



DOING BUSINESS IN Cyprus





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Foreword

*Cyprus
has the perfect
atmosphere
for international
investments*

This document is designed to serve as a guide to present business and investment opportunities in Cyprus alongside its beauty and entertainment.

Cyprus is an amazing place for recreational activities and a luxurious lifestyle. It is a wonderful place to spend quality time with family and friends. In addition to that, Cyprus has a potential to run business and industry having global operations.

The place has the perfect atmosphere for international investments. ACC aims to offer feasible solutions to investors and entrepreneurs who are looking for business opportunities in Cyprus. We are registered professional consultancy firm offering our services in various dimensions.

We believe in growth, expansion and value addition in our clients' entities. At ACC, we look forward to working with you.

Sincerely,

A & C CHRISTOFI LTD



POPULATION
865,000



AREA
9.251 km²



TIME ZONE
GMT +2



CURRENCY
EURO



GDP GROWTH IN 2017
3.9%



CAPITAL
NICOSIA



POLITICAL SYSTEM
REPUBLIC

Tourism

Tourism is considered as one of the greatest economic sectors in Cyprus and has undergone considerable growth in last 10 years. The country experiences approximately 3 million tourist visits each year. The current government is focusing on improving tourism industry and is taking important measures regarding its expansion. The country proposes investment opportunities in large-scale development projects, such as theme parks, marinas, tourist resorts and golf courses. Additionally, the state 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.

Languages

Greek is the official language, but English is also used for international and domestic business operations and communication.

Main cities

The main cities of Cyprus are The capital - Nicosia, Limassol, Larnaca and Paphos.

Political system

Cyprus runs its political system as a Presidential Democratic State. In this system, the ultimate authority lies with the President who is elected by the citizens democratically. The president stays in power for a period of 5 years before next election. The administration of Justice is exercised by the Judiciary, which is a separate and independent body.

EU Membership and Currency

Cyprus is a member of European Union since 1st May, 2004. Since January 2008, Euro is its official currency.

Location

Cyprus has a great strategic location joining Europe, Africa and Asia.

Total Area and Population

Total population of Cyprus is 865,000 with an area of 9,250 km² having a coastline of 648

The Cyprus Lifestyle

Cyprus ensures a desirable blend of climate, business and culture and many incentives for relocation. The country possesses a fast growing economy and a high human resource development index (HDI) with regards to living and quality of life

Living in Cyprus

All over the world, Cyprus is famous for its luxurious lifestyle having amazing locals, pleasant weather, rich culture and breathtaking beaches and various recreational activities.

Not only that, but the country has unparalleled healthcare and education facilities which makes it an ideal place to raise a family and make living. No wonder that Cyprus has approximately 170k foreign national

Transportation

Currently, 70 different air companies sends their planes to and from Cyprus. Famous travel destinations of Europe and Middle East are linked through the 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

Education

The country has a various educational institutes with global recognition. It has more than 20 English medium schools up to secondary level. In addition, Cyprus has a number of

well-reputed colleges and universities with great world rankings. In Cyprus, the ratio of university graduates and population is highest among EU states

Recreation

Cyprus has abundant sunshine all year long, hence it becomes favorable to have various outdoor recreational activities. There is a whole list of activities like 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

Health Sector

The country offers a well maintained healthcare system both in the public and in the private sector. Permanent residents of EU has the eligibility to opt for public hospitals while as non-residents has to go to private clinics which are quite economical. Cyprus has six public general hospitals, a modern oncology center and more than 70 private hospitals and healthcare clinics. In the year 2019, a general healthcare system has also been introduced in the country.

Business Environment

Cyprus is a small country at the meeting point of the three old continents, Europe, Asia and Africa. Its importance in doing business is mainly arising from its potential for beneficial international tax planning.

This is due to a combination of factors, including:

- The “user friendliness” and practically zero tax status of the Cyprus Holding Company
- Membership of the EU
- Wide network of Treaties for the Avoidance of Double Taxation, including some with large countries which have comparatively beneficial provisions
- Absence of withholding taxes on dividends, interest or royalties paid from Cyprus
- One of the lowest corporate income tax rates in the EU at 12.5%
- Exemption from tax of many types of income
- Tax incentives introduced, including:
 - the special mode of taxation of income arising from IP rights;
 - the back to back loan arrangements;
 - the deductibility of interest on loans to acquire 100% subsidiaries
 - notional interest deduction for investments into Cyprus companies

Cyprus is not a tax haven. It has strict rules in relation to accounting, audit and tax compliance and is implementing rigorous anti-money laundering measures. International business prepared to accept and comply with these requirements may derive significant benefits in terms of overall reduction of the tax burden.

Geography and Population

Cyprus is situated in the eastern Mediterranean, lying at the hub of three continents and close to the busy trade routes linking Europe with the Arab World and the Far East.

