

## ALTERNATIVE INVESTMENT FUNDS IN CYPRUS

Cyprus passed in July 2014 the Law on Alternative Investment Funds 131(I)/2014 (“AIF Law”) as a response to the regulatory developments on an EU level in the funds and asset management industry and achieved the strengthening of its funds regime. Cyprus offers a range of incentives to address and meet the needs of AIF investors and promoters from a legal, tax and regulatory perspective. Cyprus maintains a highly professional workforce to provide support to AIFs. The legal system is based on English common law and the legal, accounting and banking sectors are highly developed. Additionally, Cyprus has one of the lowest corporate income tax rates (in the EU 12,5%) while being compliant with the EU Directives and OECD requirements. Numerous other benefits are offered such as full exemption from tax on gains from trading in securities and a generous participation exemption regime on foreign dividends, in conjunction with numerous and significant options for international tax planning through an extensive Double Tax Treaty network.

The AIF Law provides for two types of Alternative Investment Funds (AIFs), namely AIFs without limitations as to the number of investors and AIFs with limited number of investors. This choice has several important advantages:

- No restrictions are imposed regarding the type of investment;
- The application process is simple and not particularly time-consuming;
- Subject to the approval of the Cyprus Securities and Exchange Commission (CySec), which is the competent regulatory and supervisory body, the AIFs can be self-managed;
- No withholding tax on dividend distributions and no taxation of capital gains;
- AIFs without limitations on the number of investors, can be listed on the Cyprus Stock Exchange or other EU stock exchanges;
- The services provided by the investment manager do not attract VAT.

\* The information provided is purely a courtesy guideline and should not be constituted as advise.

Please contact us for an updated profile.

\*See Table that follows below:

| AIFs with limited number of investors   | AIFs without limited number of investors  |
|---|---|
| It can be a fixed or variable capital company, or an investment limited partnership   | It can be a common fund, or a fixed or variable capital company, or an investment limited partnership |
| Number of investors limited to 75 and may only be marketed to “professional” and or “well-informed” investors                               | May be marketed to either “professional” or “well-informed” investors or “retail investors”           |
| May not be listed or traded but may be registered on a special registry kept by CySec   | May be listed or traded on a regulated marker or MTF  |
| It is not subject to any investment restrictions (may invest in any asset such as real estate, equities, derivatives in any combinations)   | May be subject to investment restrictions for the purpose of risk spreading and ensuring liquidity    |
| No minimum share capital requirements   | Subject to minimum capital requirements   |
| Can be self-managed (in the case of a company) or appoint a fund manager  | Can be self-managed (in the case of a company) or appoint a fund manager                              |
| If total assets of the fund are less than €5 million or the fund has up to 5 investors, then there is no requirement to appoint a custodian | The custodian can be in the EU or a third country   |

*How our consultants may assist*

- Incorporation of the right form of AIF to meet your requirements
- Preparation of the application form to be submitted to CySec
- Assisting with further queries that might arise from CySec
- Ongoing legal support both during the fund’s application process and operation
- Administration services (secretarial, compliance)
- Tax, Accounting and audit requirements

\*Specialist advise may be sought