

# A STEP BY STEP GUIDE TO YOUR INVESTMENT





# Invest in Cyprus Invest in Us



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## CHAPTER 1

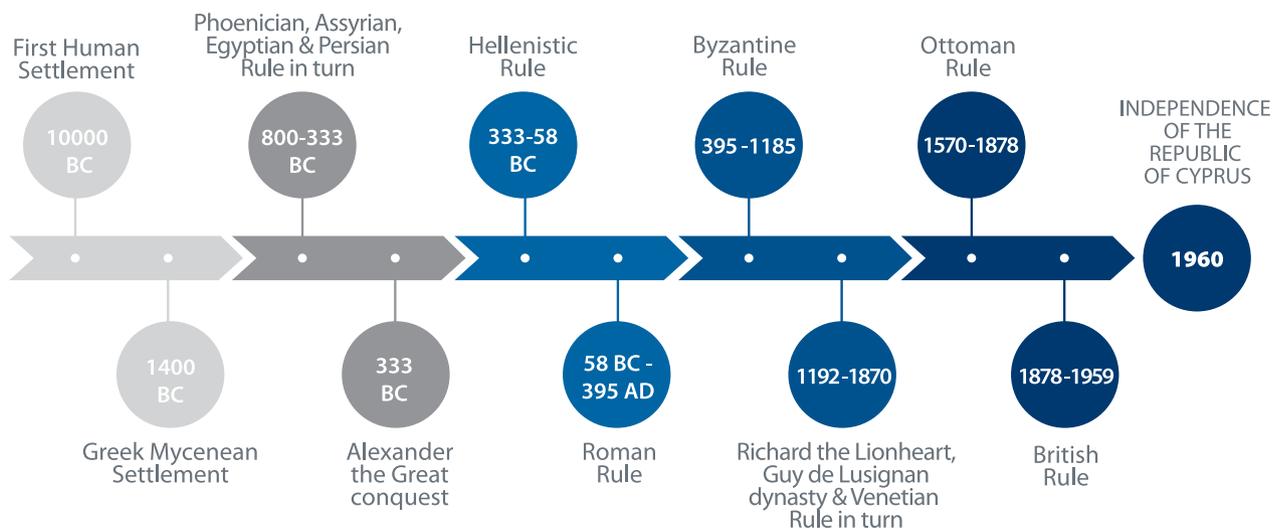
### CYPRUS: AN OVERVIEW

Cyprus is the third largest island in the Mediterranean Sea, located at the crossroads of three continents, Europe, Africa and Asia. The island, through its rich and turbulent history, going back more than 10,000 years, has developed from a Stone Age settlement to a modern and thriving European Union state.

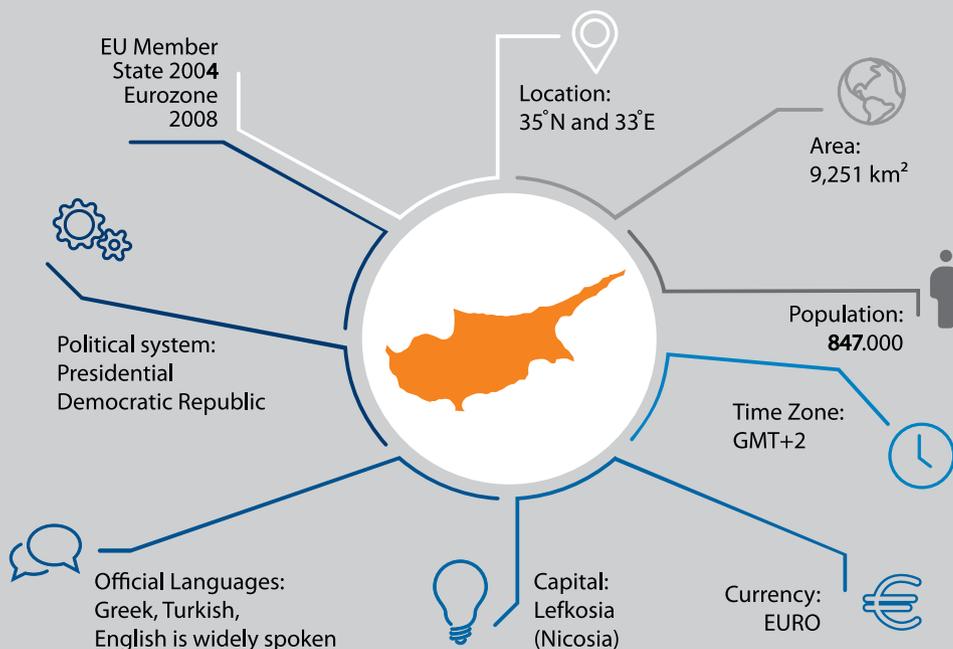
Throughout the centuries, its strategic location has been both a blessing and a curse, rendering the island an international trade centre on one hand, but also leading

to its repeated conquest by powers that dominated the eastern Mediterranean at different time periods on the other. Since the settlement of the first Greek Mycenaeans in 1400-1300 BC, Cyprus has developed a unique character, harmoniously blending influences from different civilisations.

Independence from British rule in 1959 led to the declaration of Independence of the Republic of Cyprus in 1960.



Cyprus has a robust, market-driven economy supported by a stable democracy and driven by a well-educated and highly-skilled workforce, along with an excellent telecommunications and infrastructure system, and an attractive tax and legal framework. These characteristics, along with year-round sunshine and centuries of art and culture, best describe one of the most attractive investment destinations in the European Union: Cyprus.



## TOP REASONS TO INVEST IN CYPRUS

### Strategic location

With its ideal geographical position at the crossroads of three continents - Europe, Africa and Asia, Cyprus plays a key stabilising role in the region of the Eastern Mediterranean. The island is an ideal investment gateway to the European Union, as well as a portal for investment outside the EU, particularly into the Middle East, India and China.

### Tax System

Cyprus offers an attractive and transparent tax regime, fully compliant with EU, OECD and international laws and regulations. Its main features are:

- One of the lowest corporate income tax rates in the EU at 12.5%
- Dividend participation exemption
- Exemption on disposal of "titles" (eg. shares, bonds, debentures)
- No succession taxes
- No withholding taxes
- Attractive IP regime
- Tonnage tax for shipping companies
- Notional interest deduction
- Personal tax exemptions for new residents and non-domiciles

### EU Member State and Member of the European Monetary Union

As a member of the European Union since 2004 and the European Monetary Union since 2008, Cyprus is committed quality, efficiency and transparency in transactions. Its EU membership ensures safety and stability for investors, also offering them market access to more than 500 million EU citizens.

### Legal and Regulatory Framework

Based on English Common Law principles, Cyprus' comprehensive and robust legal and regulatory framework, is widely recognised as a business-friendly

and effective system that ensures transparency and reliability in business practices. Offering foreign businesses a familiar and reliable framework within which to operate, Cyprus' legal system is also fully compliant with the EU, the Financial Action Task Force on Money Laundering (FATF), OECD, FATCA, the Financial Stability Forum laws and regulations and EU AML directives.

### Human Talent & Level of Services

Human talent probably constitutes Cyprus' most compelling advantage, complemented by a broad range of high quality professional services. As a dynamic business centre, Cyprus offers an abundance of highly educated and skilled individuals, multilingual in their majority, ready to serve the needs of any business. Cyprus ranks amongst the top countries in Europe for tertiary education per capita.

### Advanced Infrastructure

Cyprus benefits from advanced and modern infrastructure, as well as an extensive telecommunications network, ideally suited for business people with demanding schedules. Thanks to its sophisticated road system, bustling port facilities (in Limassol and Larnaka) and two international airports (in Larnaka and Paphos), travel and transport in and beyond Cyprus is always fast, efficient and cost effective.

### High quality of life

Cyprus offers an enviable lifestyle in a safe, clean and healthy environment with high living standards. Low crime levels, year-round sunshine, centuries of art and culture, and a delicious gastronomy all contribute to a high quality of life. Safety is amongst the biggest advantages of Cyprus, which has been ranked the safest smaller country in ValuePenguin's Safest Countries in the world (2015) and fifth worldwide.

## Country Overview

### Geography and Demographics

- **Location:** Cyprus, with an area of 9,251 km<sup>2</sup> and coordinates at 35°N and 33°E, lies at the crossroads of Europe, Africa and Asia at the crux of the busy shipping and air routes linking the three continents.
- **Population:** The population of Cyprus is about 847,000 (2014). The capital of Cyprus is Lefkosia (Nicosia) situated in the heart of the island with a population of approximately 336,000. The second largest city is Lemesos (Limassol) on the south coast with a population of approximately 241,000 and the island's major port. Larnaka (Larnaca) and Pafos (Paphos) are the third and fourth largest cities, each with a new airport, situated on the south east and south west coasts respectively.
- **Climate:** Cyprus has a pleasant Mediterranean climate, effectively enjoying year-round sunshine, with mild, wet winters (mean daily minimum 5°C and maximum 13°C) and hot, dry summers (mean daily minimum and maximum temperatures are 21°C and 36°C respectively).

### Government & Political System

The Republic of Cyprus is a Presidential Democratic State, founded in 1960. The Executive authority is vested in the President who is elected for a five year term by universal vote, and exercised by a Council of Ministers appointed by the President. The Legislative authority of the Republic is exercised by the House of Representatives, whose Members are elected by universal vote every five years. The administration of Justice is exercised by the Judiciary, which is a separate and independent body. The Members of the Cyprus Supreme Court are appointed by the President.

### European Union and Eurozone Member State

Following Cyprus' accession to the European Union effective May 1st, 2004, the government of the Republic of Cyprus undertook the obligations of membership to join the Economic and Monetary Union. Cyprus joined the Eurozone and adopted the Euro as its national currency on January 1st, 2008.

Cyprus has a lot to benefit from EU membership and despite its small size, a lot to offer as well. Being Europe's Eastern outpost at the intersection of important transport and communications routes and at the crossroad of three continents, Cyprus provides a secure gateway for European enterprises to the entire region. With its advanced technical infrastructure and skilled human talent, Cyprus has become a regional quality business and financial centre, as well as a major communications and transport centre, aspiring now to also develop into an energy hub in the Eastern Mediterranean.

### Memberships in International Organisations

European Union (2004) and Eurozone (2008)  
The World Trade Organisation (1995)  
The International Monetary Fund (IMF) (1962)  
The World Bank (1962)  
The Commonwealth (1961)  
The Council of Europe (1961)  
The United Nations (1960)

### Infrastructure

Cyprus benefits from a well-advanced and modern infrastructure, consisting of a sophisticated road, air and sea transport system and services, which has not only made a significant contribution to the island's economic development, but is widely recognised as an important competitive advantage in attracting foreign direct investment.

Cyprus' two multi-purpose deep sea ports are located in the coastal cities of Lemesos (Limassol) and Larnaka (Larnaca). Limassol port handles both passenger and freight cargo while offering logistics solutions through advanced facilities for cost-effective transport and processing. In addition, Limassol port has become a renowned cruise liner hub and a popular "stop-over" for international cruise ships.

Two modern international airports at Larnaka (Larnaca) and Pafos (Paphos), with a combined capacity of approximately 10m passengers per year, connect the island to the most popular transit hubs throughout the world.

Considerable investment has also been made to transform the island into a major telecommunications hub in the region, connecting Cyprus via submarine fibre optic cable and satellite to other networks in the Eastern Mediterranean basin and beyond.

### Art, Culture & Gastronomy

The rich cultural landscape is reflected in the hundreds of archaeological sites scattered throughout the country, representing various historical periods in the island's evolution. Lefkosia (Nicosia), the capital of Cyprus, has more than 17 museums, showcasing a broad array of archaeological collections and cultural treasures from different time periods.

Moreover, the island enjoys an amazing natural beauty with rare flora and fauna, a stunning coastline with golden sandy beaches, clear blue waters and year-round sunny weather, making it a popular tourist destination. Local and international festivals, concerts by renowned performers and other events take place in ancient and modern open-air amphitheatres and other venues throughout the year, including international independent film festivals, annual classical music festivals and opera festivals.

Cypriots are known worldwide for their genuine and sincere hospitality and friendliness. Cypriot cuisine derives from mainland Greece and has been influenced by different cultures through the centuries. Each local dish has a unique taste and is well presented, reflecting the Cypriot character. Local Cypriot dishes are delicious, particularly the “Cyprus Meze” which consists of a large number of different cold and hot “hors d’oeuvres” such as assorted dips, salads, meats, vegetables, as well as various fish plates.

