

Registering a Company in Cyprus: An Explanatory Memorandum

The following five types of business entities may be registered under Cyprus law: 1. Limited liability private or public company, 2. General or limited Partnerships, 3. Business/Trade Name, 4. European Company (Societas Europeas), 5. Branch of a foreign company. This Explanatory Memorandum will focus on the registering of a limited liability private or public company, which is the type of business for which the overwhelming majority of registration applications are submitted.

Private or Public Limited Liability Company

Background Information

- **Eligibility:** Physical and legal persons, whether of EU or non-EU origin are entitled to apply for registering a company in Cyprus.
- **Lawyer or service provider:** Under Cyprus legislation, parties interested in registering a limited liability company need the services of a lawyer licensed by the Cyprus Bar Association, or of a service provider cooperating with a lawyer. Only a licensed lawyer is allowed to prepare the Memorandum and Articles of Association and sign the HE1 Declaration Form (see below), although anyone is entitled to file the forms at the Registrar of Companies.
- **Parties:** The parties typically involved in the company registration process are: the applicant, a Cyprus lawyer, the Registrar of Companies and, optionally, the Cyprus Point of Single Contact (PSC).
- **Process Steps:** these are the following: : 1) Obtaining a lawyer or service provider cooperating with a lawyer 2) Approval of company name¹, 3) Preparation and submission of registration application to Registrar, 4) Registration processing by Registrar, 5) Post-registration issues.
- **Cost:** The total cost to the applicant/client consists of certain fixed cost elements (i.e., name registration fee, subscription fee) and certain variable

¹ Steps 1 & 2 can be done in reverse order. No lawyer is necessary for the name application.

cost elements (i.e., subscription tax, lawyer or service provider fees). Typically, the applicant describes his specific needs and requirements, and the lawyer or service provider tells him what the total full cost would amount to.

Process Description

1. Finding a Cyprus Lawyer or service provider

As already mentioned, the services of a lawyer are essential since the law only allows lawyers licensed by the Cyprus Bar Association to prepare and sign the Memorandum and Articles of Association and the HE1 form. Lawyer services can be obtained directly by hiring a particular lawyer or law firm, or indirectly by hiring a service provider (i.e., an accounting firm) that cooperates with a lawyer/law firm. If the applicant doesn't already have a particular lawyer or law office or service provider in mind, a good way to go about it is to use his network to obtain references or recommendations. Another way is to do web-based research. Yet another way is to visit the website of the Cyprus Bar Association (CBA)² which contains a complete list of lawyers and provides contact details. The CBA, individual lawyers, law firms, or service providers will be happy to receive your phone call or email and provide any explanations/information or respond to any inquiries you may have. Contacting a few different lawyers, law firms, and service providers and inquiring about the total cost of the specific services required could assist an applicant to obtain a better price, as the fees charged by different firms can vary.

2. Approval of Company Name

The first task that has to be performed is the submission of an application to have a proposed company name approved by the Registrar. This can be undertaken either directly by the applicant himself, or indirectly through his lawyer or service provider.

2.1. **Direct Application:** The applicant should first go to the website of the Registrar where he can search whether or not the company name he is contemplating already belongs to another company. Then he should fill a name application form³ that is available at the websites of both the Registrar⁴ and the

² <http://www.cyprusbarassociation.org>

³ [http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/All/A2E29870C32D7F17C2257857002E18C9/\\$file/Applicati on%20for%20approval-change%20of%20name.pdf](http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/All/A2E29870C32D7F17C2257857002E18C9/$file/Applicati on%20for%20approval-change%20of%20name.pdf)

Point of Single Contact⁵. This form must be submitted to the Registrar or the PSC by hand or post together with payment of the relevant fees, although online submission is possible if the applicant maintains an account with the Registrar containing a minimum credit balance of EUR800. In practice, this means that submitting documents and paying online is usually an option only for lawyers and service providers as they are the ones most likely to maintain an account with the Registrar. It is noted that the process is expected to change soon to a fully electronic one, making it possible for any applicant to submit a name application and pay the relevant fee fully online by credit card. Once submission and payment is effected, the applicant can follow the processing of his application from the Registrar’s website and obtain the result of his application online⁶.

