



Brochure 2013 - Ukraine

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 Ukraine:

Double Tax Treaty (1):

The new treaty will, most likely, enter into effect on 1/1/2013 and its most significant provisions are:

- **Withholding tax rate (WHT) on dividends:**
 - **5% if the beneficial owner holds at least 20% (or has invested at least €100,000 in the acquisition) of the capital of the dividend paying company**
 - **15% in all other cases**
- **WHT on interest: 2%**
- **WHT on royalties:**
 - **5% for any copyright of scientific work, any patent, trade mark, secret formula, process or information concerning industrial, commercial or scientific experience**
 - **10% in all other cases**

Cyprus and Ukraine: Double Tax Treaty (2):

- **Disposal of Shares:**

The taxing of the capital gains arising from a disposal of shares or any other movable property is granted to the State in which the person making the disposal is tax resident

This is irrespective of the underlying assets of the company, therefore, it is also valid for property companies

Ukraine:

Tax Facts:

- **Corporate Tax Rate:**

- 2012: 21%

- 2013: 19%

- 2014: 16%

Certain type of companies, such as insurance and agriculture, are taxed differently

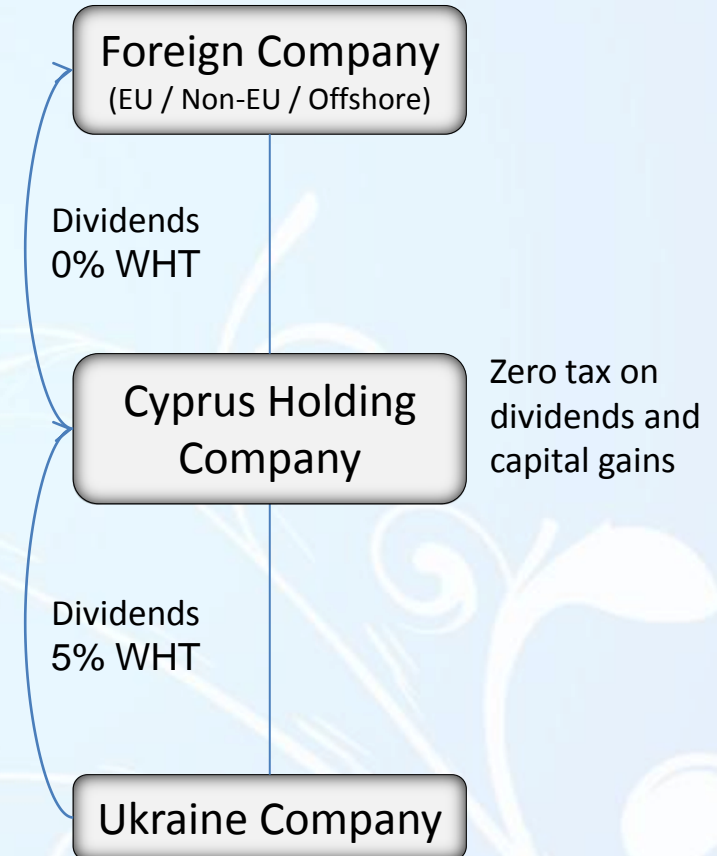
- **Advance Corporate Income Tax on Dividends: 21% (exceptions apply)**
- **Capital Gains: Treated as income and is subject to Corporate Income Tax rate**
- **Dividend income is Corporate Income Tax exempt unless derived from non-controlled (less than 20%) nonresidents or nonresidents with offshore status**
- **Personal Income Tax rate for dividends received is 5%**

Popular Company Structures:

Holding Structure

Benefits:

- 5% total tax withheld (WHT) on dividends
- Profits from selling the Ukrainian Company are tax exempt in Cyprus and in Ukraine

