



**Alternative
Investment
Funds (AIFs)
in Cyprus**

Joannides + Co Ltd

Introduction

There are a few factors that make Cypriot AIFs attractive: the strategic location of the island, its legal infrastructure (which is based on the UK common law system), as well as the availability of experienced fund administrators, custodians, fund managers, accountants and lawyers make it an easy place to do business. This, combined with competitive set-up and maintenance costs allow fund promoters and foreign investors that set up AIFs in Cyprus to receive services which support their investment fund throughout its lifecycle and add value to the proposed investment vehicles.

Alternative Investment Funds Law of 2018

The AIFs Law enacted in July 2018, enhanced further the attractiveness of Cyprus as an investment fund domicile by opening up the market for registration and operation of new flexible and innovative types of alternative funds, fully compliant with the EU legal order.

The AIFs Law also expanded the possible legal forms of funds that may now be established as common funds (where investors participate as co-owners of assets), variable capital investment companies, fixed capital investment companies or limited partnerships.

The Law also provides for umbrella funds with segregated investment compartments, funds marketed to professional or retail investors as well as funds with limited or unlimited number of participants.

Registered Alternative Investment Funds (RAIFs)

An important flexible product introduced under the Law is the Registered AIF, (RAIF), which allows for a quick and cost - effective fund launch. Under the RAIF regime the fund is not required to apply and secure authorisation by CySEC. Instead it has to be managed by an external Alternative Investment Fund Manager, who prepares and files a duly completed notification pack to the Regulator (CySEC).

The AIF is subsequently registered in a special Register maintained by the Regulator, in one month's time. The aforementioned registration procedure is much simpler and affordable in comparison to the authorisation process.

The RAIF may be organised in any legal form under Cyprus Law and can be open or closed - ended and be established with multiple compartments. Moreover it can follow any strategy and invest in any type of assets and has the obligation to appoint a local depository and be addressed exclusively to professional and well-informed investors.

AIF definition - Characteristics

AIFs are collective investment undertakings which:

- Raise capital from a number of investors with a view to investing it in accordance with a defined investment policy;
- Do not fall under the UCITS Law, (Undertakings for the Collective Investments in Transferable Security Law).

AIFs, depending on the number of participating persons fall under two categories:

- AIFs with unlimited number of persons which may be marketed to retail, or well-informed and/ or professional investors;
- AIFs with limited number of persons (up to 50) which may only be marketed to well - informed and/or professional investors;

Types of AIFs - Legal Forms

AIF for Unlimited Number of Persons	AIF For Limited Number of Persons	RAIF
Variable Capital Investment Company (VCIC)	Variable Capital Investment Company (VCIC)	Variable Capital Investment Company (VCIC)
Fixed Capital Investment Company (FCIC)	Fixed Capital Investment Company (FCIC)	Fixed Capital Investment Company (FCIC)
Limited Partnership (LP)	Limited Partnership (LP)	Limited Partnership (LP)
Common Fund (CF)		Common Fund (CF)

Advantages of Cyprus AIFs

- EU and OECD compliant fiscal system;
- Competitive set-up, operation, administration and audit costs that are substantially lower than those in established funds jurisdictions;
- Single Regulatory and Supervision Authority (CySEC - Cyprus Securities and Exchange Commission);
- Trading income taxed at a uniform corporation tax rate of 15%;
- Services received from investment managers are not subject to VAT;
- Tax exemption of gains on trading in securities, including gains on disposal of subsidiaries;
- Tax exemption of foreign dividend income (subject to certain conditions);
- No withholding tax on interest and dividend payments to non - Cyprus tax residents;
- No withholding tax on redemption of units;
- No capital gains tax on disposal of units;
- No capital gains tax on disposal of immovable properties located outside Cyprus;
- No stamp duties on subscription, redemption, repurchase or transfer of units;
- AIFs with unlimited number of members can seek listing to Cyprus Stock Exchange or EU stock exchanges;
- AIFs can be self-managed (under certain conditions);
- Existence of extensive network of Double Tax Treaties.



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