

Reorganisations

| Cyprus Law



PATRIKIOS PAVLOU
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ADVOCATES - LEGAL CONSULTANTS

Cyprus: an efficient legal framework

As businesses are living creatures ever evolving, expanding, diversifying, re-directing, venturing into new areas of practice, separating legal relationships, severing unhealthy operations, they are constantly in need of legal restructuring tools to allow them to organise their prospects and business relationships in a more efficient manner. Cypriot corporate law has well established efficient reorganisation tools for Cypriot companies.

The Cyprus Companies Law Cap. 113 offers the following reorganisation options:

Options

Merger

- (i) one or more companies, on being dissolved without going into liquidation transfer all their assets and liabilities to another existing company in exchange for the issuance of respective shares by the absorbing company to the shareholders of the absorbed company or companies;
- (ii) two or more companies, on being dissolved without going into liquidation, transfer all their assets and liabilities to a new company that they form, in exchange for the issuance of respective shares by the newly formed absorbing company to the shareholders of the absorbed company or companies;
- (iii) a company, on being dissolved without going into liquidation, transfers all its assets and liabilities to its sole corporate shareholder.

Division

A company, on being dissolved without going into liquidation, transfers all its assets and liabilities, to two or more existing or new companies, in exchange for the pro rata issuance of shares by the transferee companies to the shareholders of the transfer or company.

Partial- Division

A company, without being dissolved, transfers one or more of its business sectors (that is, the total assets and liabilities of a sector, which constitute from an organisational perspective, an autonomous business, which is capable of operating on its own) to one or more pre-existing or new Cyprus companies, retaining at least one business activity sector, in exchange for the proportionate issuance and allotment to its shareholders, titles representing the share capital of the acquiring company.

Transfer of assets

A company transfers, without being dissolved, all or one or more lines of business to another company in exchange for shares in the acquiring company.

Exchange of shares

A company acquires a stake in another company conferring the majority of the voting rights in that company, or where it already has the majority of the voting rights, it obtains a further stake in that company, in exchange for the issuance to the shareholders of the latter company, shares representing the capital of the former company.



Process

The implementation of the above restructurings is fairly straightforward and involves, *inter alia*, the following steps:

1. a majority approval by the shareholders of the companies involved;
2. preparation of up-to-date financial statements/ management accounts;
3. entry into a scheme of arrangement by the relevant companies;
4. obtaining the consent of the creditors, if any;
5. obtaining a court order from the relevant District Court;
6. filing the relevant forms with the Cyprus Registrar of Companies;
7. completing the transfer formalities of the underlying assets which are transferred, as necessary;
8. obtaining tax clearance and tax exemption.

Timing

Timing varies on a case by case basis due to external factors such as the schedule of the Court and the time needed by local authorities to process the matter. Our Firm has undertaken numerous reorganisations and from our experience, once all the preliminary steps have been completed, the procedure can take a minimum of three weeks to a maximum of three months to be fully completed.

Taxation advantages

Reorganisations can benefit from tax exemptions including but not limited to:

1. exemptions from the applicability of capital gains tax;
2. exemptions from the applicability of stamp duty;
3. exemption on tax taxation of profits resulting from the merger;
4. ability to transfer accumulated losses to the acquiring company and to apply the relevant provisions for set-off,
5. carrying forward of losses;
6. exemptions from land registry fees for registration of title to immovable property.

To benefit from the above, the reorganization must have a proper commercial or economic purpose and must not be done for the reduction of tax liability or the postponement of tax payments.





About

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 regulatory work, as well as complex litigation, arbitration and mediation matters.

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.

The legal team is highly qualified in offering specialized expertise in any field, while the corporate, commercial 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

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