

2020

Legal Environment for Philanthropy in Europe

Cyprus

COUNTRY PROFILE

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I. Legal framework for foundations

1. Does the jurisdiction recognise a basic legal definition of a foundation? (please describe) What different legal types of foundations exist (autonomous organisations with legal personality, non-autonomous without legal personality, civil law, public law, church law, corporate foundations, enterprise foundations, party political foundations, family foundations, foundations of banking origin as a specific type, companies limited by liability, trusts)? Does your jurisdiction recognise other types of philanthropic organisations?

In 2017, a new legislative framework was enacted in Cyprus, which abolished and replaced the previous legislation relating to associations, foundations and clubs, namely the Associations and Foundations Law of 1972 and 1997 and the Registration of Clubs Act (Chapter 112). The newly enacted legislation is L. 104(I)/2017 “About associations and foundations and other related issues” (as amended by L. 76(I)/2018 and L. 84(I)/2019).

This legislation provides a basic legal definition of a “foundation”, stipulating in this regard that it refers to the totality of the assets intended to serve the implementation of a particular not-for-profit objective. Another non-profit organisation recognised by the new Law is an “association”, which is defined as an organised union comprising at least twenty (20) persons, that aims to achieve a not-for-profit objective and does not include political parties or trade unions (see Article 2(10)).

The new Law introduces a definition of a “not-for-profit organisation” for the first time, according to which “non-profit” in relation to an association or a foundation means an association or foundation which does not distribute any profits that may arise from its activities to its members, its founders, its board of directors, or its officials, but invests or uses those profits toward the continuation and achievement of its objectives (see Article 2(6)). In other words, it is allowed for such organisations to have a surplus, but any surplus should be invested directly for the achievement of their objectives and cannot be distributed.

Recognising the need for federations and/or unions of organisations to acquire a legal status, the new Law provides for the registration of federations and/or unions of organisations and describes the terms and conditions of their registration (see Article 44).

There are also other forms of non-profit organisations under different laws which have been enacted over the years, such as:

(i) Charitable Trusts: These are governed by Chapter 41 of the Charities Law. There is no satisfactory legal definition of what is meant by “charity” and thus reference is made to case law in interpreting the term.

(ii) Companies Limited by Guarantee: These are governed by Chapter 113 of the Companies Law. In the majority of cases these companies are incorporated as non-profit organisations under section 20 of Chapter 113 of the Companies Law. The liability of each shareholder is limited to the amount agreed between the members and which is contained in the Memorandum of Association. Thus, as opposed to companies limited by shares, the members of a Company Limited by Guarantee may not need to provide their contribution in advance but only if required at a later stage (in the event that the company goes into liquidation).

2. What purposes can foundations legally pursue?¹

- Only public-benefit
 Both public- and private-benefit

¹ This question focuses only on public-benefit foundations; see the definition in the Glossary developed for this project, which can be found on the Philanthropy Advocacy website.

3. What are the requirements for the setting up of a foundation (procedure, registration, approval)? What application documents are required? Are there any other specific criteria for registration?

The requirements vary depending on the type of organisation to be set up:

Foundations: The establishment of a foundation is done with its registration in the Register of Foundations, which is kept by the District Officer (the Registrar) and with the issuance by the Registrar of a certificate of registration (see Article 26(1) of L. 104(I)/2017). The registration of a foundation shall be carried out upon written request by the founders or commissioners of trust or the executors of a will, which shall be submitted to the designated entity and accompanied by its founding deed, as well as the corresponding articles of association, in which the manner of operation of the institution, the names and addresses of the members of its board of directors, the manner of their succession, as well as a written assurance that no remuneration of any kind is paid for services provided to any founding member or official of this board. The Registrar shall examine the application as soon as possible, and if it is satisfied that the purpose or operation of the foundation is not illegal, it shall register it in the Register and issue a certificate of registration (Article 26(2) of L. 104(I)/2017). This certificate is published in the Official Gazette of the Republic and constitutes proof of the date of registration and the observance of the conditions required by the Law (Article 26(5) of L. 104(I)/2017).

Associations: For the purpose of registering an association, the District Officer (the Registrar) keeps a Register of Associations. For the registration of an association in the Register, a written application is submitted to the registrar by the founders or the board of directors of the association, which is accompanied by the constituent act, the names and addresses of the members of the administration, as well as their contact details, the Articles of Association signed by the founding members, with reference to the relevant date, any emblem of the association, and a description of the movable or immovable property or both, which will be in possession or ownership and / or will be transferred to the association after its registration. In the application for registration of an association, the exact postal address of the association must be stated, even if it is temporary. The Registrar shall proceed as soon as possible with the examination of the application and, after being satisfied that the legal conditions are met, shall approve the application, register the association in the Register after payment of the specified fee and issue the relevant registration certificate according to the specified type. A certificate of registration shall be published in the Official Gazette of the Republic and shall constitute full proof of the date of registration of the association and compliance with all legal requirements (see Article 7 of L. 104(I)/2017).

Charitable Trusts: The trustee of any charitable institution submits an application to the Council of Ministers for the registration of the institution as a legal entity. The Council of Ministers will issue a certificate of registration if it considers it to be appropriate and subject to such terms and conditions as the Council of Minister may impose (Article 2 of Chapter 41 of the Charities Law). No minimum capital requirements exist in relation to Charitable Trusts. Charitable trusts can also be set up under the International Trusts Law, provided one of the main purposes of the trust is the relief of poverty, the advancement of education, or the advancement of religion or any other purposes beneficial to the public as a whole and need not be registered under the provisions of any legislation (Cyprus International Trusts are regulated by the International Trusts Law 69(I)/1992, as amended by L. 20(I)/2012 – see esp. Article 7).

Companies Limited by Guarantee: They are set up in the same manner as any other type of company as provided under Chapter 113 of the Companies Law. Companies limited by guarantee may be registered with or without share capital. A Company Limited by Guarantee must file its Articles and Memorandum of Association, together with details of its members, directors, secretary and registered address with the Company Registrar (such information will be contained in the relevant forms and will accompany the Memorandum and Articles of Association). The number of members that the company is intended to be registered with must be stated in the relevant constitutional documents. There are various restrictions applicable in relation to private companies the most relevant (in our case) of which is the right to have more than fifty members. Consequently, if there is a possibility that the company may at some point have more than fifty members, the initial founders may consider incorporating a public company limited by guarantee in which case the above mentioned restriction will be inapplicable.

4. Is state approval required? (approval by a state supervisory authority with/without discretion)

- Approval by a state authority with discretion
- Approval by a state authority without discretion
- Approval by a court
- Notarisation by a notary public

Foundations and Associations: The approval of the Registrar is required and has limited discretion (see Article 6 of L. 104(I)/2017).

Charitable Trusts: The approval of the Council of Ministers is required pursuant to Section 2 of Chapter 41 of the Charities Law.

Companies Limited by Guarantee: Companies need to be registered and approved by the Companies Registrar.