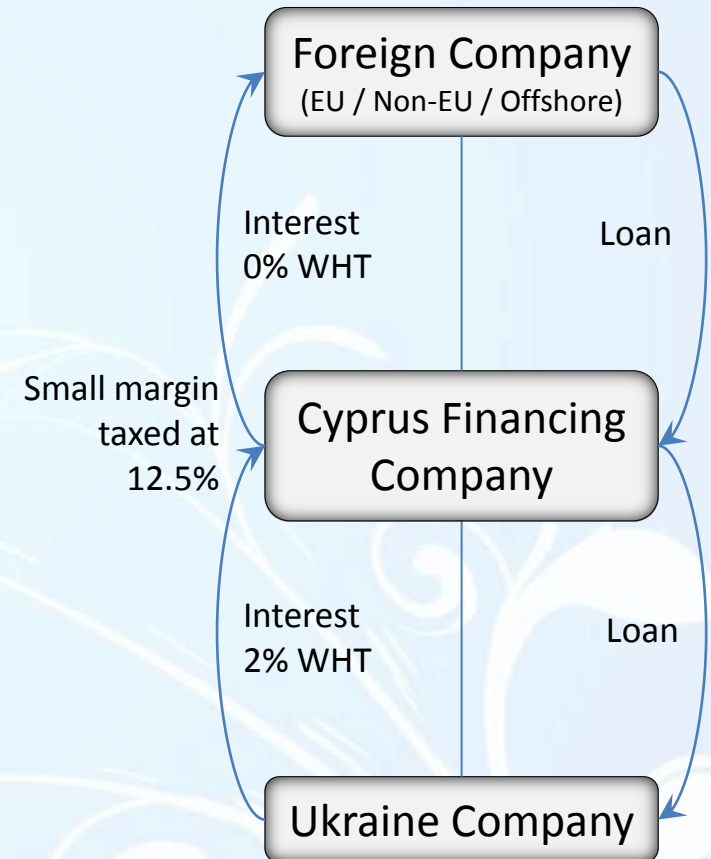


Popular Company Structures:

Financing Structure (Back to Back Loan)

Benefits:

- Interest deduction at the level of the Ukrainian Company, therefore, decreasing the profits in Ukraine
- 2% total tax withheld (WHT) on interest
- Interest deduction at the level of the Cyprus Financing Company with a margin that can be as low as 0.125%
- 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 2% WHT paid in Ukraine can be used to offset the tax burden in Cyprus

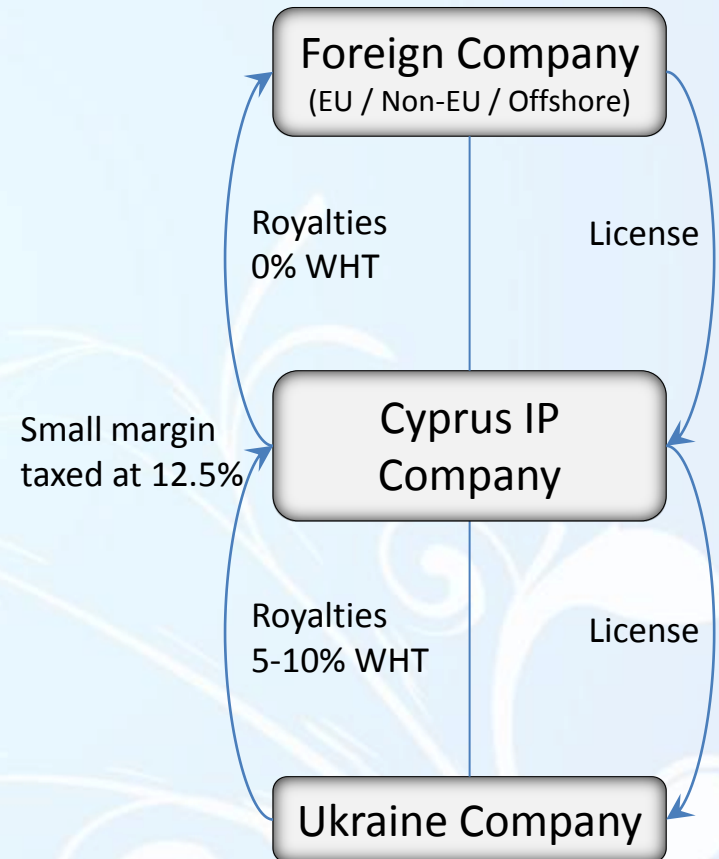


Popular Company Structures:

Intellectual Property Structure

Benefits:

- Tax deductibility of royalty payments in Ukraine (up to 4% of gross revenue for prior year) under certain conditions
- Under the new Cyprus Law regarding Intellectual Property 80% of such income is tax free, therefore, only the 20% of the IP income is subject to the 12.5% Cyprus corporation tax provided that the Cyprus company is the owner of the IP rights. In the example of the diagram this does not apply because the owner of the IP rights is the Foreign Company.
- The tax credits obtained for the WHT paid in Ukraine can be used to offset any tax burden in Cyprus