Cyprus' total area is 9,251km sq. and it is the third largest island in the Mediterranean, after Sicily and Sardinia. The island enjoys an excellent climate with about 300 days of sunshine per year. The temperature varies from 6°C to 13°C in winter to 21°C to 36°C in summer.

Cyprus' population is estimated at approximately 1.1million. The official languages of the Republic are Greek and Turkish, but English is widely spoken and regularly used in business. Nicosia, with an estimated population of approximately 300,000, is the capital city and situated in the middle of the island. All other major cities are on the coast and all are popular holiday resorts, as well as business centres.

Government and Legal System

The structure of government is similar to other western democracies where human rights, political pluralism and private property are safeguarded.

The Republic's constitution is largely modelled on the American constitution. The Head

of State is the President who is elected for a five-year term of office. The Council of Ministers, appointed by the President, is the executive organ of the Republic. Legislative power lies with the House of Representatives whose members hold office for five years. A multi-party system is in operation and the electoral system is based on proportional representation.

The island was under British administration from 1878 to 1960 when it became an independent republic. The legal system and all statutes regulating business matters are based essentially on English Law. Most laws are officially translated into English. English is widely used and anyone may correspond with government departments in this language.

Cyprus became a member of the European Union on 1 May 2004 and joined the Euro Zone on 1 January 2008.

Political Stability

The Republic of Cyprus is a member of the European Union, the United Nations, the Council of Europe and the British Commonwealth. It has a very stable political system. Part of the

territory of Cyprus has been occupied since 1974 by Turkey. Discussions are in progress aiming to resolve the problem.

Education and Human Resources

Primary education is free and universal. Most elementary and secondary schools are state-owned and of a high standard. In addition, there are numerous first-class private schools. These schools offer tuition in Greek, English, Russian, French, Italian, Armenian and Arabic and they offer specialised courses leading mainly towards entrance to British and American universities or to professional qualifications.

A high proportion of Cypriots have been to university, either in Cyprus or abroad. As a consequence, Cyprus ranks among the leading countries in the world in terms of its proportion of university graduates. Qualified technical, clerical and professional staff with wide experience and fluency in English and other languages, are available for employment at reasonable rates of remuneration.



Transport and Telecommunications

A wide network of air-routes connects Cyprus with Europe, Africa and Asia.

The island has two busy international airports, in Larnaca and Paphos, handling a large number of scheduled flights and served by many international and chartered airlines.

Cyprus is an established international transit station for commercial air transportation with excellent connections within the entire region. Seaborne traffic is served by a fully renewed port system comprising the multi-purpose ports of Limassol and Larnaca, the industrial port of Vassiliko, and the three specialised oil terminals of Larnaca, Dhekelia and Moni.

A large number of shipping lines include Cyprus in their regular schedules to and from five continents, ensuring that thousands of ships call at Cypriot ports each year.

Cyprus has an advanced telecommunications system, based on the latest technology.

Economy

The economy of Cyprus is based on free enterprise, with most economic activity taking place in the private sector.

The service sector, which dominates the Cypriot economy, accounts for about half of employment and almost two-thirds of its GDP.

In 2016 the average rate of inflation was -1.4% and the unemployment rate 14%. The standard of living is relatively very high with estimated annual income per capita for 2016 of US\$27,800. The Cyprus economy recorded real GDP growth of about 0.7% in 2016.

The economy of Cyprus is in a good state, with economic growth and improving public finances.

Currency

Cyprus joined the Euro zone as of 1 January 2008. There are no exchange controls in Cyprus.

International Business

Cyprus is a developed and established international business centre, with many tax and other advantages for international business.

The extensive network of treaties which Cyprus has formed for the avoidance of double taxation makes the island very attractive to international investors.

There are a large number of International Business Companies (IBCs) i.e. companies incorporated in Cyprus whose beneficial ownership and business activities lie outside Cyprus. It is worth mentioning that Cyprus has amongst the lowest corporation tax rate in the EU at 12.5% on operating profits. Furthermore, as holding companies in Cyprus are in practice free of any tax both on their income from dividends and on their proceeds on disposal of their investments, without any restrictions in relation to the time for which the investment was held or in relation to thin capitalisation, the island has become a favourable location for establishing holding companies by international businesses.

European Union and OECD: Tax Reforms

The tax system of Cyprus fully conforms to EU directives and codes of conduct and with the OECD to eliminate 'harmful tax practices'.

Foreign Investment

FOREIGN DIRECT INVESTMENT (FDI) POLICY
In order to further enhance the foreign investment intensity, the Government of Cyprus has liberalised the Foreign Direct Investment (FDI) Policy not only for EU citizens but also for investors from third countries in most sectors of the economy as from 1 October 2004.

