

# *Korpus Prava*

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LAW & TAX

Real Substance in Cyprus



## Real Substance in Cyprus

The doctrine of the superiority of economic substance over legal form has been widely accepted by OECD and, in recent decades, has incorporated formalized criteria as established by national regulations, having affected many aspects in the lives of taxpayers.

The doctrine has become particularly important for groups of companies with complex corporate structures and those companies which vigorously apply the treaty on avoidance of double taxation. With respect to corporate structuring, the doctrine of superiority of substance over form has been transformed into an independent concept known as Real Substance.

### Concept of Real Substance

The main concept behind Real Substance is that any company wishing to confirm its tax residency and its entitlement to facilitate benefits provided by the treaty on avoidance of double taxation, shall prove that it actually conducts business, whereas the transactions executed by the company have real economic substance.

This concept, under the influence of OECD and EU has been reflected in the laws of many jurisdictions. Such regulations are also currently incorporated in.

In order to confirm tax residency and the right of enforcement of tax treaties, the company may, having proven that it actually operates in Cyprus and conducts real economic activity:

### Real Presence + Real Economic Activity = Real Substance

#### Real Presence

- Availability of an office in Cyprus with specific features of a real business
- Board of Directors meetings, and the signing of company documents occur in Cyprus
- Appointment of a professional director — a tax resident of Cyprus
- Maintain all documents at the company office in Cyprus (contracts, invoices, etc.)
- Maintain the company's accounts in Cyprus

#### Real Economic Activity

- Relevant assets
- Available powers
- Performed functions
- Accepted risks

### Real Presence

In addition to registration and administration services for companies in Cyprus, Korpus Prava is equipped to provide services for arranging real presence and support for a company's business in Cyprus.

## Real Office arrangement service\* includes:

- Lease of office and conclusion of lease contract
- Conclusion of contracts with utility services
- Procurement of internet provider and internet connection
- Furnishing the workspace (computer, phone, fax, desk, chair)
- Setting up and connecting equipment
- Procurement of a professional director and signing a contract with the director
- Registration of the company and other employees in compliance with social insurance requirements
- Procurement of an insurance agent, signing of director liability insurance contract
- Designing company website

Services	Fees
Single payment for arrangement of Real Presence	5 000 EUR
Annual fee for maintenance of Real Office	18 000 EUR / year

## Annual fee for maintenance of Real Office includes:

- Lease payments
- Salary of the professional director
- Taxes on the director's wages
- Subscription fee for internet and telephone line
- Professional liability insurance for director
- Employer's liability insurance
- Website maintenance

## Real Economic Activity

Korpus Prava performs its own tax and legal due diligence in Russia and Cyprus. Therefore, their specialists are ready to deliver advice and document control services that comply with the requirements of OECD, EU, the tax laws of Cyprus and the Russian Federation, and which reflect the requirements of the concept involving an actual income recipient.

Please feel free to contact us if you require any document control arrangements.

\* Services for arranging Real Presence are delivered to customers that have subscribed to the company's secretarial and accounting services.



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