



## **Incorporation of a Cyprus private company with limited liability by shares**

The purpose of this leaflet is to provide brief information on the incorporation of a Cyprus private company with limited liability by shares, the costs involved, as well as highlight the administrative, secretarial and other services that our Office offers in this regard. Brief information on the statutory reporting requirements of such companies is also provided.

The incorporation of private companies with limited liability shares is governed by the Companies Law, Cap 113, and is subject to the approval of the Registrar of Companies (Registrar).

The information and documents that are required to be submitted to the Registrar, as part of this application, include: the proposed company name, the particulars of the directors, shareholders, secretary, the registered office address, and the Memorandum and Articles of Association.

### **1. Name**

As a first step, the name of the company under incorporation must be approved by the Registrar. This normally takes about a week. Should there be a need for an urgent incorporation, however, clients have the option of selecting an approved company name from the list that our Office maintains. The selected name may, obviously, be changed, without any difficulty, at a later stage if the client wishes.

It is noted that Cyprus subsidiaries may bear the name of their mother company (following the latter's written approval), with or without the inclusion of the word "Cyprus".

### **2. Authorised share capital**

The company's authorized share capital is usually expressed in euro and may be divided into shares of any value. Other currencies, such as Sterling Pounds or US Dollars, may also be an option, subject always to the approval of the Registrar.



### **3. Shareholders – natural persons**

The company must have at least one registered shareholder, who may be a natural or a legal person.

For every shareholder (and for every ultimate beneficial owner), it is imperative that we are furnished with the following particulars:

- First name
- Last name
- Any previous first name
- Any previous last name
- Identity card number
- Passport number
- Date of birth
- Country of nationality
- Profession and brief description of business activities
- Full business and residential address
- Certified copy of the individual's passport
- Two reference letters from any two of the following: a bank, an accountant, auditor or lawyer.

#### **Shareholders – legal persons**

If the person who will be acting as shareholder is a legal entity, for example another company, (and not an individual), the particulars that need to be provided are as follows:

- Official name
- Country of registration
- Registration number
- Registered Office address
- Certified copy of the legal entity's Certificate of Incorporation
- Brief description of its business activities
- Two reference letters from any two of the following: a bank, an accountant, auditor, or lawyer.



#### 4. Directors

The law requires that the company has at least one director. It is essential that the following particulars be furnished to us for each director.

- First name
- Last name
- Any previous first name
- Any previous last name
- Identity card number
- Passport number
- Date of birth
- Country of nationality
- Profession and brief description of business activities
- List of other companies registered in the Republic of Cyprus of which the individual is a director
- Full business and residential address
- Certified copy of the individual's passport
- Two reference letters from any two of the following: a bank, an accountant, auditor or lawyer.

If the director is a legal entity (for example, another company, and not an individual), the following particulars must be provided:

- Official name
- Country of registration
- Registration number
- Registered Office address
- List of other companies registered in the Republic of Cyprus of which the legal entity is a director
- Certified copy of the entity's Certificate of Incorporation
- Brief description of business activities
- Two reference letters from any two of the following: a bank, an accountant, auditor or lawyer.

Directors may be Cypriots or non-Cypriots. However, it is important to note that the residency status of the directors of a Cypriot company is considered one of the key factors in determining, for income tax purposes, whether the company is a resident of Cyprus, or not.

Directorship services are offered by our Office.



## **5. Secretary**

In accordance with the provisions of the Companies Law, Cap 113, the company is required to have a Secretary, who may be a natural person or a legal entity and may not necessarily be a resident of Cyprus. The Secretary acts under the control and instructions of the directors, maintains the company's statutory registers and performs certain administrative functions, for example, the keeping of the minutes of directors' meetings.

Secretarial services are offered by our Office.

The particulars that need to be provided in respect of the Secretary are the same as those required in the case of the directors (paragraph no.4 refers).

## **6. Registered Office**

The company is also required, under the law, to have a Registered Office in Cyprus – this is the address where writs, notices and other official documents can be served on the company.

This service is also offered by our Office.

## **7. Ultimate beneficial owners**

In 2021 the applicable anti money laundering law in the Republic of Cyprus was amended in order to harmonize national law with the 5th AML European Directive (EU 2018/843, 30/05/2018). One of the basic provisions of the above-mentioned amendment is the introduction of the requirement for the establishment, maintenance and operation of a Beneficial Owner Register ("the Register") for corporate and other legal entities.

An ultimate beneficial owner (UBO) is defined as any natural person who ultimately owns or controls the customer and/or the natural person on whose behalf a transaction or activity is being conducted and includes, in the case of companies:

- (i) the natural person who ultimately owns or controls a corporate entity through direct or indirect ownership of a sufficient percentage of the shares or voting rights or ownership interest in that corporate entity. An indication of direct shareholding is 25% plus one share or



an ownership interest of more than 25% in the customer held by a natural person and indirect ownership is a shareholding of 25% plus one share or an ownership interest of more than 25% in the customer held by a corporate entity, which is under the control of the same natural person, or by multiple corporate entities which are under the control of the same natural person(s).

(ii) If after exhausting all possible means no other person is identified or if there is doubt that the person identified is the beneficial owner, the natural person who holds the position of senior managing official.

The following information needs to be kept and regularly updated in relation to each natural person who is the beneficial owner of the Company:

- Name, surname, date of birth, nationality and residential address;
- Nature and extent of the beneficial interest held directly or indirectly by each beneficial owner, including through percentage of shares, voting rights, or the nature and extent of the Significant influence or control with other means exercised by each controlling person;
- Identification document number indicating the type of document and the country of document issuance (identity card or passport);
- Date on which the natural person was entered in the register as beneficial owner, and
- Dates on which there were changes in the particulars of the natural person or the date on which the natural person ceased to be a beneficial owner.

