

Why Cyprus





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Why Cyprus

Cyprus is the third largest island in the Mediterranean, with an area of 9,251 km² and a population estimated 854,800 people in 2016. The strategic location of the island has played an important role in establishing Cyprus as a business hub since antiquity and as a very popular tourist destination. Cyprus has been a member state of the EU since 2004 and a member of the Eurozone since 2008. The combination of quality people, business infrastructure and availability of investment opportunities continue to make it an ideal business hub in the region.

History



Cyprus has a long and diverse history. The earliest known communities date back to the invention of farming more than 10,000 years ago in settlements whose remains survive to this day.

Millions of years before that, the island was created by the slow collision of the African and Eurasian tectonic plates. The Arabian plate lies to the east.

Its pivotal geographic position, literally at the crossroads of three continents, has made the island host to different powers throughout the ages. Ancient sites from earlier Hellenistic, Crusader, Roman, Byzantine, Venetian, Ottoman and British rulers are dotted throughout the island.

Cyprus gained its independence in 1960, joined the European Union in 2004 and adopted the euro in 2008.

The strategic location of the island has played an important role in establishing Cyprus as a popular, multicultural tourist destination and an ideal business hub in the region.



The influence of British rule at the turn of the twentieth century can be found in the common law legal system, the land registry, driving on the left side and the widespread use of the English language.

Although the native language is the Greek, English is the predominant business language.

Businesses will find it easy to deal with government departments in English and many government websites have versions in English.

Living and working in Cyprus

Cyprus lifestyle

In Cyprus you can enjoy a high standard of living, thanks to the sunny weather, the beach and mountains within easy reach and the lowest reported crime rate in the EU. According to the last census some 173,000 foreign nationals live and work in Cyprus, accounting for 22% of the population. Cyprus is therefore a very diverse and cosmopolitan place to live in. Cypriots are by nature friendly and hospitable.

Climate

Cyprus is the sunniest country in Europe with over 324 days of sun annually. No matter what the season, the sun shines throughout the year, particularly from April to September when the daily average exceeds 11 hours.

In addition to the sunny beaches, Cyprus is home to the Troodos Mountain. Located in the centre of the island, with an altitude of almost 2,000m above sea-level, Troodos is covered with snow in the winter months. The short distances mean enthusiasts can ski on the pistes in the morning and enjoy a swim or a drink by the sea in the afternoon.



Leisure activities

The ubiquitous sunshine means that all residents have plenty of opportunities to enjoy their free time. Cyprus has leisure activities catering for all ages, tastes and incomes. Both the beach and mountains are within an hour's drive, from the capital, Nicosia.

The weekend can be spent windsurfing in Pissouri Bay, snorkling in the caves of Ayia Napa, diving in Protaras, hiking and cycling in Troodos, watching turtles in the Akamas peninsula, visiting ancient sites and churches or simply dining and partying in the cities.

In the summer you will find open-air theatre and concerts in the major towns, while the annual events such as the carnival and wine festival in Limassol and the beer festival in Nicosia draw large crowds.

Cypriots are known for their love of food and eating together, so there are a wide variety of restaurants throughout the island, ranging from the traditional tavernas to international cuisine.

According to the European Environmental Agency, Cyprus also has the cleanest beaches in Europe while Eurostat data show that Cyprus has the lowest reported crime rate in the European Union.

Ongoing investments in marinas across the island, a new casino resort with satellites in each town, as well as new hotels, offer continually improving attractions and leisure activities.

Transport and infrastructure

Air transport links have been growing and today more than 70 airlines fly to and from Cyprus. Major destinations in Europe and the Middle East can be reached from the international airports in Larnaca and Paphos. The road quality is good with highways connecting the main cities and the roads are less congested in Cyprus than in many other European cities.

Nicosia, the country's capital as well as government and business centre, is located in the centre of Cyprus. Limassol, the country's main trade centre and one of the busiest ports in the Mediterranean, is located right on the southern coast and is approximately one hour's drive from Nicosia.

Cyprus main international airport located in Larnaca is approximately 30 minutes away from each of these two main centres.

Pafos on the west side of the island hosts the second airport of Cyprus.



Healthcare

As an EU Member, Cyprus offers excellent healthcare services at a lower cost than most other EU countries. There are six public general hospitals, a state-of-the-art oncology centre and a centre of excellence in neurology and genetics.

Cyprus also boasts over 70 private hospitals and healthcare clinics across the island, accounting for more than half of all patient discharges. In the private sector patients also have direct access to an abundance of specialists.