2.2. Application via Lawyer or Service Provider: The lawyer or service provider that the applicant has hired requests some information from the latter so as to fill the name application form (i.e., proposed company name, scope of business, applicant’s contact details, etc). After confirming from the Registrar’s website that the proposed name doesn’t already exist, he fills and submits the form online and pays electronically, as he usually maintains an account with the Registrar. In the same way as above, he follows the application and gets the result from the Registrar’s website.

“Shelf Names”: *It is noted that some lawyers or service providers typically maintain a number of “shelf names”, that is to say, company names already approved by the Registrar. These are offered to clients for whom speed is of the essence and are indifferent of the actual name of the company. This means that the applicant can have an approved company name in virtually no time. In any case, it is always possible to change a company name once the company is incorporated, although this may require some additional time and cost for a registered company.*

Time and Cost: Table 1 below provides information on the time it approximately takes to process a company name application submitted to the Registrar or the PSC, and the applicable fees.

Table 1: Time & Cost

TIME	With the accelerated procedure, the company name registration at the Registrar or the PSC takes approximately 2-5 working days. With the normal procedure, possible only through the Registrar, the duration is
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⁴ http://www.mcit.gov.cy/mcit/drcor/drcor.nsf/index_en/index_en?OpenDocument

⁵ <http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/All/A2E29870C32D7F17C2257857002E18C9?OpenDocument>

⁶ http://www.drcor.mcit.gov.cy/portal/page/portal/Eforos/dttNameSearch_en

	approximately 1 month.
COST	For the accelerated procedure, the Registrar or the PSC charge a fee of €25.63, while for the normal procedure the Registrar charges € 8.65.

3. Collecting required information/documentation, preparing and submitting necessary forms to the Registrar

This step follows the registration of the company name as described under (2) above, and requires the services of a lawyer licensed by the Cyprus Bar Association or a service provider cooperating with a lawyer.

Primarily, the lawyer or service provider will ask the client to provide an array of information that is essential for the processing of the registration application. The information the client is asked to provide usually consists of, inter alia, the following:

Table 2: Information Required

Information Usually Requested from the Applicant/Client
<ul style="list-style-type: none"> • A brief description of the main objects of the company, unless the standard Memorandum and Articles of Association are to be used. (Even though it is usual for law firms to use standard M&A for holding companies, some other lawyers may adopt Table A of the Company Law or may draft the M&A according to clients' instructions); • The amount of nominal share capital (i.e., €1000) and how it is divided (i.e., 1000 shares of €1 each). If the company to be incorporated is a public company there is a minimum share capital of €25.629. • The names, addresses, passport details of the proposed directors and secretary of the company; • The proposed registered address of the company; • Certified copies of the passports of the ultimate beneficial owners of the company; • Bank or other references on the good standing of the ultimate beneficial owners; • The chain of ownership behind the Cyprus Company up to and including the ultimate beneficial owners. • Any other information necessary to satisfy the requirements of the Know Your Client requirement "KYC" in order to comply with the Anti-Money Laundering Law and the guidelines issued by the CBA.

This information/documentation is essential for the lawyer or service provider in order to be able to correctly and fully fill the four forms that together make the

application package that will be submitted to the Registrar⁷. It is also used to enable the opening of a bank account in Cyprus, an option that the lawyer or service provider usually offers and which is often asked by clients. Table 3 below outlines the four forms:

Table 3: Registrar Forms

The Four Forms required by the Registrar of Companies
1. Declaration Form (HE1) ⁸
2. Declaration Form concerning the registered office address (HE2) ⁹
3. Form containing details on the Company Directors and Secretary (HE3) ¹⁰
4. Original Memorandum and Articles of Association which should be signed by the subscribers to the Memorandum.

The customer may choose to receive from his lawyer or service provider only a “basic registration service”, or he can decide to add additional services at additional cost. These optional additional services often are, inter alia,

- The Regulated Firm or its Employees appointed as Directors;
- The Regulated Firm or its Employees appointed as Trustees or Nominee Shareholders;
- Using the lawyer’s or service provider’s address as the company’s registered address
- The Regulated Firm or its Employees appointed as Company Secretary;
- Opening of a bank account with a bank in Cyprus or elsewhere.