## **Economic and Business Environment**

Cyprus has a modern, free-market, service-based economy with an effective transparent regulatory and legal framework offering international investors and domestic businesses confidence to invest, grow and prosper.

Over the last two decades, Cyprus has adopted a series of measures and introduced structural reforms, to modernise and liberalise the state and its economy, with the aim of enhancing the country’s international competitiveness and EU compatibility, especially in financial and professional services. Cyprus is also successfully meeting the challenge of being a member of the wider EU and Eurozone community, whilst strengthening ties with other countries such as the USA, Canada, Russia, Israel and the Middle East, as well as emerging nations like China and India.

Cyprus, indeed, has all the right ingredients to maintain a strong and resilient economy, due to its small size, productive labour force, business friendly and flexible government, as well as its excellent trade and geopolitical relations.

However, excessive exposure to the Greek economy and the consequent abrupt restructuring of the Cyprus banking sector, the continued negative external economic environment and the fiscal consolidation measures, had a negative impact on the growth rate of the Cyprus economy. Nevertheless, the recession in 2013 was significantly shallower than the initial estimates of its European lenders and programme partners, as the economy proved to be resilient. Cyprus’ economy is bouncing back on track with projected growth rates accelerating and exceeding expectations year by year.

On the demand side, the decline in private consumption and investment during 2014 was also less than expected. From a sectorial standpoint, the healthy performance in the tourism sector in 2014 and the relative preservation of activities in professional services, due to the competitive advantages that Cyprus has to offer, contributed significantly to containing the recession.

Regarding the banking sector, the progress made is significant and local banks are showing signs of stabilisation with better credit conditions. The

banking sector’s potential has gained international recognition, reflected in the influx of foreign capital, as foreign investors have been directly involved in the recapitalisation of the biggest local banks.

## **FDI Policy and Trends**

The Republic of Cyprus continuously and systematically strives to offer an updated, diverse and investor-friendly environment for foreign direct investments. Cyprus has developed over the years to become an international financial and business centre, offering foreign investors the opportunity of utilising the country not only as an effective jurisdiction for routing investments within the EU, but also as a portal for investment outside the EU, particularly into rapidly growing economies such as those of Central and Eastern Europe, the Middle East, India and China.

## **Trade Policy and Bilateral Agreements**

In the framework of the Common Commercial Policy, the European Union set as one of its priorities the facilitation of market access of EU exporters to third countries, through the conclusion of trade agreements with a large number of trade partners. The negotiation of trade agreements (usually referred to as “Free Trade Agreements” - FTA), to which the EU and all Member States are parties, aims at boosting economic development and creating jobs by stimulating bilateral transactions.

Currently, the EU has trade agreements with more than 50 partners and is in the process of negotiating agreements with many more.

For a full list of EU Free Trade Agreements visit the **European Commission** website ([ec.europa.eu](http://ec.europa.eu)).

Furthermore, a number of Bilateral Investment Treaties (BITs) are currently in force, which can be found in the **UNCTAD Investment Policy Hub** website ([investmentpolicyhub.unctad.org](http://investmentpolicyhub.unctad.org)).

## **Industries & Growth Sectors**

### **Tourism and Hospitality**

Tourism represents one of the largest economic sectors in Cyprus and has experienced substantial growth over the last decade, with around 2.5m tourists visiting Cyprus every year, especially during the summer months. Enhancing the tourism product is one of the primary objectives of the Government and the competent authorities.

The island has all the prerequisites to further develop this industry and offers untapped potential for investments in specialised sub-sectors such as Health & Wellness, Sports, Luxury and Lifestyle. Other areas that offer attractive and mature investment opportunities

are large scale development projects, such as leisure & theme parks, luxury real estate projects, mixed-use developments, marinas, tourism resorts and golf courses.

To enhance the hospitality sector further, the government is proceeding with the development of a single Integrated Casino Resort through a tender process. This new landmark attraction will add value to Cyprus' tourism product, as it aims to become the leading Integrated Casino Resort in Europe and amongst the best in the world.

Cyprus' tourism industry has been honoured with numerous prestigious awards, including the Sustainable Destinations Global Top 100, an initiative of TravelMole.com, VISION on Sustainable Tourism, Totem Tourism and Green Destination titles bestowed to Lemesos (Limassol) and Pafos (Paphos) in December 2014.

Cyprus' famous beaches have been awarded with 53 Blue Flags and hold three records:

- the most Blue Flags per capita in the world
- the most dense concentration of Blue Flag Beaches
- the most Blue Flag beaches per coastline.

The tourism sector has a high direct contribution to Cyprus' GDP. Specifically, and according to the "World Travel & Tourism Council" 2014 report, the direct contribution of travel and tourism to GDP in 2013 reached 6.8% of GDP (€1.1368bn).

According to the Cyprus Ministry of Finance, the direct contribution of accommodation and food service activities represented 6.27% of GDP in 2013 (€963.4m).

### **Professional Services**

Cyprus is widely recognised as a centre of excellence for the provision of professional services. The country's human capital consists of professionals who are highly skilled and experienced in providing a full range of professional services at competitive rates. Lawyers, attorneys, auditors, tax advisors, financial advisors and other specialists, who are often educated in the best universities abroad, offer high-quality services to support all aspects of business.

Further evidence of Cyprus' recognition as a reputable international financial and business centre is the decision of two of the world's leading accounting organisations, the Institute of Chartered Accountants in England and Wales (ICAEW) and the Chartered Institute of Management Accountants (CIMA), to select Cyprus as the first country in the world outside the United Kingdom to train ICAEW and CIMA accountants.

There are more than 120 accounting firms and 40 partnerships operating in Cyprus, while top international accounting firms established in Cyprus provide services

to local as well as international investors. As far as the law sector is concerned, there are more than 2,700 registered advocates and 160 limited liability law firms, providing a wide range of legal services in Cyprus.

### **Banking & Financial Services**

The Cyprus banking and financial services sector legislation is in line with international best practices and has a simplified, effective and transparent tax system, which is fully EU, OECD, FATF and FSF compliant.

Banks located in Cyprus offer an array of services ranging from asset management, private banking, international, corporate and investment banking, retail banking, syndicated loans and custodian services. Commercial banking arrangements and practices follow the British model, whereby all banks maintain correspondent networks around the world and are able to carry out both traditional and specialised financial transactions. Furthermore, most insurance companies located in Cyprus are subsidiaries or affiliates of local or international banks.

The Central Bank of Cyprus regulates more than 40 local and international banks currently operating in Cyprus. Other regulatory authorities include the Cyprus Securities and Exchange Commission (CySEC) and the Cyprus Stock Exchange (CSE).

### **Investment Funds**

Cyprus is becoming a fast-growing investment fund centre in Europe through the prompt response to legislative and regulatory needs and its strong financial services sector which is at the forefront of industry developments. The passing of the Undertakings for the Collective Investments in Transferable Securities (UCITS IV) legislation in 2012 and the Alternative Investment Fund Managers Directive (AIFMD) in 2013 has generated new prospects for the Republic of Cyprus as a preferred jurisdiction for fund domicile and fund management. Furthermore, the Cyprus Investment Funds Association (CIFA) has been granted observer status by the European Fund and Asset Management Association (EFAMA) in June 2014.

As the EU investment fund management sector operates under common European Union regulations, Cyprus embraces this new opportunity by adapting its legal and regulatory framework, while offering investors and fund promoters stability under a cost and tax efficient jurisdiction. Services, such as set up and acquisition structuring, fund administration, legal, custody and audit, are provided in a wide and customised range, and at a competitive cost, in comparison to other reputable funds jurisdictions.

In the last four years, a significant increase of assets under management has been registered (2011 – 2014), rising from around €500m to close to €3bn. According

to the latest investment funds statistics, released by the Central Bank of Cyprus (March 2015), assets under management have reached €3.049bn.

### Shipping

Cyprus is a renowned International Shipping Centre and home to some of the world's leading names in the global shipping industry. Cyprus has an EU-approved "Open Registry" regime with a very wide and legally endorsed Tonnage Tax System (TTS), which was introduced with the Merchant Shipping Law in 2010 and covers the three main "maritime transport" activities, namely ship-owning, ship-management (crew and technical management) and chartering.

Owners of Cyprus flag ships fall automatically under the tonnage tax regime, whereas ship owners of foreign flag ships, charterers and ship managers may opt to be taxed under the tonnage tax system (TTS) under certain conditions.

In addition to the country's strategic geographic location, Cyprus maintains a wide range of competitive advantages through a high quality maritime cluster, offering efficient and quality services, including:

- The latest EU-approved Tonnage Tax System (TTS) with no direct link to corporate tax
- Competitive ship registration costs and fees
- No crew/officer nationality restrictions
- 28 Merchant Shipping Bilateral Agreements
- Signatory to all international maritime conventions on safety, security and pollution prevention
- Full protection for financiers and mortgagees
- White List of Paris and Tokyo MoUs.

Over 150 ship-owning, ship-management, chartering and shipping related companies control a merchant fleet of 2,300 vessels with a 50 million gross tonnage, while employing approximately 4,500 employees and 55,000 seafarers.

Currently more than 1,000 registered vessels with a 21 million gross tonnage are registered under the Cyprus flag making Cyprus the:

- 10th largest merchant fleet in the world
- 3rd largest merchant fleet in the EU
- Top 3 Ship Management Centre globally
- Largest third party Ship Management Centre within the EU.

### Education

Cyprus has a young and highly educated talent pool and is considered one of the most educated nations within the European Union. In fact, the island ranks fifth in proportion of the population with tertiary education, with 47.8% of the 30 to 34 age-group being holders of a university degree. This places Cyprus well above the EU average of 40% and surpasses the 46% target set in the EU 2020 strategy. According to statistics of the Ministry of Education and Culture, a large number of



Cypriot students study at universities abroad, including the United Kingdom, Greece, Germany, United States, France and other countries.

The island, which also ranks third among the EU-28 regarding public expenditure on education as a percentage of its GDP, is committed to further strengthening education and is focusing on reforms to achieve sustainable growth. The Ministry of Education and Culture is harmonising the education system in line with European Standards & Guidelines for Quality Assurance.

The majority of foreign students who select Cyprus for their tertiary education originate from India, Bangladesh, China, countries of the European Union and Russia. Most public and private universities in Cyprus offer courses in the English language.

Basic facts:

- 3 public universities, including one open university
- 5 private universities
- 5 public institutions of higher education
- 25 private institutions of higher education
- 339 public and 29 private primary schools
- 127 public and 39 private secondary schools

### Research, Development & Innovation (R&D&I)

The Government of Cyprus, acknowledging the importance of research, development and innovation, is strongly committed to enhancing the scientific base in Cyprus. The **Research Promotion Foundation of Cyprus (www.research.org.cy)** has funded millions of worth of research projects and supporting activities. The budget is expected to grow in the coming years in line with the following five strategic categories:

- Strategic & Multi-thematic Research and Development
- Growth of National Scientific & Research Human Capital
- Applied Research Development and Enterprise Innovation
- Research Infrastructure Development and Large Scale Investments
- International Networking and Collaboration in the field.

In addition to the research centres within the universities of Cyprus, there are numerous specialised research centres and knowledge-based institutes, including:

- The **Cyprus Institute (www.cyi.ac.cy)** with 6 research centres on: energy, environment, technology, ICT, human health, and economic development
- The **Cyprus International Institute (www.cut.ac.cy)** for the Environment and Public Health in conjunction with Harvard University
- The **Agricultural Research Institute**, with the objective of increasing crop yield and improving the quality of agricultural production by methods that

are environmentally and socially acceptable (**www.moa.gov.cy**)

- The **Cyprus Institute of Neurology & Genetics (www.cing.ac.cy)** specialising in neurology, molecular biology and all aspects of human genetics.

Further initiatives that contribute to improving the innovation environment in Cyprus are the following:

- More than 10 new policy measures are in place to accelerate innovation
- Trademarks, patent and copyright laws have been in place for the protection of the rights of the proprietors and of the general public
- A plethora of Intellectual Property firms in Cyprus specialise in the protection of intellectual property rights, especially filing of trademarks and patents, as well as copyright rights.