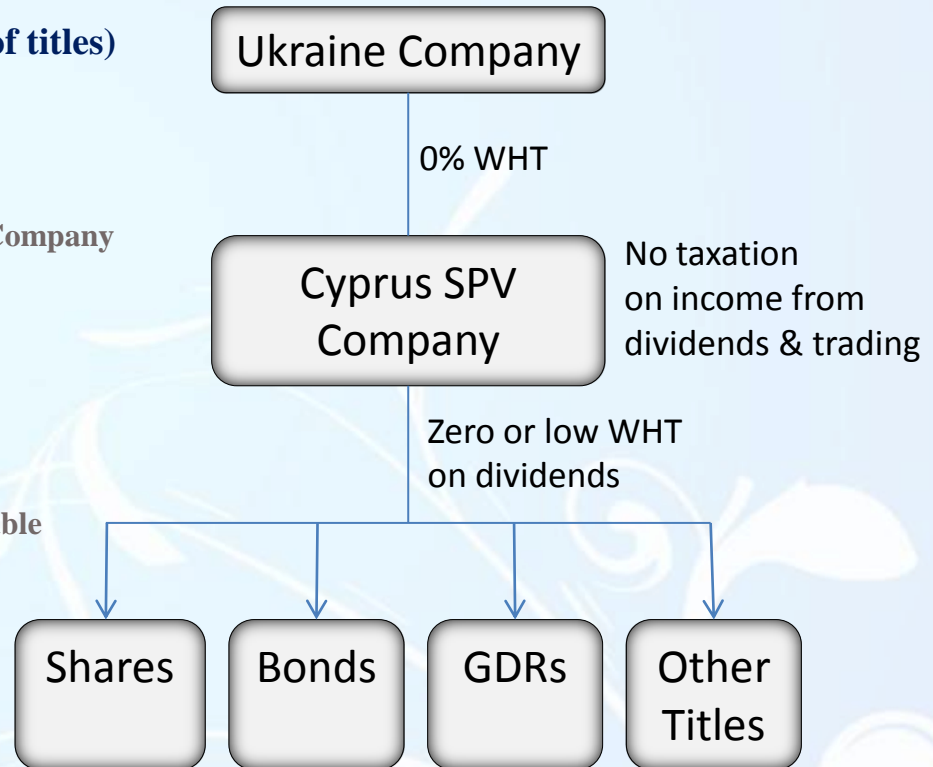


Popular Company Structures:

Cyprus Special Purpose Vehicle Company (for trading of titles)

Benefits:

- Zero or low tax withheld on dividends paid to the Cyprus Company
- No taxation in Cyprus on dividend income
- No taxation in Cyprus on profits from trading
- Interest income taxable in Cyprus at 12.5% after tax allowable expenses and foreign tax credits
- No tax withheld (WHT) in Cyprus for capital gains & dividends paid to the Ukrainian Company
- No taxation in Ukraine on dividend income



Popular Company Structures:

Collective Investment Schemes (Private Funds)

Benefits:

- 5% WHT on dividends paid to the Cyprus Company
- No taxation in Cyprus on dividend, trading and capital gains income
- Interest income taxable in Cyprus at 12.5% after tax allowable expenses and foreign tax credits
- No tax withheld (WHT) in Cyprus for dividends paid to the foreign investors

