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Cyprus Alternative Investment Funds



PATRIKIOS PAVLOU
& ASSOCIATES LLC

ADVOCATES - LEGAL CONSULTANTS

A modern legal framework for entrepreneurs and industry players

With the introduction of the new Alternative Investment Funds Law (L.124(I)/2018) Cyprus' legal framework has been duly modernized and provides a competitive alternative to other popular European Fund Hubs. More specifically, there are 3 types of available funds.



| AIFLNP
| AIFUNP
| RAIF

Fund structures at a glance

	AIF with limited number of persons	AIF with unlimited number of persons	Registered AIF (RAIF)
Regulatory Authority	CySEC	CYSEC	Not subject to authorisation but the manager must be regulated.
Investor limit	Up to 50	No maximum Investor Limit	No maximum Investor Limit
Eligible Investors	Professional and /or well informed	Professional and /or well informed or Retail Investors	Professional and /or well informed
Available structures	Common Fund Variable Capital Investment Company Fixed Capital Investment Company Partnership	Common Fund Variable Capital Investment Company Fixed Capital Investment Company Partnership	Common Fund Variable Capital Investment Company Fixed Capital Investment Company Partnership
Umbrella structure With multiple compartments	Yes	Yes	Yes
Initial Capital Requirements	€50.000 (self managed) No minimum requirement where externally managed	€125.000 (Self managed) €300,000 (self managed) but falling within the AIFMD threshold No minimum requirement where externally managed	No minimum capital requirements
Minimum Assets requirement	€250.000 within 24 months of its authorisation	€500.000 within within 24 months of its authorisation	€500.000 within within 24 months of its authorisation
Depositary requirements	Based in Cyprus, EU or third country that has co-operation agreement with Cyprus (exemption to appoint a depositary exists in specific circumstances)	Based in Cyprus, EU or third country that has co-operation agreement with Cyprus. When managed by an AIFM shall be located in Cyprus.	Based in Cyprus, EU or third country that has co-operation agreement with Cyprus (exemption to appoint a depositary exists in specific circumstances)

Taxation

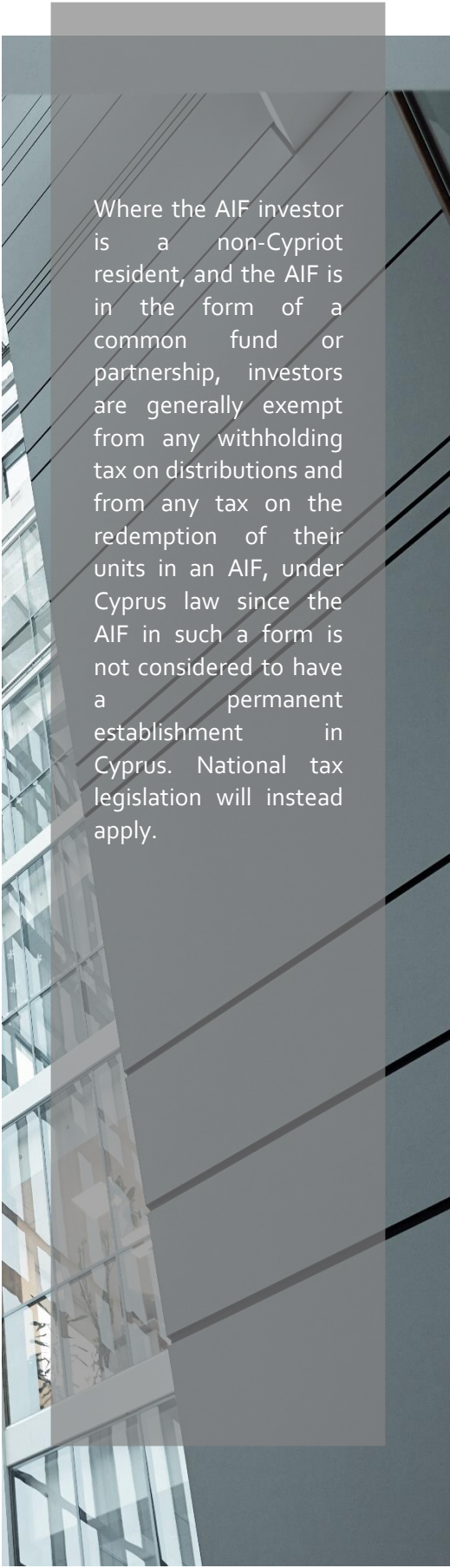
Cyprus tax regime provides numerous tax incentives for the set up and operation of funds. These include the following:

AT FUND LEVEL

- Gains from trading in securities are tax exempt,
- It can benefit from the 12.5% tax on annual net profits earned worldwide,
- Notional Interest Deduction (NID) for new equity may reduce taxable base for interest received by up to 80% (applicable to companies) reducing the effective tax on interest to 2.5%,
- Dividends, capital gains arising from the sale of property abroad, capital gains from the sale of shares of foreign property companies are exempt,
- No subscription tax on the net assets of the fund,
- Each compartment of an umbrella structure (although legally is not treated as a separate entity, for tax purposes each compartment is treated as a separate person,
- Fund management services provided to funds are not subject to VAT.

AT INVESTOR LEVEL

- Foreign investors:
 - no withholding tax on dividends,
 - no taxation on redemption of units,
 - no deemed distribution restrictions.
- Resident investors:
 - a withholding tax on dividends of 17% if the investor is an individual who is both tax resident and domiciled in Cyprus,
 - no taxation on redemption of units,
 - on withholding tax if investor is a company.
- Resident Investors – Non Domiciled:
 - exemption from 17% withholding tax on dividends,
 - no taxation on redemption of units,
 - no withholding tax if investor is a company.