The responsibility lies with the corporate entity and its officers, namely, the Directors and the Secretary.

Companies (established after the 12/03/2021) have the obligation to submit the necessary information within 30 (thirty) days from their registration date.

The Company has an obligation to report any changes to the information of the UBOs within 14 days from the date of change was in its knowledge.

Our office can provide assistance with the filing of the relevant information.



## **8. Company's Memorandum and Articles of Association**

These documents form the constitutional charter of the company and must be drafted by a local advocate.

- (i) The Memorandum of Association primarily includes the objects and powers of the company, particularly as regards its dealings with the outside world, its limited liability status and its authorized share capital.
- (ii) The Articles of Association comprise the regulations under which the company operates as a legal entity and regulates the rights of the shareholders.

The Memorandum and Articles of Association, along with other prescribed documents, must be submitted to the Registrar of Companies, for the incorporation of the company, which normally takes about two weeks.

To speed up the incorporation process, our Office has drafted model Memoranda and Articles of Association, based on the provisions of the law, which can be easily amended (if necessary) to meet the specific requirements of our clients.

A general description of the proposed business activities of the company must be provided to us, so that the Memorandum of Association may be properly drafted.

## **9. Bank accounts**

The registered company may open a bank account anywhere in the world. It is, however, advisable to open and maintain a small account in Cyprus for the purpose of covering local expenses.

The signatories of such accounts need not necessarily be directors of the company, but appropriate resolutions must be taken by the company and the bank must be advised accordingly (following the required format of the particular bank).

It is noted that, in order to comply with anti-money laundering legislation, banks in Cyprus carry out a "know-your-client" procedure and require various information and documents at the account opening stage.

Our Office offers assistance with the opening of a local bank account.



## **10. Auditors**

The company is required to appoint auditors in Cyprus, who will audit its accounts and file the official financial returns with the Inland Revenue Authorities. Most international audit and accounting firms are present in, or are represented in Cyprus, whilst local firms complement the list of options.

It should be noted that, although accounts can be kept overseas, the audited financial statements must be filed with the Authorities in Cyprus, by local authorized auditors.

## **11. Registration with the Inland Revenue Authorities**

Following recent amendments in the Income Tax Law, all Cyprus registered companies are obliged to register with the Inland Revenue Department, (and obtain a tax identification code), within sixty days from the date of their incorporation.

Our Office provides such a service however, it is recommended that the auditor of the company performs this service.

## **12. Legal advisor**

Although it is not mandatory for the company to have a legal advisor, companies usually appoint one, on an annual retainer fee, mainly to readily secure his services as and when the need arises.

Should a company not proceed with such an appointment, however, it may use the services of a legal advisor when required and pay for these services as and when provided.

Our Office has been providing such services ever since its establishment, in 1955.

## **13. Continuing statutory reporting and other requirements**

The basic reporting requirements which should be adhered to by a company of limited liability registered in Cyprus are the following:

- Annual audited financial statements



These should be filed with the Inland Revenue Department by accountants practising in Cyprus. The first audited financial statements may cover the period of the first eighteen months of the company's life.

- An Annual Return in statutory form

This return, which is accompanied by a copy of the annual audited financial statements of the company, must be filed with the Registrar of Companies. The return provides the Registrar with an up-to-date picture of the company's authorised share capital, registered shareholders, directors, secretary and of its registered address.

- Changes in the authorised and issued share capital, and in the company's structure

Allotment of new shares, changes in the share value, increases or decreases of the authorised and/or issued share capital, for example, must be communicated to the Registrar of Companies, as should any changes in the company's structure, such as additions of shareholders, and in the company's officers, within the submission period specified by law.

- Annual fee of €350 payable to the Registrar of Companies All registered companies are obliged to pay a fee of €350, the latest by the 30th of June each year.
- UBO: updating the information every year end and amending information that has changed within 14 days of such change.
- DAC 6: On March 2021, the European Directive 2018/822 known as "DAC 6" was transposed in the Republic of Cyprus. DAC 6 imposes an obligation to intermediaries and taxpayers to submit information to the tax authorities in cases where they are part of a cross border transaction which meet at least one of the hallmarks provided in the relevant law.

#### **14. Incorporation and administration services offered by our Office**

As already mentioned, our Office offers a complete range of services that relate to the incorporation and administration of private companies with limited liability by shares. These services are highlighted below:





LELLOS P. DEMETRIADES LAW OFFICE LLC

THE CHANTECLAIR HOUSE  
2 SOPHOULIS STREET, 9TH FLOOR  
NICOSIA 1096 CYPRUS  
P.O.BOX 21646, CY1511 NICOSIA  
**TEL:** +357 22676060  
**FAX:** +357 22676061  
**EMAIL:** info@ldlaw.com.cy  
**WEB:** www.ldlaw.com.cy

- Legal advice is offered by a team of qualified and highly experienced lawyers, both before and after the incorporation of the company.
- Tax advice is also offered through our associates, experts in the field.
- Our administrative/secretarial services include:
  - provision of Cypriot directors (both natural persons and legal entities)
  - secretarial services
  - nominee or trustee services
  - registered office address

Furthermore, our Commercial Department is able to advise on matters pertaining to:

- corporate and commercial law
- loan agreements or other transactions
- intellectual property matters
- employment law
- personal data matters - privacy law
- competition law

We shall be happy to provide you with any further information on the services that we offer in connection with the incorporation of Cyprus companies, as well as on any other services that you may need. You could contact our Corporate Department by emailing Mr. George Taoushanis, (georget@ldlaw.com.cy), or calling him on +357 22676060.

Corporate Department

September 2021

*Note:*

*The content of this leaflet is provided for information purposes only and may be subject to change, from time to time, without any prior notice.*