



**Michalis Avraam**  
& Partners Limited  
AUDITORS AND BUSINESS ADVISORS

# IPOs Through Cyprus



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## Access to European stock markets through a Cyprus holding company

The going public process is an expensive consideration, and even more so for small cash strapped young companies. When a company is contemplating the Initial Public Offering (IPO) process of going public, it must consider the choice of an appropriate financial centre to host the holding company in the context of an international IPO.

Issuers and investors are interested in a jurisdiction that combines tax efficiency with an attractive legal system. Cyprus has always been an ideal location for investment holding companies and in light of the accession to the European Union in 2004, the island's attractiveness as an International Financial Centre has become more prominent in comparison to other jurisdictions around the world.

On the taxation side, it offers a combination of low corporation tax together with a wide network of double tax treaties. This helps to maximise after tax returns to investors. At the same time, the excellent infrastructure facilities and the English based legal system complemented by EU-harmonised capital markets legislation, provides clarity and flexibility to issuers along with a high level of protection to investors.

Offering the lowest tax rate in the EU whilst fully complying with EU and OECD requirements against harmful tax practices has made Cyprus an ideal holding company location for investors from various markets.

### The main benefits of the Cyprus tax system are:

- Corporation tax rate of 12,5% (10% up to 31/12/2012) – the lowest rate in the EU
- No withholding taxes on payments of dividends, interest and royalties (subject to conditions)
- Gains on disposal of securities are exempt from corporation tax. Securities are defined as shares, bonds, debentures, REPOs, futures/forwards on securities, swaps on securities, depository receipts on securities, and more

- Extensive Double Taxation Treaty network
- Access to EU directives
- Lowest VAT rate in EU

As from 1 May 2004 Cyprus is a member of the European Union and as from 1 January 2008 Cyprus has adopted the Euro as its official currency. With the accession to the European Union, Cyprus has been able to offer more attractive opportunities to entrepreneurs and advantages to investors through ease of access to European stock markets.

The implementation of the Prospectus amendments Directive 2010/73/EU (effective 24 November 2010), the Prospectus Directive 2003/71/EC (PD) and the Commission's Regulation on Prospectuses EC 809/2004 (effective 1 July 2005) establish a harmonised format for prospectuses in Europe allowing companies to use the same prospectus prepared for admitting securities to trading on their home market to admit securities to any number of further European markets without having to re-apply for approval from the local regulator.

The Cyprus Securities and Exchange Commission (CySEC) is established as a public corporate body and is the responsible authority in Cyprus for approving prospectuses for public offers of transferable securities or their admission for trading on regulated markets.

Once a Cyprus private company becomes publicly traded, it registers securities with CySEC so that it can make an offer and sell them to the investing public. Through utilisation of the EU Directives on prospectuses (referred to above) this Company may also raise capital on any other EU Member state avoiding the inherent delays and cost that any reapplication process would involve.



**Michalis Avraam & Partners Limited** has taken all reasonable care to ensure that this leaflet is accurate. The information contained is designed as a general guide and readers are advised to verify this information to ensure that it applies in their particular circumstances.

Our professional staff can assist your company to fulfil all necessary obligations towards the achievement of a successful listing in the stock markets.

For specialist advice or further clarifications you may contact one of our professional consultants.

**Michalis Avraam & Partners Limited**

8 Digenis Akritas Avenue, Office 403 | CY-1045 Nicosia, Cyprus

Tel: +357 22346080 | Fax: +357 22346020 | E-mail: [info@amicha.com](mailto:info@amicha.com)

[www.amicha.com](http://www.amicha.com)