### Information & Communications Technologies

ICT is an important driver of productivity, growth and economic performance across all sectors of the economy. The government of Cyprus has identified ICT as one of the country's priority growth sectors and has developed a Digital Strategy and Action Plan for immediate implementation. Furthermore, in order to promote applied research, development and innovation, technology and entrepreneurship in Cyprus, the Government is moving forward to develop a new large scale Science Technology Park. This high impact project will host research centres, business incubators, spin-off innovative enterprises and other local and international knowledge-based companies, with the aim of promoting new and more competitive knowledge-based products and services.

Cyprus' ICT and innovation strategy is aligned with the flagship initiatives "Digital Agenda for Europe" and "Innovation Union" of the Europe 2020 growth strategy.

### Oil & Gas

The existence of world-class deep-water natural gas reserves in Cyprus' Exclusive Economic Zone (EEZ) has attracted worldwide attention and significant investments from leading independent energy companies, as well as renowned international providers operating in the oil and gas auxiliary services sector.

Presently, exploration licences have been granted for 6 offshore blocks within Cyprus' EEZ.

Noble Energy, a Houston (USA) based oil & gas company, has announced the commercial viability of the "Aphrodite" field in Block 12 of Cyprus' EEZ, which is estimated to hold 4.5 trillion cubic feet of gas. Furthermore, the Italian – Korean consortium ENI and KOGAS received concessions for exploratory drilling in blocks, 2, 3 and 9, while French TOTAL has contracts for blocks 10 and 11.



The Government of Cyprus is considering a number of options to supply natural gas to the domestic market. Preliminary plans are looking at a floating production, storage and offloading (FPSO) vessel combined with subsea pipelines to these possible destinations. The FPSO is essentially a platform producing and treating the gas on-site before utilising existing Liquefied Natural Gas (LNG) facilities in Egypt that would potentially allow Cyprus to export liquefied natural gas to distant markets.

In November 2014, the €300m oil storage terminal opened for business in Cyprus, designed and constructed by VTTI Energy Partners LP. Its strategic location makes it the first terminal of its kind in the Eastern Mediterranean, connecting Europe and the Black Sea with markets in the Middle East and Asia. The asset currently comprises 28 tanks and capacity of 544,000m<sup>3</sup>, and offers access to a deep water marine jetty, as well as to road tanker loading facilities. A Phase 2 expansion is currently under evaluation and would create an additional 13 tanks and further capacity of 305,000m<sup>3</sup>.

A project like the oil storage terminal is an important step towards Cyprus' ambitious plan to evolve as an energy hub in the Eastern Mediterranean.

**Renewable Energy**

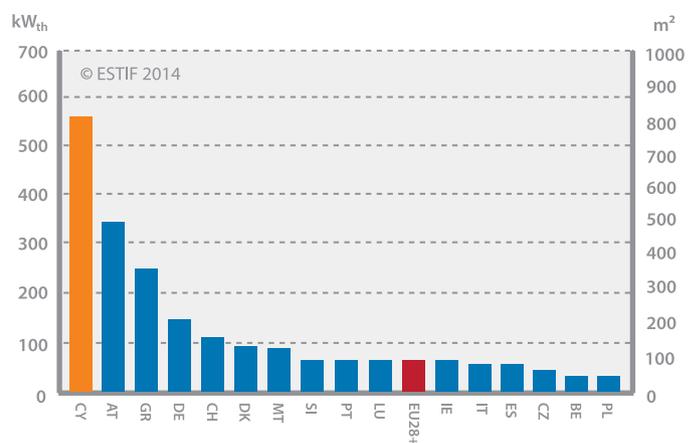
Total electricity capacity from Renewable Energy Sources (RES) in Cyprus reached 192.9 MW, which is the equivalent of approximately 7.5% of the total electricity generation for the years 2015-2016. The objective, as per the National Action Plan (NAP) issued by the Ministry of Energy, Commerce, Industry and Tourism, is to reach a minimum capacity of 584 MW by 2020, which

will be equal to 16% of the total electricity production in Cyprus and 3% higher than the target set by the EU.

In this respect, the production of energy from RES is expected to see considerable growth in the years to come and significant investment is required in order for Cyprus to achieve the targeted capacity as per National Action Plan (NAP).

In addition, Cyprus holds the EU-28 record according to the "European Solar Thermal Industry Federation" for use of solar water heating systems per capita. Currently, more than 93% of households and 52% of hotels in Cyprus heat water through solar power heating systems.

**Solar Thermal Capacity in Operation (per 1000 capital)**



European Solar Thermal Industry Federation, 2014



## CHAPTER 2

### LEGAL FRAMEWORK & REGULATORY AUTHORITIES

The legal system of the Republic of Cyprus is based on the principles of the English Common Law system. As such, the very core script of the Cyprus Companies Law (CAP. 113) is a replica of the UK Companies Law. However, it is important to note that since its adoption several decades ago, the Law was, and still is, a subject of numerous amendments in the effort of the government to implement all the reforms necessary in order to remain competitive.

#### The Companies Law

The Companies Law, as all other legislation in the Republic of Cyprus, is fully compliant with EU Directives and Regulations. As such, any physical person, both from the EU or a third country, who registers his or her company in Cyprus, can engage in business activities without any restrictions.

#### IP Regime

Based on a robust legal system and the conclusion of International Conventions on the Protection of Intellectual Property, the Cyprus IP Regime represents a comprehensive system that guarantees the maximum protection of IP rights at European and International levels.

Specifically, the Cyprus IP regime offers protection in the following ways:

#### Patents

- A national patent certificate by the Department of the Registrar of Companies and Official Receiver.
- A European Patent by the European Patent Office.
- An International Patent under the provisions of the Patent Cooperation Treaty, administered by the World Intellectual Property Organisation (WIPO).

#### Trade Marks/Service Marks/Designs

- Registration under the provisions of Cap. 268 offering protection at a National level for Trademarks and Service Marks.
- EU Regulation 207/2009 of February 26th, 2009 on the Community Trademark and EU Regulation 6/2002 of December 12th, 2001 on the Community Design offer via Cyprus uniform protection throughout the territory of the European Union.
- Cyprus being a signatory to the Paris Treaty on the Protection of Industrial Property, as administered by the WIPO, and a party to the Madrid Protocol and Agreement, offers global protection of trademarks, service marks and designs.

#### Copyrights

- Copyrights are protected under Law N.59/76 on the Protection of Intellectual Property which offers protection at a National level.
- Cyprus being a signatory to the Bern Convention for the Protection of Literary and Artistic Works which covers a broad range of rights, including software

copyrights, guarantees protection to all the Convention member states with no further process being required.

## Regulatory Authorities

### Cyprus Securities and Exchange Commission

The Cyprus Securities and Exchange Commission (CySEC) is the financial regulatory agency of the Republic of Cyprus, that aims at establishing the Cyprus securities market as one of the safest, most reliable and attractive destinations for investment through effective supervision, ensuring investor protection.

The main duties and responsibilities of CySEC include:

- To examine applications and grant operating licences to entities under its supervision, as well as to suspend and revoke said licences.
- To supervise and regulate the operation of the Cyprus Stock Exchange and of other organised markets in the Republic and the transactions carried out in these markets.
- To supervise and regulate the agencies under its supervision in order to ensure their compliance with the laws governing their operation.
- To carry out all necessary investigations in view of the exercise of its duties under the law as well as on behalf of other foreign competent Authorities.
- To request and collect information which is necessary or conducive to the exercise of its duties under the law and to request in writing the provision of information from any natural or legal person or organisation deemed to be in a position to provide the required information.
- To impose the administrative and disciplinary sanctions provided by the law.
- To require the cessation of practices which are contrary to securities market laws.
- To apply to a competent court for the issue of an order for detention, or charge or freezing or prevention of alienation or transaction involving assets.
- To issue regulatory Directives and Decisions.
- To cooperate and exchange data and information with other public Authorities in the Republic, competent foreign supervisory Authorities and other organisations.

### Cyprus Stock Exchange

The Cyprus Stock Exchange was established as a legal entity in the form of a public corporate body and currently operates a Regulated Market and a Market in the form of Multilateral Trading Facility (the "Emerging Companies Market"), which operate under the Cyprus Securities and Stock Exchange Law and the Investment Services and Activities and Regulated Markets Law (MIFID). Main participants of the Stock Exchange are the Members of the Stock Exchange (brokerage offices), listed issuers and investors. Moreover, the Cyprus

Stock Exchange operates and manages the Central Securities Depository and Central Registry (CSD), which is established in the form of a public corporate body in accordance with the provisions of the Securities and Cyprus Stock Exchange (Central Securities Depository and Central Registry) Law 27(I)/1996 as amended.

The prime objectives and competencies of the Stock Exchange and its related powers and duties, are:

- To take all necessary, and as the case may demand, appropriate measures for the development of the securities market, as well as to control and regulate transactions in securities.
- To provide the necessary facilities for the trading of securities and the issuing of an official price bulletin, to facilitate the execution of stock market transactions, to provide procedures and means to supply stock market information relating to the movement and trading of securities, to provide for the prompt display of relevant data for the information of members, transacting parties and the public and finally to provide for publication of a stock market bulletin either daily or periodically as determined by a decision of the Council.
- To promote stock market activity and to use for this purpose every appropriate means of publicity regarding the benefits and the services of the Stock Exchange.
- To encourage an orderly and systematic securities market, to combat fraudulent and improper stock market transaction practices and to provide the due protection of investors and the public in general.
- To prepare and submit for approval stock exchange Regulations necessary to achieve its objectives and to take every other action necessary for this purpose.
- In addition to the Stock Exchange's primary competencies as provided above, the Stock Exchange is assigned with any other functions, which customarily constitute the competence of a stock exchange, together with their related powers and duties.

A full list of all regulatory authorities can be found in Chapter 4, Banking and Financial Services.

## Registering a company in Cyprus

### The Department of the Registrar of Companies and Official Receiver

The Department of the Registrar of Companies and Official Receiver is the responsible government body for the registration of companies in Cyprus. It is also responsible for keeping the Register of Companies, Partnerships, Business Names, Trade Marks, Patents and Industrial Designs and is also responsible for administering properties of insolvent legal and natural persons. The Department is finalising steps towards simplifying the procedures and updating its computerised system.

## Types of companies

The following five types of business entities (companies) may be registered under the Cyprus Companies law:

- Limited liability private or public companies
- General or limited Partnerships
- Business/Trade Name
- European Companies (Societas Europeas)
- Branches of foreign companies.

## Process of registering a Limited liability private or public company

The process of registering a limited liability private or public company is analysed in detail below, as it represents the type of business for which the overwhelming majority of registration applications are submitted.

### Steps of the process

#### 1. Finding a Cyprus Lawyer or service provider

According to the Cyprus law, only lawyers licensed by the Cyprus Bar Association are allowed to prepare and sign the Memorandum, Articles of Association of the company and the HE1 form, which is available only in Greek.

#### 2. Approval of Company Name

Companies should submit an application of approval of company name to the Registrar of Companies and Official Receiver. This can be undertaken either directly by the applicants themselves, or indirectly through a lawyer or service provider.

It should be noted however, that as a matter of good practice, legal advisors in Cyprus typically maintain a number of "shelf names", that is to say, company names already approved by the Registrar. These are offered to clients for whom speed is of the essence and are indifferent to the actual name of the company. This means that the applicant can have an approved company name in virtually no time.

Time and Cost of Company Name Registration

- Normal procedure: approximately 1 month, at a fee of €10.
- Accelerated procedure: 2-5 working days, at a fee of €30.

#### 3. Collection of required information documentation - preparation and submission of necessary forms to the Registrar

The role of a lawyer or service provider in the preparation of the forms and the opening of a bank account, according to the information collected by the applicant, is necessary.

#### Documents required from the applicant

- A brief description of the main objects of the company, unless the standard Memorandum and Articles of Association are to be used.
- The amount of nominal share capital and how it is divided (minimum share capital of €25,629 for public companies).
- Names, addresses, passport details of the proposed directors and secretary of the company.
- The proposed registered address of the company.
- Certified copies of the passports of the ultimate beneficial owners of the company.
- Bank or other references on the good standing of the ultimate beneficial owners.
- The chain of ownership behind the Cyprus Company up to and including the ultimate beneficial owners.
- Any information according to the requirements of the "KYC", in compliance with the Anti-Money Laundering Law and the CBA guidelines.

#### Forms required by the Registrar

- Declaration Form (known as HE1 form)
- Declaration Form concerning the registered office address (known as HE2 form)
- Form containing details on the Company Directors and Secretary (known as HE3 form)
- Original Memorandum and Articles of Association which should be signed by (a) the subscribers to the Memorandum whose signatures must be attested by at least one witness; and (b) the lawyer who has drawn up the same

All relevant information and required forms can be found in the Registrar of Companies website.

