



CYPRUS

A GUIDE FOR INVESTORS

BDO

COUNTRY OVERVIEW

Cyprus is the third largest island in the Mediterranean Sea, located at the eastern end of Europe, on the border linking Europe, Africa and Asia.

The island, through its rich history, going back more than 10.000 years, has developed into a modern and thriving European Union state today, with a host of opportunities and prospects for economic growth and prosperity.

This small but dynamic country has long established a strong reputation as a “centre of excellence” for international business activities. Its dynamic professional service industry is continuously striving to create the expertise and service capability to drive and enhance both traditional and new economic sectors and to improve its business environment.

Cyprus has a modern, free-market, service-based economy with an effective and transparent regulatory and legal framework offering international investors and domestic businesses confidence to invest, grow and prosper. It continuously and systematically strives to offer an innovative, diverse and investor-friendly environment. Cyprus has developed into a destination of choice for doing business.

Area:	Population:	Time Zone:	Currency:
9.251 km ²	850.000	GMT +2	€ EU member
Capital:	Political System:	Languages:	
Nicosia	Presidential Democratic Republic	Greek English widely spoken	



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 EU, as well as a portal for investment outside the EU, particularly into the Middle East, Eastern Europe, India and China.

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.

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 to 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.

- *Full access to European markets*
- *Access to 40+ EU trade agreements*
- *A member of the Eurozone since 2008*
- *Geostrategic position*

Strong Business Support and Professional Services

Cyprus is recognised as an international centre of excellence for the provision of a wide range of professional services, with highly qualified and experienced professionals offering efficient legal, accounting, auditing, consulting and other specialised services, at competitive costs. Notably, two of the world's leading accountancy organisations, the Institute of Chartered Accountants in England and Wales (ICAEW) and the Chartered Institute of Management Accountants (CIMA), chose the island as the first country in the world outside the UK to train ICAEW and CIMA accountants.

Wide range of services make starting & running a business easy



700+ registered accounting firms including all major global firms

2.700 registered lawyers and 160 Law firms A range of serviced offices & co-working spaces



High availability of modern and affordable office space in all cities

Tax System

Cyprus offers an attractive and transparent tax regime, fully compliant with EU, OECD and international laws and regulations.

- *One of the lowest corporate tax rates in the European Union at 12.5%*
- *An attractive double tax treaty network covering more than 60 countries*
- *A member state of the European Union, investors are offered access to all EU tax directives*
- *Dividend income exemption based on relaxed conditions*
- *Capital gains tax exemption (except for real estate situated in Cyprus)*
- *No withholding tax on outgoing dividend, interest for royalty payments*
- *Gains from trading in securities are tax exempt*
- *Notional interest deduction available for equity investment into Cypriot companies*
- *A competitive intellectual property regime (in line with the nexus approach)*
- *Option for foreign permanent establishment profits to be tax exempt*
- *Tailor-made provisions for the investment funds industry*
- *Competitive tonnage tax for shipping companies and an approved EU open registry*
- *Foreign exchange gains or losses are tax neutral*
- *An attractive personal tax regime for international professionals and non-domiciled individuals*
- *Tax deductions for investment into start-ups*
- *No succession, inheritance or gift taxes*
- *No immovable property taxes.*

Human Capital & Level of 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. Complemented by a broad range of high-quality professional services, Cyprus' Human capital probably constitutes its most compelling advantage.

- *The youngest population & workforce in the EU*
- *55% of the workforce has a tertiary degree*
- *Businesses in Cyprus operate in English and 73% of Cypriots speak English*
- *Booming private education sector with English taught programmes*
- *Visa-free access to European talent*
- *Easy access to global talent with tax concessions aimed at attracting expatriates and their families.*

Concessions available to expatriates

- *50% of the gross emoluments are allowed to be deducted from taxable income for individuals that 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 ten years, commencing from the date of employment.*
- *The exemption is not given to an individual, who was a Cyprus tax resident in any three of five years preceding the year of employment and to an individual, who was resident in the year preceding the year of commencement of employment.*

The Cyprus Non-Domicile regime

Non-Domiciled persons are exempt from SDC meaning that their interest and dividend income are exempt from taxation. Foreign rental income is also exempt. As such non-domiciled persons residing in Cyprus are generally subject to taxation only on their salaries and rental income generated from Cyprus properties.

Individuals who have a domicile of origin other than Cyprus and have not been a Cyprus tax resident for at least 17 out of 20 consecutive years are non-domiciled, as are individuals that have Cypriot origin but have been non-resident for at least 20 years, subject to conditions.

Low cost of doing business

- Lower labour costs for technical and professional talents than in other major EU capitals
- Among the lowest office rental rates in Europe
- Highly affordable critical business support services

Advanced Infrastructure

Cyprus benefits from advanced and modern infrastructure, as well as an extensive telecommunications network, ideally suited for business people with demanding schedules.

High Quality of Life

Cyprus residents enjoy 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.

- *One of the best climates worldwide*
- *Top 5 safest country in the world (Value Penguin 2015)*
- *Safest Country for young people (the Guardian 2017)*
- *Top 4 best retirement destination globally (Knight Frank 2016)*
- *Best island economy 2017/2018 lifestyle & human capital (fDi magazine)*

Cypriot Citizenship and Immigration Permit through investment

The Cyprus Investment Program allows non-Cypriot Nationals that invest in Cyprus to obtain Cyprus Citizenship and residency permits for themselves and their families provided they satisfy the relevant investment and other criteria.

Growth Sectors

Cyprus offers exciting potential in both traditional and emerging economic growth sectors, continuously aiming at diversifying and enriching its product. Traditional sectors, such as shipping, tourism, banking, financial and professional services, have been the key driving forces of the island's economy for years, while new sectors, such as energy, investment funds, research & development, education and wellness tourism, offer a modern perspective and give impetus to the country's path towards growth and a varied, knowledge-based economy.