Education

While Greek is primarily the language used in public schools, English is taught everywhere throughout primary and secondary level. Catering to its diverse population, Cyprus has some 20 reputable English-speaking primary and secondary schools, providing excellent levels of education, as well as pre-school kindergartens for Greek, English, and Russian speaking toddlers.

This means many students go on to meet the entry requirements for third degree education in the UK and US.

The local colleges and universities are recognised internationally and most of them also teach in English. It is worth mentioning that Universities in Cyprus attract a lot of international students each year and they have a very good reputation. For example the University of Cyprus (UCy) has been ranked among the top 200 universities in Europe, according to the Times Higher Education World University Rankings 2016-17. The University of Nicosia started the first medical programme in Cyprus in 2011 by offering the St George's, University of London graduate-entry course. The European University Cyprus is renowned for its investment in high tech innovation as well as its engagement with industry and society and the Frederick Institute of Technology (FIT) which is one of the oldest higher educational institutions in Cyprus offering a broad range of diploma, degree and master courses in the areas of science, business, tourism, arts, media and education. For those wishing to further their education abroad they can do it, in Europe, UK or the United States.

As such Cyprus has a multilingual and highly educated workforce in Cyprus, with the highest percentage of university graduates per capita in Europe. Cyprus is the second top spender in education relative to GDP in the EU.



A welcoming environment

Cyprus offers a combination of a strong business environment and a great lifestyle which makes it very attractive for High-Net-Worth Individual (HNWI), top calibre executives and highly paid employees and their families to live and work in Cyprus.

Personal tax system

The Cyprus personal income tax rates are progressive and reach a top marginal tax rate of 35% on taxable income in excess of €60,000. Income of up to €19,500 is not subject to tax.

There is a 50% exemption from Cyprus personal income tax on the remuneration from any employment exercised in Cyprus by an individual who was not a resident of Cyprus before the commencement of the employment. The exemption is available for 10 years where the annual remuneration exceeds €100,000.

Non-domiciled (non-dom) individuals are not taxed on their income from dividends and interest.

All citizens of the EU who wish to reside and work in Cyprus need to apply for an EU Registration Certificate. This is a simple, one-off procedure which does not need renewal.

Non-EU nationals wishing to reside and work in Cyprus need to apply for a Temporary Employment and Residence Permit at the Civil Registry and Migration Department. These permits are usually issued for a period of 1 year and upon expiry they are renewed.





Citizenship and permanent residence

Attractive legislation is in place which gives investors the opportunity to obtain the Cyprus citizenship or permanent residence.

Cyprus citizenship

Non-Cypriot investors may acquire Cyprus citizenship if they invest between €2 and €2.5 million and fulfil other conditions such as a clean criminal record and a permanent residence for €500,000.

Eligible investments include residential property, commercial property, approved Alternative Investment Funds, private companies with operations and staff in Cyprus and government bonds. Adult applicants must hold a Residence Permit in Cyprus for 6 months prior to obtaining the Cyprus Citizenship.

In addition to the applicant, citizenship is also granted to the investor's spouse, under-age children and adult dependent children up to 28 years old without additional investment. The investor and his/her family obtain a Cyprus passport, which includes the full rights of an EU citizen (i.e. freedom of travel, residence and investment in any EU country). Parents of naturalised investors may also acquire citizenship with an additional €500,000 investment in a residential property.

Permanent residence permit

Non-Cypriot investors, who purchase property in Cyprus of at least €300,000 and have a secure and steady annual income transferred on a regular basis from abroad, are entitled to apply for permanent residence. The relevant permit grants investors and their families visa free travel to Cyprus and the right of residence. It gives investors the opportunity for a second base in Europe. Granted for life, this permit includes spouses, under age children and adult dependent children up to 25 years old and parents of the investor /spouse.

Doing business in Cyprus

Cyprus has a services based, small, open economy, characterised over the years by remarkable resilience.

The traditional main pillars of the economy have been Tourism, Shipping and the Professional Services Industries.

Whilst the country has been continually facilitating the improvement and modernisation of its traditional industries, it is also looking to develop an ecosystem that promotes innovation, research & development as well as start ups. Cyprus is a well regulated funds jurisdiction and is looking to become an Eastern Mediterranean Oil & Gas hub.

Finance and public sector efficiency are showing strong improvement and confidence in the Cyprus economy has been largely restored. Foreign Direct Investment follows are on the rise, whereas new investment opportunities are been created in traditional and emerging sectors.