## Process of Registering a Company



#### 4. Application Processing and Approval by the Registrar of Companies

Once the application package has been submitted to the Registrar and the applicable fees have been paid, a process is set in motion, which in the absence of any problems results in the incorporation of the company, the issue of its certificate of incorporation and of a certified copy of its Memorandum and Articles of Association.

#### 5. Post Registration procedure

All companies must register with the Tax Department in order to obtain a tax identification number and a VAT registration number, as well as with the Social Insurance Services.

Employers are liable to pay contributions to the Funds (Social Insurance, Annual Holidays with Pay, Redundancy, Human Resource Development and Social Cohesion) for each of their employees whose remuneration is not less than €200 per week or less than €700 per month. Employers pay their contributions (including the employees' share) monthly in arrears, within one month from the end of each contribution month.

The application form for the registration of employers can be submitted either electronically through the **Point of Single Contact (PSC) Cyprus** portal ([www.businessincyprus.gov.cy](http://www.businessincyprus.gov.cy)) or by hand or by mail to a District Social Insurance Office or Citizens Service Centre. The contact details are provided in the relevant documents.

#### The application form should be accompanied by the following certificates:

- Copy of identity card or passport or aliens registration certificate of employer
- Copy of the certificate of incorporation, copy of certificate of directors and secretary (in case of a limited company)
- Copy of the certificate of partners, copy of certificate of partnership registration (in case of a partnership)
- Declaration of Employers Registration form for the recruitment of employees.

The PSC Cyprus was set up by the Ministry of Energy, Commerce, Industry and Tourism in order to facilitate the establishment of businesses in the services sector and the cross border provision of services within the internal market, by coordinating between service providers and competent authorities. The PSC Cyprus serves businesses and entrepreneurs, whether established in the Republic of Cyprus or in other EU member states, interested in pursuing their business aspirations in the services sector of Cyprus.

#### Business Costs

In maintaining office headquarters in Cyprus, operational costs include rent, water, electricity, telecommunications and maintenance, as well as staff salaries, which are presented in Chapter 5, Labour Market.

Below are the basic average costs of operating an office in Cyprus:

##### Rent

Rent for commercial buildings can vary from €10-18 per m<sup>2</sup>, per month, depending on several factors, such as location and building condition.

##### Electricity

There are different types of electricity tariffs such as: Domestic, Commercial, Industrial, Public Lighting, Water Pumping, hours of interrupted supply (Water Pumping Tariff), Off-Peak, Hours of supply for storage heaters (Off-Peak Tariff) and Wind Parks.

Detailed information on all electricity issues can be found on the website of the **Electricity Authority of Cyprus** ([www.eac.com.cy](http://www.eac.com.cy)), the organisation responsible for the generation, transmission and distribution of electricity in Cyprus.

##### Water

There are different tariffs for water consumption for Domestic, Commercial and Industrial use. Detailed information can be found on the websites of the Water Boards and the Municipalities of the respective cities.

##### Telecommunications

There are three telecommunications companies in Cyprus, **Cyprus Telecommunications Authority (CYTA)** ([www.cyta.com.cy](http://www.cyta.com.cy)), **Primetel** ([www.primetel.com.cy](http://www.primetel.com.cy)) and **MTN** ([www.mtn.com.cy](http://www.mtn.com.cy)). Different tariffs and schemes are offered by all providers.

All business costs can vary and change at any time.

#### Registration of vessels (Department of Merchant Shipping)

The Department of Merchant Shipping (DMS) operates under the Ministry of Transport, Communications and Works and is accountable to the Ministry for the effective implementation of merchant shipping laws and international maritime conventions to which Cyprus is a contracting party. In particular, the basic functions of the Department are the following:

- Registration of ships and small vessels and registry related transactions
- Control of Cyprus flag vessels in respect to safety, security, pollution prevention, qualifications of seafarers and living and working conditions of seafarers

- Inspection/surveys of foreign flag vessels in Cyprus ports (Port State Control) as a contracting party to the Paris Memorandum of Understanding on Port State Control
- Control and certification of coastal passenger and high-speed craft
- Training, Certification and Registration of Seafarers.
- Continuous updating of the merchant shipping legislation and harmonisation with European Union legislation
- Taxation of ship-owning and ship management companies
- Promotion and further development of Cyprus as a maritime centre and an international registry
- International relations, participation in international organisations, bilateral agreements and cooperation with maritime authorities of other countries.

A vessel may only be registered on the Register of Cyprus Ships if:

- More than fifty percent (50%) of the shares of the ship are owned by Cypriot citizens or by citizens of other EU Member States who in the instance of not being permanent residents of the Republic will have appointed an authorised representative in the Republic of Cyprus, or
- The total (100%) of the shares of the ship are owned by one or more corporations, which have been established and operate:
  - in accordance with the laws of the Republic of Cyprus and have their registered office in the Republic, or
  - in accordance with the laws of any other Member State and have their registered office, central administration or principal place of business within the European Economic Area and which will have either appointed an authorised representative in Cyprus or the management of the ship is entrusted in full to a Cypriot or a Community ship management company having its place of business in Cyprus, or
  - outside Cyprus or outside any other Member State but controlled by Cypriot citizens or citizens of Member States and have either appointed an authorised representative in Cyprus or the management of the ship is entrusted in full to a Cypriot or a Community ship management company having its place of business in Cyprus.

#### **Types of Registration**

- Provisional Registration
- Permanent Registration
- Parallel Registration

## **Registration of vehicles (Road Transport Department)**

The Road Transport Department was established in 1975. The Department's main responsibilities are separated into two broad sectors.

- The first sector includes the study of the problems in public transport, aiming at improving the services offered to the public.
- The second sector includes all those activities relating to vehicles, that is, their registration, their inspection for registration and the issue and renewal of driving licences and circulation fees.

## **Accounting and auditing requirements**

### **Financial Statements**

Companies are required to complete financial statements compliant with International Financial Reporting Standards (IFRS) and inspected by an approved local auditor, in accordance with International Auditing Standards (IAS).

Financial statements are due to the Registrar of Companies, along with a company's annual report, by December 31 following the fiscal year being audited.

All financial records required for the preparation of the financial statements must be kept in proper books of accounts.

### **Annual General Meetings and Annual Returns**

Every company must hold its first Annual General Meeting (AGM) within 18 months of the date of incorporation. Thereafter, an AGM must be held each year and the time between them must not exceed 15 months.

Within 42 days of the AGM, the Company must complete and file a fully signed (by a director or the company secretary) copy of the Annual Return with the Registrar of Companies. According to Companies Law, the Annual Return (H.E. 32) must include, amongst others, certified copies of the financial statements, directors' report and auditors' report.

For more information visit the website of the **Institute of Certified Public Accountants of Cyprus (www.icpac.com.cy)**.



## CHAPTER 3

### TAX FRAMEWORK AND HIGHLIGHTS

The Cyprus tax, legal and regulatory system provides excellent opportunities for the operation of international businesses. The tax system remains one of the most favourable in the EU, featuring a 12.5% corporate tax rate as well as the tax exempt status of gains from the sale of securities and dividends received from overseas. Such beneficial provisions, coupled with the affordable costs of the high-level professional services offered, render Cyprus an attractive investment destination for investors originating from around the world.

Cyprus has consistently emerged as a reputable and onshore location for international multinationals that have chosen the island as the primary location for their international business activities.

Cyprus' tax laws have been amended to incorporate all EU directives, including the Interest and Royalty Directive, the Parent-Subsidiary Directive, the Directive on Mergers and the Directive on Administrative Cooperation.

#### Tax Highlights

- Competitive corporate tax rate of 12.5%, competitive individual tax rates, VAT rates
- A generous participation exemption regime
- Foreign capital gains are exempt
- No dividend, interest or royalty withholding tax on outgoing payments
- Any gains from trading in a wide range of securities is tax exempt
- A competitive new IP Tax Regime
- Foreign PE profits are tax exempt
- Foreign Exchange gains or losses are tax exempt
- Access to an extensive network of Double Tax Treaties and full access to EU Tax Directives
- An attractive individual tax regime for international professionals
- Tailor-made provisions for the fund industry
- Competitive Tonnage Tax for Shipping and an approved EU open registry

## Tax Rates

### Corporate Tax

All trading profits of a Cyprus company are taxed at the flat rate of 12.5%, following the deduction of related expenses wholly and exclusively incurred in the production of this income.

Foreign Exchange gains or losses will no longer affect the tax computation irrespective of the assets/liabilities creating these FX results or whether these are realised/unrealised.

The Notional Interest Deduction (NID), subject to conditions, on "New Capital" contributed and paid to Cypriot companies from 2015 onwards to help deleverage Cyprus companies, and boost investment and productivity, has been introduced. The NID will be calculated based on the "New Capital" and a "Reference Interest Rate". The Reference Interest Rate will be based on the 10 year government bond yield of the Country in which the new equity is invested in, plus 3% (a minimum rate applies). The New Capital will be equity, contributed and paid in the company on or after January 1st, 2015, in the form of issued share capital and share premium (subject to conditions). The NID granted in any tax year cannot exceed 80% of the taxable income of the company in that year. If the tax computation results in tax losses then the NID is restricted, and cannot create taxable losses to be carried forward.

### Individual Tax

Cyprus has developed an attractive individual tax regime with low income tax rates and appropriate concessions for international and mobile professionals.

An individual is considered resident in Cyprus for income tax purposes if they are present in Cyprus for a period exceeding 183 days in the tax year in question. If this condition is met, tax is imposed on income arising from sources within Cyprus and outside Cyprus.

Taxable Income (€)	Tax Rate %
0 - 19,500	0
19,501 – 28,000	20
28,001 – 36,300	25
36,301 – 60,000	30
60,000+	35

Effective from January 1st, 2012, 50% of the gross emoluments are allowed to be deducted from taxable income for individuals who were not tax residents of

Cyprus prior to the commencement of their employment in Cyprus. This deduction applies when income exceeds €100,000 p.a. and is allowed for a period of five years, commencing from the date of employment.

The tax benefits available under the Cyprus income tax law for expatriates, includes a tax exemption of €8,550 or 20%, whichever is lower, of the gross emoluments of an individual who was not a tax resident of Cyprus prior to the commencement of his/her employment in Cyprus. This exemption applies for a period of three years, commencing in the tax year following the year of taking up employment in Cyprus (for example, where an expatriated employee commences employment in Cyprus for the first time during the year 2013, the exemption will apply from 2014 to 2016).

Exemption from taxation for personal investment income (dividends and interest) of non-domiciled individuals (non-doms) has been recently approved by the House of Representatives, while the personal tax exemption for high earners is now been granted for ten years instead of five.

Special Contribution for Defence on Income for non-domiciled individuals has also been abolished.

### Value Added Tax

Value Added Tax (VAT) was introduced in Cyprus on July 1st, 1992 and is imposed on the provision of goods and services as well as on the importation of goods into Cyprus.

## Exemptions

### A generous participation exemption regime

Foreign dividends received by a Cyprus company are not subject to income tax and may also be exempt from Special Defence Contribution, if the following conditions are met:

- The paying company must not engage more than 50%, directly or indirectly, in activities that lead to passive income (non-trading income) or,
- The foreign tax burden on the income of the company paying the dividend is not substantially lower than the tax burden in Cyprus (a tax rate of 6,25% or more in the country paying the dividend satisfies this condition).
- No participation or holding threshold is required and the Cyprus participation exemption regime can be described as one of the most generous amongst those available. This is witnessed by the fact that in virtually all the cases foreign dividends are exempt from any taxation in Cyprus as the abovementioned criteria are easy to satisfy.

*\*Special contribution for defence is imposed on dividend income, "passive" interest income and "passive" rental income earned by Cyprus tax residents. Non-tax residents are exempt from special contribution for defence.*

## VAT RATES

AS AT 13/01/2014

## SERVICES/GOODS

### STANDARD RATE 19%

All goods and services in Cyprus which are not subject to the zero rate, the reduced rate or are exempt.

