



## *Brochure 2013 - China*

## **Cyprus:**

**One of the most popular jurisdictions to conduct business from**

**Cyprus is one of the most favoured jurisdictions for international tax planning offering invaluable tools to reduce or even eliminate the total tax burden of the company structure.**



## **Cyprus:**

### **General tax advantages :**

- **The lowest tax regime in Europe**
- **12.5% corporation tax on net profits**
- **Dividend income received from abroad is tax exempt**
- **Profits earned from a permanent establishment abroad are exempt from corporation tax**
- **Profit from the disposal of shares and other securities is tax exempt**
- **Interest received not arising from the ordinary activities of the company is exempt from corporation tax**
- **No tax withheld on payment of dividends and interest to non-resident individuals or companies**
- **Tax losses can be carried forward for up to 5 years to be set-off against future profits**
- **Losses from a company can be set off against profits of other companies in the same group during the same financial year**
- **Group reorganizations are possible without any tax implications**
- **Over 40 double tax treaties**

## **Cyprus:**

### **General non tax advantages :**

- **A prestigious low tax jurisdiction**
- **The possibility to combine with companies based in Tax Havens to optimize tax reduction**
- **Confidentiality and anonymity of beneficial owners**
- **No exchange control restrictions**
- **Easy migration of legal entities into and out of Cyprus from and to other jurisdictions**
- **Excellent infrastructure, banking and legal systems**
- **Access to EU directives**
- **Work permits granted for staff of Cyprus companies with foreign shareholders**
- **Residence permits and/or citizenship is granted to investors under certain conditions**

## **Cyprus and China:**

### **Double Tax Treaty:**

**The most significant provisions are:**

- **Withholding tax rate (WHT) on dividends: 10%**
- **Withholding tax rate (WHT) on interest: 10%**
- **Withholding tax rate (WHT) on royalties: 10%**

## **China:**

### **Tax Facts:**

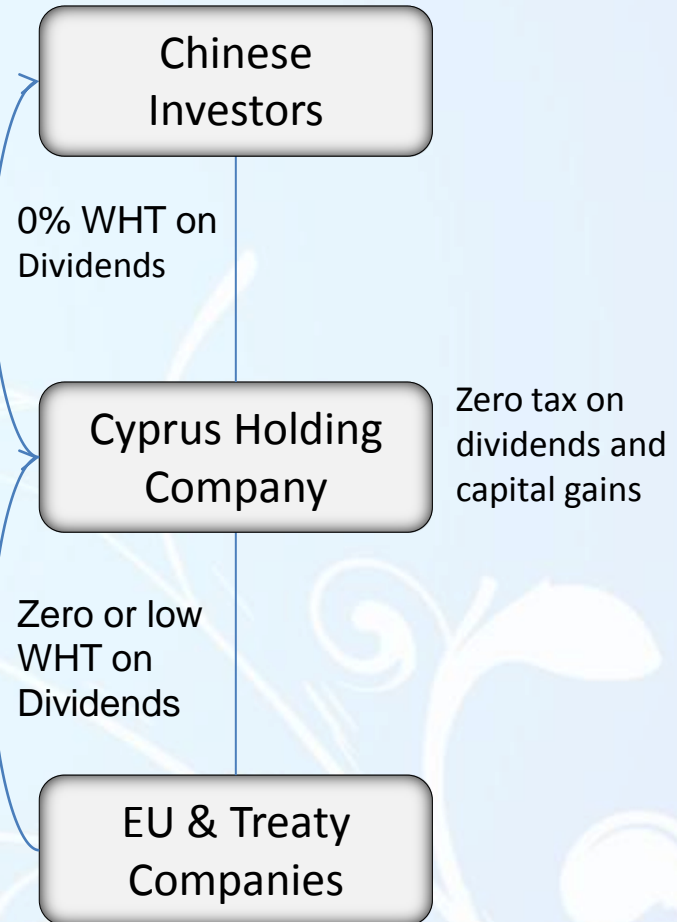
- **Corporation Tax Rate:**
  - **Standard rate: 25%**
  - **Reduced rates ranging from 10%-20% can apply subject to certain conditions**
  - **Tax incentives apply in certain cases**
- **Capital Gains:**
  - **In general this is treated as regular income subject to 25% Corporation Tax**
  - **Capital gains of foreign companies from the sale of Chinese interests are subject to a final withholding tax of 10% instead of 25% (unless it is further reduced by a double tax treaty)**
- **WHT on Dividends, Interest and Royalties: 10%**



