Cyprus tax legislation assumes the following description of the tax resident for organizations: the tax resident shall be a company which management and control is being performed from within Cyprus. In such a case, the fact of company incorporation within Cyprus and according to Cyprus laws is not determinative.

The said principle is directly fixed in the tax legislation of Cyprus, however, for the purposes of establishing the tax residence there are no fixed criteria.

In practice, this provision is realized as follows. To comply with the above principle, the persons responsible for the company management and control must be Cyprus residents themselves. The Cyprus residents shall mean the persons permanently living within the territory of state but not its citizens.

As far as we could see from the situation description, the company's executive body (director) is a resident of Cyprus, and he is mentioned in the certificate confirming company directors. For the Cyprus tax authorities, this is the formal reason to admit the company as a tax resident.

It is important to take into account that the "local" director was mentioned in the certificate. In case of risk of mentioning all the directors in the certificate, there is a possibility to use such structure as "committee" to which the director's powers are delegated[1].

It is necessary to take into account that the status of such committee replacing the Board of directors[2] is based upon powers of attorney issued by the local directors specified in the company certificate. Based on such powers of attorney, committee members shall exercise their powers.

Within the framework of preliminary discussion, an issue of nominating committee members and possibility of its appointment by shareholder/shareholders was considered. We examined the Articles of Association of a company involved into management structure, and it says that the committee members shall be appointed:

- either by director/directors (sole executive body);
- or within combined procedure where shareholder/shareholders select candidates and director issues powers of attorney.

Such conclusion results from the wording of article 98 of company's Articles of Association[3].

In addition to the said criterion that shall be considered more precisely in the second part of this letter, there is a row of criteria that are marked by the Cyprus tax authorities as important for consideration:

existence of an address and more preferably office within Cyprus. This address shall be the place from where the day to day company management shall be made as well as the company Board of directors meetings shall take place. The existence of office would disallow most questions as to economical constituent and justifiability of the Cyprus company presence within the structure as well as the issue of the tax residence;

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[1]As an example, here is the provision from the company's Articles of Association: "The directors may delegate any of their powers to *a committee or committees consisting of such member or members of their body as they think fit*; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the directors, as to its powers, constitution, proceedings, quorum or otherwise."

[2]In this context, the Board of directors within the meaning of the Russian corporate legislation.

[3]The business of the company shall be managed by the *directors,* who may pay all expenses incurred in promoting and registering the company, *and may exercise all such powers of the company* as are not, by the Law or by these Articles, required to be exercised by the company in general meeting, subject, nevertheless, to any of these Articles, to the provisions of the Law and to such regulations, being not inconsistent with the aforesaid Articles or provisions, as may be prescribed by the company in general meeting; but no regulation made by the company in general meeting shall invalidate any prior act of the directors which could have been valid if that regulation had not been made.