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POLICIES FOR SOCIAL ENTREPRENEURSHIP IN CYPRUS

As stated in the 2019 National Report on Social entrepreneurship in local communities, the typologies that qualify as social enterprises in Cyprus are Limited liability companies, Cooperatives, and Associations.

Limited liability companies:

There are two types of LLCs:

- A company limited by guarantee without shared capital is created to reach a shared objective, which often but not always has a charitable or social scope. LLCs are prohibited from distributing profits, which are reinvested for the continuation and achievement of their objectives.
- A company limited by shares: It pursues a social aim and distributes only a limited share of its profits.

Cooperatives:

They are organizations that are managed through a democratic process. They allow for limited distribution of profits to their members. The draft law on social enterprises provides that cooperatives are eligible to obtain social enterprise status.

Associations:

Associations that have a social mission and are established with a minimum of 20 people to achieve a shared objective. They are not allowed to distribute profits to their members, founders, board of directors, or officials.

Foundations:

Foundations may obtain assets and/or funds to promote their purpose.

Clubs

In the past, clubs could operate as social enterprises, but after 2017, they were abolished as entities in Cyprus.

Associations and foundations also have a social mission. They also have inclusive governance and a prohibition of profit-making (thus profit distribution). However, very few of them generate more than 25% of their income from trading goods and services. It should be also stated that they are legally prohibited from implementing commercial activities, even if the introduction of such activities will further support its social purpose.

Cooperatives are market-oriented thus fulfill the entrepreneurial/economic criterion. They also have a democratic participatory process and limited distribution of profits to their members. However, in the case of Cyprus, very few can meet the social criterion as their main purpose is to serve the interests of their members. It is quite possible that with the new legislation (which makes explicit reference to cooperatives), some cooperatives will move from mutualistic to a social orientation.



Private companies limited by shares do have the most difficult task of being classified as social enterprises as the current tax laws do not allow the limited distribution of profits and their social dimension is not regulated. However, some of them do not distribute profits as their income is fully utilized for monthly salaries and operating expenses leaving no profits for distribution. Clubs do not also fully meet the basic criteria set out in the EU operational definition of social enterprise.

A draft bill entitled 'Law for the development and maintenance of a Registry for Social Enterprises', was recently approved by the House of Representatives. The purpose of the law is to establish a legal framework under which certain legal entities, i.e. Limited liability companies, cooperatives, and associations can be conditionally registered as social enterprises. The ultimate goal is to develop an alternative form of entrepreneurship in the Republic.