### REDUCED RATE 5%

- Services supplied by undertakers
- Services of writers, artists
- Supply of fertilisers, foodstuff for animals, live animals, seeds, non-bottled water, newspapers, books, periodicals
- Supply of coffins
- Certain products for persons with special needs
- Ice cream
- Types of nuts (salted etc.)
- Transport of passengers and their accompanying luggage with urban and rural buses
- Letting of camping sites and caravan parks
- Hair salon services
- Repair and maintenance of private households (based on specific conditions)
- Animal feedstuff
- Confectionary products
- Bottled water, Juices
- Pharmaceutical products
- Entry fees to theatres, cinemas, sports events, luna parks and similar cultural events

### REDUCED RATE 9%

- Transport of passengers and their accompanying luggage within Cyprus, with urban, suburban and rural taxis as well as with tour and suburban buses.
- Services of restaurants
- Supply of food in the course of catering
- Supply of alcoholic beverages, wine and beer
- Provision of accommodation in the hotel sector or in sectors with a similar character
- Transport of passengers and their accompanying luggage by sea

### ZERO RATE 0%

- Supply, hiring and repair of sea-going vessels and aircrafts
- Supply of services to meet the direct needs of sea-going vessels
- Supply of goods entered into customs regime
- Supply of medicines and food – except the supply of food in the course of catering
- In addition, a supply of goods is zero-rated if the VAT Commissioner is satisfied that the goods have been exported or supplied to a registered person in another member state
- Supplies of goods or services which are exempted under the VAT legislation
- Leasing or letting of immovable property
- Supply of immovable property with the exception of buildings or parts of buildings and the land on which they stand if the application for a building permit was submitted after May 1st, 2004
- Financial services
- Lotteries
- Medical care
- Social welfare
- Education
- Sports
- Cultural services
- Insurance transactions etc.

### **Foreign capital gains are exempt**

As Cyprus' tax legislation clearly applies the separation of Income and Capital, capital gains are not included in the ordinary trading profits of a business but instead are taxed separately under the Capital Gains Tax Law (CGT).

Capital gains tax is only imposed on the sale of immovable property situated in Cyprus as well as on the sale of shares in companies (other than quoted shares) in which the underlying asset is immovable property situated in Cyprus. Capital gains tax is imposed at a flat rate of 20% after allowing for indexation.

What is critical for international businesses is that capital gains that arise from the disposal of immovable property held outside Cyprus, as well as shares in companies which may have as an underlying asset immovable property situated outside Cyprus and shares of non-Cyprus companies are completely exempt from capital gains tax.

Capital Gains Tax for properties (land and land with buildings) purchased by the end of 2016 are exempt, while a reduction of 50% on property transfer fees has been imposed, payable at the Land Registry upon transfer of a title deed in the name of the purchaser.

### **No dividend, interest or royalty withholding tax on outgoing payments**

Cyprus imposes no withholding taxes on payments to non-tax resident persons (companies or individuals) in respect of dividends, interest and royalties used outside Cyprus, irrespective of whether the recipient of the payment resides in a treaty country or not.

This provides for excellent profit repatriation opportunities and when combined with the tailor-made financing structures implemented through the use of Cyprus companies and the novel IP regime, allows Cyprus to pose as an ideal holding jurisdiction, minimising withholding tax exposure for international businesses and multinational groups.

### **Trading in securities**

A unique feature of the Cyprus tax system relates to the Non-taxation of any gains or profits arising from the trading of an admittedly wide range of securities.

Any income arising from trading in securities is completely exempt from corporate tax. The term "Securities" includes but is not limited to: ordinary and preference shares, founder's shares, options on titles, debentures, bonds, short positions on titles, futures/forwards on titles, swaps on titles, depositary receipts on titles, rights of claims on bonds and debentures, index participations (only if they represent titles), repurchase agreements or Repos on titles, participations in companies, units in open-end or closed-end collective investment schemes such as Mutual Funds, International Collective Investment Schemes (ICIS) and Undertakings for Collective Investments in Transferable Securities (UCITS).

### **A competitive new Intellectual Property (IP) tax regime**

Added to the above, the beneficial provisions of the new IP regime provide for an 80% notional deduction on IP related income and capital gains from the disposal of IP rights and competitive amortisation provisions.

The new regime provides very attractive opportunities for structuring the exploitation of IP rights through Cyprus. Taken in conjunction with the availability of an extensive network of double tax treaties, international businesses are able to arrange their IP operations in the most tax efficient manner.

### **Foreign Permanent Establishment (PE) profits are tax exempt**

Subject to the criteria listed below, any profit of a foreign PE of a Cyprus company is exempt from corporate tax in Cyprus if:

- The PE does not engage more than 50%, directly or indirectly, in activities which lead to passive income, or,
- The foreign tax burden imposed on the PE is not substantially lower than that in Cyprus.

This allows international businesses operating in a broad scope of sectors such as construction and trading to organise their operations under Cyprus companies by optimising their commercial and tax strategies.

### **Tailor-made provisions for the fund industry**

The above-mentioned combination of corporate and individual tax beneficial provisions finds a clear application in the funds industry. Cyprus is developing into a select destination for fund managers and fund management companies. Individual fund managers enjoy the low income tax rates and the readily available concessions, while fund management companies enjoy the low corporate income tax rates, exemptions and the absence of any withholding tax on dividends and interest to non-resident shareholders. Furthermore, they enjoy significantly lower operating costs without the quality of services delivered being compromised.

It should be noted that the revenues of fund management companies in Cyprus are generally exempt from VAT. Cyprus' VAT Legislation provides specific guidance with respect to the meaning of "funds and management of mutual funds" that would benefit from this VAT exemption. In this respect "fund management services" that are offered to mutual funds include the following main categories of services: investment management, administration, and promotion/marketing.

Cyprus tax laws have accommodated the tax needs of investment funds (both UCITS and alternatives) by offering a wide range of incentives for their set up and operation:

- Exemption from tax on any income arising from trading in securities and more specifically participations in companies, units in open-end or closed-



- end collective investment schemes such as Mutual Funds, International Collective Investment Schemes (ICIS)/Alternative Investment Funds (AIFs) and UCITS.
- Interest received by regulated investment funds will be considered “active” interest income and taxed at only 12.5% corporation tax.
- No minimum or holding participation threshold for exemption on inbound dividends.
- Liquidation of investment funds not taxable if the unit holders are not Cyprus tax residents.

### **Competitive Tonnage Tax for Shipping and an approved EU open registry**

The European Commission has approved, under EU State Aid rules, a scheme proposed by the Cyprus Government that allows shipping companies to opt to be taxed on the net tonnage of the fleet they operate (Tonnage Tax System – TTS), rather than corporate tax, which they would otherwise have to pay. Under certain conditions the TTS applies also to tug boats, dredgers and cable layers.

Cyprus now has a competitive European Union approved “Open Registry” and the TTS allows for mixed activities subject to tonnage tax, and to corporation tax.

The main benefits of the new TTS are:

- The Cyprus Registry is now an EU approved Open Registry.
- Lower taxation.
- For the first time ship chartering activities are included.

The new law increases the competitiveness of Cyprus and EU shipping and encourages new shipping companies to set up in Cyprus.

### **Double Tax Treaties and EU Tax Directives**

Cyprus has over the years developed an extensive network of Double Tax Treaties, facilitating international investment to and from Cyprus. Cyprus has managed to conclude and maintain over the years a number of treaties with exemplary beneficial provisions that when combined with the favourable aspects of Cyprus’ tax system provide an invaluable tool for international businesses.

Over the last three decades, Cyprus has been used extensively for International Tax planning by multinational companies from all over the world including the United States, India, Canada and many European countries like Germany, the UK, Denmark and Sweden. It is an undisputed fact that most of the investment into Central/Eastern Europe including Russia and Ukraine, is routed through Cyprus because of the very advantageous tax treaty network and the local tax provisions.

To facilitate international business, Cyprus has signed almost 60 double taxation agreements while negotiations for a lot more new agreements are currently taking place and are expected to be concluded in due time.

Double tax treaties have been concluded with the following countries: Austria, Bulgaria, Belarus, Belgium, Canada, China, Denmark, Egypt, France, Germany, Greece, Hungary, India, Ireland, Italy, Kuwait, Lebanon, Malta, Mauritius, Norway, Poland, Romania, Russia, South Africa, Sweden, Syria, Singapore, Thailand, United Kingdom, United States of America, Serbia, Montenegro, Slovenia, Slovakia, Czech Republic, Azerbaijan, Armenia, Kyrgyzstan, Moldova, Tajikistan, Uzbekistan, Ukraine, Seychelles, San Marino, Qatar, United Arab Emirates, Estonia, Finland, Portugal, Bosnia, Lithuania, Spain, The States of Guernsey, Swiss Confederation, Iceland and Iran.

### **Other Tax Incentives:**

- Introduction of anti-avoidance provisions for postponement of deemed dividend distribution arising from artificial structures
- Extension of the Accelerated Annual Capital Allowances for fixed asset expenditure to tax years 2015 and 2016.
- Expansion of the definition of “Republic of Cyprus” in the Income Tax legislation to include all activities carried out within its Exclusive Economic Zone (EEZ)
- Abolition of local authorities’ exemption from taxability of rental income



## CHAPTER 4

### BANKING AND FINANCIAL SERVICES

Cyprus has a sophisticated and advanced financial services sector, which is expanding rapidly year on year. Banking is the largest component of the sector, and is regulated by the Central Bank of Cyprus. The banking system is fully harmonised with EU legislation and directives. Commercial banking arrangements and practices follow the British model and there are currently over 40 Cypriot and international banks operating in Cyprus. All banks maintain correspondent networks around the world and are able to carry out both traditional and specialised financial transactions.

The Cyprus Securities and Exchange Commission supervises and controls the operation of the Cyprus Stock Exchange and the issuers of securities listed on the Exchange. It supervises and licenses investment services companies, collective investment schemes, brokerage firms, investment consultants and mutual fund management companies. The Cyprus Stock Exchange offers fully computerised on-line trading, clearing and settlement.

The operations of insurance companies are governed by the Insurance Companies Laws. The Superintendent of Insurance monitors and regulates the industry. Most major insurance companies are subsidiaries or affiliates of banks. Investment firms are governed by the Investment Firms Act of 2002, while their operations

are regulated by the Cyprus Securities and Exchange Commission.

The Cyprus financial services sector is diverse, comprising domestic banks, International Banking Units (IBUs), insurance companies, and other companies that offer financial intermediation services. A significant number of international banks operate subsidiaries, branches or representative offices in Cyprus.

For a complete list of credit institutions operating in Cyprus, visit the website of the **Central Bank ([www.centralbank.gov.cy](http://www.centralbank.gov.cy))**.

Cyprus' banking and financial services sector legislation is in line with international best practices and has a simplified, effective and transparent tax system, which is fully EU, OECD, FATF, FSF and MONEYVAL compliant.

Banks located in Cyprus offer an array of services ranging from asset management, private banking, international, corporate and investment banking, retail banking, syndicated loans, custodian services and more. In line with business changes, Cyprus' banking infrastructure has rapidly evolved and adopted the use of advanced technology systems, implemented measures to improve risk management and acquired highly-trained personnel.

Cyprus has a business-friendly tax system, which provides specific exemptions and incentives for investment. Cyprus' banking sector emerged stronger from the Eurogroup's decision of March 2013 and retains its competitive advantage as a financial centre.

### **Access to Funding**

Short and long-term borrowing is available from the Cyprus banking system and from the other financial institutions. Companies locating in Cyprus typically find that the financial institutions offer a tailored package drawn from a wide range of basic financing products. For eligible companies, capital funding can also be raised through the Cyprus Stock Exchange. There are no restrictions on foreign investors' access to financing in Cyprus and borrowing from foreign sources is not restricted.

### **Investment Funds**

With the new EU regulatory framework changing in the funds industry, Cyprus is emerging as an attractive investment funds jurisdiction, providing solutions for the establishment of private and public investment funds (Alternative Investment Funds and UCITS), as well as fund managers.

The Cypriot regulatory authorities have worked diligently to bring the funds' framework in Cyprus up to par with other international jurisdictions. These efforts include the transposition of the Undertakings for Collective Investment in Transferable Securities (UCITS) IV Directive in 2012 and the Alternative Investment Funds Managers Directive (AIFMD) in 2013. Through the laws transposing these two directives, Cyprus offers a European passport to the fund management industry and outstanding possibilities for cross-border and global fund distribution.

Moreover, Cyprus combines a strong banking infrastructure with low costs while complying with EU fund regulations and international best practices. Experienced and recognised service providers are capable of servicing a wide range of funds and providing operational support and reporting solutions for all EU and non-EU distribution countries at competitive rates. Service providers support funds throughout their entire life cycle: regulatory approval, administration, custody, annual audit, listing on the Cyprus Stock Exchange (if applicable), order routing, registration, clearing and settlement.

