GLOBALSERVE INTERNATIONAL NETWORK

UPDATES

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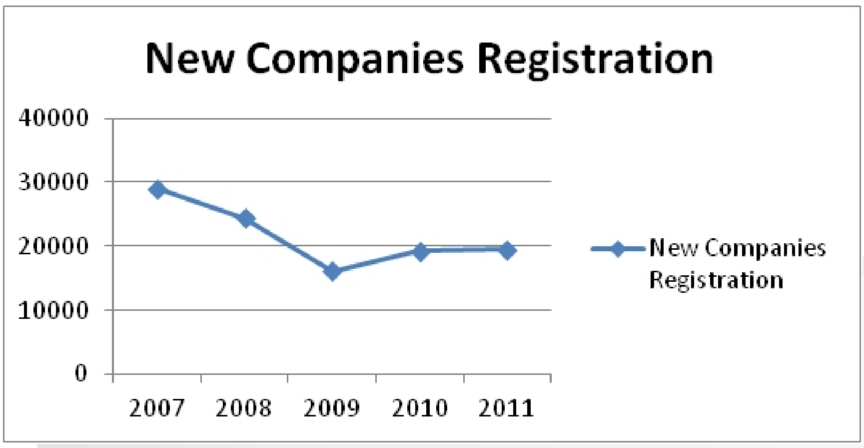
Cyprus: company registration increases over the last 2 years

New company registration in Cyprus continues its up growing trend the last 2 years despite the international crises.

Following the Worldwide Crises when new companies registered at the Cyprus Registrar of Companies have shown a diminishing rhythm in 2008 & 2009, this trend was reversed in 2010.

After 2009 when the new companies registered in Cyprus Registrar had a fall of 34% compared to the 2008 while in 2007 we had the highest new company registration being 29,016 corresponding to an increase of 43% compared to 2006, **the new companies registration in 2011 had a 21% total increase since 2009 for new registration in year 2011**.



Investing in UK Real Estate through Cyprus

UK real estate, particularly prime property in London, has always attracted significant international investment. Now, as the UK property emerges from recession, there are renewed opportunities to benefit from significant capital growth and healthy rental streams.

Investment in UK real estate must be structured carefully in order to mitigate UK tax at source on income, gains and transactions. Taxes may be levied on rents, development profits and capital gains, and there also stamp taxes and inheritance taxes to consider.

A non UK tax resident who buys a private use property will not be subject to any deemed income in the UK but profits deriving from UK rental receipts are taxable in the UK between 20% - 50% on income depending on the level of profits if property is held in the name of non-resident individual. Furthermore, on the death of the owner even if non UK tax resident inheritance tax is levied at a rate of 40% above a threshold value of £315,000.

Hence, the effective tax structure for a non UK tax resident individual who is interested to invest in real estate in UK is to register the property preferably in the name of a low tax jurisdiction or even a tax heaven jurisdiction.

In this way the nonresident company pays taxes on rent at only 20% on income only while in case of death of the shareholder it eliminates exposure to UK inheritance tax.

In order to reduce net rents chargeable to UK tax, it is often advisable for the shareholder to loan the company funds to purchase the property. Interest is then paid as an allowable deduction from rents. The loan should be secured on the property in order to obtain a maximum deduction on arm's length principles under the UK transfer pricing legislation. There must also be a commercial level of equity contribution and a suitable interest rate.

Planning should be undertaken to ensure the interest paid has a non-UK source, to avoid UK withholding tax.

In many cases the shareholder advancing the loan will be a second BVI company which will not be chargeable to tax on its interest receipts.

News

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Globalserve Profile

Globalserve Consultants Ltd, is engaged in the area of international tax planning. We incorporate companies from a variety of 23 jurisdictions while focusing on the Cyprus Company which its use is very effective as an onshore jurisdictions with an excellent use towards international tax planning.

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