## Popular Company Structures:

### Holding Structure

- Low or even zero Tax Withheld (WHT) on Dividends paid to the Cyprus Holding Company due to access to EU directives and/ or treaty protection
- No taxation on capital gains from selling the shares of the EU & Treaty companies (some exceptions may apply for property rich companies)
- No taxation in Cyprus on income from dividends and trading
- 0% Tax Withheld (WHT) on dividends paid from Cyprus to the Chinese Investors
- In the case of an EU based foreign subsidiary companies, this structure can provide a tax free exit of dividends from the EU

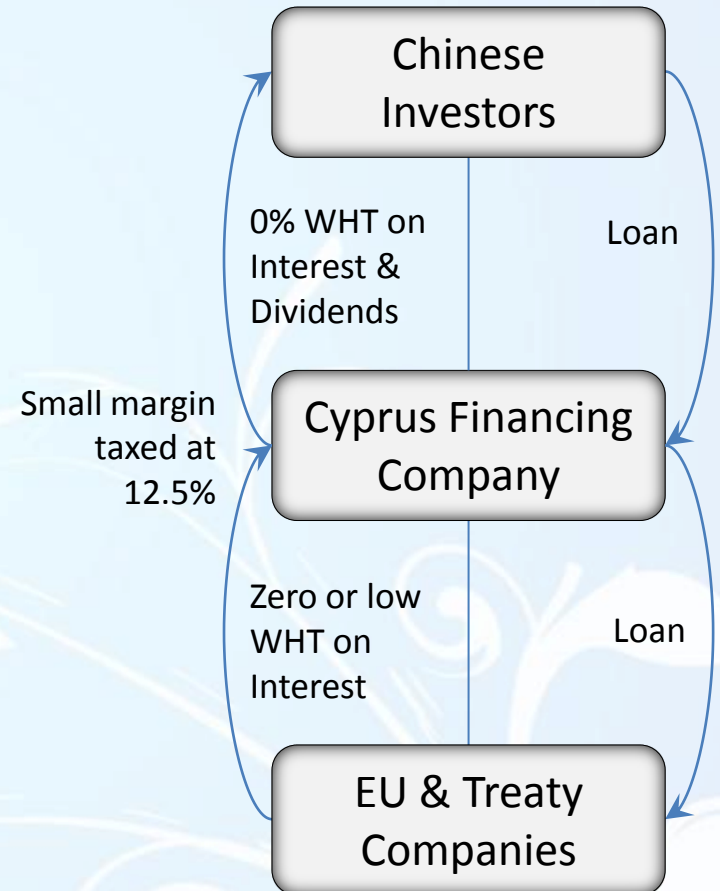


## Popular Company Structures:

### Financing Structure (Back to Back Loan)

#### Benefits:

- Interest deduction at the level of the EU & Treaty Companies, therefore, decreasing the profits there (restrictions might apply)
- Zero or low tax withheld (WHT) in the EU and in the other treaty states on interest paid to the Cyprus Company. This tax withheld qualifies for tax credits in Cyprus
- Interest deduction at the level of the Cyprus Financing Company with a margin that can be as low as 0.125%-0.35%
- Net profits at the level of the Cyprus Financing Company will be subject to 12.5% corporation tax after deducting expenses. The tax credits obtained for the 5% WHT paid in EU and in other treaty states can be used to offset the tax burden in Cyprus
- No tax withheld on interest and dividend payments from Cyprus



