

## **Guide to setting up a company in the TRNC Free Zone**

The Famagusta Free Zone has been set up to encourage international trade and transit in the TRNC. Its strategic position means it provides a gateway to three continents.

Legally, the Free Zone is an area which, although situated within the boundaries of the TRNC, is classed as a separate legal area in which certain legal and administrative rules applicable in the rest of the country do not apply and in which there are expanded incentives for industrial and commercial activities.

The incentives currently offered to persons using the Free Zone are as follows:

- Full exemption from Corporation and Income Tax on all income derived from activities and operations undertaken by producers in the Free Zone
- Full exemption from Corporation and Income Tax on all income derived from activities and operations undertaken by investors other than where the goods and services are not directed to the TRNC
- Full exemption from customs duty, VAT and indirect taxes.
- Free transfer of income/profit without restriction
- Currencies used in the Free Zone are convertible foreign currencies
- Freedom to employ foreign specialists to work in the Free Zone without restriction
- No limit to the length of time goods can be stored in the Free Zone

The Free Zone is currently operated by a licensed operator who has been granted the operation licence for 49 years. The operator provides open and closed storage areas and offices which can be tailor made to meet the requirements of the individual client. Rent is negotiated with the operator. Where additional building work is required to bring the existing facilities up to requirements of the client, a mutual agreement is reached with the operator with regards to the costs. The operator provides full logistical services including forklift and other loading and unloading equipment. The operator provides 24 hour security and a full comprehensive insurance policy. The operator is extremely flexible and can provide almost any service required by the client.

Persons/legal entities wishing to obtain the permission must first incorporate a company within the Free Zone. The company can be incorporated as a limited liability company or as an International Business Company (IBC). The procedure for incorporating the company is the same as the usual procedure for incorporating a company in the TRNC – the only difference is that the application is submitted to the Registrar of Companies situated in the Free Zone, rather than the main Registrar of Companies in Nicosia. For more information on the procedure for incorporating a limited liability company or IBC, please request our Guide to Forming a Company in the TRNC or Guide to Forming an International Business Company (IBC) in the TRNC.

In order to apply for a licence to operate in the Free Zone, the procedure is as follows:

The first step in the process will be for a name search to be submitted to the Registrar of Companies in the Free Zone to determine which of the preferred company names which the client wishes to use for the company are acceptable. Once the company name has been determined, an application is then submitted by the operator to the Council of Ministers for the licence to be obtained. Licences are granted for the following areas of service:

- Manufacturing and production
- Sale/purchase and transit trade of goods
- Assembly and repair of goods
- Banking and Insurance services
- Any other kind of activity approved by the Council of Ministers

In general, applications for licences are only likely to be rejected by the Council of Minister if the activities of the client will involve storage of explosive, flammable and dangerous chemicals or if the activities of the client pose a significant threat to the environment.

The relevant application form is completed and a rental agreement is signed between the client and the operator. The application is subject to a fee of between \$400-\$1000USD, depending on the proposed activities of the client. Once the application has been submitted to the Council of Ministers, a response is usually obtained within 3 weeks. In the unlikely event of a negative response being received from the Council of Ministers, the application fee is refunded. Once the licence has been obtained from the Council of Ministers, the incorporation of the company at the Registrar of Companies in the Free Zone can be completed and the client can then commence its activities.

As a firm, we can assist you with your application to incorporate the limited liability company or IBC and can assist you in your negotiations with the operator to reach an agreement which suits your needs. We will also liaise with the operator in relation to the submission and obtaining of the licence from the Council of Ministers.

This guide has been prepared by Advocate Naomi Mehmet of Naomi Mehmet & Partners

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