The alternative investment funds industry in Cyprus has experienced significant growth in the last few years, with more than 50% of recognised ICIS (International Collective Investment Schemes) being established over the last three years. Significant interest has also been expressed in the establishment of both UCITS

Management Companies and UCITS funds. These trends are widely expected to continue, considering all the recent and upcoming developments taking place, which will modernise the legal framework and put Cyprus firmly on the map of competitive funds jurisdictions.

In an effort to further enhance and grow the Cyprus Investment Funds Industry, the Cyprus Investment Promotion Agency (CIPA) took the initiative to establish the Cyprus Investment Funds Association (CIFA), as a natural development of the progress made thus far in promoting Cyprus as a competitive investment funds jurisdiction.

In extending its local network, CIFA has established close cooperation with the competent Regulatory Authorities, the Ministry of Finance as well as the relevant Industry Associations and Professional Bodies. At an international level, CIFA is taking the necessary steps to become a national member of widely recognised and respected international bodies. In June 2014, CIFA was granted membership (observer status) of the European Fund and Asset Management Association (EFAMA).

### **Investment Firms**

The increasing number of applications being received by the Cyprus Securities and Exchange Commission (CySEC) for Cyprus Investment Firms (CIFs) is indicative of the enduring attraction of Cyprus as an investment base.

The number of CIFs has registered an impressive increase over the years, surging from 50 in 2005 to 195 in June 2015, with the trend expected to continue.

### **Supervisory/Regulatory Framework**

The Central Bank of Cyprus, an autonomous institution established in 1963, is the supervising authority of the banking system in Cyprus. The Central Bank of Cyprus follows the Basel Committee and European Union banking regulation directives. In January 2008, the Central Bank of Cyprus was integrated into the Eurosystem under the European Central Bank.

Other regulatory authorities involved in the monitoring of financial institutions include:

- The Cyprus Securities and Exchange Commission
- The Co-operative Credit Societies' Supervision and Development Authority
- The Commissioner of Insurance Companies (Ministry of Finance)
- Authority for the Supervision of Pension Funds (Ministry of Labour, Welfare and Social Insurance)

## Insurance Law and Business in Cyprus

Cyprus undertook a thorough review of its insurance legislation in 2002, in preparation for accession to the EU in 2004. The Law on Insurance Services and Other Related Issues of 2002 took effect on January 1st, 2003 and has since been updated to maintain full compliance with all EU directives. The law aims to protect policyholders' interests, ensure confidence in and stability of the insurance market and achieve market transparency.

The Insurance Law covers local insurance companies, insurance companies incorporated in another EEA (EU together with Norway, Iceland and Lichtenstein) state and third-country (non-EEA) insurance companies. The requirements are broadly similar for all, except that certain exemptions are available for companies regulated in another EEA state.

The Insurance Companies Control Service established under article 4 of the Insurance Law, is responsible for supervising the operations of insurance companies.

## International Financial Reporting Standards & Anti-Money Laundering

Cyprus, as a European Union member, has already adopted the International Financial Reporting Standards (IFRS) and the Accounting and Auditing Standards.

Even before joining the family of the European Union, Cyprus had in place both the legislation and a body responsible for the supervision of monetary transactions within its jurisdiction.

The relevant legislation as drafted and proposed by Parliament in 1996 was approved in 1997 as the Prevention and Suppression of Money Laundering Acts Law. Since then numerous amendments were made with the latest coming into force in 2012.

In addition, Cyprus ratified on November 30th, 2001 the International Convention for the Suppression of the Financing of Terrorism.

The unit for Combating Money Laundering (MOKAS) was established to supervise the provisions of the Prevention and Suppression of Money Laundering Activities Law. MOKAS gained the power to investigate any reports for potential money laundering and has therefore been staffed with various professionals such as advocates, custom officers, financial analysts, police officers and many others, making MOKAS a powerful tool in the hands of the Attorney General against money laundering in Cyprus.

The adoption of the Prevention and Suppression of Money Laundering Activities Law 2007 has put Cyprus in line with the following international conventions:

- United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna Convention) 1988,
- Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime 1990,
- Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism 2005,
- Relevant European Union Council Directives,
- EU Council Framework Decisions and the 40+9 Recommendations of the FATF on ML&FT.

It participates in the following organisations:

- MONEYVAL Committee of the Council of Europe,
- EU Committee on the Prevention of Money Laundering and Terrorist Financing,
- Camden Assets Recovery Inter-Agency Network (CARIN),
- FIU Net Task Force, the Asset Recovery Offices Forum and the FIU Platform.

## MiFID Markets in Financial Instruments Directive (Directive 2004/39/EC)

MiFID was officially adopted on March 30th, 2004 and has brought significant changes for investment service providers.

MiFID was transposed into Cypriot legislation with the Law 144(I) of 2007 (Law which provides for the Provision of Investment Services, the Exercise of Investment Activities, and the Operation of Regulated Markets).

## Transparency Law

The Transparency Requirements Law 190(I)/2007 took effect on January 1st, 2008. It transposes into domestic legislation the European Parliament and Council Directive 2004/109/EC on transparency requirements of listed transferable securities, and in part the European Commission Directive 2007/14/EC, which sets out detailed rules for the implementation of certain provisions of Directive 2004/109/EC.

The Law applies to issuers of transferable securities listed for trading on a regulated market having Cyprus as their Home Member State. It designates the Cyprus Securities and Exchange Commission as the competent authority.



## CHAPTER 5

### LABOUR MARKET

Human talent constitutes one of Cyprus' most compelling advantages, as it ranks among the top countries in Europe and worldwide as to tertiary education. Cyprus actively supports various projects that augment the island's learning and innovative capacity and status as a knowledge economy.

Cyprus has a young, multilingual and well-educated human capital at a very attractive cost. Education statistics in 2013 demonstrate that 39.2% of Cypriots in the 25-64 age group have acquired tertiary education qualifications compared with an EU-28 average of 28.6%.

According to Eurostat, in 2014, the hourly labour costs in the EU-28 member states ranged from €3.8 to €40.3. In the same year, Cyprus recorded an hourly labour cost of €15.8, demonstrating a decrease of 2.8% from the previous year and comparing positively to an EU-28 average of €24.6.

The **Ministry of Labour, Welfare and Social Insurance ([www.mlsi.gov.cy](http://www.mlsi.gov.cy))** is responsible for the promotion of social justice within a free democratic system based on the pillars of social cohesion and social inclusion and the maintenance and continuous improvement of the standard of living and the quality of life of the working population and society in general.

### Labour legislation

All companies operating in Cyprus are obliged to adhere to the employment legislation of Cyprus.

An indication of the basic labour legislation as applied by the Departments of Labour, Labour Relations, Labour Inspection and Social Insurance is provided here below:

- Information to the employee on the basic conditions of his/her employment
- Hours of work of clerks, quarry workers, miners, shop employees, and hotel and catering employees
- Minimum wages for clerks, sales staff, school assistants, child and infant minders, nursing assistants, security guards and care workers
- Termination of Employment Law
- Collective redundancies
- Maintenance and safeguarding of employees' rights in the event of transfer of undertakings, businesses or parts thereof
- Organisation of working time
- Part time work and Fixed term work
- Protection of wages
- Maternity protection
- Equality of treatment in employment
- Parental leave
- Equal pay
- Conditions of employment of shop employees
- Protection of young persons at work

## Payroll Accounting

The minimum salary in Cyprus starts at €870 per month for shop assistants, nurse's assistants, clerks, hairdressers and nursery assistants and rises to €924 after six months' employment.

The maximum weekly hours of work are 48 hours, including overtime. The normal pattern of working hours in Cyprus is 40 hours per week. Additionally, the employee is entitled to at least 11 continuous hours of rest per day. If the daily period of work is greater than 6 continuous hours the employee is entitled to a break of 15 minutes duration.

The employment legislation has a provision for a minimum probation period of at least 26 weeks which may be extended up to 104 weeks. In the event of termination of employment during the probation period, there is no minimum notice period.

According to the type of work schedule, employees are entitled to annual holiday leave of a minimum of 20 days, when working on a 5-day week basis, (or 21 days if the company is exempted from the 8% Holiday Fund Contribution), or minimum 24 days when working on a 6-day week basis, (or 25 days if the company is exempted from the 8% Holiday Fund Contribution).

### Public holidays

The following days are public holidays:

- 1 January (New Year's Day)
- 6 January (Epiphany)
- Green Monday (movable date)
- 25 March (National Day)
- 1 April (1955-1959 EOKA National Day)
- Good Friday (movable date)
- Easter Monday (movable date)
- 1 May (Labour Day)
- Whit Monday (movable date)

- 15 August (Assumption Day)
- 1 October (Independence Day)
- 28 October (WWII National Day)
- 24 December (Christmas Eve)
- 25 December (Christmas)
- 26 December (Boxing Day)

## Social Security System

The social security system provides for several benefits, such as maternity allowance, sickness benefit, unemployment benefit, old-age pension, invalidity pension, widows' pension, orphans' benefit, benefits for employment accidents and occupational diseases.

Cyprus has concluded social security bilateral agreements with the United Kingdom, Greece, Egypt, Canada, Quebec, Australia, Austria, Slovakia, Swiss Confederation, Czech Republic, Netherlands, Bulgaria, Serbia and Syria. The bilateral agreements that Cyprus has concluded with member states of the EU have been replaced by the EU Regulations 883/04 and 987/09, which coordinate the social security systems of the member states.

Social insurance contributions are made by any individual employed or self-employed in Cyprus. An employer also makes contributions for his/her employees. The relevant rates are applied on the weekly wages or monthly salaries received and are subject to certain upper limits.

The Social Security contributions of employees are withheld by the employer from the monthly salary paid to employees. These contributions along with the employer contributions should be paid no later than the end of the calendar month following the month that the salaries relate to. The Social Security contributions of self-employed individuals are paid quarterly. Social insurance contributions are restricted to a maximum amount that is increased annually.

	Employer	Employee	Self-employed
Social Insurance Fund	7.8%	7.8%	13.6%
Redundancy Fund	1.2%	-	-
Industrial Training Fund	0.5%	-	-
Social Cohesion Fund	2.0%	-	-
Holiday Fund (if not exempt)	8.0%	-	-

The amount of contributions made by an employer to the Social Cohesion Fund is calculated on the total emoluments with no upper limit.

Employers may be exempted from the 8% Holiday Fund Contribution provided they meet certain criteria.

Sick leave is paid by the Department of Social Insurance. The benefit starts from the 4th day of absence from work due to illness and in the case of a self-employed person on the 10th day of absence from work. The level of the benefit is based on the average weekly amount of earnings on which contributions were made in the previous contribution year under the social insurance scheme.

Many employers sponsor a Provident Fund scheme for their employees, similar to a pension plan. The basic principle of a provident fund is that both the employer and the employee contribute a specific percentage of the employee's monthly gross salary to the fund. It is not compulsory to operate such funds, but once formed a fund is regulated by legislation and the office of the Commissioner of Provident Funds.

## Health and Safety

The Department of Labour Inspection is the department of the Ministry of Labour, Welfare and Social Insurance that is responsible for the enforcement of laws in various sectors such as the Safety and Health at Work Area, the Machinery and Equipment Sector, the Industrial Pollution Control Sector, the Air Quality Sector, the Radiation Protection Sector and the Chemical Substances Sector.

The Safety and Health at Work laws provide for securing the safety, health and welfare of persons at work in all branches of economic activity and for the protection of any other person against risks to safety and health in connection with the activities of persons at work.

## Unions

Since its accession to the EU, Cyprus has adopted the European Union's legislative framework on labour regulations.

The Cyprus labour market has a tradition of social dialogue and a well-developed institution of free collective bargaining. Terms and conditions of employment are negotiated either directly between the employer and the employee or through collective bargaining between trade unions and employers' organisations.

## Flexible Employment Models

Flexible models of employment, such as part-time and fixed term employment, are regulated by legislation enacted between 2002 and 2007. It should be noted however, that draft laws in the area of labour relations are always discussed and agreed upon at a tripartite committee consisting of representatives of government, employers' associations and trade unions.

The Part-Time Employees (Elimination of Unfavourable Treatment) Law of 2002 safeguards the right of employees to choose part-time work and prohibits unfavourable treatment of part-time workers, as compared to full-time workers, with regards to the terms and conditions of employment.