5. Are foundations required to register?

a) If foundations must register, in what kind of register?

- Company register
- Foundation register at national level
- Foundation register at the regional/county level
- Beneficial ownership register
- Any other public register (other than a foundation/charity one)

b) If foundations are registered, what information is kept in the register?

- The objectives of the foundation and the regulations for its operation, together with any agreement or will or any other document by which the foundation was established
- The description of the assets of the foundation
- The names with full details of the trustees of the foundation
- The name of the foundation
- The stamp

c) If foundations are registered, is the register publicly available?

- Yes, all information publicly accessible
- Yes, some information publicly accessible
- Yes, accessible upon request
- No

Most of the information should be publicly available.

6. Is a minimum founding capital/endowment required?

- No
- Yes, amount: €1000

7. Is the foundation required to maintain these assets or any other specified asset level throughout its lifetime? Are spend-down foundations allowed?

There are no provisions to that effect.

8. What governance requirements are set out in the law? Is it a one-tier or two-tier foundation governance model?

Foundations: Registered foundations are governed by three or more persons and, unless the founding act stipulates otherwise, their decisions are taken by a simple majority of the members present and, in the event of a tie, the president's vote shall prevail. In case the foundation is managed by three persons, the presence of all three persons is required for quorum purposes (Article 32 of L. 104(I)/2017). The board of directors of the foundation must diligently handle its affairs and represent it judicially and extrajudicially, unless the founding act stipulates otherwise. The board of directors' authority is determined by the founding act and this determination shall also apply to third parties (Article 34 of L. 104(I)/2017).

Associations: Associations are governed by a board of directors consisting of five or more persons, who, unless otherwise provided in the articles of association, are members of the association. Decisions are taken by an absolute majority of those present, unless otherwise provided in the articles of association (Article 16(1) of L. 104(I)/2017). The board of director shall attend to the affairs of the association and shall represent it both in and out of court. The extent of their authority is specified in the Articles and any limitation is also valid as against third parties. The members of the management must keep accounting books which show all the transactions of the Association which must be audited by a certified auditor and which must be submitted to the Registrar (Article 16(1) of L. 104(I)/2017).

Charitable Trusts: Before the Council of Ministers can grant a certificate of registration to a charitable trust, the trustees must have been effectively appointed under the terms of any agreement, will or any other document that establishes the Charitable Trust to the satisfaction of the Council of Ministers (Section 5(1) of Chapter 41 of the Charities Law). Every five years the trustees must submit a report to the Administrative Secretary with the names and addresses of the trustees. The trustees are personally responsible for the assets of the charity that comes into their hands and are accountable for their own acts, as well as for the proper administration of the charity and its assets.

Companies Limited by Guarantee: Such a company (with or without share capital) is managed by its board of directors and the provisions of Chapter 113 of the Companies Law apply. The Articles of Association may lawfully impose restrictions or conditions not otherwise contained in the Companies Law as long as such matters do not contravene the law.

a) Is it mandatory to have a:

- Supervisory board
- Governing board

b) What are the requirements concerning board members? Is a minimum/maximum number of board members specified? Does the law regulate the appointment of board members and their resignation/removal or can this be addressed in the statutes/bylaws?

Foundations and Associations: A minimum number of board members is specified in the Law (please refer to response provided in Q.8 above). Also, there are certain overriding mandatory provisions regulating resignation/removal etc.

Charitable Trusts: There is no minimum requirement contained in the relevant legislation. Therefore, the appointment/removal of board members/trustees will be regulated by the trust instrument.

Companies Limited by Guarantee: The number of directors is a matter which is regulated by the Articles of Association of the company and not the Companies Law. Depending on the Articles of Association a director may be appointed either by the shareholders (ordinary resolution) or by the board of directors in order to fill a vacancy (provided that the appointment by the directors will not exceed the maximum number of directors set out in the Articles) (Article 9 of Chapter 113 of the Companies Law). As regards the removal of any Director, the Company may remove a director by an ordinary resolution irrespective of any provisions contained in the Articles of the Company (Article 178(1) of Chapter 113 of the Companies Law).

c) What are the duties and what are the rights of board members, as specified by national legislation or case law?

Foundations and Associations: They have fiduciary duties and their rights and obligations are specified in the Articles of Association (See Article 34 and 18 of L. 104(I)/2017).

Charitable Trusts: The trustees have fiduciary duties and are liable for any omissions or negligence and are also liable for any assets that are under their control (Article 6 of Chapter 41 of the Charities Law).

Companies Limited by Guarantee: The directors are entrusted with the management of the company. The Companies Law imposes certain obligations on the directors requiring them to act and carry out certain functions, and places restrictions on certain other acts (see (Articles 177 ff of Chapter 113 of the Companies Law). The Companies Law does not set out in detail the powers and duties of the directors, which are left to the Articles of Association and case law. The duties of the directors can be broken down to (a) the duty to act in good faith and in the interests of the Company and to use their powers for the purposes which they were conferred; (b) the duty of skill and care; and (c) statutory duties (e.g., maintaining various registers, convening general meetings etc).

- d) What are the rights of founders during the lifetime of the foundation? Can fundamental decisions, such as change of purpose, be made at the discretion of the founder? What are the legal requirements in such circumstances?

The Court may allow the revocation of a founding act due to destitution of the founder, which has arisen after the establishment or due to important reasons justifying the revocation (Article 29 of L. 104(I)/2017).

- e) Can the board or the founder amend the statutes including the purpose of the foundation? If yes, please indicate any particularities. What is the relationship between the powers of the founders, the statutes of the foundation and the power of the board members?

The articles of association may be amended by a decision of the Court, even when this is against the will of the founder, at the request of the board of directors, if this change is required for the purpose of preserving the assets of the foundation or for fulfilling its purpose (Article 28 of L. 104(I)/2017).

- f) What are the rights of third parties (e.g. right of information)?

N/A

- g) What rules are in place to ensure against conflict of interest? What is the legal definition of a conflict of interest under your legislation? How is self-dealing prohibited?

Foundations: A member of the board of directors is not entitled to participate in both the discussion and the vote, if the decision to be taken concerns the business or the conclusion of a legal act or the establishment or abolition of a lawsuit between the foundation and itself or its spouse or any blood relative or fiancé up to the third degree of kinship or the legal transaction between the foundation and a company in which or in the administration of which the member or his spouse or blood relative participates. Without prejudice to the foundation's right to sue the guilty party for any damages due to breach of a legal duty, a decision taken in breach of this provisions is be void (Article 28 of L. 104(I)/2017). Similarly for Associations see Article 17 of L. 104(I)/2017.

Company limited by Guarantee: The director is under the obligation not to put himself in a conflict with his duties towards the company. The Articles of Association usually contain provisions as to how to disclose a conflict and what procedures and conditions need to be followed to determine whether a director is able vote on a specific issue or not (Article 191 of Chapter 113 of the Companies Law).

- h) Can staff (director and/or officers) participate in decision-making? How and to what extent?

