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**Cyprus**

Your strategic investment choice



# Foreword

I am pleased to introduce our guide “Cyprus, your strategic investment choice”. This guide aims to introduce Cyprus to potential investors and expatriates wishing to migrate to Cyprus to combine business and pleasure.

Cyprus is a beautiful sunny island, where one can enjoy a high quality of life, a modern lifestyle and a safe environment to raise a family. At the same time, Cyprus offers a number of investment opportunities and ideal conditions for running a business with international operations.

Deloitte can offer practical solutions to entrepreneurs considering of moving to Cyprus. With a globally connected network of member firms in more than 150 countries and territories and approximately 330.000 professionals, our mission is to offer unparalleled service, tailored to your needs.

As the information contained in this guide is generic, we encourage you to contact our specialists to obtain detailed and up-to-date advice specific to your own circumstances.

We at Deloitte look forward to working with you.

Sincerely,



**Pieris Markou**  
Chief Executive Officer (CEO)  
Deloitte Cyprus



# Quick facts about Cyprus

## Location

Cyprus is the third largest island of the Mediterranean, strategically linking Europe, Africa and Asia.

## EU Membership and Currency

Cyprus has been a member of the EU since 1 May 2004. Its currency is the Euro since 1 January 2008.

## Total Area and Population

The total area of Cyprus is 9,250 km<sup>2</sup> with a coastline of 648 km and a population of 918.000.

## Principal cities

The principal cities of Cyprus are Nicosia (the capital), Limassol, Larnaca and Paphos.

## Languages

The official language is Greek, although English is the principal business language and is spoken by the large majority of the people on the island.

## Political system

Cyprus is a Presidential Democratic State. The Executive authority is vested in the President, who is elected for a 5-year term by Cypriot citizens, and is exercised by a Council of Ministers appointed by the President. The Legislative authority is exercised by the House of Representatives, whose Members are elected by Cypriot citizens every five years. The administration of Justice is exercised by the Judiciary, which is a separate and independent body.

## Infrastructure

Cyprus offers excellent road, air and sea transport solutions and services. There are two multi-purpose deep sea ports, located in Limassol and Larnaca. The Limassol port handles both passenger and freight cargo while offering logistics solutions through advanced facilities for cost-effective transport and processing. In addition, the Limassol port is a renowned cruise liner hub and a popular "stop-over" for international cruise ships. Two modern international airports in Larnaca and Paphos, offer their services to approximately 10 million visitors per year, connecting the island to popular transit hubs throughout the world including Athens, Vienna, London, Dubai and Moscow.



Climate Mediterranean, with over **320 days** of sunshine



Human Development Index (HDI) **High**



Two **modern** international airports



Two **multi-purpose** deep sea ports





# Living in Cyprus

The country offers an enviable combination of climate, business and culture and many incentives for relocation. Cyprus has an advanced economy and a [high human resource development index \(HDI\)](#) with regards to living and quality of life.

## Lifestyle

The island is well known for the high quality of life it offers, its rich culture, the hospitality of its people, its sunny weather, its clean and beautiful beaches and an abundance of outdoor activities. At the same time, it offers an ideal place to raise a family with good education and healthcare systems and one of the lowest crime rates within the EU. With over 170,000 foreign nationals, Cyprus is an exciting and diverse place to live in.

## Culture

The rich cultural landscape is reflected in the archaeological sites, museums and monuments located throughout the island. Local and international festivals, music concerts and other cultural events take place throughout the year.

## Outdoor activities

With over 320 days of sunshine, Cyprus is the ideal place to enjoy a wide variety of outdoor activities. Running in Pedieos River Linear Park in Nicosia, cycling along the coast of Paphos and Limassol, swimming in Ayia Napa and Protaras, windsurfing in Larnaca and hiking in Troodos are just few of the activities one can enjoy.

## Education

Cyprus has over 20 reputable English-speaking primary and secondary schools. In addition, Cyprus offers internationally recognised colleges and universities. The island ranks among the highest in the EU in respect of university graduates in proportion to its population.

## Healthcare

Cyprus has an easily accessible healthcare system, both in the public and in the private sector. EU citizens and people who are permanent residents in Cyprus are eligible for state healthcare, whilst non-EU citizens need private healthcare, the cost of which is relatively affordable. Cyprus has six public general hospitals, a modern oncology centre and more than 70 private hospitals and healthcare clinics. Finally, a general healthcare system is in force since 2019.