The Fixed-Term Work Employees (Prohibition of Discriminatory Treatment) Law of 2003 provides for the protection of fixed-term work employees and the equal treatment of fixed-term employees with that of employees with permanent contracts, with regards to terms and conditions of employment. At the same time, the Law provides for measures aiming to avert the misuse of successive fixed-term contracts or labour relations.





## CHAPTER 6

### IMMIGRATION

#### Visa Requirements

The following categories of nationals do not require a visa to enter Cyprus:

- Holders of Laissez-Passer issued by the United Nations.
- Holders of Document issued to stateless persons and recognised refugees.
- Citizens of a member state of the EU, as well as, of Switzerland, Iceland, Liechtenstein and Norway may enter Cyprus with their national identity card (provided there is photo identification on it).

*Residents from all countries except the above need a visa to enter Cyprus.*

#### Categories of visas to Cyprus

##### **Short-stay or travel visas/Multiple-entry visas:**

This visa entitles aliens who seek to enter the territory of the Republic of Cyprus, for reasons other than immigration, to enter once or several times. The duration of each visit may not, however, exceed three months in any half year, starting from the date of first entry.

As a general rule, this visa may be issued for one or several entries.

In the case of aliens who need to travel frequently to Cyprus, e.g. business, short-stay visas may be issued for several visits, provided the total length of these visits

does not exceed three months in any half year. This multiple-entry visa may be valid for one year and, in exceptional cases, for more than a year, but for no more than five years for certain categories of persons.

#### **Airport Transit Visa (ATV)**

This visa entitles aliens who are required to have such a visa to pass through the international transit area of Cypriot airports without actually entering the national territory of Cyprus, during a stop-over or transfer between two stages of an international flight. The requirement to have this visa is an exception to the general right to transit without a visa through Cyprus.

From the following countries: Afghanistan, Bangladesh, Democratic Republic of Congo, Eritrea, Ethiopia, Ghana, Iran, Iraq, Nigeria, Pakistan, Somalia, Sri Lanka and Turkey, as well as persons who are not nationals of those countries, but who possess travel documents issued by the authorities of those countries, are required to possess this type of visa.

Citizens of the aforementioned countries are exempt from the Airport Transit Visa (ATV) requirement if they are holders of residence permits of either a member state of the EU or the EEA, Andorra, Monaco, Canada, Japan, San Marino and the United States of America.

#### **Group Visas**

This is a transit visa or a visa limited to a maximum stay of 30 days which may be attached to a group passport - except where national legislation provides otherwise - and may be issued to a group of aliens formed prior to the decision to travel, provided that the members of the group enter the territory, stay there and leave it as a group. Group visas may be issued to groups of between 5 and 50 people. The person in charge of the group shall possess an individual passport and, where necessary, an individual visa.

#### **Long-stay visas**

Visas for visits exceeding three months for the following categories:

- Employment
- Study
- Business

#### **Where to obtain a visa:**

Visas are issued by all the Diplomatic Missions (Embassies and General Consulates) of the Republic of Cyprus, and by Honorary Consulates of the Republic of Cyprus abroad, if there is no Diplomatic Mission of the Republic of Cyprus close by.

#### **Visa Fees:**

TYPE OF Visa	Visa Fee
Airport transit visa (Category A)	€15.00
Short-stay visa (1 - 90 days) (Category C)	€20.00
Multiple entry visa, valid for 1 - 5 years (Category C)	€60.00
Visa issued at the border (Category C)	€25.00
Group visa	€60.00
National long-stay visa (Category D)	€60.00

#### **Immigration by Investment**

The criteria for granting an Immigration Permit within the scope of the new, expedited procedure for applicants who are third country nationals and invest in Cyprus have been revised.

The immigration permit is equivalent to a permanent residence permit in Cyprus and its holders are exempted from the time-consuming immigration formalities required from other categories of third country nationals arriving in Cyprus (e.g. consular visa, residence permit renewals, re-entry permits, etc.).

The Council of Ministers has decided to issue an Immigration Permit to applicants from third countries, in cases where certain conditions listed below are met:

#### **Investment/Financial Criteria**

The applicant should submit a confirmation letter from a financial institution in Cyprus that he or she has deposited a minimum capital of €30.000 into an account, which will be pledged for a period of at least three years. It must be proved that the said amount has been transferred to Cyprus from abroad.

The applicant should prove that he/she has at his/her disposal a secure annual income of at least €30.000. This annual income should increase by €5.000 for

every dependent person of his/her family (spouse and children) and by €8.000 for every dependent parent or parent-in-law. This income should derive from abroad, and may include salaries from employment, pensions, dividends from shares, fixed deposits, rents a.s.o. For the calculation of the total amount of the annual income, the spouse's income may be also taken into consideration.

The applicant should submit, with the application, title deeds or a contract of sale in his name and/or his spouse, which has been officially deposited with the Department of Lands and Surveys, for a property or other building, of a total market value of at least €300.000 (VAT is not included therein) and official receipts for the payment of at least €200.000 (excluding VAT), irrespective of the date for the delivery of the property. It should be stressed that the full payment of the value for the property shall be settled in an account of a financial institution in Cyprus. The abovementioned amounts must be proven to have been transferred to Cyprus from abroad.

An Investment Permit can also be granted to children of the applicant over the age of 18, not financially dependent, provided that the market value of the acquired property attributed to each such child is at least €300.000 excluding VAT.

### **Scheme for Naturalisation by Exception of Investors in Cyprus**

The Council of Ministers of the Republic of Cyprus recently approved a new scheme for Naturalization of Investors by Exception.

#### Criteria:

A non-Cypriot citizen who meets one of the following criteria may apply for the acquisition of the Cyprus Citizenship:

- C1.** Investment in real estate, land development and infrastructure projects of at least €2m
- C2.** Purchase or creation or participation in Cypriot businesses/ companies of at least €2m
- C3.** Investment in Alternative Investment Funds or financial assets of Cypriot companies/ organisations of at least €2m
- C4.** Combination of the above criteria, which can also include investment in government bonds of up to €500.000

#### Other conditions:

- In order to qualify for Cyprus Citizenship, the applicant must hold a residence permit in Cyprus
- In addition to the afore-mentioned investment requirements (C1-C4), an investor must also purchase a private residence in Cyprus worth at least €500.000 (plus VAT). If investment is made into residential property (as per C1), this requirement is not applicable.
- All investments must be kept for 3 years, except for the private residence of minimum value of €500.000 (plus VAT) which must be kept for life.

#### Family Members:

- Spouse and financially dependent children: A passport is also issued for the investor's spouse and all financially dependent children (up to 18 years old – or up to 28, provided that they are college students).
- Parents: The applicant's parents are also entitled to apply for citizenship provided that they are owners of a private residence of at least €500.000. Alternatively, the applicant and his/ her parents may acquire just one residential property of a total value of at least €1,0m.

### **Employment of highly skilled third country nationals**

The evaluation of applications, which concern the employment of highly skilled third country nationals (people with high academic and/or professional qualifications and whose annual salary – excluding benefits such as bonuses – is more than €35.000) in sectors and activities that contribute to the development of the economy, follows a "fast track" procedure.

The Department of Labour (MLWSI) is responsible for the examination of applications that fall under the fast track procedure. Under the fast track procedure, it is not required to perform a prior labour market check or make efforts to find a local workforce before applying for foreign employment. The examination of applications under the fast track procedure is completed within 3 weeks after the submission of the application.

For the employment of third country nationals in companies/enterprises of foreign interests, in senior management positions, middle management positions and other key personnel, a different procedure is followed for which the jurisdiction lies with the Civil Registry and Migration Department (Ministry of Interior).

The companies that meet the relevant prerequisites can employ a certain number of third country nationals under favourable conditions, i.e. without prior labour market check and without time limit on their employment in the Republic. The examination of applications is completed within two weeks from the submission of the application.



## CHAPTER 7

### INVESTMENT AND BUSINESS INCENTIVES

Attracting foreign direct investment is at the heart of the Government's policy, and one of its most important priorities. In this context, the Government offers favourable incentives to existing or new companies doing business in Cyprus and works to improve Cyprus' competitiveness and create a more effective and business-friendly environment through a series of reforms aimed at restructuring and modernising the state and public sector. The government is committed to creating optimal conditions for businesses to flourish by simplifying administrative procedures, improving the tax framework, guaranteeing an open and transparent legal system and eliminating internal barriers, bureaucratic dysfunctions and distortions that halt or hamper growth.

#### Funding opportunities

The Directorate General for European Programmes, Coordination and Development has launched the **Information Portal for Funding Programmes ([www.fundingprogrammesportal.gov.cy](http://www.fundingprogrammesportal.gov.cy))**, which provides information to all interested citizens for all programmes and calls for proposals, both at European and national level. The different programmes cover a wide range of beneficiaries such as employees, unemployed persons,

NGOs, SMEs, local authorities, research centres, educational institutions, public sector entities etc., in areas such as Employment, Competitiveness, Energy and Environment, Education, Culture, Research, Youth, Rural Development etc.

This portal features information for the following categories of funding programmes:

- EU Competitive Programmes
- EU Co-Financed Programmes
- EEA/Norwegian and Swiss Financial Mechanisms
- National Grant Schemes.

*All currently open programmes are published in the above-mentioned portal.*

**EU Competitive Programmes:** are financed directly by the European Union's budget and are aimed at contributing to the implementation of EU policies. As a general rule, these programmes are transnational, which means that the participation of partners from more than one member state is required for the submission and implementation of a proposal, which is submitted for approval directly to the European Commission.

**EU Co-Financed Programmes:** are financed in Cyprus either from specific funds that have been allocated to Cyprus under the EU Multiannual Budget, mainly through the European Structural and Investment Funds, or from national sources. The priority actions which are funded are decided jointly between EU and Cyprus authorities, whereas the management of these programmes is under the responsibility of Cyprus authorities, while the European Commission reserves the right to monitor them.

**National Grant Schemes** are designed and approved at national level and are funded solely by national funds aiming at the implementation of various state policies and priorities such as strengthening employment, promoting tourism etc. Implementation of these projects is the responsibility of the relevant public authorities in Cyprus.

### State aid schemes

Support schemes are frequently available through “De Minimis” state aid schemes in areas such as agricultural products, industrial products and services.

The **Office of the Commissioner for State Aid Control ([www.publicaid.gov.cy](http://www.publicaid.gov.cy))** was set up as part of the harmonisation process of Cypriot legislation with the *acquis communautaire* in the field of state aid. The primary objective of the Office of the Commissioner for State Aid Control is to fulfil all the prerequisites set by the European Commission.

### Main authorities that operate schemes

The following public, semi-public organisations frequently publish funding opportunities in their respective areas of expertise.

- The **Ministry of Energy, Commerce, Industry and Tourism ([www.mcit.gov.cy](http://www.mcit.gov.cy))**: provides funding in the form of government grants for existing or new companies in the fields of agriculture, technology, the environment, trade and services, and business start-ups.
- The **Research Promotion Foundation (RPF) ([www.research.org.cy](http://www.research.org.cy))**: provides funding in the form of government grants to promote the development of scientific and technological research in Cyprus.
- The **Cyprus Tourism Organisation (CTO) ([www.visitcyprus.com](http://www.visitcyprus.com))**: provides funding in the form of incentive schemes to attract investment for sustainable enrichment and upgrading of the Cyprus tourism product, and support schemes for International Sporting Events, Conferences etc.
- The **Cyprus Institute of Energy (CIE) ([www.cie.org.cy](http://www.cie.org.cy))**: administers funding in the form of government grant schemes for investments in the field of energy conservation and the utilisation of renewable energy sources.

- The **Human Resource Development Authority of Cyprus (HRDAC) ([www.hrdauth.org.cy](http://www.hrdauth.org.cy))**: provides funding in the form of grants to support a wide spectrum of training needs for companies of any size registered in Cyprus. Additionally it provides funding in the form of various support schemes to combat unemployment and promote work experience in relevant fields.

### Government Focus on SMEs and Start-Ups

CYPEF (Cyprus Entrepreneurship Fund) was established with a view to facilitate SMEs’ access to finance, mainly through the provision of loans with favourable financing terms. It is implemented through selected financial institutions. CYPEF is financed through a €100m loan provided by the European Investment Bank to the Republic of Cyprus, while the European Investment Fund (EIF) acts as manager of the CYPEF on behalf of the Republic. The total sum of financing expected to be given to SMEs through CYPEF amounts to around €200m, given the participation of the selected banks with their own resources.