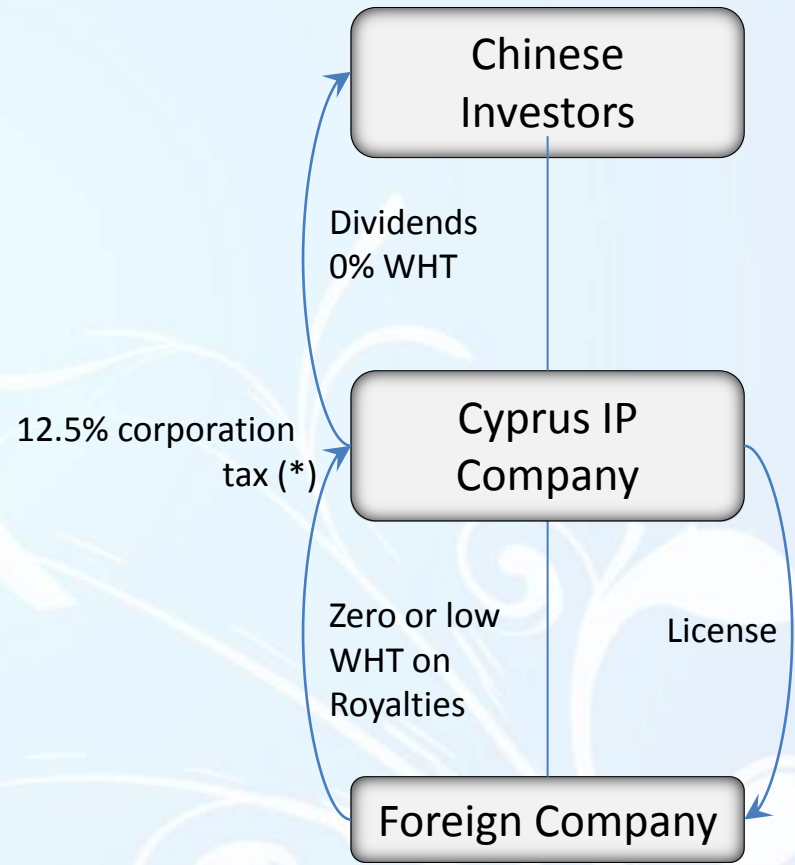


## Popular Company Structures:

### Intellectual Property Structure

#### Benefits:

- Tax deductibility of royalty payments in the foreign state (exceptions might apply)
  - 80% of the gains on the disposal of IP rights in Cyprus are tax exempt.
  - No tax withheld (WHT) in Cyprus on dividends paid to the Chinese Investor
- (\* ) The 12.5% corporation tax is imposed on the net profits of the Cyprus company after tax allowable expenses and foreign tax credits. Under the new Cyprus Law regarding Intellectual Property 80% of IP income is tax free, therefore, only the 20% of the IP considered to be taxable income, provided that the Cyprus company is the owner of the IP rights. Additionally, the cost of purchase of the IP is treated as an expense over a 5 year period.