# The Cyprus economy

Cyprus is a modern and adaptable free-market economy with a positive long-term outlook. Over the past few years, the country has exceeded international expectations and kept a steady pace in improving efficiency, implementing reforms and boosting investor confidence. During 2021, GDP growth reached its pre-pandemic level, after a fall in 2020. The recovery was driven mainly by domestic demand, tourism and ongoing infrastructure investment projects.

## Investment opportunities

Cyprus offers a number of investment opportunities in the traditional areas of professional services, tourism, shipping, real estate and energy. These are considered as the backbone of the Cyprus economy, accounting for nearly 80% of the

country's GDP. More recently Cyprus has also invested and focused in a number of young but growing industries including funds, innovation and films.

## Key sectors

### Professional services

Cyprus is recognised as a centre of excellence for the provision of professional corporate services. Its EU membership, highly educated, English-speaking population, strong information and communications technology infrastructure, attractive tax regime, extensive network of tax treaties, robust legal system and business-friendly environment, attract numerous multinational companies to Cyprus.

## Tourism

Tourism represents one of the largest economic sectors in Cyprus and has experienced substantial growth over the last decade, with more than 3 million tourists visiting Cyprus every year. Enhancing the tourism industry is one of the primary objectives of the government and the competent authorities.

Cyprus offers investment opportunities in large-scale development projects, such as theme parks, marinas, tourist resorts and golf courses. Furthermore, the government is in the process of developing a single integrated casino resort, expected to be the largest in Europe and to attract over 300,000 additional tourists per annum.



## Shipping

Cyprus is a renowned international shipping centre and home to some leading players in the global shipping industry. It has an EU approved "open registry" regime with a broad tonnage tax system covering the three main "maritime transport" activities: ship ownership, ship management and chartering. More than 1,500 vessels with a tonnage in excess of 20 million are registered under the Cyprus flag, making Cyprus the 10<sup>th</sup> largest merchant fleet in the world.

Cyprus's shipping taxation regime is considered as one of the most attractive in the EU as it offers both simplicity and significant tax savings for EU flagged ships. Qualifying owners of EU flagged ships, charterers and ship managers can opt to be taxed under tonnage tax (instead of corporation tax) which is calculated on the basis of the net tonnage of the qualifying ships.

## Real estate

With an ideal weather and a Mediterranean lifestyle, Cyprus is popular for vacation homes, as well as a destination for permanent residents. The government has put in place legislation to encourage property investment in Cyprus.

## Energy

The existence of deep-water natural gas reserves in Cyprus's EEZ has attracted worldwide attention and significant investments from leading independent energy companies. Furthermore, Cyprus is used as a regional energy hub for companies which provide support services in the Eastern Mediterranean.

## Growth sectors

### Funds

The Funds industry in Cyprus is rapidly evolving. The stable legal environment, strong network of professional service providers and the competitive regulatory



and tax framework has attracted a number of investment funds and fund managers in Cyprus.

Cyprus has seen a formidable growth momentum, with assets under management showing a remarkable increase from €2.7 billion in 2016 to €11.6 billion in December 2021. As an EU Member State, Cyprus benefits from the harmonisation of EU financial services regulations and serves as a convenient 'bridge' offering access to Europe, the Middle East and Africa.

### Innovation

Cyprus is the ideal destination to start and scale companies. Innovative research encouraged through EU or national funding, a rapidly growing start up ecosystem, and a series of attractive tax incentives for qualifying Intellectual Property (IP) and innovative businesses, have placed Cyprus on the global start-up map. Many successful tech companies have already either relocated or expanded in Cyprus, using the country as a base and gateway to and from the EU.

### Information and Communication Technology (ICT)

Cyprus is an ideal destination to start and scale companies. Innovative research encouraged through EU or national funding, a rapidly growing start up ecosystem, and a series of attractive tax incentives for qualifying Intellectual Property (IP) and innovative businesses, have placed Cyprus on the global start-up map.

In addition, several international ICT companies are operating regional headquarters in Cyprus, using the island as a hub for software development, system integration, testing services, R&D activities, project management, marketing and sales.