Investment funds

Cyprus is rapidly developing into not only a European, but a global investment funds and asset management domicile. Due to its modern and well-regulated framework, Cyprus attracts increased interest and substantial investment from funds and asset managers worldwide. The relevant law has also been enriched with provisions that increase Cyprus' attractiveness vis à vis other jurisdictions, both for UCITS and AIFs. Assets under management currently exceed €6 billion.



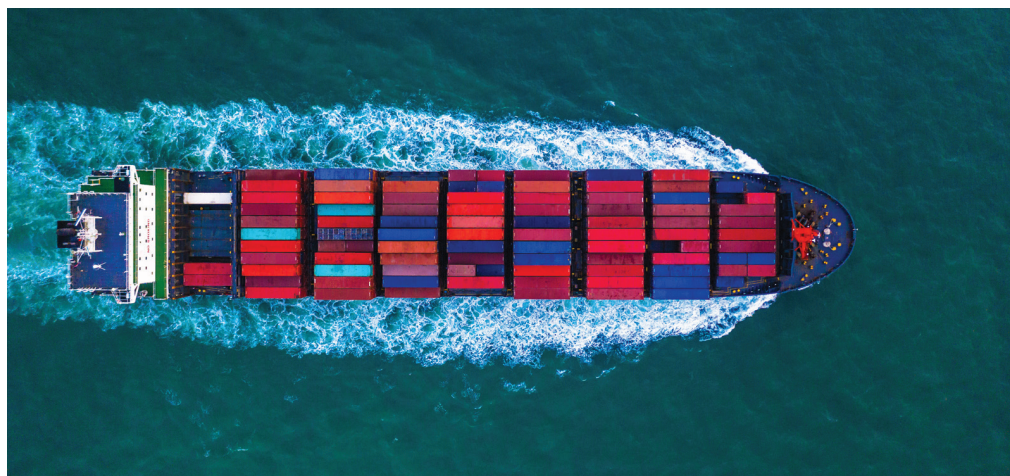
INCENTIVES FOR FUND MANAGERS TO RELOCATE PEOPLE AND ACTIVITIES TO CYPRUS

The variable employment remuneration of certain employees and executives employed in Cyprus in investment fund management companies which is connected to the carried interest of the fund managing entity can be elected by them to be subject to the flat rate of tax of 8%, with a minimum tax liability of €10.000 per annum.

This special mode of taxation is available for a period of up to 10 years provided that the person claiming the election was not a Cyprus tax resident in the year preceding the year of commencement of his/her employment in Cyprus and he/she was not a Cyprus tax resident in any three out of the five tax years preceding the year in which his/her employment in Cyprus began.

Energy

The discovery of hydrocarbons in Cyprus' Exclusive Economic Zone (EEZ) has created new and exciting prospects for Cyprus to become an energy hub in the Eastern Mediterranean. This development has attracted worldwide interest and significant investments from leading international energy giants, such as Noble Energy, Delek, Total, ENI and KOGAS, as well as renowned international providers operating in the oil and gas auxiliary services sector. Comprehensive strategies are being developed to exploit the country's wealth not only for local needs, but also for export purposes. Regional cooperation agreements have been concluded with Israel, Egypt and Lebanon.



Shipping

Cyprus is a renowned International Shipping Centre, offering the only EU approved Tonnage Tax regime with benefits for ship-owning, ship-management and crew management, and home to some of the world's leading names in the global shipping industry. Currently, more than 1.000 registered vessels with 21 million gross tonnage are registered under the Cyprus flag, rendering the island the largest Ship Management Centre in EU and 3rd globally with the 11th largest fleet in the world.

- *Competitive tonnage tax for shipping companies and an approved EU open registry*
- *Cyprus' tonnage tax system is fully endorsed by the EU and 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 has a competitive european union approved "open registry" and the TTS allows for mixed activities subject to tonnage tax, and to corporation tax. The tonnage tax system covers ship ownership, ship management and ship chartering.*

Education

Cyprus aspires to become a major educational centre of excellence in the region, through the establishment of international universities' branches in the island. Cyprus is committed to further strengthening education, consistently allocating over 6% of GDP as public expenditure on this sector.

Research and Development and Innovation

Research and Development is an emerging priority sector with the country aiming at cultivating a knowledge-based economy. The Cyprus start-up ecosystem is a promising and developing area, with existing incubators, also supported by Universities operating research centres within their premises.

Various incentives have been introduced, such as:

- Attractive IP regime
- Incentives to boost entrepreneurship and investment in innovative projects
- EU and nationally funded research initiative

A competitive Intellectual Property (IP) regime

The IP regime applies to 'qualifying' intangible assets, broadly defined as assets acquired, developed or exploited by a person in the course of carrying on a business and which constitute intellectual property, other than marketing and which are the result of research and development activities.

In calculating the taxable profit, an 80% deemed deduction applies to the qualifying profit from the exploitation of such qualifying intangible assets, where qualifying profits are calculated in accordance with the nexus approach.

The capital cost of any qualifying intangible asset is tax deductible as a capital allowance over the useful life of the IP, not to exceed 20 years. Gains arising from the disposal of a qualifying asset are also granted an 80% deduction for income tax purposes.

Tax deduction for investing in start-ups

Investments which are undertaken by a physical person, who is an independent investor in shares in an innovative small and medium-sized enterprise held either directly or through an approved fund, are allowable deductions from that person's taxable income.

The allowable amount is restricted to 50% of the taxable income with a yearly cap of €150.000. The unutilised amount can be carried forward and claimed in the next five (5) years, subject to the above-mentioned restrictions.

The investor must retain the investment for a minimum period of three years.



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