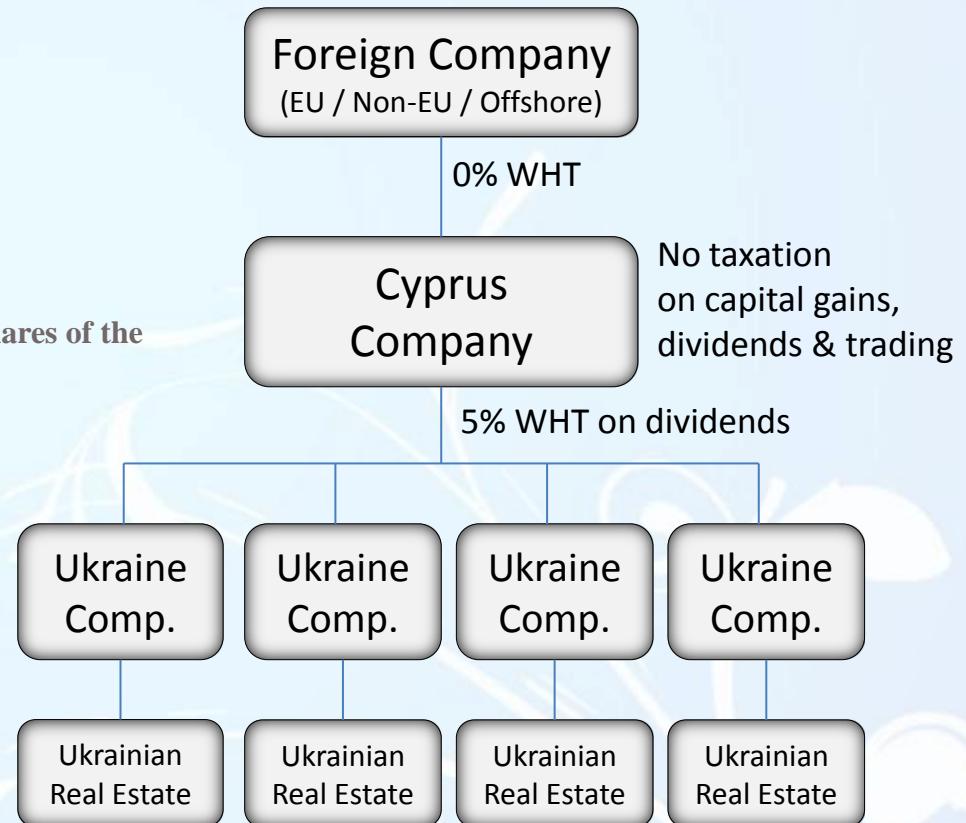


Popular Company Structures:

Real Estate Structures

Benefits:

- 5% WHT on dividends paid to the Cyprus Company
- No taxation in Cyprus on capital gains from selling the shares of the Ukrainian subsidiary companies
- No taxation in Cyprus on capital gains, dividend and trading income
- No tax withheld (WHT) in Cyprus for dividends paid to the foreign company