### Films

Deep blue seas and sandy beaches, captivating forests and breath-taking mountains, diversified cultural sites and enchanting locations, all form Cyprus' uniqueness as an ideal filming location. In addition to the above, Cyprus offers important tax and other incentives encouraging film production.

# Doing business in Cyprus

The strategic geographic location of Cyprus together with its talented workforce, EU membership, robust legal framework, business friendly environment and competitive tax regime make Cyprus the ultimate choice for setting up and running your business.

## The Cyprus Company

When it comes to doing business in Cyprus, entrepreneurs have a number of options. The most common way of doing business in Cyprus is by establishing a Cyprus company. The process of setting up a Cyprus company is simple and usually takes less than a working week.

The majority of companies incorporated in Cyprus are private limited liability where the liability of the shareholders is limited to the amount unpaid on their shares. The law governing limited liability companies is the Companies Law, CAP 113, which is based on the companies Act 1948 of the United Kingdom.

A company's constitutional documents are its Memorandum and Articles of Association which specify the activities in which the company may engage and the means by which it will govern its affairs. There is no minimum required issued and paid up capital for a private company, however it is common to have share capital of at least €1,000.

Every company must have a company secretary, a director and a registered office address in Cyprus which may also be used as the business address of the company. Although not a requirement, it is common practice for the majority of the directors to be Cypriot residents.

## Compliance obligations of a Cyprus company

Every Cyprus company has (among others) the following compliance obligations:

- maintain proper books and records
- prepare financial statements in accordance with International Financial Reporting Standards
- have its financial statements audited by a Cyprus registered auditor. Companies that satisfy specific thresholds are allowed to submit their Financial Statements to a limited assurance review (as opposed to a full audit) by a statutory auditor or audit firm.
- submit an annual return to the Registrar of Companies
- register with the Cyprus Tax Authorities
- calculate and pay its taxes (if applicable)
- submit an annual corporate income tax return to the Tax Department.

## Redomiciliation of corporate seat

Non-Cypriot companies which are allowed by their jurisdiction of incorporation to deregister in that jurisdiction and register elsewhere, are able to become domiciled in Cyprus. Similarly, Cyprus registered companies can redomicile to any jurisdiction that provides similar provisions as those of the Cyprus legislation on redomiciliation.

## Banking

A Cyprus company does not have a legal obligation to open a Cyprus bank account. However, it is generally convenient to have one. There are over 40 Cypriot and international banks operating in Cyprus. The banking system conforms to EC Directives, under the regulation of the constitutionally independent Central Bank of Cyprus, as integrated with the Eurosystem.

## Legal system

As a former British colony, the Cyprus legal system is based on English Common Law principles and is widely recognised as providing transparency and reliability in business practices. Cyprus business legislation is also similar to that of the UK and, as a full EU member state, Cyprus companies enjoy full access to European markets and EU trade agreements.





# Corporate taxation

Cyprus offers one of the most attractive tax regimes in Europe, fully compliant with EU and OECD regulations. Its favourable provisions, render Cyprus an ideal location for doing business in the region.

A Cyprus tax resident company can enjoy a number of tax benefits. A company is considered to be Cyprus tax resident, if it is managed and controlled from Cyprus. In general, the (worldwide) business profits of a Cyprus tax resident company are subject to corporation tax at the rate of 12.5%. However, a number of income sources are exempt from tax.

## Tax exempt sources of income

- Dividend income (subject to conditions)
- Profits from disposal of shares, bonds and other financial instruments

- Foreign exchange (FX) gains, except those arising from trading in FX
- Profits of overseas Permanent Establishments (PEs).

## Significant tax deductions

### Notional Interest Deduction

Cyprus companies are allowed to deduct a notional interest deduction (NID) from their taxable income, upon the introduction of new equity in the form of paid up share capital or share premium which can potentially reduce the effective tax rate to as low as 2.5%.

## IP regime Deemed Deduction

The new intellectual property (IP) box regime, incorporates the OECD recommended "nexus approach", according to which qualifying companies can claim a tax deduction of up to 80% of their net profit resulting from the exploitation or disposal of intellectual property.

## Actual Interest Deduction

Cyprus companies are allowed to deduct interest expense incurred for acquiring assets used in the business, as well as shares in wholly owned subsidiaries.

## Wide network of tax treaties

Cyprus has an extensive network of more than 65 bilateral tax treaties for the avoidance of double taxation, including most countries in Europe, the UK, the US, China, South Africa, India and Russia.