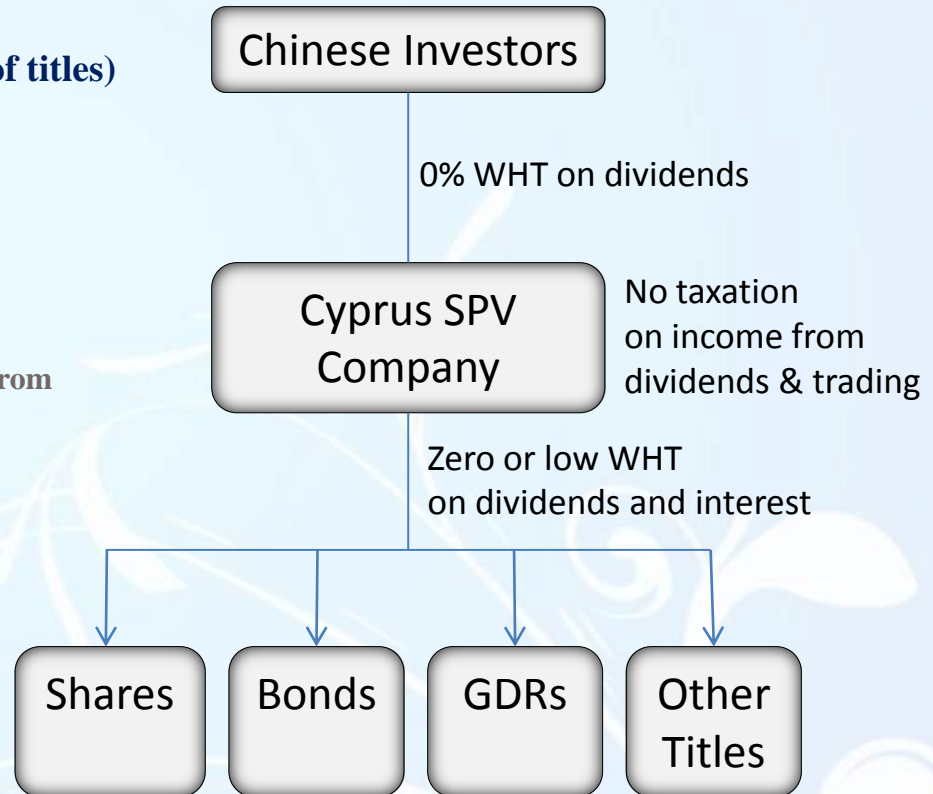


## Popular Company Structures:

### Cyprus Special Purpose Vehicle Company (for trading of titles)

#### Benefits:

- Zero or low tax withheld on dividends and interest paid to the Cyprus Company
- No taxation in Cyprus on dividend income and on profits from trading and capital gains
- No taxation in Cyprus on interest received not arising from the ordinary activities of the company
- Interest received in Cyprus arising from the ordinary activities of the company will be subject to 12.5% corporation tax after tax allowable expenses and foreign tax credits
- No tax withheld (WHT) in Cyprus on capital gains & dividends paid to the Chinese Investors

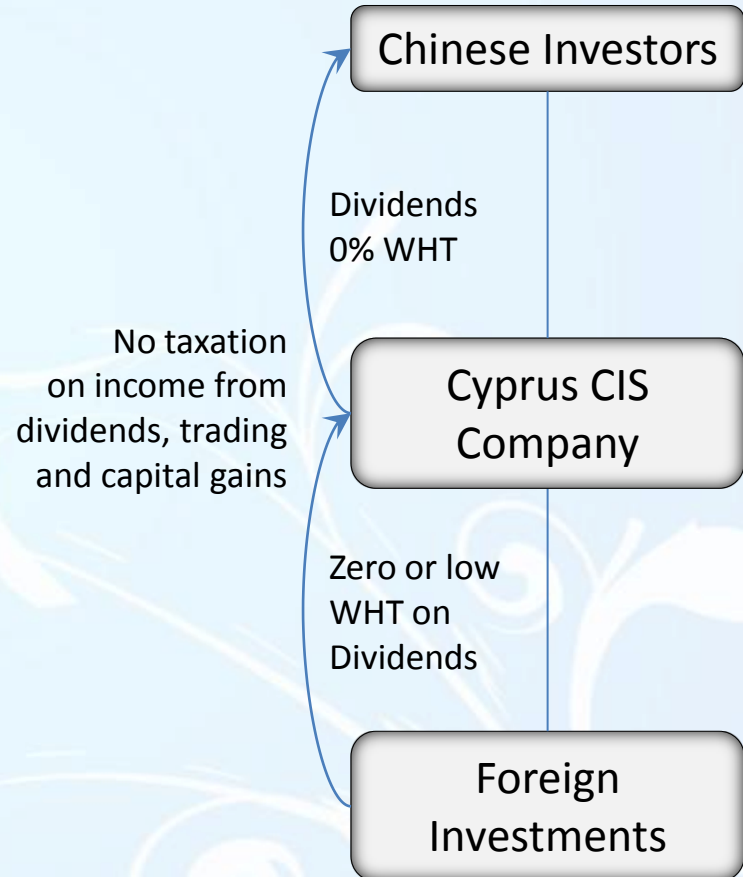


## Popular Company Structures:

### Collective Investment Schemes (Private Funds)

#### Benefits:

- Zero or low WHT on dividends paid to the Cyprus Company
- No taxation in Cyprus capital gains from selling the Foreign Investments
- No taxation in Cyprus on dividend and trading income
- No tax withheld (WHT) in Cyprus for dividends paid to the Chinese Investors