The board members, directors, and trustees are entrusted with the management and participate in decision making.

9. What is the liability of the foundation and its organs? What is the general standard of diligence for board members? (e. g. duty of obedience, duty of care/prudence, duty of loyalty)? In what type of rule are these criteria established: fiscal, administrative, civil,

commercial? Is there a solid case law, if any, regarding the duty of due diligence? Does your country differentiate between voluntary (unpaid) and paid board members? Who is allowed to bring a complaint about breaches of such duties: the other members of the board, the founder/s, the public authorities? If a complaint is brought, which authority has competence in such cases: administrative, tax authority, only the judiciary power (attorney general) or beneficiaries/general public?

Foundations: The board of directors must diligently handle the affairs of the foundation and represent it judicially and extrajudicially, unless the founding act stipulates otherwise (Article 34(1) of L. 104(I)/2017). The scope of the board of directors' authority must be determined by the founding act and this determination shall also apply to third parties (Article 34(1) of L. 104(I)/2017). Legal transactions undertaken or contracted by the foundation's board of directors that are within the limits of its authority bind the foundation (Article 36(1) of L. 104(I)/2017). The foundation is liable to third parties for the illegal acts or omissions of its organs or employees which represent it and entail an obligation to compensate, provided that the damaging act or omission took place during the performance of their powers or duties. If the specific act of damage or omission was intentional, fraudulent, malicious or due to gross negligence, the guilty or guilty natural persons shall be jointly and severally liable to the foundation for the restoration of the damage suffered (Article 36(2) of L. 104(I)/2017).

Associations: The board of directors must diligently handle the affairs of the association and represent it judicially and extrajudicially, unless the constituent act or the articles of association stipulate otherwise. The scope of the board of directors' authority shall be determined by the articles of association and this determination shall also apply to third parties. The articles of association may assign additional responsibilities to the board of directors, and in case of doubt its authority shall extend to any relevant act. Any legal transactions carried out by the board of director of the association, within the limits of its authority, shall bind the association. The association is liable to third parties for any illegal acts or omissions by the bodies or officials who represent it and entail an obligation to compensate, provided that the damaging act or omission took place in the performance of the duties assigned to them. If the specific act of damage or omission was intentional, fraudulent, and unreliable or due to gross negligence, the person or persons responsible are jointly and severally liable to the association for reparation. The board of directors of the association is obliged to keep a fully updated register of its members, which is updated at least once a year and is available for inspection by the Registrar and to any third party that has a legitimate interest (Article 18 of L. 104(I)/2017).

Charitable Trust: The trustees are responsible for all the assets of the trust that comes into their hands and are answerable and accountable for their own acts and for the proper administration of the charity and its assets (Article 6 of Chapter 41 of the Charities Law).

Companies Limited by Guarantee: A company limited by guarantee is a limited liability company. Each member undertakes to contribute to the assets of the Company in the event of its being wound up while he is a member, or within one year after he ceases to be a member, for payment of the debts and liabilities of the Company contracted before he ceases to be a member but not exceeding a specified amount (section 4(3) of Chapter 113 of the Companies Law). The board of directors has certain powers and obligations imposed by the Companies Law some of which are detailed in the Articles of Association of the company.

There seems to be no difference in the liability between unpaid and paid board members, and the members are obliged to serve the foundation/association/company, act in good faith and to protect and promote its interests.

Anyone showing a legitimate legal interest.

10. Who can represent a foundation towards third parties? Is this specified in law or is it up to the statutes of the organisation? Do the director and officers have powers of representation based on legislation?

The board of directors, and this is specified in law (see Articles 32 and 16 of L. 104(I)/2017).

11. Are purpose-related/unrelated economic activities allowed? If so, are there other types of limitations on economic activities (related/unrelated)?

The following principles apply:

In the case of a **Foundation**, see Q.2 above.

In the case of an **Association**, for the purpose for which its founder set it up.

In the case of a **Charitable Trust**, for the purposes of the charitable trust (whether specific or not) or for the purposes for which it was set up.

In the case of a **Company Limited by Guarantee**, for the activities stipulated in its Memorandum of Association.

12. Is there any legal/fiscal framework for grant-makers to be able to fund legal entities that are conducting economic activities in addition to their public utility activities? If any, what are the limitations for funding those kinds of legal entities?

N/A

13. Are foundations permitted to be major shareholders in a company? Are there any limitations to voting rights? Is this considered as an economic activity?

There is no specific restriction in the Law. Provided, that (i) the purpose for which the foundation was set up is observed, (ii) funds received from such action would not be used or applied for profit making purposes, and (iii) such action would not contradict the Articles of the Foundation, foundations could be permitted to be major shareholders.

14. Are there any rules/limitations in civil and/or tax law regarding foundations' asset management (only secure investments/bonds/investments with a certain return)? What, if any, types of investment are prohibited? Are there any limitations on mission-related investments?

Please refer to our responses to questions 11-13 above.

15. Are foundations legally allowed to allocate grant funds towards furthering their public-benefit purpose/programmes which (can) also generate income – impact investing? (recoverable grants; low interest loans; equities)

Please refer to our responses to questions 11-13 above.

16. Are there any limitations (in civil law/tax law) to political party related or general lobby/advocacy activities?

Unclear.

17. What are the requirements for an amendment of statutes/amendment of foundations' purpose?

Foundations: The statute of the foundation may be determined or supplemented or amended by decision of the competent court in accordance with the will of the founder, and any amendment or modification of the statute may be made with a subsequent decision of the competent Court under the same conditions (Article 28 of L. 104(I)/2017). The statutes may be amended by a decision of the Court, even when this is against the will of the founder, at the request of the board of directors, if this change is required for the purpose of preserving the assets of the foundation or for fulfilling its purpose (Article 39 of L. 104(I)/2017).

Association: Unless the articles of association stipulate otherwise, the consent of the three quarters of all members of the association shall be required to take a decision to amend the articles of

association or to dissolve or change the purpose of the association. Where the presence of the three quarters of the members becomes de facto difficult, the Registrar may provide his consent for the submission of an application to the competent court for the issuance of a decree which may enable the applicant association to proceed (Article 22 of L. 104(I)/2017).

Charitable Trusts: Since they are set up for a specific purpose, that purpose cannot be amended and there is no provision in the law regarding this. In the unlikely event that such an issue may arise, it must be referred to the Supreme Court which has the power and the jurisdiction to “give all such directions and make all such orders as may appear to it necessary or expedient for the administration of any trust created for a charitable purpose”.

Companies Limited by Guarantee: This is achieved by amending the Company’s Memorandum of Association by a special resolution approved by the court.

18. What are requirements with regard to reporting, accountability, auditing?

a) What type(s) of report must be produced?

- Annual financial report/financial accounts
- Annual activity report
- Public-benefit/activity report
- Tax report/tax return
- Other reports e.g. on 1% schemes
- Reports on governance changes (e.g. new board members)
- Report on conflict of interest (self-dealing and conflict of interest breach cases)

Foundations and Associations: At the end of each financial year, the accounts and the following reports must be prepared and be submitted to the Commissioner of Associations within one month from the day of completion: Gross Income report, amounts brought forward at the beginning of the financial year, expenses account, accrued and receivables account. The accounts must be audited.

