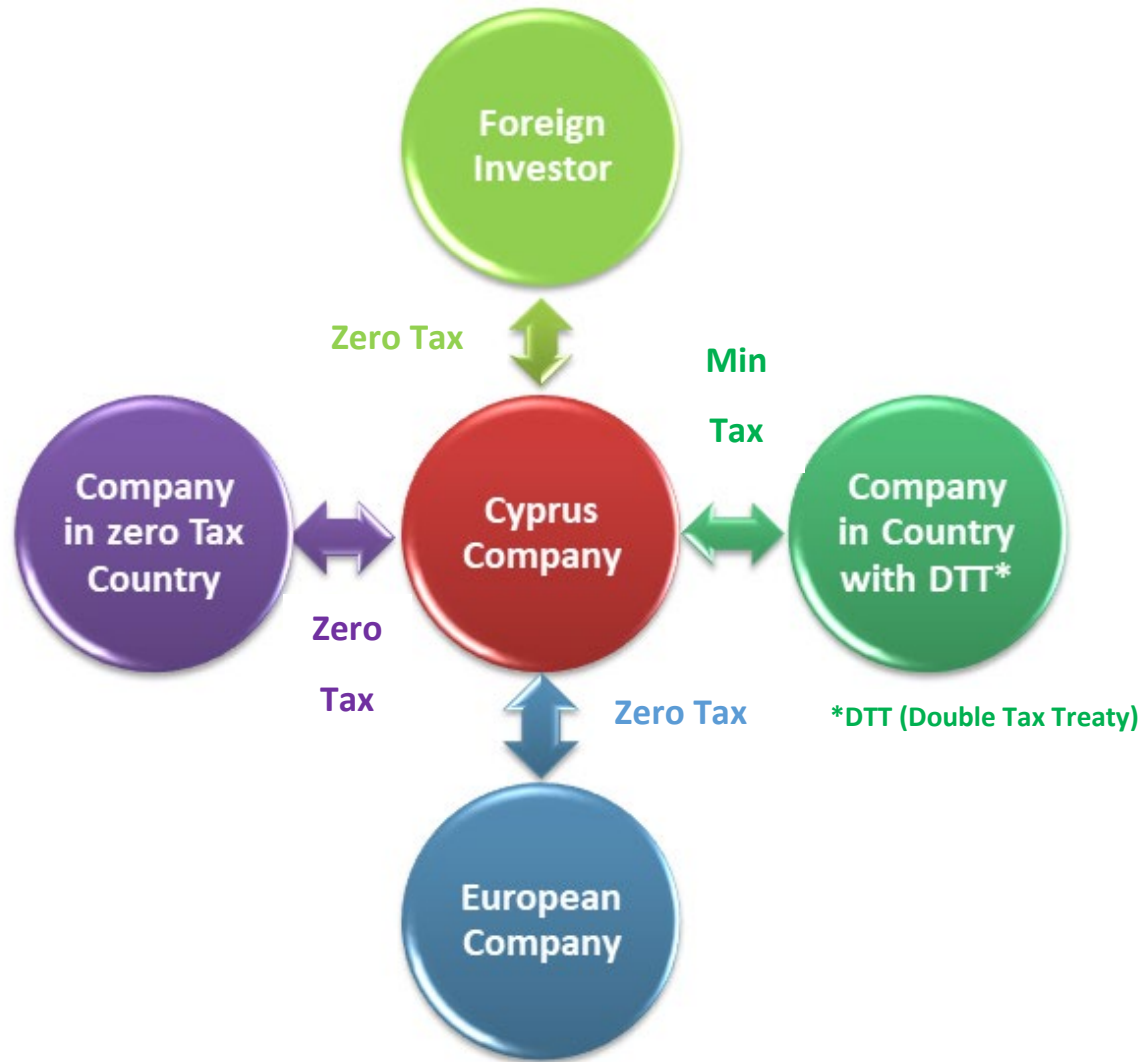


## BENEFITS OF A HOLDING COMPANY STRUCTURE IN CYPRUS

**Cyprus** has become the **most popular holding company jurisdiction in Europe** and amongst the most popular in the world. A Cypriot holding company enjoys the following **tax advantages**:

- ✓ Full exemption from tax on dividend income received from participations (subject to non-stringent conditions).
- ✓ No withholding tax on distributions of profits irrespective of the country of residence of the recipient or the existence of a double tax treaty.
- ✓ Full exemption from capital gains tax and income tax on the disposal of securities;
- ✓ No capital gains or Income tax on the liquidation of participations;
- ✓ No capital gains or Income tax on the sale of the shares of the Cypriot Holding Company;
- ✓ No capital gains or Income tax on the liquidation of the Cyprus Holding Company;
- ✓ No capital taxes or net worth taxes during the life of the Cyprus Holding Company;
- ✓ Use of the wide double tax treaty network with over 50 countries which provide for reduced withholding taxes on dividends received from treaty countries;
- ✓ Unilateral tax credit relief irrespective of the existence of a double tax treaty;
- ✓ No substance requirements, no debt-equity restrictions, no minimum holding period and no thin capitalization rules;
- ✓ Use of EC directives.

The basic holding company scenario is illustrated below:



Using a Cyprus company as a holding of company, with EU Companies (e.g. United Kingdom) or with companies with zero tax (e.g. St. Vincent), would result in zero taxation on profit distributions from operating locations to the ultimate beneficial owner.

Similarly in the case where a Cypriot company holds subsidiaries in double tax treaty countries (e.g. Russia, Belarus, Lebanon etc) the use of a Cyprus holding company will result in a minimal withholding tax on the dividend distributions all the way to the investors.

Lastly a future sale by the Cyprus holding company of its investments will not result in any taxes in Cyprus. Similarly, the disposal of the shares of the Cypriot company or the liquidation of the Cypriot company will not give rise to any taxation in Cyprus.

#### ABOUT BKMS

With over a decade worth of experience and a prominent network of international clients, BKMS has established a reputation that speaks for itself. BKMS is covering a broad spectrum of industries, taking into account the required accounting treatment and tax implications as well as the challenging international regulatory framework. Client Trust and loyalty are the very fundament of every commitment undertaken by BKMS. Adherence to a strict policy of professionalism therefore results in continuously successful developments. BKMS is regulated by Cyprus Securities and Exchange Commission Registration No 96/196.

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