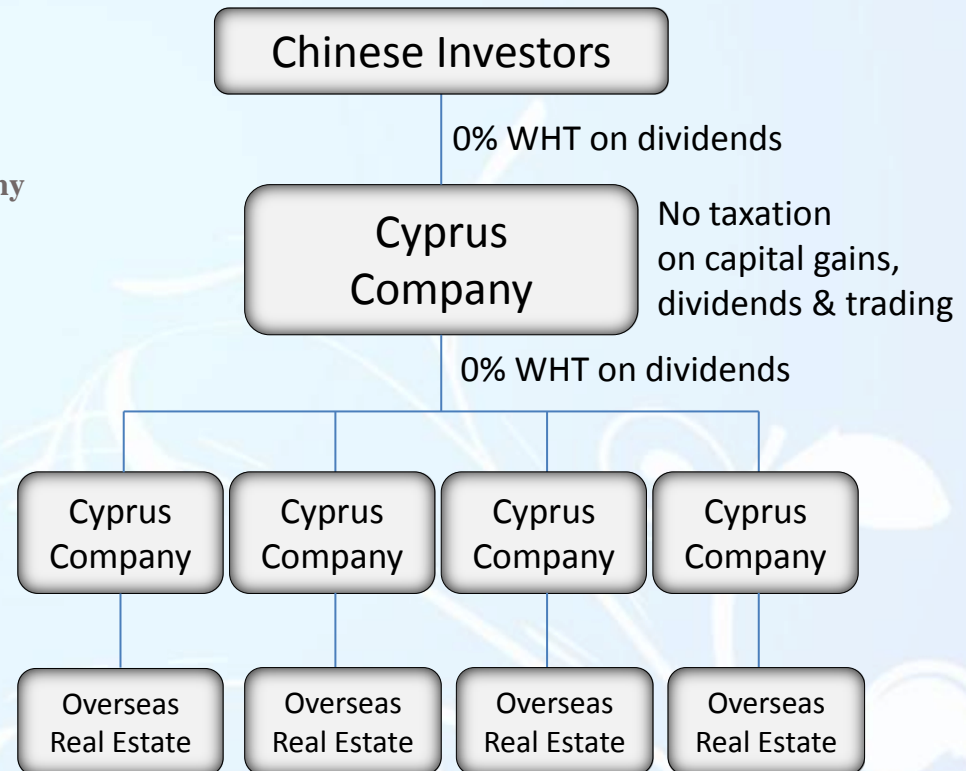


## Popular Company Structures:

### Real Estate Structures (1)

#### Benefits:

- **0% WHT on dividends paid to the Cyprus parent company**
- **No taxation in Cyprus on capital gains from selling the shares of the Cyprus subsidiary companies**
- **No taxation in Cyprus on dividend and trading income**
- **No tax withheld (WHT) in Cyprus for dividends paid to the Chinese Investors**