## Unilateral tax credit relief

Relief for taxes paid abroad is in the form of a tax credit if the respective income is subject to tax in Cyprus. The relief is given unilaterally irrespective of the existence of a tax treaty.

## Withholding tax

Cyprus does not impose any withholding tax on payments of dividends and interest to foreign investors and on royalties for use outside of Cyprus.

As from 31 December 2022, these payments will be subject to withholding tax in Cyprus at the standard rates provided in the Cyprus tax legislation, if they are made to persons which are:

- a) tax resident in jurisdictions included in the EU list of non-cooperative jurisdictions ('EU Blacklist'), or
- b) incorporated/registered in a jurisdiction included in the EU Blacklist and are not tax resident in any other jurisdiction that is not included in the EU Blacklist.

## Capital Gains Tax

Capital gains tax only applies on profits arising from the disposal of immovable property located in Cyprus.



# Personal taxation

Cyprus attracts thousands of expatriates to live and work, due to its favourable personal tax regime.

Cyprus is considered to be one of the most favourable jurisdictions within the EU with regards to personal taxation, attracting a number of expatriates to work and live in Cyprus. The income (including employment income) of individuals is subject to income tax. Dividends, interest and rental income are subject to defence tax but this type of tax only applies to Cyprus residents who are also domiciled individuals. Finally, capital gains tax is only applicable on profits from the disposal of immovable property located in Cyprus.

In order to understand the tax treatment of an expatriate individual arriving in Cyprus, it is important to establish the residency status, domicile status, sources of income and eligibility for tax exemptions.

## Tax residency

An individual who spends more than 183

days in Cyprus is a tax resident of Cyprus. An individual can also become Cyprus tax resident by spending just 60 days in Cyprus provided he/she satisfies a number of other criteria, including maintaining a permanent home in Cyprus and carrying on a business or being employed in Cyprus. A Cyprus tax resident individual is subject to income tax on his/her worldwide income whereas a non-Cyprus tax resident individual is subject to income tax only on Cyprus sourced income.

## Personal income tax

The Cyprus personal income tax rates are progressive, ranging from nil to 35%, on taxable income exceeding €60,000. Income of up to €19,500 is not subject to tax. Cyprus offers significant tax incentives to expatriates to either take up employment in Cyprus or become Cyprus tax residents.



### Tax exemptions

The following (among others) are exempt from income tax:

- 50% of the remuneration of individuals whose first employment in Cyprus began from 1 January 2022 and onwards, and who were not residents of Cyprus for a period of at least ten consecutive years immediately before the commencement of their employment in Cyprus. The exemption applies for a period of 17 years starting from the first year of employment in Cyprus, provided that the remuneration exceeds €55,000. Individuals whose employment commenced before 1 January 2022, may also qualify for this exemption, subject to conditions.
- 20% of the remuneration of employees (up to a maximum amount of exemption of €8,550 per annum) whose first employment in Cyprus commenced after 26 July 2022, provided the employees, immediately before the commencement of their employment in Cyprus, were employed outside of Cyprus by a non-Cyprus resident employer for at least three consecutive tax years. The exemption applies for a period of seven years and it is first granted in the tax year following the tax year of commencement of employment in Cyprus.
- Remuneration from the rendering of salaried services to a non-resident employer based outside of Cyprus or to an overseas branch of a resident employer for more than 90 days within a year.
- All gains arising from the disposal of securities such as shares and bonds.

### Tax exemptions for investment income

Cyprus tax residents who are not Cyprus domiciled are also exempt from tax on dividend and interest income.

### Domicile

In general, an individual is not domiciled in Cyprus if he/she was not born to Cypriot parents. However, one would be deemed to be domiciled in Cyprus if he/she has been a Cyprus tax resident for at least 17 out of the last 20 years prior to the relevant tax year.

### Capital gains tax

Subject to certain exceptions, capital gains tax is imposed on gains from the direct or indirect disposal of immovable property located in Cyprus at the rate of 20%.

### Estate duty, wealth tax and inheritance tax

There is no gift tax, estate duty, wealth tax or inheritance tax in Cyprus.

### Social insurance and other contributions

Individuals working in Cyprus, either employed or self-employed are required to contribute to the social insurance scheme subject to certain exemptions. Employers are also liable to make contributions in respect of their employees.