Charitable trusts: At the end of each financial year, the following accounts and reports must be prepared: Gross Income report, amounts brought forward at the beginning of the financial year, expenses account, accrued and receivables account.

Companies Limited by Guarantee: At the end of each financial year, accounts and annual returns of the Company must be prepared.

b) Must all/any of the reports produced by the foundation be submitted to supervisory authorities? If so, to which authorities (e.g. foundation authority, tax authority)?

Please refer to our responses to questions 15(a) and (c) above.

c) Are the reports checked/reviewed? By whom (supervisory/tax authorities)?

The Minister of Interior, the Registrar of Companies and the Commissioner of Inland Revenue.

d) Do any or all of the reports and/or accounts of foundations need to be made publicly available? If so, which reports and where (website, upon request)?

No annual reports / accounts of foundations need necessarily to be made publicly available.

e) Is external audit required by law for all foundations?

The International Financial Reporting Standards (IFRS) are applicable. External audit is required for Associations and Companies Limited by Guarantee. The Council of Ministers may at any time request the accounts of a Charitable Trust to be audited.

f) By whom should audits be undertaken? Do requirements/guidelines exist regarding international and national auditing agencies and standards?

Please refer to response to Question 18. (f) above.

19. Supervision: Which authority, what measures?

a) What type of body is the supervisory authority? (multiple answers possible)

- A public administrative body
- A public independent body
- A combination of a governmental body and a court
- A court
- A public administrative body and an independent body
- A tax authority
- Other

A new general arrangement (2017) that affects all organisations, rules that the Registrar is no longer the Director General of the Ministry of Interior, but is now the District Officer (the Registrar). The Registrar is responsible for the registration and operation of associations, foundations, federations and/or unions of organisations, and branches that have their headquarters in the Registrar's district. Additionally, the new position of General Registrar is instituted and is occupied by the Permanent Secretary of the Ministry of Interior (see L. 104(I)/2017).

b) Does the supervisory body review reports?

- Yes
- No

The relevant legislation does not provide for any regulatory or supervisory control of foundations. The laws under which foundations are established merely impose filing or regulatory requirements on an annual basis.

c) Are foundations subject to inspection?

- Yes
- No

d) Is approval from the authority required for certain decisions of the governing board?

- Yes, formal approval is needed
- Yes, needs just to be informed
- No

If yes, please specify which type of decisions:

e) Is it mandatory to have a state supervisory official on the governing board?

- Yes
- No
- Can a government official be appointed to the governing board by a state authority, if so please mention:

f) What enforcement measures are in place (including compliance measures and sanctions for non-compliance) concerning registrations, governance, reporting, and public-benefit status?

Foundations and Associations: Any officer who participates in the management/governance, and contributes towards a task which is illegal and/or undermining public security or public health, may be found liable.

Charitable Trusts: The board members could be liable for any omissions, negligence, or any other act in contradiction with the purposes of the trust and could also liable for any assets that are under their control.

Companies Limited by Guarantee: The company and/or directors or officers who do not comply with the relevant legislation could be liable to a fine or imprisonment or both depending on the particular offence and/or omission.

Directors or officers who do not comply with matters concerning registration, governance, reporting and public benefit status could be liable to a fine or imprisonment or both depending on the particular offence and/or omission.

20. When and how does a foundation dissolve?

Foundations: A foundation ceases to exist in the cases defined by its founding act or its statute. It is dissolved by decision of the competent court, at the request of the board of directors or the Registrar: (a) if its purpose has been fulfilled or has become impossible; (b) due to inactivity, for a period exceeding two years, including non-convening or non-convening of the required statutory meetings of the Board of Directors and / or non-submission of audited annual accounts, this purpose shall be abandoned; (c) if it has deviated from its purpose or if its purpose or function has been unlawful, as provided for in Article 4 of L. 104(I)/2017 (see Article 41 of L. 104(I)/2017).

Associations: An association shall be dissolved if such events as stipulated in its act of incorporation have occurred; or by order of the court if the objectives of the association have been fulfilled; the objectives of the Association have been rendered unattainable; the Association has deviated from its objectives; and its objectives and operation have become illegal (Article 24 of L. 104(I)/2017).

Charitable Trusts: They may continue in perpetuity or when the trustees declare that the specific purpose for which the trust was set up has been accomplished.

Companies Limited by Guarantee: A company may be wound up by the Court voluntarily.

21. Is there a maximum that can be spent on office/administration costs in civil law and/or tax law? If yes, what is the amount?

N/A

22. Does civil and/or tax law require a foundation to spend a certain percentage of its overall assets within a certain period of time (e.g. within the next financial year)? In particular, can a foundation accumulate these expenses over a period of time (and if so, what kind of authorisation is required to do so)?

N/A

23. Under what conditions does the civil law in your country recognise a foreign foundation? Do they have to register? Does your law recognise the concept of trusts?

The Law allows organisations that are registered abroad and wish to operate in Cyprus to also register in Cyprus. However, the Law states that details regarding the procedures necessary for their registration will be specified in a new set of regulations, which will be announced in a future moment (Article 46 of L. 104(I)/2017).

As long as a foundation is registered in any EU country, it may carry out activities in Cyprus.

24. Does the law in your country allow a foundation to conduct (some or all) activities (grant-making, operating, asset administration, fundraising) abroad? Is there any limitation?

Yes, a foundation may conduct activities abroad.

25. Does the law in your country impose any restrictions on ability to receive donations from abroad? If so, please describe.

There are in principle no such limitations.

26. Does the civil law in your country allow the transfer of the seat of a foundation (in the EU) and/or cross-border mergers?

Yes.

II. Tax treatment of foundations

1. What are the requirements to receive tax exemptions?

- Pursuing public-benefit purposes
- Non-distribution constraint
- Being resident in the country
- Other

Provided all the conditions are met that the Council of Ministers wishes to impose, the income of a company – which was incorporated exclusively and solely for the promotion of the arts, the sciences or sports from which it does not seek to gain profits for itself or its members, and whose activities are limited only to such causes – shall be exempt from income tax.

2. What are reporting/proof requirements to claim tax exemptions? What does the foundation have to submit to the authorities (statutes, financial reports, activity reports, other?)

Please refer to response to Question 1 above.

3. Is specific reporting required for the use of public funds (grants received from public bodies/state/municipality/etc.)?

There is no specific legislation dealing with this issue, however, a state authority may impose certain conditions from time to time for the use and application of state funds.

4. Is there an obligation to report to public authorities on donors and beneficiaries? If so, to which authority and what type of information?

N/A

5. Is there a statutory definition of what a public-benefit purpose (charitable purpose) is in the civil law (foundation law, trust law) of your country? If yes, please give us the definition. If so, is the determining definition that subsequently links to tax benefits?

