Cyprus: A Growing Tech Hub within the EU
Growing HQ appeal

When it comes to choosing the right location to establish international and regional headquarters, Cyprus is increasingly gaining momentum as a prime contender in the minds of decision makers of tech multinationals. Strategically located at the crossroads of three continents, Europe, Africa and Asia, Cyprus is a modern EU member state, offering international businesses the ideal environment to set-up, grow and prosper.

Wide access to markets, strong economic growth, pro-business environment, tech-savvy talent, low operating costs, and a number of incentives, including a competitive IP regime, are only a few of the reasons why Cyprus is one of the top headquarters jurisdictions.

As a thriving international community, the island is home to a number of global ICT companies, using the island as a hub for software development, system integration, testing services, disaster recovery, research & development activities, project management, and marketing & sales, while servicing clients in Europe, Middle East and North Africa, and beyond.

BASIC FACTS ON CYPRUS

- Area: 9,251 km²
- Time zone: GMT+2
- Currency: Euro
- Location: 35°N and 33°E
- Languages: Greek, Turkish, English widely spoken
- Capital: Nicosia
- Sunshine: 320+ days per year
- Average Temperature: +13°C in Winter, +34°C in Summer

EU member (2004)
Eurozone member (2008)
Positive economic outlook
- Robust growth rates and macroeconomic forecasts
- One of the fastest growing economies in the EU
- Consecutive upgrades by credit rating agencies
- 1st in Island Economies of the Future 2019/2020 (fDi magazine)

Access to talent
- Highly skilled local talent
- Specialised and diverse tech offering
- International business experience
- Multilingual workforce
- Visa-free access to European and easy access to global talent

Access to EU and high growth markets
- Geospecialist location between 3 continents
- EU (2004) and Eurozone member (2008)
- Full access to the European Single Market
- Proximity and easy access to high growth markets
- Location and size allow to be used as sandbox for innovative technology solutions
- Access to 40+ EU trade agreements

Excellent regulatory structure
- Closely aligned to the English common law legal system
- Frequently updated to meet investors’ changing needs
- Compliance with EU and international laws and regulations
- Transparency and reliability in business practices
- Strong protection for investment & intellectual property (IP)
- Simple and easy company filing requirements

Low cost of doing business
- Labour costs:
  - Average hourly rate below EU average
  - Non-wage labour costs below EU average
- Property costs:
  - Amongst the lowest office rental rates in Europe
  - A range of serviced offices & co-working spaces
- Business services costs:
  - Low set-up and operation fees
  - Cost-effective, quality business support services

Attractive and transparent tax regime
- One of the lowest corporate tax rates in the EU (12.5%)
- Full access to EU Directives
- Growing Double Tax Treaties network of currently 65 countries
- Attractive IP regime
- No tax on gains from disposal of titles
- No tax on foreign exchange gains
- Notional interest deduction available for equity investment into Cypriot companies
- No withholding tax on dividend and interest payments abroad
- No withholding tax on royalty payments abroad
- Foreign Tax Relief
- Personal tax exemptions for new residents and non-domiciled individuals
- No inheritance tax
- Dividend and interest income - Exempt for 17 years
- Limited application of capital gains tax

Strong business support services
- 80% service-based economy
- Strong network of financial and professional services
- 3,700+ registered accountants and 700+ registered accounting firms including all major global firms

Why Cyprus
Attractive IP regime

Cyprus is an attractive location for the establishment of an IP holding and development company, offering an efficient tax rate as well as the legal protection afforded by EU Member States and the signatories of all major IP treaties and protocols.

80% of the qualifying profits earned from qualifying intangible assets will be allowed as a tax-deductible expense, which can result in an effective tax rate of as low as 2.5%.

Qualifying assets:
Assets acquired, developed or exploited by any person in the course of carrying on a business which: (i) is intellectual property, other than marketing related intellectual property and which (ii) is the result of R&D activities.