It is noted that it is very often the case that applicants opt to receive all or nearly all of the above services as that is the most suitable arrangement for the type of companies they wish to establish and operate. Considering that in order to benefit from Cyprus’ low corporate tax rate (10%) a company must be a tax resident of Cyprus, it needs to demonstrate that its “management and control” is effected in Cyprus. The latter requirement is generally satisfied if the majority of the individuals who make up the board of directors are Cyprus residents and board meetings take place in Cyprus. It thus follows that appointing Cyprus resident company directors or secretary is often a sine qua non.

⁷ In the case of a public instead of private company, a fifth form must be filled (Form HE5), as well as certain other forms.

⁸ [http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/All/A2E29870C32D7F17C2257857002E18C9/\\$file/Declaration%20Form-HE1.pdf](http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/All/A2E29870C32D7F17C2257857002E18C9/$file/Declaration%20Form-HE1.pdf)

⁹ [http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/All/A2E29870C32D7F17C2257857002E18C9/\\$file/Form%20concerning%20the%20registered%20office%20address%20HE2.pdf](http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/All/A2E29870C32D7F17C2257857002E18C9/$file/Form%20concerning%20the%20registered%20office%20address%20HE2.pdf)

¹⁰ [http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/All/A2E29870C32D7F17C2257857002E18C9/\\$file/Form%20concerning%20the%20registered%20office%20address%20HE2.pdf](http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/All/A2E29870C32D7F17C2257857002E18C9/$file/Form%20concerning%20the%20registered%20office%20address%20HE2.pdf)

Once the applicant provides the lawyer or service provider with all the necessary information/documentation that the latter has requested in order to provide the specific services desired by the former, the forms are filled and the application package is ready for submission to the Registrar. The lawyer or service provider arranges for the physical delivery of the application package to the Registrar and the payment of all the applicable Registrar fees upon submission.

Table 4: Time and Cost

TIME	This refers to the duration of the process from the point where the lawyer or service provider requests the client to provide all the documents necessary, to the point where the application package is complete and ready for submission. This can vary considerably, and this is because it depends almost entirely on the time it will take the client to find, prepare, and send to the lawyer or service provider all the information and documentation needed. Once the latter receives everything, not more than two days maximum should be needed to submission of the application package to the Registrar.
COST	Various fees apply to company registrations that must be paid to the Registrar of Companies. Given that it is the lawyer or service provider that deals with the Registrar by submitting documents and paying the applicable fees, the client will incur these fees indirectly as part of the overall bill that the lawyer or service provider will quote to him. This bill will consist of money paid by the lawyer to 3 rd parties (i.e., the registrar) as well as his fee for the services. The Registrar fees are the following ¹¹ : <ul style="list-style-type: none"> • Subscription fee of €102,52, plus subscription tax of 0,6% of nominal share capital; • Accelerated Registration procedure fee of €85,43 (optional) • Fees of €51,27 for submitting HE1, HE2 and HE3 forms; • Fees for other optional services such as translated documents, etc.

Shelf Companies – The fast track way to company ownership: We have so far seen that there are various steps to company formation, and these take time – having a company name approved, obtaining/producing all the information/documentation needed & preparing forms, processing times at the Registrar (explored below), etc. There are many cases where a client wants to have a Cyprus company up and running at virtually no time. This is the need that “shelf” companies intend to address. They are companies that Cypriot legal firms or service providers have registered and they keep “on the shelf” to sell to interested client.

¹¹ For a complete list of Registrar fees, see [http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/All/A2E29870C32D7F17C2257857002E18C9/\\$file/Fees%20Regulations.pdf](http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/All/A2E29870C32D7F17C2257857002E18C9/$file/Fees%20Regulations.pdf)

These companies usually feature employees of the firm as directors and shareholders, and the company secretary and registered address is that of the firm.

It is often the case that the client needs urgently to enter into various transactions abroad. In this respect, a shelf company is acquired and if so needed, a document granting Power of Attorney to the client is prepared and sent to him together with the company registration documents (all apostil) by courier. This suffices to enable the client at virtually no time, to have a Cyprus registered company on behalf of which he has full capacity and authority to deal.

Simultaneously, or at a later time, changes to the company's particulars, such as directors or shareholders, can be effected by the submission to the Registrar of the HE4 and HE57 forms. It is often the case that the client only wants to be a beneficial rather than legal/registered owner, which does not need the involvement of the Registrar but only a written declaration or trust between the nominee shareholder and the beneficial owner, rendering the former a trustee and the latter a beneficiary.