No exhaustive definition.

6. Is there a statutory definition of what a public-benefit purpose is in the tax law of your country? If yes, please give us the definition.

There is no exhaustive statutory definition.

7. Please indicate whether the following purposes would or would not be accepted for tax privileges in your country (noting that the tax status often depends on additional requirements):

Public-benefit purpose	Accepted in tax law (for tax privileges)			
	Yes	Probably yes	Probably no	No
Arts, culture or historical preservation	x			
Environmental protection		x		
Civil or human rights		x		
Elimination of discrimination based on gender, race, ethnicity, religion,		x		

disability, sexual orientation or any other legally prescribed form of discrimination				
Social welfare, including prevention or relief of poverty		X		
Humanitarian or disaster relief		X		
Development aid and development cooperation			X	
Assistance to refugees or immigrants			X	
Protection of, and support for, children, youth or elderly		X		
Assistance to, or protection of, people with disabilities		X		
Protection of animals		X		
Science, research and innovation	X			
Education and training	X			
European and international understanding (e.g. exchange programmes/ other activities aimed at building bridges between nations)			X	
Health, well- being and medical care		X		
Consumer protection			X	
Assistance to, or protection of, vulnerable and disadvantaged persons		X		
Amateur sports		X		
Infrastructure support for public-benefit purpose organisations		X		
Party political activity			X	
Advocacy			X	
Advancement of religion			X	
<i>Other – please list other purposes accepted in tax law for tax privileges in your country</i>				

8. Support of “the public at large”

- a) Do the activities of a foundation with public-benefit status for tax purposes generally have to benefit “the public at large”?

N/A

- b) If yes, can a foundation with public-benefit status for tax purposes support a closed circle in a sense that beneficiaries can be identified based on legal or family affiliations?

N/A

9. Non-distribution constraint

- a) Does a foundation with public-benefit status for tax purposes generally have to follow a “non-distribution constraint” which forbids any financial support of the foundation board, staff, etc.?

The members of the board of a foundation usually do not receive any benefit from their participation in the board but they can receive an amount for covering their expenses, although there are no restrictions.

- b) What happens with the foundation’s assets in case of dissolution - can the assets revert to private ownership or do they have to stay in the public-benefit sphere?

The assets of a foundation that have been dissolved, unless the founding act stipulates otherwise or unless the Registrar decides otherwise, fall to the State, which, with these assets must serve the purpose of the foundation or other related purpose.

10. “Altruistic” element

- a) Is remuneration of board members allowed in **civil law** and in **tax law**? If remuneration is allowed, are there any limits in **civil law** and/or in **tax law**?

There are no restrictions on remuneration to members of foundation boards as long as the amounts payable are bona fide.

- b) Does **tax law** allow a donor/funder to receive some type of benefit in return for a donation? (e.g. postcards, free tickets for a concert)

The examples mentioned herein above (postcards or free tickets for a concert) are not in principle restricted.

- c) Is there a maximum amount that can be spent on office/administration costs in **civil law** and in **tax law**? If yes, how are “administration costs” defined? Please indicate which of the following types of expenditures would/would not be considered as “administration costs”:

There is no maximum amount that can be spent on office / administration costs as long as the amount is bona fide.

- Personnel costs (staff salaries/payroll costs)
- Board remuneration
- Costs of external audit
- Other legal/accounting costs
- General office overheads (rent/mortgage payments, utilities, office materials, computers, telecommunications, postage)
- Insurance
- Publicity and promotion of the foundation (e.g. website, printed promotional materials)
- Asset administration costs
- In the case of an operating foundation – costs related to programmes/institutions run by the foundation
- Costs related to fundraising

11. Hybrid structures (elements of private benefit in public-benefit foundations)

- a) Does the **civil law** of your country accept the following provisions/activities of a public-benefit foundation?

	Yes	Probably yes	Unclear	Probably no	No
The founder restricts the use of the endowment by specifying that the foundation is required to maintain the founder, their spouse and descendants.		x			
The founder retains a beneficial reversionary interest in the capital of a property or other asset for their own continuing use.			x		
The gift consists only of the <i>freehold reversion</i> (residuary interest) in a residence that is subject to an existing lease (for a term of years, or even for life) in favour of the founder (or another member of their family) as tenant.			x		
A foundation distributes a (small) part of its income to the founder or their family.				x	

- b) Does the **tax law** of your country accept the following provisions/activities of a tax-exempt foundation?

	Yes	Probably yes	Unclear	Probably no	No
The founder restricts the use of the endowment by specifying that the foundation is required to maintain the founder, their spouse and descendants.		x			
The founder retains a beneficial <i>reversionary</i> interest in the capital of a property or other asset to retain for their own continuing use.		x			
The gift consists only of the <i>freehold reversion</i> (residuary interest) in a residence that is subject to an existing lease (for a term of years, or even for life) in favour of the founder (or another member of their family) as tenant.			x		
A foundation distributes a (small) part of its income to the founder or their family.			x		

12. Distributions and timely disbursement

- a) Are foundations allowed to spend down their endowment?

Foundations' assets can be spent by the foundations for serving the purpose for which they were established.

- b) Are they allowed to be set up for a limited period of time only? If so, is there a minimum length of time for which the foundation must exist?

Foundations may be established for a limited period of time and there is no minimum length of time for which the foundation must exist.

- c) Does the **civil law** and/or **tax law** of your country require a foundation to spend its income (or a certain amount of the income) within a certain period of time, e.g. within the next financial year? If yes, is there a specific amount/percentage of the income that must be spent within this time? Which resources would be considered as income? E.g. would

donations/contributions designated for building up the endowment be included in/excluded from the income to be spent? What expenditures would count towards the disbursement of income (e.g. would administration costs be included/excluded)?

The only limitation is the one described in response to Question 12 (a) above.

- d) Does the **civil law** and/or **tax law** of your country require a foundation to spend a percentage of its overall assets in the form of a “pay-out rule”?

The foundation is not obliged to spend any percentage of its overall assets in the form of a “pay-out rule”.

Example: Does the **civil law** of your country require the following of a public-benefit foundation?

	Yes	Probably yes	Unclear	Probably no	No
A foundation accumulates its income for 5 years, only in the 6 th year are there distributions for the public-benefit purpose of the foundation.				x	

Example: Does the **tax law** of your country require the following of a public-benefit foundation?

	Yes	Probably yes	Unclear	Probably no	No
A foundation accumulates its income for 5 years, only in the 6 th year are there distributions for the public-benefit purpose of the foundation.				x	

13. Are activities abroad in another country compatible with the public-benefit tax status?

Activity abroad should normally make no difference as long as the conditions mentioned above are met.

14. Can public-benefit organisations with a tax-exempt status also support/give grants to for-profit organisations (such as a small green start-up)?

That is unclear.

15. Corporate income tax treatment. How are the following types of income treated for corporate income tax purposes? Are they taxable or exempt?