In addition to the above, two new government initiatives for the formulation of a National Policy Statement on Enhancing the Entrepreneurial Ecosystem in Cyprus as well as the establishment of an Entrepreneurs Support Centre (as an upgrade to the existing One-Stop-Shop) give special emphasis to improving the business environment especially for new companies to set up and grow in Cyprus. Both initiatives aim to cultivate entrepreneurial culture and promote entrepreneurship in sectors with high growth potential and innovation orientation.

### Industrial and Free Zones

Industrial Zones differ from industrial estates. Aiming at a balanced development in the interest of health, comfort and the general welfare of its citizens, the Government has declared Industrial/Craft zones for urban purposes. Throughout Cyprus, there are more than 100 privately owned Industrial/Craft Zones.

#### 1. Free Zones

Free Zones have been abolished in Cyprus by Regulation 230/2011 of 17/06/2011. Nevertheless, this will not discourage investment activity in Cyprus, because the benefits to an investor resulting from free zone operations can also result from operating under other available regimes, such as the Customs Warehouse or the Inward Processing Regime. These two regimes share many features with the now abolished free zone regime.

#### 2. Customs Warehouse (Previously known as “bonded”)

Most parties that would previously opt for free zone operations will now seek the Customs Warehouse



regime. This involves making an application to the district customs office, requesting that a particular facility (i.e. a warehouse anywhere) be declared a customs warehouse. If all the documents are in order, approval should be granted within a month. Obtaining approval means that the imported goods are not subject to import duties or VAT, and may even be processed provided that the processing only involves small alterations. If the latter is not the case, (say in the case of a manufacturer of goods from raw material) then the inward processing regime should be chosen. It is noted that the inclusion of an applicant in the regime is subject to fees amounting to €1,700 (one-off) and €1,700 annually. In Cyprus there are at present about 300 customs warehouses.

### 3. Inward Processing

This is the regime that is appropriate for manufacturing businesses interested in importing raw material, processing them, and manufacturing goods that are to a large extent intended for export. The interested party needs to apply to the Department of Customs, requesting approval for the inward processing regime. Application processing takes about a month. This has no relation to the acquisition of land, premises, etc.; only to the approval of the applicant's status. Under this regime, no custom duties and VAT apply to imported raw materials. Concerning machinery and equipment, no tax applies if they originate from the EU. If they do not originate from the EU, then used machines/equipment will be exempt from tax if it is proven that a factory in the country of origin (where

the machines were used) was wound up so as to move operations to Cyprus. For EU common customs tariffs, see the TARIC database (European Commission).

The importer/manufacturer must at the time of application provide info on the expected volume of imports during the validity of his/her licence as inward processor (max licence duration is three years). Based on that figure, he/she will need to provide a guarantee to the department of customs (i.e. bank guarantee) that should be equivalent to the custom duties he/she would have paid on the goods had he/she not been under the inward processing regime. It is noted that the inclusion of an applicant in the regime is subject to fees amounting to €1,700 (one-off) and €1,700 annually.

### 4. Establishment

The interested party may set up facilities in an industrial zone or industrial area. Land in industrial zones belongs to private parties, so the interested party can contact them directly to find out about availability and prices. Land in industrial areas belongs to the state, and if there is any space available, it can be provided to an applicant under a 33 year lease that can be renewed twice. If the state has no space available to lease, the interested party can inquire whether any existing leaseholders are interested to sell their lease or sublease.

For more information, please visit the website of the **Ministry of Energy, Commerce, Industry and Tourism** ([www.mcit.gov.cy](http://www.mcit.gov.cy)).



## CHAPTER 8

### USEFUL CONTACTS

#### PUBLIC INSTITUTIONS

##### 1. Ministry of Energy, Trade, Industry and Tourism

Tel: +357 22867100  
Fax: +357 22375120  
Address: 6, Andrea Araouzou str., CY-1421, Lefkosia (Nicosia).  
Website: [www.mcit.gov.cy](http://www.mcit.gov.cy)  
Email: [perm.sec@mcit.gov.cy](mailto:perm.sec@mcit.gov.cy)

##### 2. Registrar of Companies and Official Receiver

Tel: +357 22404400, 22404426  
Fax: +357 22304887  
Address: Corner Makariou III Avenue and Karpenisiou Street, "XENIOS" Building, 1427 Nicosia  
Website: [http://www.mcit.gov.cy/mcit/drcor/drcor.nsf/index\\_gr/index\\_gr?OpenDocument](http://www.mcit.gov.cy/mcit/drcor/drcor.nsf/index_gr/index_gr?OpenDocument)  
Email: [eterion@drcor.mcit.gov.cy](mailto:eterion@drcor.mcit.gov.cy)

##### 3. Ministry of Finance

Information Centre: 22601010  
Tel: +357 22602723  
Address: Michael Karaoli & Gregori Afxentiou, 1439, Lefkosia (Nicosia).  
Website: [www.mof.gov.cy](http://www.mof.gov.cy)  
Email: [registry@mof.gov.cy](mailto:registry@mof.gov.cy)

##### 4. Ministry of Labour, Welfare and Social Insurance

Tel: +357 22401600  
Fax: +357 22670993  
Address: 7, Byron Avenue, 1463, Lefkosia (Nicosia).  
Website: [www.mlsi.gov.cy](http://www.mlsi.gov.cy)  
Email: [administration@mlsi.gov.cy](mailto:administration@mlsi.gov.cy)

##### 5. Civil Registry and Migration Department

Tel: +357 22804400  
Fax: +357 22804507  
Address: Chilonos, 1457 Lefkosia (Nicosia).  
Website: [http://www.moi.gov.cy/moi/crmd/crmd.nsf/index\\_en/index\\_en?OpenDocument](http://www.moi.gov.cy/moi/crmd/crmd.nsf/index_en/index_en?OpenDocument)  
Email: [migration@crmd.moi.gov.cy](mailto:migration@crmd.moi.gov.cy)

##### 6. Human Resource Development Authority of Cyprus

Tel: +357 22515000  
Fax: +357 22496949  
Address: 2, Anavyssou str., Strovolos, Lefkosia (Nicosia).  
Postal Address: P.O. Box: 25431 CY-1392, Lefkosia (Nicosia).  
Website: [www.hrdauth.org.cy](http://www.hrdauth.org.cy)  
Email: [hrda@hrdauth.org.cy](mailto:hrda@hrdauth.org.cy)

## 7. Central Bank of Cyprus

Tel: +357 22714100  
Fax: +357 22714959  
Address: 80, Kennedy Avenue, CY-1076, Lefkosia (Nicosia).  
Postal Address: P.O.BOX 25529, CY-1395, Lefkosia (Nicosia).  
Website: [www.centralbank.gov.cy](http://www.centralbank.gov.cy)

## 8. Cyprus Securities and Exchange Commission

Tel: +357 22506600  
Fax: +357 22506700  
Address: 27, Diagorou str., 1097, Lefkosia (Nicosia).  
Postal address: P.O. Box 24996, 1306, Lefkosia (Nicosia).  
Website: [www.cysec.gov.cy](http://www.cysec.gov.cy)  
Email: [info@cysec.gov.cy](mailto:info@cysec.gov.cy)

## 9. Cyprus Stock Exchange

Tel: +357 22712300  
Fax: +357 22570308  
Address: 71-73, Lordou Vironos Avenue, 1096, Lefkosia (Nicosia).  
Postal Address: P.O.BOX 25427, 1309, Lefkosia (Nicosia).  
Website: [www.cse.com.cy](http://www.cse.com.cy)  
Email: [info@cse.com.cy](mailto:info@cse.com.cy)

## PRIVATE ASSOCIATIONS

### 1. Cyprus Investment Promotion Agency (CIPA)

Tel: +357 22441133  
Fax: +357 22441134  
Address: 9, Makariou III Avenue, Severis Building, 4th Floor, 1065, Lefkosia (Nicosia).  
Website: [www.investcyprus.org.cy](http://www.investcyprus.org.cy)  
Email: [info@investcyprus.org.cy](mailto:info@investcyprus.org.cy)

### 2. Association of Cyprus Banks

Tel: +357 22664293  
Fax: +357 22665135  
Address: 15, Demetriou Karatasou Str., 4th Floor, 2024, Strovolos, Lefkosia (Nicosia).  
Postal Address: P.O. Box 16113, 2086, Lefkosia (Nicosia).  
Website: [www.acb.com.cy](http://www.acb.com.cy)  
Email: [info@acb.com.cy](mailto:info@acb.com.cy)

### 3. Cyprus International Businesses Association (CIBA)

Tel: +357 25583400  
Fax: +357 25581531  
Address: 6, Kennedy str., Iris House, 8th floor, Office 848A, 3106, Lemesos (Limassol).  
Website: [www.ciba-org.cy](http://www.ciba-org.cy)  
Email: [ciba@ciba-org.cy](mailto:ciba@ciba-org.cy)

### 4. Cyprus Investment Funds Association (CIFA)

Tel: +357 22441133  
Fax: +357 22441134

Address: 9, Makarios III avenue, Severis Building, 4th Floor, 1065, Lefkosia (Nicosia).  
Postal Address: P.O. Box, 27032, 1641, Lefkosia (Nicosia).  
Website: [www.cifacyprus.org](http://www.cifacyprus.org)  
Email: [info@cifacyprus.org](mailto:info@cifacyprus.org)

## 5. Cyprus Bar Association

Tel: +357 22873300  
Fax: +357 22873013  
Address: Florinis 11, Off.101, 1st Floor, 1065, Lefkosia (Nicosia).  
Postal Address: P.O. Box. 21446, 1508, Lefkosia (Nicosia).  
Website: [www.cyprusbarassociation.org](http://www.cyprusbarassociation.org)  
Email: [info@cybar.org.cy](mailto:info@cybar.org.cy)

## 6. The Institute of Certified Public Accountants of Cyprus

Tel: +357 22870030  
Fax: +357 22766360  
Address: 11, Byron Avenue, 1096, Lefkosia (Nicosia).  
Postal Address: P.O. Box 24935, 1355, Lefkosia (Nicosia).  
Website: [www.icpac.org.cy](http://www.icpac.org.cy)  
Email: [info@icpac.org.cy](mailto:info@icpac.org.cy)

## 7. Association of International Banks – Cyprus

Tel: +357 25877350  
Address: Lemesos (Limassol)  
Website: [www.aibcy.com](http://www.aibcy.com)  
Email: [info@aibcy.com](mailto:info@aibcy.com)

## 8. Insurance Association of Cyprus

Tel: +357 22452990  
Fax: +357 22374288  
Address: 23, Zenon Sozos Street 1st Floor, 1516, Lefkosia (Nicosia)  
Postal Address: P.O. Box 22030  
Website: [www.iac.org.cy](http://www.iac.org.cy)  
Email: [info@iac.org.cy](mailto:info@iac.org.cy)

## 9. Cyprus Chamber of Commerce and Industry

Tel: +357 22889800  
Fax: +357 22669048  
Address: 38, Grivas Dhigenis Avenue & 3, Deligiorgis Str., Lefkosia (Nicosia).  
Postal Address: P.O. Box 21455, 1509, Lefkosia (Nicosia).  
Website: [www.ccci.org.cy](http://www.ccci.org.cy)  
Email: [chamber@ccci.org.cy](mailto:chamber@ccci.org.cy)

## 10. Cyprus Employers and Industrialists Federation

Tel: +357 22 66 51 02  
Fax: +357 22 66 94 59  
Address: 2 Acropoleos Ave. & Glafkou Str, 2000 Lefkosia (Nicosia).  
Postal Address: P.O. Box 21657  
Website: [www.oeb.org.cy](http://www.oeb.org.cy)  
Email: [info@oeb.org.cy](mailto:info@oeb.org.cy)



**Cyprus Wild Orchids.**

In Cyprus there are over thirty species of wild orchids and they need special protection, because of their complicated growth system.

**Disclaimer:** The information available in this guide intends to provide a general introduction to the business environment in Cyprus, and every reasonable effort is being made to ensure its accuracy and timely amendment. In no circumstances shall the Cyprus Investment Promotion Agency (CIPA) be legally bound as a result of any information contained in this guide. Updated information can be found at all times on the website of Cyprus Investment Promotion Agency, at [www.investcyprus.org.cy](http://www.investcyprus.org.cy)



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