4. Application Processing and Approval by the Registrar of Companies

Once the application package has been submitted to the Registrar and the applicable fees have been paid to it, a process is set in motion, which in the absence of any problems results in the issuance of the Registration certificate. More precisely, the steps are the following:

- I. First, a desk officer at the Registrar uses the four paper forms submitted to enter the data contained there in an electronic system. (It is noted that this is expected to change in the near future: lawyers or service providers will be able to fill and submit the forms online through the Registrar's website and pay the Registrar fees by credit card. This will eliminate the desk officer's work)
- II. An Examiner will examine the data to ensure accuracy and completeness. If errors or omissions are detected, then the application cannot proceed until all shortcomings are addressed.
- III. If the application successfully passes step II, the company is issued a Certificate of Incorporation which indicates the Company name, *Registration Number and date of incorporation*, thus bringing the company into existence as a legal person.
- IV. The Registrar will then prepare the company dossier, containing at least the Registration Certificate (documents relating to Memorandum & Articles,

ownership, directorship, secretary, registered office). Optionally (and for additional fees), it can also contain any number of certified copies of some or all of these documents, or the Registration Certificate in English.

- V. The Registrar then gives the certificates to the applicant or places the certificates in the lawyers’ or service provider’s tray kept at the Registrar, or sends them to a physical address, depending on the applicant’s preference.

The lawyer or service provider will then arrange with his client the sending of the dossier (together with anything additional that the latter may request, i.e., certified English translation of certain documents) to the client and the payment of any remaining sums due to the lawyer or service provider for his services.

Table 5: Time and Cost

TIME	The typical duration of the process from step I to V is approximately 2-5 working days, provided normal workload and no errors or omission in the forms submitted by the applicant.
COST	Table 4 above already described the fees charged by the Registrar. It was explained that these will be paid by the client’s lawyer or service provider, who will then add them to his own fees and ask the total from the client.

5. Post-Registration Issues

Other Registration Requirements

All companies must Register with the Inland Revenue Department and obtain a tax identification number. They may also need to register for VAT, as well as with the employers’ register of the social insurance services. Even if having to register for all three elements above, the process should take approximately 1-2 working days, provided that the applicant submits the necessary information and documentation without errors or omissions. More information can be obtained here: <http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/All/94BE8C72E9984175C22576C6002D2BE2?OpenDocument>

Retainer Services

Once a client’s company is registered, lawyers or service providers can offer a variety of additional services relating to the maintenance and administration of the new entity. These include the opening and maintaining the company’s bank account, legal administration, such as convening board meetings and drafting minutes, preparing and sending annual returns and other documents to the Registrar, and even accounting and auditing services (a lawyer offering the latter would do so by liaising with audit and accountancy firms). The client can choose

and configure the retainer services that meet his needs and agree the fee with his lawyer or service provider.

Redress

In case of dispute between the client and the Regulated Firm, the parties may try to settle their dispute through the intermediation of the Cyprus Bar Association. This route is optional and does not in any way prejudice the rights of either party to instigate litigation. In case of a dispute with the Registrar concerning the registration application, the client can only challenge a decision of the Registrar in court.

Switching Lawyers or Service Provider

A client may wish to change his lawyer or service provider for a variety of reasons, such as to obtain a better price. The best way to do this is to find a new lawyer or service provider and provide him with all the necessary information and documentation in order to effect the switching. In order for a new lawyer or service provider to be appointed, the existing lawyer's fees must be settled otherwise the new lawyer cannot take over the work as this is against CBA regulations. Once the existing lawyer's fees have been settled, the new lawyer or service provider will collaborate with the existing lawyer so that the latter will resign from all positions he holds (i.e., Director, shareholder, etc) and the former will move in and assume these posts. This will be done by submitting new forms to the Registrar. The new lawyer or service provider should ensure that all the paperwork relating to the company is fully handed over to him by the former lawyer.

- ❖ **NOTE:** The time and cost are referred to the preparation period of this document.

- ❖ **DISCLAIMER:** The information available on this document is intended as a guide only and every reasonable effort shall be made to ensure the accuracy and the timeliness of the information. In no circumstances shall CIPA be legally bound by any information contained in this document, and shall accept no liability whatsoever in respect of loss caused by reliance on such information.