- a) Grants and donations

Exempt

- b) Investment income (asset administration)

Interest from fixed rate bonds

Equities

Income from leasing of a property that belongs to the foundation

- c) Economic activities (related/unrelated) – exempt from PBOs

Income from running a hospital/museum/opera

Income from producing/selling books (e.g. art books sold by a cultural foundation)

Income from running a bookshop inside a museum/opera run by the foundation

Income from running a café in the hospital/museum run by the foundation

- Income from selling merchandise (activity not related to the pursuance of the public-benefit purpose)
 - Income from intellectual property (e.g. royalties and licence fees)
 - d) Income deriving from grant expenditure towards public-benefit purpose/programme activities (such as loans, guarantees, equities)?
 - Exempt
 - e) Is major shareholding in a business undertaking considered as an economic activity and taxed accordingly?
- Yes.

16. Are capital gains subject to tax? If so, are they liable to corporate income tax or to a separate tax?

Capital Gains Tax (CGT) is charged at the rate of 20% on gains arising from the sale of immovable property in Cyprus or the sale of shares of companies which own immovable property in Cyprus. Gains from the sale of shares listed on any recognisable stock exchange are excluded. Other exemptions from capital gains tax are available in several cases, e.g. for gifts to the Republic or to a local authority for educational or other charitable purposes or to approved charitable institutions.

17. Does any kind of value added tax (VAT) refund scheme for the irrecoverable VAT costs of public-benefit foundations exist in your country?

Whilst Cyprus follows the EU rules on VAT compliance, it is still free to set its own standard (upper) VAT rate. The only proviso is that it is above 15%. Value-added tax is imposed on the provision of goods and services in Cyprus as well as on the importation of goods into Cyprus. Cyprus has four rates of VAT, namely: (i) the standard rate of 19% (all taxable goods and services; land transactions for business use); (ii) the reduced rate of 9% (Domestic road passenger transport; domestic passenger transport by sea; hotel accommodation; restaurants and catering services; cafes); (iii) the reduced rate of 5% (certain foodstuffs; non-alcoholic beverages; water supplies; pharmaceutical products; medical equipment for disabled persons children's car seats; certain passenger transport; books (excluding e-books); newspapers and periodicals; admission to cultural events and amusement parks; writers and composers; renovation and repair of private dwellings; some agricultural supplies; admission to sports events; use of sporting facilities; domestic waste collection; hairdressing; some undertaker and cremation services; LPG (in cylinders); take away food (excluding soft drinks and alcoholic beverages); social housing; cut flowers for food production; waste and waste water treatment; works of art, collectors' items and antiques; certain services on intracommunity flights) and (iv) the 0% rate (intra-community and international transport; goods purchased on international flights). Please note though that during the COVID-19 pandemic Cyprus has temporarily cut VAT in order to support businesses.

No VAT is charged on supplies of goods or services which are exempted under the VAT legislation: financial services, lotteries, medical care, social welfare, education, sports, cultural services, insurance transactions etc.

18. Is capital tax levied on the value of assets, where applicable?

CGT is imposed at 20% on all gains (regardless of the residence of the disponent) from both: Disposals of immovable property situated in Cyprus and disposals of shares of companies holding immovable property situated in Cyprus (charged on the appropriate portion of the gain).

19. Are there taxes on the transfer/ sale of assets by foundations?

Transfers of immovable property are subject to transfer fees at rates between 3% and 8% calculated on the market value of the property, as assessed by the Land Registry Department. An amendment regarding the reduction of Immovable Property Transfer Fees has been approved by the Cyprus House of Representatives. It applies only to the first sale of a property and it abolishes or reduces

Transfer Fees provided that the Contract of Sale has been deposited with the Land Registry within the month period set by the law. More specifically: (a) no Transfer Fees will be payable for properties which are subject to VAT and (b) transfer Fees are reduced by 50% for those who do not pay VAT on their purchase.

Immovable Property Tax is abolished as from 1 January 2017. The acquisition of immovable property from a property developer is subject to VAT at 19%, unless the property is to be the main residence of the purchaser in which case the rate is reduced to 5%.

20. Are there any other taxes to which public-benefit foundations are subject to (e.g. real property tax)?

Special contribution for defence tax (*SDC tax*) is payable on a self-assessment basis on interest, dividends and rent received. In fact, special contribution for defence is imposed on various sources of income (e.g., interest income, dividends, rental income less than 25%, interest earned by Social Insurance Fund etc.) and at the rates that range between 3-30%.

Up to and including 15 July 2015, all Cyprus tax-resident individuals were subject to SDC tax. With effect from 16 July 2015 the SDC (Amendment) Law, Law 119(I) of 2015 introduced an exemption for individuals who are resident but not domiciled in Cyprus that aims to encourage foreign nationals to use Cyprus as a base for their investments.

21. Can a foreign foundation (EU and other) get the same tax benefits as a national foundation according to the wording of the tax law in your country? If yes, under what conditions? If they have to fulfil exactly the same requirements as locally-based public-benefit foundations, please refer to above but indicate which documents need to be provided and translated:

- Statutes (translation required?)
- Last annual financial report (translation required?)
- Documents providing evidence for certain tax law requirements e.g. that income was actually spent for public-benefit purposes, which may not be required by the organisation's country of seat but are required according to the legislation of the country from which tax benefits are sought?
- Other

A foreign-based foundation is taxed in Cyprus as far as it generates income in Cyprus. Only foundations registered in Cyprus can apply for the status as a charitable organisation and hence receive tax exemption. Thus the Cyprus law does not correspond with the "Stauffer" decision of the ECJ.

22. Does your country have signed bi-lateral tax treaties, which provide for reciprocal tax treatment of public-benefit organisations? If so, with which countries?

Cyprus has concluded double taxation treaties with more than 60 jurisdictions, including Austria, Belgium, Germany, Greece, Malta, the UK, China, Russia, India etc.

All double taxation treaties provide relief from double taxation by applying the credit method to the taxation of dividends and interest. Tax paid or payable in the other country reduces the liability of Cyprus residents for Cyprus income tax and SDC

The Cyprus tax authorities will also grant unilateral relief from Cyprus tax on income received from a foreign country with which Cyprus has no double taxation treaty. This relief applies up to the amount of tax paid in the foreign country and is granted by exemption, credit or deduction.

Cyprus's double taxation treaty network allows international transactions to be structured in a number of tax-efficient ways, particularly when combined with a Cyprus holding company and other fiscally beneficial entities. After the implementation of the OECD Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Sharing 2017 (MLI) which has been implemented with the purpose of enabling interpretation of double tax treaties in accordance with the standards of the Organisation for Economic Cooperation and Development (OECD). The provisions of the MLI will be read in conjunction with the double tax treaties aimed at

tackling treaty abuse, artificial avoidance of permanent establishments and improving dispute resolution.

23. Does your country apply withholding tax to the income from local investments held by domestic and/or foreign-based foundations? If so, can domestic or foreign-based foundations reclaim all or part of the withholding tax under domestic law?

