

SBSM Legal, Regulatory, and Fiscal Framework

CYPRUS

Table of Contents

1. Which is the legal framework for social enterprises in your country?	3
2. How social enterprises are defined according to the country's legal framework? ..	3
3. Which are the main types of social enterprises that exist in your country?	4
4. What is the process of registering a social enterprise in your country?	4
5. How social enterprises are treated under tax law in your country? Are there any tax incentives for social enterprises? If yes, which?	5
6. Procurement: Any special provision for social enterprises? Please describe.....	5
7. Links and References	5

1. Which is the legal framework for social enterprises in your country?

In Cyprus there is no specific legal form for a social enterprise. Within the current legal framework, social enterprises must adopt existing legal forms. Social enterprises could therefore, operate as:

1. A Limited Liability Company in two forms:

- a. A company limited by shares, with profits distributed to shareholders;
- b. A company limited by guarantee without shared capital; its members are guarantors who agree to contribute a zero amount in the event that the company is wound up.

2. A Non-Governmental Organisation (NGO); it is a term that is used to describe organisations that are set-up voluntarily and with a non-profit agenda, seeking to promote a cause or a set of values. Such organisations, in Cyprus, can be found in four legal forms:

- Non-Profit Companies: they distribute its income or profit for the promotion of its purpose. Payment of any dividend is also prohibited to its members. These are legally Limited Liability Companies.
- Associations: a formation of minimum of 20 people that work in close collaboration to implement predefined purposes, goals and objectives
- Foundations: they may obtain a certain property (assets and/or funds) to promote their purpose; they can be charitable, patrimonial or collective. The founder has to establish a fund, which will act as the means to finance itself.
- Clubs: gathering of minimum 20 people with shared interests, mainly for the purposes of socialization or entertainment. They may include a lawful activity, except from activities that involve profit.

2. How social enterprises are defined according to the country's legal framework?

In Cyprus the concept of social enterprise is rather new and under-developed. Although related concept of the cooperative movement has a long and successful history on the island, the concept of social enterprise has only recently entered public discourse. The dialogue started a few months ago with all stakeholders: the three co Ministries of Labour, Finance and Trade, universities, research centers, representatives of the European Commission and member states that already have experience in the social enterprise sector. Soon it is expected that the discussions

will lead to a proposal for a legal framework that will define which enterprises will be considered as social.

3. Which are the main types of social enterprises that exist in your country?

Volunteer/NGO organisations

There are nearly 400 volunteer and NGO organisations under the auspices of the Commissioner of Volunteerism. These organisations are registered under the following three different legal frameworks:

- Under the Pancyprian Coordinating Body for Volunteerism Law No. 61 (I) of 2006
- Associations and Foundations Law (57/1972)
- Private Companies by Guarantee (Law 113)

It should be noted that there's not a legal entity for NGOs in Cyprus. NGO's are often companies by guarantee which do not distribute profits.

Companies

In addition to NGOs, there are also private enterprises emphasizing social mission in their business models. However, they do not always have a clause on profit redistribution and thus may not fully qualify as social enterprises. Companies operate under the Law Chapter. 113.

Cooperatives

Cooperative institutions are not generally included in the discussion of social enterprises. The main reason for this is that their social goal cannot be clearly identified, as typically the objective of cooperatives is to serve the mutual interests of their members. Cooperatives operate under the Law of Cooperative Societies of 1985 (N. 22/1985) with its amendment (N.107(I)/2013).

4. What is the process of registering a social enterprise in your country?

As stated in previous questions, at the moment there is no legal framework for social enterprises in Cyprus. Enterprises that define themselves as social ones have to adapt one of the existing legal forms and follow the relevant procedures for registering as any other company.

5. How social enterprises are treated under tax law in your country?
Are there any tax incentives for social enterprises? If yes, which?

No, there is no such provision at the moment.

6. Procurement: Any special provision for social enterprises? Please describe.

N/A

7. Links and References

European Commission (2014), A Map of social enterprises and their ecosystem of Europe. Country Report: Cyprus, (ICF consulting)
file:///C:/Users/Golfo/Downloads/SE%20Mapping_Country%20Report%20Cyprus.pdf

Republic of Cyprus, Office of the Law Commissioner, the Companies Law
[http://www.olc.gov.cy/olc/olc.nsf/all/E1EAEB38A6DB4505C2257A70002A0BB9/\\$file/The%20Companies%20Law,%20Cap%20113.pdf?openelement](http://www.olc.gov.cy/olc/olc.nsf/all/E1EAEB38A6DB4505C2257A70002A0BB9/$file/The%20Companies%20Law,%20Cap%20113.pdf?openelement)