Qualifying Profits:
The qualifying profits are calculated in accordance with the following nexus fraction:

\[
\text{Qualifying Profits} = \left( \frac{\text{QE} + \text{UE}}{\text{OE}} \right) \times \text{OI}
\]

Where:
- QE means the Qualifying Expenditure on the qualifying intangible asset
- UE means Up-lift Expenditure
- OE means the Overall Expenditure on the qualifying intangible asset
- OI means the Overall Income which derives from the qualifying intangible asset

Qualifying Profits (QE):
- R&D expenditure incurred by the taxpayer itself, this includes R&D expenditure incurred by the company which owns the IP asset (the IPCo)
- Expenditure for unrelated-party outsourcing: this relates to expenditure outsourced to unrelated parties irrespective of that party’s jurisdiction

Overall Expenditure (OE):
- Overall expenditure (OE) = qualifying expenditure (QE) plus acquisition costs: costs incurred in acquiring the IP asset
- Expenditure for related-party outsourcing: this relates to expenditure outsourced to related parties irrespective of that party’s jurisdiction

“Up-lift” to expenditure (UE) is the lower of:
- 30% of the qualifying expenditure; and
- The total acquisition cost of the QA and any R&D costs outsourced to related parties (QE + UE)

Overall Income (OI):
- Overall income equals gross IP income earned in the year less IP expenditure allocable to IP income
- Overall income should only include income derived from the IP asset, i.e. royalties, capital gains and other income from the sale of an IP asset, embedded IP income from the sale of products and the use of processes directly related to the IP asset.

Qualifying assets do not include trademark or brand, image rights and other IP used for the marketing of goods and services.

Innovative businesses
Software computer programs
Other intangible assets protected by law

Patents as defined in the Patent Law

Other intangible assets
High quality of life for expats and their families

People choosing to make Cyprus their home find the integration process smooth and easy. Featuring year-round sunshine, unique natural beauty and lifestyle options that cater to all needs and tastes, Cyprus has long established a strong reputation as an attractive relocation destination. Offering quality healthcare and education facilities, modern housing and a much lower cost of living than many other EU countries, Cyprus allows expats and their families to enjoy a high quality of life in a safe and welcoming society, harmoniously blending traditional and contemporary elements.

Global rankings speak for themselves

- Top 3 safest country in the world (Value Penguin)
- Top 5 highest GDP among the world
- Top 4 best retirement destinations globally (Knight Frank)
- Most blue flag beaches per capita in the EU (Eurostat)
- Best island economy lifestyle & Human capital (fDi magazine)
- Top 5 markets
- Wide market of job opportunities
- The lowest cost of living amongst Western EU countries
- First-class healthcare
- International school facilities from pre-primary to tertiary education
- English-speaking society
- Rich cultural heritage
- One of the best climates worldwide
- Vibrant cities and tranquil countryside
- Competitive residential property prices
- The lowest cost of living amongst Western EU countries
- Top 5 safest country in the world (Value Penguin)
What we can do for you

Invest Cyprus provides support and advice during the set-up phase and throughout the operation of the company. In addition to helping you establish and grow your business, we also aim at helping expats and their families with relocation and living aspects, such as administrative procedures, housing, education and job seeking.

We provide hands-on support with:

1. Setting up a business in Cyprus
2. Finding suitable office space
3. Finding skilled talent
4. Getting acquainted with the market and business matters of interest
5. Establishing contact with the media, the public and the private sector
6. Relocation and living aspects for expats and their families
About Invest Cyprus

Businesses and individuals considering investment into Cyprus have a partner on the ground at all stages of the investment cycle. Invest Cyprus is the government’s dedicated partner responsible for attracting and facilitating Foreign Direct Investment (FDI) in key economic sectors.

Being the lead agent in establishing Cyprus as a world-class investment destination, Invest Cyprus proactively promotes the enhancement of the country’s business environment, and acts as a communications bridge between the public and the private sector.

Invest Cyprus is a member of the World Association of Investment Promotion Agencies (WAIPA) and the Mediterranean Investment Network, ANIMA.

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