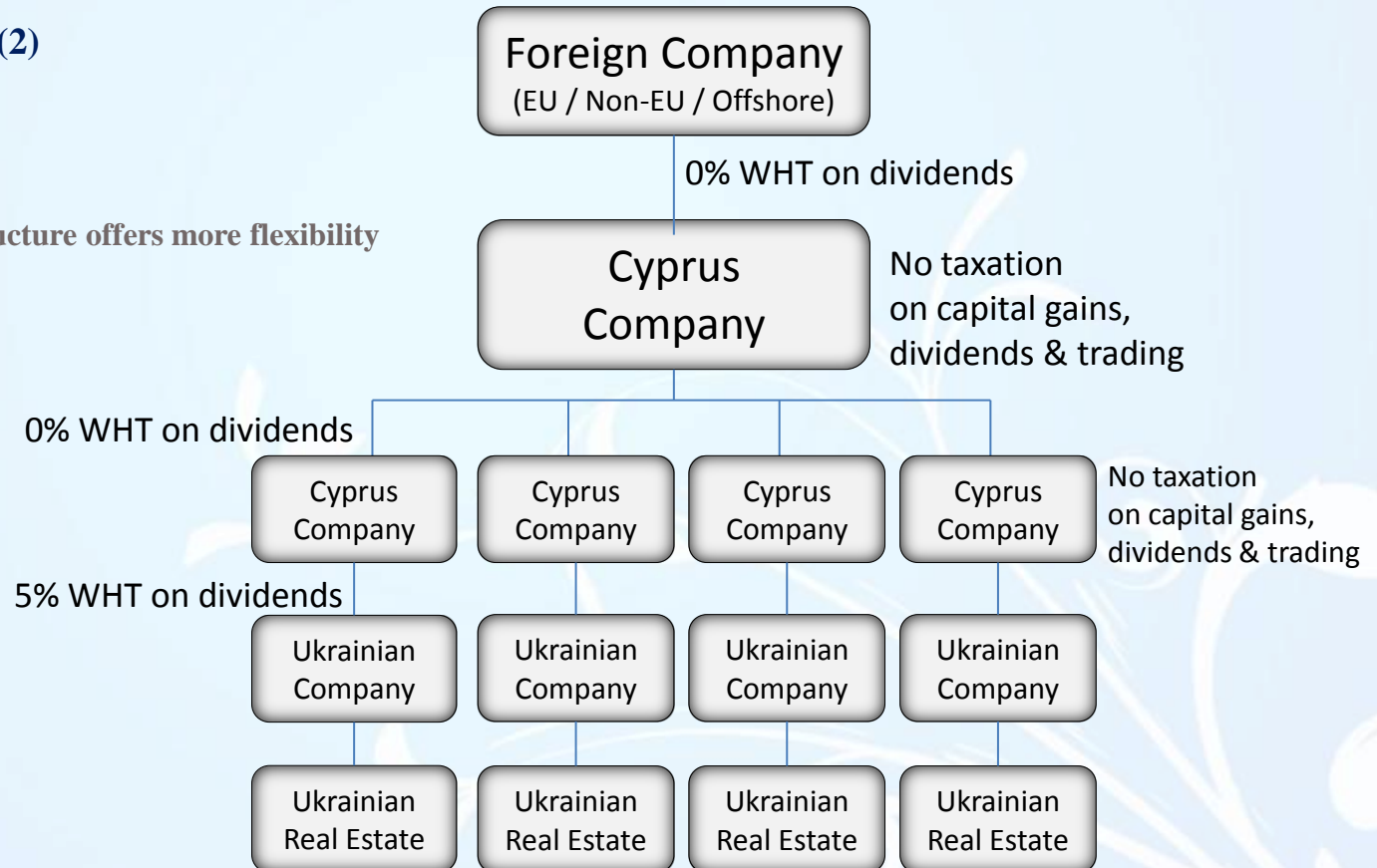


Popular Company Structures:

Real Estate Structures (2)

Benefits:

- As before but this structure offers more flexibility



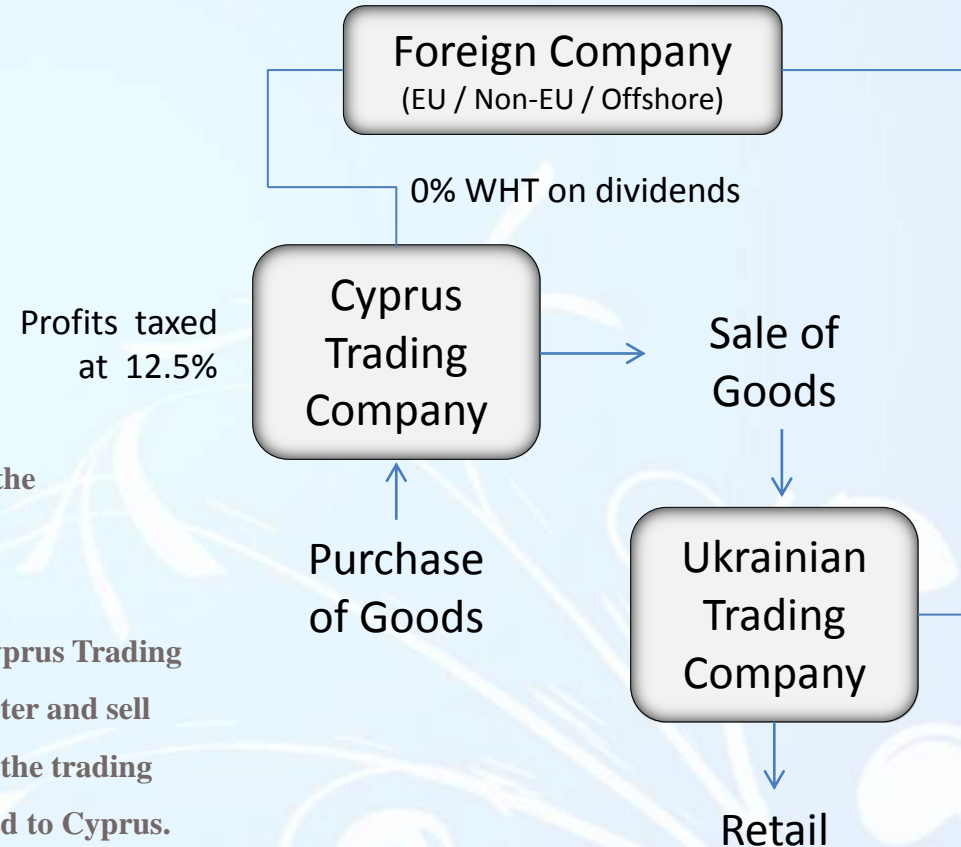
Please note that this is a generalized example which is valid under certain circumstances.
For a free initial international tax planning consultation please contact us.

Popular Company Structures:

Triangular Trading

Benefits:

- Part of the trading profit is transferred to the Cyprus Company which benefits from low Corporation Tax at 12.5%
- No tax withheld (WHT) in Cyprus for dividends paid to the foreign company
- The same applies for exports from Ukraine where the Cyprus Trading Company can purchase goods from the Ukrainian Exporter and sell them at a profit to the final importer. Therefore, part of the trading profit of the Ukrainian Exporting Company is transferred to Cyprus.



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**