The only withholding taxes apply to:

Rental payments made to non-residents concerning films shown in Cyprus. These are subject to withholding tax at 5% of the gross payments.

Royalties or any other payments to non-residents for intellectual or industrial property rights. These are liable to a 10% withholding tax, subject to relief under any applicable double taxation treaty. No tax needs to be withheld if the rights are used exclusively outside Cyprus.

With regard to foreign income, resident companies are taxed on their worldwide income. Income from sources outside Cyprus is taxed in the same way as domestic income, subject to the applicable rules.

III. Tax treatment of donors of foundations

1. Is there a system of tax credit or tax deduction or other mechanisms such as tax allocation systems or matching grants?

There is a tax credit system. A tax credit is available where grants or donations were made for educational or other charitable purposes to the Republic or a local authority or to any other charitable institution, which is approved as such by the Council of Ministers.

2. Tax treatment of individual donors

a) What tax relief is provided for individual donors? Is there a minimum and/or a ceiling to a contribution on which tax incentives can be claimed?

b) Which assets qualify for tax deductibility (e.g. cash, real estate, in kind or other)

Income of approved charities is exempt from income tax and donations to approved charities are deductible for income tax. There is no ceiling nor a minimum to the contribution. Disposals to an approved charity are exempt from capital gains tax and no immovable property tax is chargeable on assets owned by an approved charity. There are a few overseas charities on the list of approved charities, so it appears that in principle they should be able to access these benefits by seeking approval. Donations to charities that have been approved by the tax department are tax deductible.

3. Tax treatment of corporate donors

a) What tax relief is provided for corporate donors? Is there a minimum and/or a ceiling to a contribution on which tax incentives can be claimed?

b) Which assets qualify for tax deductibility? (e.g. cash, real estate, in kind, or other)

The same conditions seem to be applicable as to individual donors.

4. Tax treatment of donations to non-resident public-benefit foundations: Do donors get the same tax incentive?

Where a donation is made to a non-resident public benefit foundation which has met all the conditions that the Council of Ministers wishes to impose, then a tax credit is available.

5. Other frameworks such as percentage law systems, whereby the donating tax payer may assign part of the tax due to a public-benefit organisation?

N/A

6. What are the requirements that the donor must fulfil and/or what is the information they must provide in order to claim tax benefits? What information must donors provide to their tax authority in order to receive tax incentives for their donation (e.g. submitting details on the organisation they support: statutes, annual financial report, documents providing evidence for certain tax law requirements, for instance to show that income was actually spent for public-benefit purposes)?

In certain instances, the donor must provide receipts.

7. Are there any different or additional requirements to be fulfilled when a donor is giving to a foreign-based foundation? What information must donors to foreign-based organisations provide in order to receive tax incentives for their donation (e.g. statutes, annual financial report, documents providing evidence for certain tax law requirements, for instance to show that income was actually spent for public-benefit purposes)? Are translations of documents required?

This will have to depend on the laws of the country in which the foreign foundation is based.

8. Do donors get tax incentives when donations are done via specific tools such as:

- Requesting money in public (street, door-to-door)
- Via TV and radio campaigns
- Via sms
- Crowdfunding

Do they have to follow any kind of particular process? If so, which one?

N/A

IV. Tax treatment of beneficiaries

(i.e. those receiving a grant or other benefit from a foundation)

- 1. Individuals: Are individual beneficiaries of grants required to pay taxes or are the grants tax exempt?**
- 2. Legal entities: Is there any legal/fiscal framework for beneficiaries conducting economic activities so that they can be eligible for foundation funding? Are there any limitations on the economic activities of the beneficiaries?**
- 3. Are there any different or additional requirements that must be fulfilled by a beneficiary receiving funding from abroad?**

In principle, if individuals or legal entities satisfy the requirements provided in the first answer (page 1 of the profile) regarding the tax treatment of the foundation, then there will be exemption from tax.

V. Gift and inheritance tax

1. **Does gift and inheritance tax/transfer tax exist in your country and, if yes, who has to pay the tax in the case of a donation/legacy to a public-benefit organisation (the donor or the recipient organisation)?**

There is no gift or inheritance tax.

2. **What are the tax rates? Is there a preferential system for public-benefit organisations (PBOs)? Which PBOs qualify? Is there a difference according to the region or the legal status of the PBO?**
3. **Is there a threshold (non-taxable amount) from gift and inheritance tax for donations/legacies to public-benefit organisations?**
4. **Is there a legal part of the estate that is reserved for certain protected heirs and which a donor cannot give to third parties?**
5. **What is the tax treatment (inheritance and gift tax) of legacies to non-resident public-benefit foundations?**

VI. Trends and developments

- 1. Are there current discussions about the question of whether cross-border activities of foundations or other non-profit organisations and their donors are protected by the fundamental freedoms of the EC Treaty? Have there been any changes to your country's legislation, resulting from the [Persche](#), [Stauffer](#), [Missionswerk](#) or other relevant ECJ judgments, or are changes being discussed? Any changes being discussed with regard to the free movement of trust structures resulting from the [Panayi Trust](#) and [Olsen and Others](#) cases?**

The implementation of a risk-based approach framework to the non-profit sector is still not at a very developed stage. Since Cyprus has not yet identified the sub-set of non-profit organisations which may be vulnerable to terrorism funding abuse, legitimate non-profit organisations' legitimate activities can be disrupted or discouraged. Non-profit organisations are still considered as uniformly high-risk.

- 2. Has the fight against terrorism and financial crime led to the introduction in recent years of new laws/rules affecting the foundation sector (e.g. implementation of EU Anti Money Laundering Directive, or reactions to recommendations of the Financial Action Task Force)? Has it for example become more difficult to:**

- Set up a public-benefit foundation
- Obtain permission to transfer funds across borders
- If able to transfer of funds across borders, has the process become more burdensome administratively
- Open a new bank account
- Maintain a bank account
- Fund certain activities
- Fund certain regions/countries
- Fund certain organisations (please explain the reason - foreign funding restriction?)
- Report to authorities/deal with administration
- Other

On February 12, 2020, the European Commission sent a letter of formal notice to Cyprus, for not having notified any implementation measures for the 5th Anti-Money Laundering Directive. All Member States had to implement the rules of the 5th Anti-Money Laundering Directive by 10 January 2020 and Cyprus has been encouraged to urgently do so by the European Commission, given the importance of these rules for the EU's collective interest.

- 3. Does the national law consider foundations as obliged entities as defined by the Anti-Money Laundering Directive?**

Section 2A of The Prevention and Suppression of Money Laundering Activities Law of 2007 L188(I)/2007 as amended by Laws L58(I)/2010, L80(I)/2012, L192(I)/2012, L101(I)/2013, L184(I)/2014, L18(I)/2016, L13(I)/2018 and L158(I)/2018 (the AML Law) and which has transposed the 4th EU Anti-Money Laundering Directive into domestic legislation provides that founders, directors and other persons holding important powers in a trust (e.g., protectors) are considered as obliged entities within the meaning of the Law. Although foundations are not per se mentioned, due to the fact that they may be used for similar purposes as a trust a mutatis mutandis application may be possible.