### Value added tax (VAT)

VAT is levied at the rate of 19%. Reduced VAT rates of 5% and 9% apply to some goods and services.





# Migration

## EU nationals

All EU citizens have the right to travel to Cyprus without any restriction. They may also work in Cyprus but are required to register with the migration authorities within four months of moving to Cyprus.

## Employment of third country nationals by a Company of Foreign Interests

In order for a company of foreign interests (i.e. a Cyprus-registered company, the majority of the shares of which are owned by third country national/s) to be able to employ third country nationals, it must become approved and registered in the Business Facilitation Unit of the Ministry of Energy, Commerce and Industry.

Application for the obtaining of the Temporary Residence and Employment Permit by third country nationals, should be submitted after the successful registration for the Company in the Business Facilitation Unit. Before the arrival of third country nationals to Cyprus, an

application for the obtaining of the Entry Permit should be submitted according to which third country national will enter Cyprus. Within seven days after arrival, the applicant will be required to submit their biometrics for the issuance of the Temporary Residence & Employment Permit. The duration of the permit is for two years with the option of renewal.

## Employment of third country nationals by a Company of Local Interests

The company is being considered as of Local Interests if the majority of the shares of the company are held by CY/ EU nationals, and is eligible to employ third country nationals if it is proven that the employment of third country nationals is absolutely necessary and crucial for performing the business of the company. Following the approval of the Labour Department for the employment of third country nationals, an application for the obtaining of the Entry Permit to the migration authorities should be

submitted and once the third country national arrives to Cyprus, the submission of the application for the obtaining of the Temporary Residence & Employment Permit to the migration authorities. The validity of the permit depends on the duration of the employment contract and can be up to one year, with a right of renewal.

## Permanent Residence Permit

Third country nationals, who complete a minimum investment of €300.000 in Cyprus (specific sectors of economy), may apply for a the permanent residence permit and become exempt of any national entry requirements, having the right to life-long residence in Cyprus. The said process, extends to dependent family members of the investor; namely to spouses, underage children, financially dependent adult children up to the age of 25 and parents of both the investor and investor's spouse.

## Digital Nomad Visa

Digital Nomad visa is a new type of residence permit, for people who wish to live in Cyprus but work in companies operating abroad, given the rapid rise of "working from home" policy for a number of companies worldwide.

Persons who are able to work remotely, for an employer located outside of Cyprus, with minimum salary of €3.500 per calendar month and are able to provide a clean criminal record, are eligible to obtain the Digital Nomad Visa in Cyprus. Applicant may enter Cyprus as a visitor and submit the application within three months from arrival.

## UK Nationals living in Cyprus after Brexit

As of 1 January 2021, UK nationals will be required to follow the immigration policies applied to third country nationals.

Exemptions may apply to UK nationals as well as their family members, provided they can prove that they have obtained residence in Cyprus prior to the end of the transitional period.

# Our services

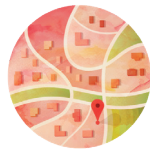
We focus on being the undisputed leader in professional services, helping our clients solve their toughest challenges while being a role model of quality and integrity.

## What can we offer?



### Corporate Compliance Services & Business Process Solutions

- Formation of a Cypriot company
- Assistance with the ongoing administration of the company, including opening and operating a bank account
- Support with financial accounting



### International Migration Solutions & Human Capital Services

- Relocation of individuals to Cyprus and assistance with obtaining the relevant work permits and visas
- Assistance with the recruitment of personnel



### Audit & Risk Advisory Services

- Statutory audits of the financial statements of a company based on International Financial Reporting Standards (IFRS)
- Non-statutory audits and other attest opinions
- Risk advisory services



### Tax & Legal Services

- Personal and business tax compliance services
- Tax advisory services including support on international tax matters
- Legal support including re-domiciliation of companies to Cyprus



### Financial Advisory Services

- Financial advisory services including valuation services
- Support with mergers and acquisitions
- Advice on EU grants & incentives



### Investment Fund & Wealth Advisory Services

- Assistance with the formation of a fund and ongoing related services and provision of tailor made multi-disciplinary solutions
- Practical wealth advisory solutions combining sound investment advice, with long term succession planning
- Family office services

# Reach out

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