

Guide to forming an International Business Company (IBC)

It is possible for companies whose activities are **wholly overseas** and who derive all of their income from abroad to register an International Business Company (IBC) by submitting an application to the TRNC Ministry of Finance. Recent legislation in the TRNC has introduced a number of tax benefits for IBCs. In particular, IBCs pay tax at a rate of 2.5% on taxable income which is a huge saving when compared with the 23% corporation tax applied to limited liability companies. All income can be freely transferred abroad without restriction.

To submit the application on your behalf, we will require the following information and documents:

- As the first stage is to decide on a name for the company, we will require a list of names which you would like to call the company so that we can carry out a search at the Registrar of Companies to see whether any of these are available and acceptable.
- We will need the full names and occupations of the persons who are to be the shareholders, directors and company secretary and the number of shares which each shareholder is to hold. There should be at least two shareholders, even if one only holds a nominal amount.
- A summary of the activities which the IBC will carry out.
- The details of the country/countries in which you intend to carry out your activities.
- Details of the banks you will work with, including their names, the currency, the authorised signatories and the predicted annual turnover.
- Photocopies of the passports of the shareholders certified by a notary or commissioner of oaths.
- Letter of reference (original) relating to the shareholders from a lawyer or commissioner for oaths operating in the country in which they reside and a Letter of reference (original) from a bank in which shareholders have an account.
- A recent utility bill in the name of the shareholders (original).
- A detailed C.V. from each of the shareholders.
- A declaration signed by all parties confirming the full name and address of the person(s) in the TRNC authorised to accept service of documents on behalf of the IBC.
- IBCs must employ at least one member of staff who is a resident and national of the TRNC. If the IBC employs more than one member of staff, the number of foreign personnel must not exceed three times the number of TRNC resident and national personnel. We can assist with finding you a Turkish Cypriot employee and can explain the costs involved in the employment.

Once we have all of the above, we will complete the relevant company registration forms MS1, MS2 and MS3 and prepare the memorandum and articles of association for signing by the shareholders and directors of the company. We will also complete the relevant application form and submit it to the Ministry of Finance together with all of the above documents for the provisional licence.

The charge payable on submitting the application is €500. This application fee is never returned to the applicant under any circumstances. This amount can be increased or decreased by 50% by the Council of Ministers.

Once the application has been submitted, the Ministry will evaluate it and if deemed suitable, it will grant a provisional licence within 15 days.

Having received the provisional licence the applicant has to complete the registration procedure at the Registrar of Companies within a period of two months. Otherwise the provisional licence shall be deemed invalid. The minimum paid-up capital required for IBCs is €20,000. This amount must be deposited in a bank account in the T.R.N.C and blocked there until the IBC 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. together with the application for the registration of the IBC. Once the IBC is incorporated, this amount can be released.

Within one month of the completion of the registration procedure, the IBC has to submit the memorandum and articles of association and opening balance sheet and one set of incorporation documents obtained from the Registrar of Companies to the Ministry of Finance in order to receive an operation licence. That application is concluded within 15 days at the latest.

Within two months of receipt of the operation licence from the Ministry, the IBC has to specify its place of business and must commence business according to its memorandum and articles, otherwise the operation licence shall be deemed invalid.

There is an annual licence fee applicable to IBCs which is €2,000 per annum for IBCs which operate an office in the TRNC or €5,000 per annum for IBCs which do not operate an office in the TRNC. These fees must be paid within 30 days at the latest after official registration and every year in January to the Revenue and Tax Office.

IBCs in the T.R.N.C will be subject to various account filing requirements. Therefore, the company should always appoint an accountant to assist with this.

This guide has been prepared by Advocate Naomi Mehmet of Naomi Mehmet & Partners For more information, please contact Naomi on the details below

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