



Requirements on physical Substance for legal entities:

According to several EU and International Directives, including but not limited to EU Parent / Subsidiary Directive, rules under EU Commission's anti-tax avoidance directive and substance rules under OECD's Base Erosion and Profit Shifting (BEPS) Action Plan, physical substance in Cyprus can be achieved through some of the below requirements:

- The company should have sufficient substance to demonstrate that all decision making is carried out in Cyprus through its properly qualified directors and personnel;
- Appointment of properly qualified directors with relevant experience that are Cyprus residents, who are actively involved and properly empowered in the decision making of the company;
- The Board of Directors should be suitably qualified for the specific needs of the company, properly remunerated as an indication of their actual involvement company's daily running;
- Demonstration of the place and frequency of the meetings of directors;
- The company has its own premises (own or rented) with proper office facilities;
- Maintaining fully fledged offices in Cyprus;
- Necessary substance in people and premises and to exclude letterbox and brass plate companies;
- Employing full-time or part-time employees;
- Relocating senior executives/decision makers to Cyprus;
- Carrying out the accounting and HR functions in Cyprus;
- Maintaining bank accounts with local banks, where income is first received and deposited. It is also preferable that at least one of the signatories is Cypriot resident;
- Owning a website that is operated from the employees in Cyprus;
- Actively participating in the local business community/organizations;
- Full transparency of the ultimate shareholders of the company is required;
- Full compliance with filing requirements for financial statements and tax returns with the competent authorities.

The above list is sufficient but not exhaustive and was extracted from the current international substance rules and directives.

For any assistance or further consultation on the above and/or other business matters, please do not hesitate to contact us at:

- Email: info@elixos.co
- Tel: +357-25589058