A common law legal system

The Republic of Cyprus is a member state of the European Union and a member of the Eurozone. Cyprus is an independent, sovereign republic with a presidential system of government and a written constitution which safeguards the rule of law, political stability, human rights and the ownership of property. Cyprus is a member of the British Commonwealth, Council of Europe, International Monetary Fund, United Nations, World Bank and World Trade Organisation and is signatory to many international conventions and treaties.

Cyprus' close links to Great Britain as a result of being part of the British Empire (it was a British Crown Colony until achieving independence in 1960) mean that its legal and judicial system is very much aligned with that of the United Kingdom. As such, Cyprus' primary corporate statutes are based on and derive from English company legislation and its legal system is modelled on the English common law system.

Cyprus' legislation is fully compliant with European Union legislation. European Union directives are fully transposed into local legislation and European Union regulations have direct effect and full application in Cyprus.

Setting up in Cyprus

The procedures for registering a company with the relevant authorities in Cyprus can be completed within approximately 2-3 days for a fairly standard operating model. For ready-made shelf companies, this timeframe can be reduced even further.



A modern, transparent and efficient tax system

Cyprus has a very modern transparent and efficient tax system that is fully aligned with EU and international regulations. Cyprus tax resident companies benefit from Cyprus' extensive and growing double taxation treaty network with 58 countries worldwide as well as access to all EU directives. The OECD includes Cyprus on the White List of jurisdictions that have substantially implemented the internationally agreed tax standard on transparency and exchange of information.

Cyprus' corporate income tax rate of 12.5%, is generally what is applicable on the profits/net income of a Cyprus tax-resident company. However, a number of exceptions exist, namely:

- Foreign-sourced dividends.
- Disposals of shares and other qualifying titles (such as corporate bonds) provided the disposed company does not hold any immovable property in Cyprus.
- No withholding taxes on payments made abroad at all times.
- Profits of foreign branches (but an option to tax is available for the tax payer).
- The Cyprus IP tax regime can be utilised to achieve an effective tax rate of as low as 2.5%.
- Foreign exchange gains, unless they are earned by Forex traders/ dealers.

Financial reporting considerations

Reporting framework for Cyprus entities

International Financial Reporting Standards as adopted by the European Union ("EU IFRS") constitute the local Generally Accepted Accounting Principles ("GAAP") in Cyprus and also form the basis for the computation of taxable income. Therefore, Cyprus-registered entities need to maintain only one set of financial statements for both financial reporting and tax purposes, based on a reporting framework widely accepted by investors, financiers and analysts across the globe.

12,5%

Cyprus maintains a statutory corporate tax rate of 12.5%

Dividends

Foreign sourced dividends are generally exempt from tax in Cyprus, when received by a Cypriot tax resident company

58

Cyprus has an extensive network of double taxation agreements with 58 countries

A resilient economy

A rapid return to growth

Cyprus recovered quickly from the ripple effects of the global financial crisis in 2008 and the Greek crisis from 2010, which culminated in the government signing a Memorandum of Understanding (MoU) with international lenders in 2013. After its first recession in four decades, the economy returned to growth in 2015, the same year in which all capital controls were lifted. Cyprus exited the MoU programme early in March 2016, having recapitalized its banks and reformed public-sector spending.

Real GDP growth accelerated to 3% in 2016 and is estimated to have reached 3.8% in 2017, which the European Commission noted was one of the fastest growing growth rates in the euro area. Recent growth has been spurred by record tourism arrivals and a recovery in construction. This has led to an expansion of employment across all key sectors and deleveraging among corporates and households.



Fiscal sustainability

Cyprus introduced a range of reforms to public-sector spending during its bailout programme, leading to either budget surpluses or very small deficits. Increasing fiscal stability led to a succession of rating upgrades. Between May 2013 and February 2018 Cyprus had received eight rating upgrades from Standard & Poor's, which now rates Cyprus just one notch below investment grade, and five upgrades from Fitch Ratings and Moody's Investor Service.

The government tapped the international bond markets three times before exiting the programme in March 2016, and twice since, each time, at historically low interest rates.

Access to the international financial markets meant that when the programme came to an end in March 2016, the government had only drawn around €7.4bn of the €10bn allocated. Moreover, in mid-2017, the government made an early redemption of IMF debt, paying €270m of the €1bn initially borrowed. Other debt redemptions brought public debt to less than 100% of GDP by the end of 2017, marking the first fall in the debt/GDP ratio since 2008.