4. Does the national law define/specify who is considered as a Beneficial Owner (BO) of a foundation?

Ultimate Beneficial Owner (UBO) registration provisions were introduced on 3 April 2018, through the transposition of the 4th EU Anti-Money Laundering Directive into domestic legislation. The UBO registration applies to companies, trusts and other arrangements similar to trusts. A UBO is defined as any natural person who ultimately owns or controls a corporate or legal entity (including trusts) or on whose behalf the entity is conducting its activity or transaction.

The notion of UBO includes in case of trusts: (i) the settlor; (ii) the trustee or commissioner; (iii) the protector, if any; (iv) the beneficiary, or where the individual benefiting from the legal arrangement or legal entity have yet to be determined, the class of persons in whose main interest the legal arrangement or entity is set up or operates; (v) any other natural person exercising ultimate control over the trust by means of direct or indirect ownership or by other means, and in the case of legal entities, such as foundations, and legal arrangements similar to trusts, the natural person holding equivalent or similar positions to the person referred to under (i)-(v) above.

5. Does your country have a specific register for BO of legal entities/foundations or does the foundation/company/association register serve as a BO register?

The AML Law introduced the requirement for the establishment of a Cyprus beneficial ownership register. Section 61A of the Law relates to the creation of a register in Cyprus for the collection of information for companies; whereas 61B of the Law relates to the creation of a beneficial ownership register for trusts.

In summary:

- Every company incorporated in Cyprus is required to maintain adequate information on its beneficial owner.
- Such information must be provided to obliged entities (banks, lawyers, audit firms, etc).
- The beneficial owner's information is kept in a central register of beneficial owners.
- The creation, operation, access and related matters of the register shall be determined by regulations.
- The competent authorities have access to the information, the lawyers, bankers, auditors, and any person or organisation which can demonstrate a legitimate interest.
- Information made available shall include the name, the month and year of birth, the nationality and country of residence of the beneficial owner and the % of interest held.

Companies incorporated in a foreign jurisdiction but operating in Cyprus, e.g., Branch, Foreign Companies being tax residents of Cyprus are excluded from the strict interpretation of the AML Law. Partnerships, mutual funds, and other unincorporated businesses equally fall outside the strict interpretation of the AML Law. However, in practical terms as soon as they apply for a bank account opening; the banks will be required to collect information on their beneficial owner and % of interest that they/he/she holds.

6. Are there any other recent trends or developments affecting the legal and fiscal environment for public-benefit foundations in your country such as one or more of the following?

- a) Law revision in the pipeline
- b) Discussion about the role of supervisory authorities (civil law, charity regulator, tax authority) and collaboration among them? Decentralisation or centralisation of supervisory structures? Use of watchdog/rating agencies?
- c) Tendency towards more transparency requirements?

- d) Tendency towards more self-regulation? Self-regulation replacing hard law regulation?
- e) Tendency to use alternative forms to classic public-benefit foundations
- f) Other?

Main amendments introduced by L. 76(I)/2018 / L. 84(I)/2019:

Added Article 6A which regulates the registration of an association or a foundation whose activities and actions concern minors.

Replaced Article 13 which now stipulates that '[i]f the articles of association of the association do not stipulate otherwise, its members have equal rights.

Added Article 18A which states that '[n]o fee, of any kind, shall be paid for services rendered to any member or official of the association's management, unless otherwise specified in the articles of association'.

Added Article 57, which is a special provision concerning clubs. With the new Law, the Clubs Law has been abolished. This created a lacuna in relation to the legal status of clubs already registered, since the repealed law foresaw that a club had to renew its license each year. In practice, this means that if clubs want to continue to have a legal personality, they had to change their legal personality into the legal personality of an association. Failure to do so would result in the loss of legal personality and the freezing of their accounts. The ratio of this legal amendment is to ensure the maintenance of the principles of good administration and financial transparency.

7. Public fundraising: Are there any specific laws that regulate fundraising and do they affect foundations?

Fundraising is regulated by the "Fundraising Law 68(I)/2014". Non-profit organisations which do not comply with the law are not granted a license for fundraising. After the law was implemented, Cypriot authorities have carried out awareness raising activities in order to inform non-profit organisations of the new legal requirements.

VII. Further information

Useful contacts

[Cyprus Bar Association](#)

[Tax Department, Government of Cyprus](#)

Selected law texts online

Main Legal Instruments			
Provision / No of Law	Law	Date	Amendments
104(I)/2017	About associations and foundations and other related issues	14/7/2017	- 76(I)/2018 - 84(I)/2019
Chapter 41	Charities Law	27/3/1925	-
Chapter 113	Companies Law	16/2/1951	-
69(I)/1992	International Trusts Law	24/7/1992	- 20(I)/2012 - 98(I)/2013
188(I)/2007	The Prevention and Suppression of Money Laundering Activities Law	31/12/2007	- 58(I)/2010 - 80(I)/2012 - 192(I)/2012 - 101(I)/2013 - 184(I)/2014 - 18(I)/2016 - 13(I)/2018 - 158(I)/2018 - 81(I)/2019
68(I)/2014	Fundraising Law	23/5/2014	- 139(I)/2016

VIII.About

Philanthropy Advocacy

The Dafne and EFC joint advocacy project “Philanthropy Advocacy” acts as a monitoring, legal analysis and policy engagement hub for European philanthropy. Its main objective is to shape the national, European and international legislative environment by implementing the European advocacy roadmap for a Single Market for Philanthropy.

www.philanthropyadvocacy.eu

Donors and Foundations Networks in Europe (Dafne)

Dafne brings together 30 national associations from 28 countries across Europe, representing over 10,000 public-benefit foundations, big and small, who want to make a difference in society. We have created an alliance for collaboration across philanthropy networks in Europe to address big philanthropy questions of our time in a coordinated and effective manner. We lead, strengthen and build the field for the common good in Europe. We are involved in four key areas: advocacy, peer exchange, communications and research. Our work is needs-based and future-oriented. We value ideas over hierarchy and believe in a truly collaborative approach.

www.dafne-online.eu

European Foundation Centre (EFC)

As a leading platform for philanthropy in Europe, the EFC works to strengthen the sector and make the case for institutional philanthropy as a formidable means of effecting change. We believe institutional philanthropy has a unique, crucial and timely role to play in meeting the critical challenges societies face. Working closely with our members, a dynamic network of strategically-minded philanthropic organisations from more than 30 countries, we:

- Foster peer-learning by surfacing the expertise and experience within the sector
- Enhance collaboration by connecting people for exchange and joint action
- Advocate for favourable policy and regulatory environments for philanthropy
- Build a solid evidence base through knowledge and intelligence
- Raise the visibility of philanthropy’s value and impact

www.efc.be

**Donors and Foundations Networks in Europe AISBL (Dafne) and
European Foundation Centre AISBL (EFC)
2020**



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