Where the AIF investor is a non-Cypriot resident, and the AIF is in the form of a common fund or partnership, investors are generally exempt from any withholding tax on distributions and from any tax on the redemption of their units in an AIF, under Cyprus law since the AIF in such a form is not considered to have a permanent establishment in Cyprus. National tax legislation will instead apply.

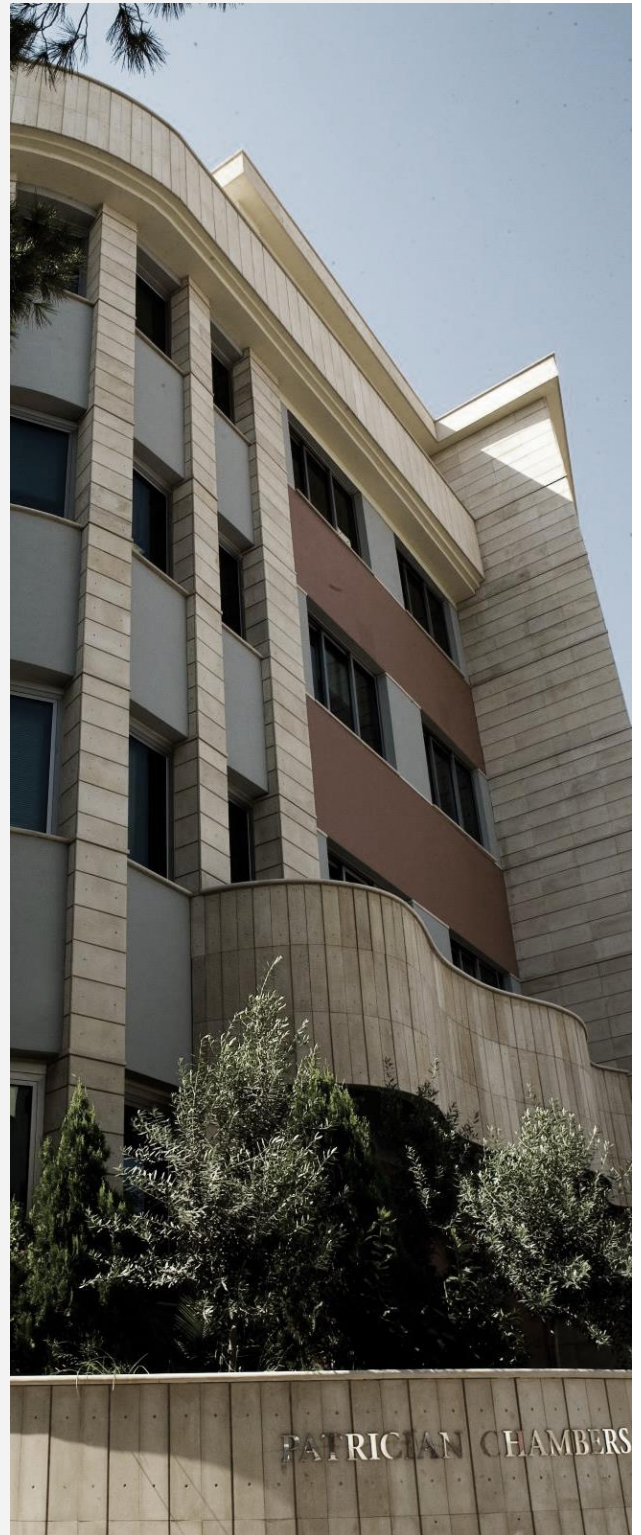
Who we are

Patrikios Pavlou & Associates LLC is one of the largest law firms in Cyprus, highly recommended for its professional legal services and exceptional client service. With nearly 60 years of experience in the local and international legal market, Patrikios Pavlou & Associates LLC is renowned for its involvement in some of the largest cross-border transactions and complex litigation and arbitration matters and regulatory matters.

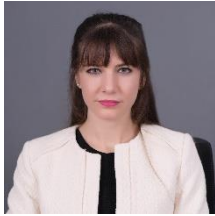
The team is highly qualified in offering specialized legal expertise in any field, while the corporate and M&A department maintains a leading position in Cyprus for its expertise in advising multinational corporations, banks, financial institutions and HNWIs on their high-profile and complex matters. Furthermore our team of experts offers a full spectrum legal and licensing services in the fund services sector.

The firm's international profile comprises of strong alliances with reputable law firms, particularly in Europe, Russia, USA and Asia, memberships in various organizations globally and a loyal clientele worldwide.

Through Pagecorp Group, a group of companies associated through common ownership, Patrikios Pavlou & Associates LLC offers comprehensive corporate and accounting services and advice on International Tax Planning and Cyprus International Trusts.



Our AIF experts



Angeliki Epaminonda
Partner | Financial,
Corporate, M&A

aepaminonda@pavlaw.com



Angelos Onisiforou
Senior Associate

aonisiforou@pavlaw.com



PATRIKIOS PAVLOU
& ASSOCIATES LLC

ADVOCATES - LEGAL CONSULTANTS

Patrician Chambers
332 Agiou Andreou str., 3035 Limassol, Cyprus
P.O.Box 54543, 3725 Limassol, Cyprus

T +357 25871599 | F +357 25344548
info@pavlaw.com

www.pavlaw.com