Stabilised banks

Banks were recapitalized in the period 2013-15 and have undergone a fundamental shift in the way they are managed, with international expertise on the boards and world class practices for arrears management. The four largest banks in Cyprus come under the direct supervision of the euro area's Single Supervisory Mechanism.

More robust management has already borne fruit. By October 2017, non-performing exposures (NPEs), as measured by the stricter European Banking Authority (EBA) definition, had fallen by a quarter (€7.2bn) since their peak in February 2015.

Banks are also comfortably capitalized, with the three major banks posting Common Equity Tier 1 ratios of around 12-15%, all of which are comfortably above the annual, bank-specific minimum thresholds set by the EBA's supervisory review and evaluation process (SREP).



Key sectors

Shipping

Shipping has a long tradition in Cyprus, being a large Mediterranean island with historical ties in shipping. The shipping sector in Cyprus typically accounts for 6-7% of GDP, not including the many services supporting the sector. Government policy on shipping has always been stable and consistent, as the position of Cyprus as a shipping cluster on the world map has always been high on the agenda. This translates into a stable, continuously improved tax and legal framework for the industry.

The Cyprus flag is the third largest in Europe and the eleventh largest in the world. Moreover, Cyprus is the largest third party ship-management centre in the EU and one of the largest in the world.

Cyprus has the most modern, competitive, flexible, fully approved tonnage tax system in the EU, combined with an excellent infrastructure. The tonnage tax allows shipping companies (shipowners, ship-managers and charterers) to be taxed on the basis of net tonnage of their fleet, rather than corporation tax. It also offers a simplified filing procedure without the need to file tax returns.

Cyprus is a very competitive jurisdiction for providing management, administration, insurance, legal and other compliance services, not only to Cyprus-flagged vessels but also to foreign flagged vessels and companies registered in other jurisdictions. The depth and breadth of highly skilled professionals who specialise in the shipping sector make Cyprus a very attractive centre for servicing shipping companies no matter where the ships are registered and domiciled.

Following favourable changes in the local regulations for funds, the use of Cyprus funds for the purpose of providing financing to the shipping community has become very attractive at times when traditional finance from the banking sector is not available. Cyprus hosts various international shipping conferences where world leaders in shipping gather together to assess the current state of play and discuss strategies for the future.





Investment funds

Cyprus is rapidly becoming a regional domicile for investment funds and fund managers, thanks to the stable legal environment, strong network of financial and professional service providers and a competitive legislative and regulatory regime. Assets under management tripled since 2008, reaching approximately €3.45 billion in December 2017, compared to €1.28 billion in December 2008. The country is seeing increasing interest and appetite from investors and fund managers looking for new and interesting EU-regulated jurisdictions. Cyprus offers regimes for both EU-regulated Undertakings of Collective Investment in Transferable Securities (UCITS) and Alternative Investment Funds (AIFs).

Recognised fund service providers established in Cyprus range from global names to local independent operators, servicing all types of funds at very competitive rates. As of December 2017 there were 101 authorised Alternative Investment Funds and another 48 applications under review; 19 Alternative Investment Fund Managers with another 10 new applications under review.

Part of the country's emergence as a fund jurisdiction is credited to the Cyprus Investment Funds Association (CIFA), an organisation dedicated to supporting the funds industry by shaping regulation, enhancing professionalism, integrity and quality and promoting the Cyprus Investments Fund Industry. CIFA is a member of the European Fund and Asset Management Association (EFAMA) which is the representative association of the European investment management industry.

Tourism

Tourism is justifiably a driving force of the Cypriot economy and continues to grow. In 2017 visitors surpassed 3.5 million for the first time, following major efforts to extend the tourism season, increase flight capacity, as well as ongoing upgrades to tourism infrastructure but also to geopolitical developments in the area.

Cyprus is renowned for the hospitality of its people, the quality of its services and the plethora of its treasures, spanning from its beaches – 57 of them have been awarded the Blue Flag – to its ancient and historical monuments, the picturesque villages inland and the vibrant ecosystem of the Troodos mountains.

In 2017 the coastal town of Paphos had the honour of being the European Capital of Culture. Cultural events were staged all year round under the theme of Linking Continents – Bridging Cultures.

The latest addition to tourism infrastructure will come in mid-2017, with the launch of Cyprus' first casino. The fully fledged integrated casino resort, which is due to be completed in 2020, aims to be the largest in the Europe region. It will offer a variety of amenities and other additional leisure services such as luxury hotels, spas and conference centre facilities.