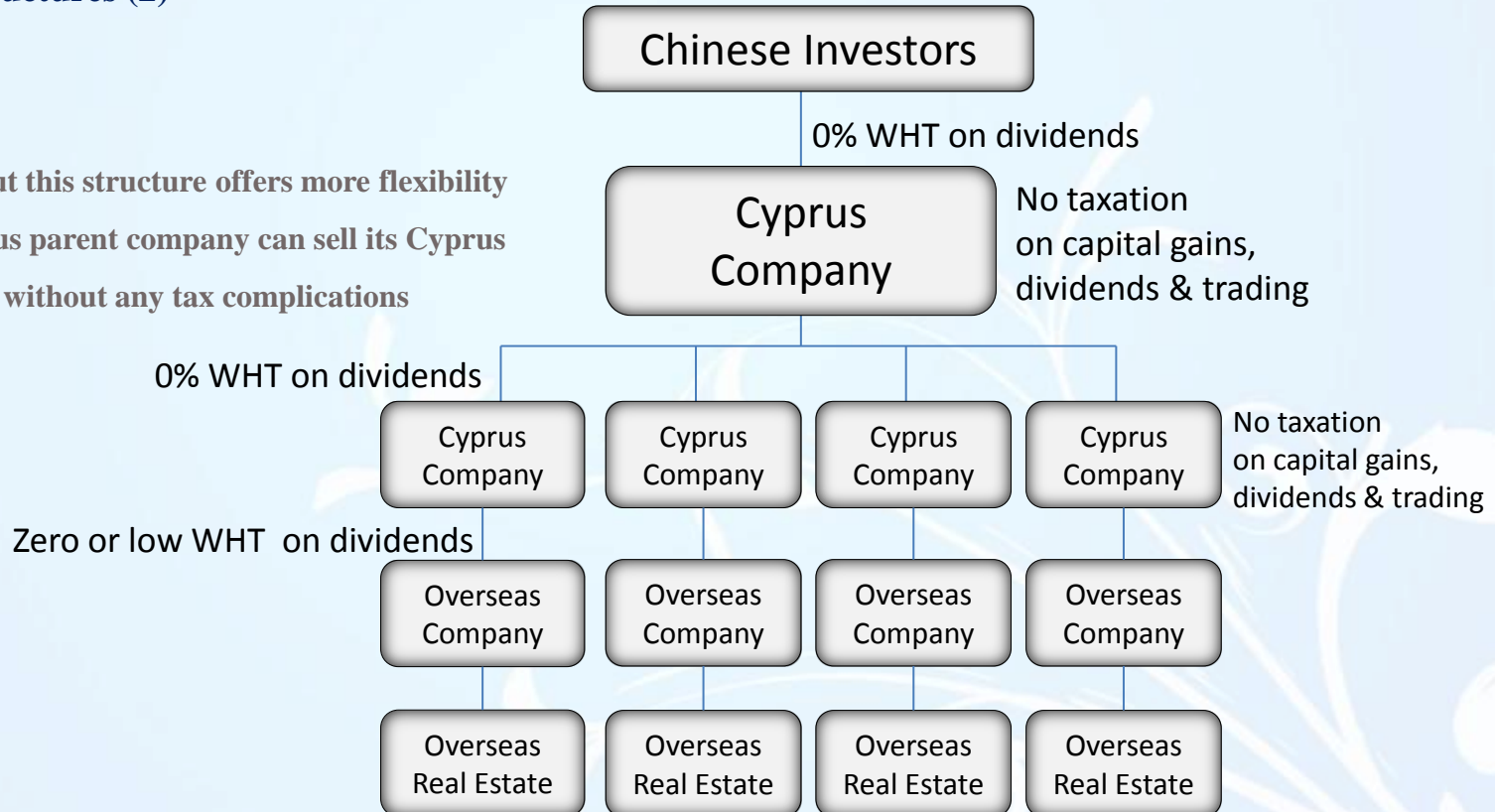


## Popular Company Structures:

### Real Estate Structures (2)

#### Benefits:

- As before but this structure offers more flexibility as the Cyprus parent company can sell its Cyprus subsidiaries without any tax complications



Please note that this is a generalized example which is valid under certain circumstances. For a free initial international tax planning consultation please contact us.

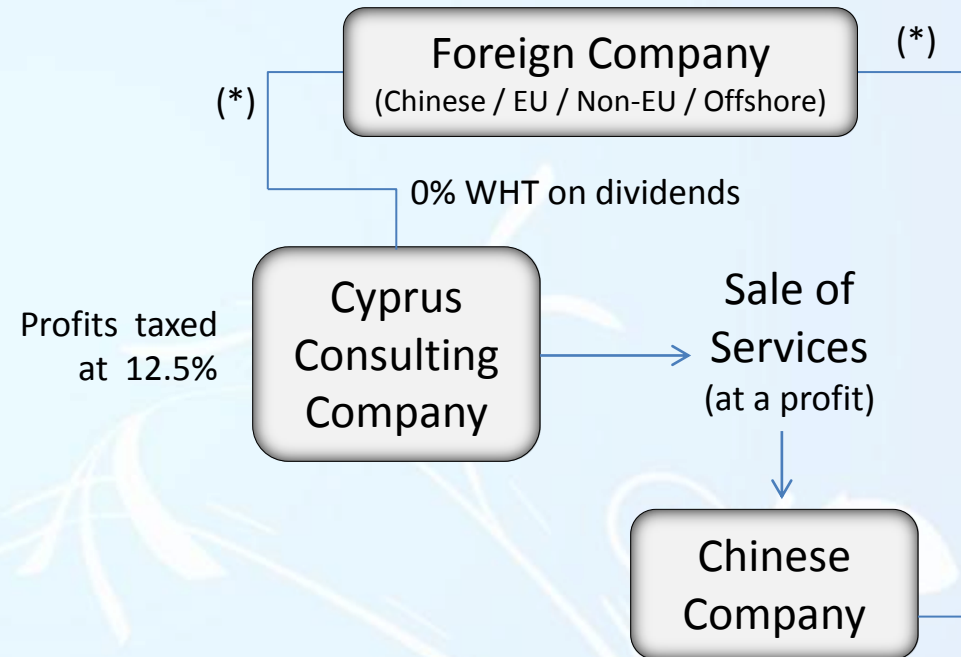
## Popular Company Structures:

### Consulting Company

#### Benefits:

- The net profit, and therefore the tax burden, of the Chinese Company is decreased as it purchases services from the Cyprus consulting company
- Part of the total profit of the Chinese company is transferred to the Cyprus Company which benefits from low Corporation Tax (12.5%)
- No tax withheld (WHT) in Cyprus for dividends paid to the foreign company

(\*) Also applies if the Chinese and the Cyprus companies do not belong to the same Foreign Company of Investor





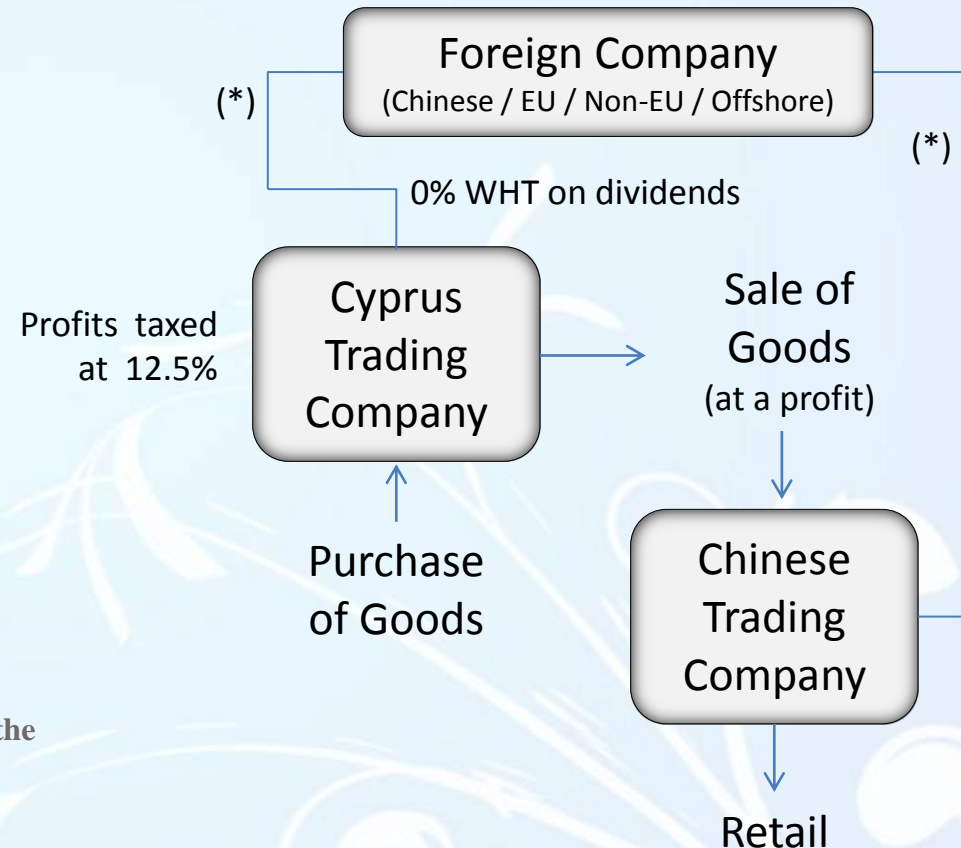
## Popular Company Structures:

### Triangular Trading (Imports)

#### Benefits:

- The net profit, and therefore the tax burden, of the Chinese Trading Company is decreased as it purchases goods from the Cyprus company at increased prices
- Part of the total profit of the Chinese company is transferred to the Cyprus Company which benefits from low Corporation Tax (12.5%)
- No tax withheld (WHT) in Cyprus for dividends paid to the foreign company

(\* Also applies if the Chinese and the Cyprus companies do not belong to the same Foreign Company of Investor



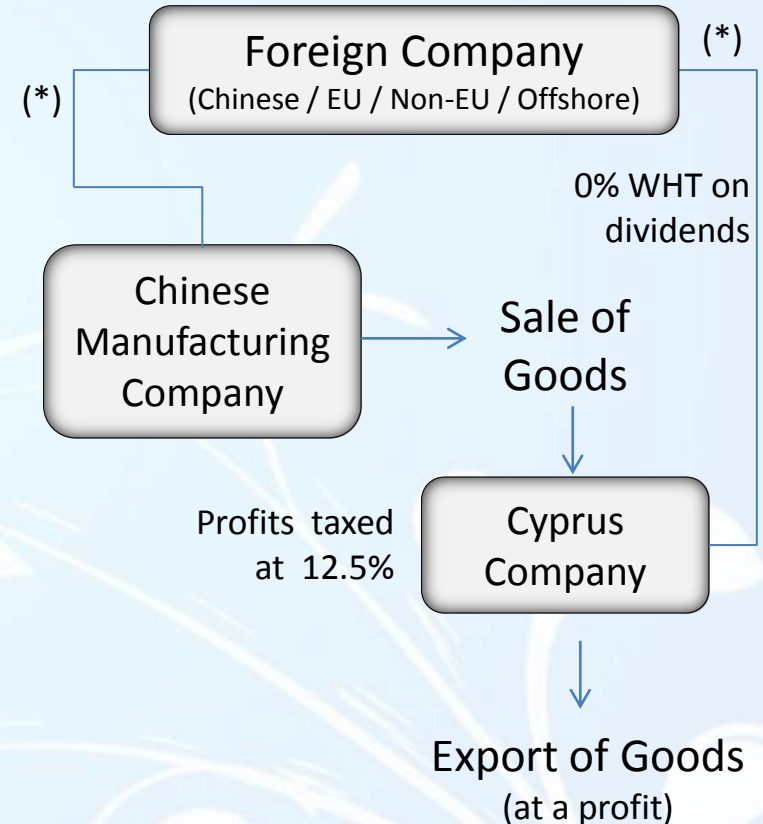
## Popular Company Structures:

### Triangular Trading (Exports)

#### Benefits:

- The net profit, and therefore the tax burden, of the Chinese Manufacturing Company is decreased as it sells goods to the Cyprus company at reduced prices
- Part of the total profit of the Chinese Company is transferred to the Cyprus Company which benefits from low Corporation Tax (12.5%)
- No tax withheld (WHT) in Cyprus for dividends paid to the foreign company

(\* Also applies if the Chinese and the Cyprus companies do not belong to the same Foreign Company of Investor



## About Us

With decades of collective experience in the corporate world our team can offer you a custom made personalized service catering to all of your needs.

We are fully committed to our clients and take pride in providing you with the best service, from understanding your requirements to planning, implementing and managing your solution. This is why in addition to our in-house team we utilize an extensive network of leading external consultants to provide you with the best expert advice on complicated matters.

Our highly skilled team consists of Business Consultants, Tax Experts, Lawyers, Accountants, Auditors, Bankers and Financial Advisors.

### Our services:

- **Company Incorporation in Cyprus and other jurisdictions such as BVI and Bahamas**
- **International tax planning**
- **Domiciliation and fiduciary services (including provision of Directors, Secretary, Nominee Shareholders and Company Address)**
- **Company administration and management services**
- **Trustee and nominee services**
- **Virtual and serviced office facilities**
- **Accounting and auditing services**
- **Legal services**

