

GUIDE TO SETTING UP A COMPANY IN THE TURKISH REPUBLIC OF NORTHERN CYPURS

The procedure for setting up a company in the T.R.N.C, depends on the intended objects of the company. If the company is being set up with the object of holding immovable property, the company should not be controlled by non-T.R.N.C citizens i.e. the majority of the company's shareholders and directors should not be foreign nationals. The rules relating to the purchase of immovable property by foreign national individuals - the quota of one property up to a maximum area of 1 donum per household and the requirements for obtaining permission from the Council of Ministers - apply equally to foreign controlled companies. Therefore, in order to ensure that the company can purchase larger amounts of property without the need to apply for permission, 51% of the company's shares must be held by T.R.N.C citizens and the majority of the Board of Directors must not consist of foreign nationals. It is possible to find T.R.N.C citizens to act as trustee shareholders and directors for you. Your solicitor can assist you with this and will prepare the relevant trust agreements for you.

For most other company objects, the company can be formed with all foreign nationals as its shareholders and directors.

Companies can be set up relatively easily in the T.R.N.C within a few weeks. The documents required are as follows:

- Articles of Association and Memorandum – these will be prepared by your solicitor in Turkish to cover the objects of your company
- Company incorporation forms MS1, 2, 3 – these will be prepared by your solicitor
- For each foreign shareholder, you will require a passport photocopy (the original passport must be seen by the T.R.N.C authorities, or if this is not possible, the passport copy can be certified at the T.R.N.C consulate in the country of origin).
- For each foreign director, you will again require a passport copy as above. You will also require a certificate from the Ministry of the Interior or police in the

country of origin of the director (in the U.K. the relevant authority is the National Intelligence Service, Scotland Yard) stating that the person has not committed any criminal offence. This certificate must be certified at the T.R.N.C consulate in the country of origin. If there are foreign directors, you will also require the sum of 5000YTL (approximately £2000-GBP) to be deposited in a bank account in the T.R.N.C and blocked there for a period of 18 months to cover any tax liabilities which the company may incur. When this money is deposited, a certificate is obtained from the bank which is then shown to the Tax Office in the T.R.N.C and a corresponding certificate is obtained from the Tax Office to be presented to the Registrar of Companies in the T.R.N.C. Your solicitor will assist you with this process.

- Under the Laws of Cyprus, the share capital of the company where there are foreign shareholders must be paid up at the date of incorporation. The minimum share capital for companies in the T.R.N.C is currently around \$100,000USD. This amount must be deposited in a bank account in the T.R.N.C and blocked there until the company has been incorporated. When the money is deposited, a certificate is obtained from the bank which is presented to the Registrar of Companies in the T.R.N.C. Your solicitor will assist you with this process.

Companies in the T.R.N.C may be subject to account filing requirements even if they are non-trading companies. Therefore, the company should always appoint an accountant to assist with this.

Naomi Mehmet