Other large development projects are under way to improve tourism project. The Limassol marina was inaugurated in 2014 and its success has encouraged other luxury marinas. The Ayia Napa marina started construction in October 2016 and a contract was awarded for the Paralimni marina in January 2018. There are also plans for a marina in Paphos and an upgraded marina in Larnaca. New hotels are under construction and existing ones have recently undergone major renovation.

Foreign investment is also flowing into other large development projects, including luxury residential properties and theme parks.

The vision of the new Cyprus Tourism Strategy is to increase by 2030 tourist arrivals to 4,8m, 40% of whom to arrive in the period November - April. This is very promising and very challenging.

Hydrocarbons

The Eastern Mediterranean is a relatively new frontier for the hydrocarbons sector. Cyprus and the region are in the early stages of developing the region's promising offshore hydrocarbons potential estimated by the US Geological Survey (USGS) at 345 trillion cubic feet (tcf) of recoverable natural gas and 3.44 billion barrels of oil.

Since 2010 there have been major gas finds within the region, including the Zohr field, with an estimated 30 tcf of natural gas, Leviathan (22 tcf), Tamar (10 tcf) and Aphrodite in the Cyprus Exclusive Economic Zone (EEZ), with an estimated 4.5 tcf. Tamar has been producing since 2013 and Zohr, the largest ever gas discovery in the Mediterranean, started production in late 2017 just 2,5 years after the discovery (a record time for a field this size in deep water).

The discovery of Zohr field, just 6 kilometres from the Cyprus EEZ, has invigorated interest in the region. Cyprus' third offshore gas licensing round attracted bids from some of the largest oil and gas companies in the world. In March 2017 the government approved the award of third-round licences to ExxonMobil bidding with Qatar Petroleum, as well as Total and Eni. In February 2018 Total and Eni announced a promising gas discovery in newly licensed block 6 which confirms the extension of the "Zohr like" play in the Cyprus EEZ. In the first quarter of 2018 ExxonMobil will be gathering additional data in block 10 in order to narrow down potential targets and is expected officially initiate its exploration drilling activities in the second half of 2018.

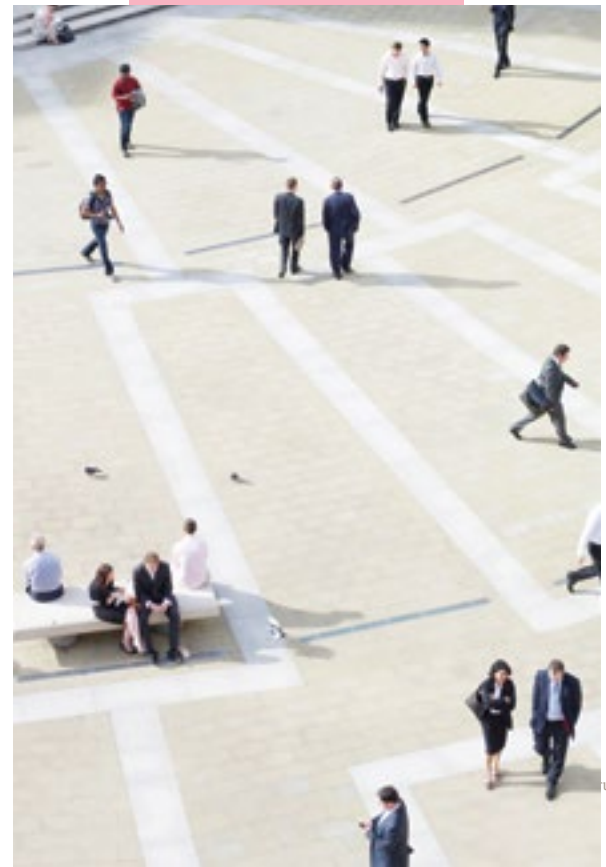
Furthermore Cyprus has the potential to become a regional energy hub for companies which provide support services in the Eastern Mediterranean and this is not necessarily dependent on additional gas findings in its own EEZ.



Cyprus a regional HQ

Cyprus is a full member of the European Union with access to the European Union market and with a Common Law Legal System that is also fully aligned with EU laws, an ideal base for Regional Headquarters as it combines all the critical ingredients including geographical location, human talent, infrastructure, business friendly approach, safe and interesting living environment.

In the past few years, this competitive advantage has been recognised even more. As a result, existing companies have significantly increased their presence and operations in Cyprus. New Investors have now discovered Cyprus and are also establishing their operations on the island.



PwC Cyprus

We support you to create the value you are looking for by providing specialised solutions based on quality. Together we build relationships based on trust and we say things as they are, to assist you to deal with issues that tomorrow will prove important.

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