- Limitations related to the minimum level of investment and foreigners' participation percentage have been abolished, in most sectors of the economy, allowing for up to 100% equity participation in registering companies or acquiring shares in existing companies.
- Administrative procedures have been simplified and measures have been taken to streamline the infrastructure regarding foreign investment, thus reducing the level of bureaucratic intervention and fostering improved economic activity.
- Consequently, foreign companies now have the opportunity of investing and establishing business in Cyprus on equal terms with local investors.
- Provide investor support with after care and further development services

Furthermore, CIPA promotes Cyprus as an attractive investment destination in various priority sectors of the economy, by developing leads and driving demand for investments into the country, while serving as the First Point of Contact to all foreign investors.

The Cyprus Investment Funds Association (CIFA)

The Cyprus Investment Funds Association (CIFA) was established in 2013 at the initiative of the CIPA as a natural development of the progress made thus far in promoting Cyprus as a competitive investment funds jurisdiction. The mission of CIFA is to:

- Help its members capitalise on industry trends
- Shape regulation
- Encourage professionalism, integrity and quality
- Promote the Cyprus investment funds industry.

There are two main fund regimes in Cyprus:

- Alternative Investment Funds (AIF)
- Undertakings for Collective Investment in Transferrable Securities (UCITS)

The Cyprus Investment Promotion Agency (CIPA)

In 2008, the Cyprus Investment Promotion Agency was formed and fully funded by the Government of Cyprus.

Its role is to:

- Promote Cyprus as an attractive international investment centre in key priority growth sectors
- Advocate reform in Cyprus required to improve the regulatory and business environment and infrastructure



To set up a fund in Cyprus you must obtain authorisation from the Cyprus Securities and Exchange Commission (CySEC).

The following legal structures are available in Cyprus:

- Common fund
- Fixed or Variable capital company
- Partnership

Private investors may choose to set up an AIF with limited number of investors. It can take one of the following legal forms:

- Fixed or Variable capital company
- Limited Liability Partnership

Real Estate

EU Citizens

EU citizens who are residents of Cyprus may acquire any property in Cyprus without restrictions.

Non-EU Citizens

Non-EU citizens are allowed to acquire title to immovable property in Cyprus provided they first obtain the approval of the Council of Ministers (delegated to the Local District Officer).

When the real estate concerned exceeds an area of two donums (1 donum = 1,338 square metres), approval may only be granted for:

- A residence for own use (must not exceed 3 donums)
- Professional or commercial purposes
- Industrial use in sectors considered by the Council of Ministers as beneficial to the Cypriot economy provided the acquisition of the real estate is related to the production of goods or to industries using new technology or know-how.

Any gain made on disposal of the real estate situated in Cyprus is subject to capital gains tax at the rate of 20%.

Setting Up a Business

Types of Business Entities in Cyprus

Business entities in Cyprus can operate under the following forms:

- Limited company
- Sole proprietor or partnership
- Branch
- European Public Limited Companies, otherwise known as Societas Europaea ("SE").

The redomiciliation of foreign companies to Cyprus, and vice versa, is possible. This means that companies may migrate from another jurisdiction to Cyprus (and vice versa) without the need for a takeover or a transfer of assets to another company already registered in the destination country.

Registration Procedure of a Limited Liability Company

Under the Companies Law, the procedure for the formation and registration of a company in Cyprus is quite simple and as follows:

Approval of name

Before any other steps are taken with regard to the incorporation of a company, the Registrar of Companies must be approached to ascertain whether the proposed name is acceptable.

Filing of the memorandum and articles of association

To effect registration of a company, the Memorandum and Articles of Association must be submitted for filing with the Registrar of Companies.

A Specimen Memorandum and Articles of Association can usually be made available but

care should be taken to ensure that the first few main object clauses are tailored to the specific circumstances and main business objects (aims or activities) of the company.

Share Capital Requirements

There are no legal requirements as to the minimum or maximum share capital of the company. In the case of foreign direct investment, there are some indicative minimum levels of investment depending on the sector.

Shareholders

Under the relevant legislation there must be at least one shareholder, for whom the following information is required to be disclosed to the Registrar of Companies:

- Full name & nationality
- Address & occupation
- Number of shares held.

Directors

How directors are appointed is usually laid down by Articles of Association, as well as how many constitute a quorum. However, it is usual for there to be at least two directors. The names of the directors are also required to be disclosed to the Registrar of Companies.

Company Secretary

The appointment of the secretary is made by the directors in accordance with the Articles of Association. For practical purposes a body corporate may be appointed secretary.

Registered Office

Every company must have a registered office in Cyprus, which is determined by the directors.

Compliance obligations of a Cyprus company

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

- 1 Maintain proper books and records
- 2 Prepare financial statements in accordance with international financial reporting standards
- 3 Have its financial statements audited by a cyprus registered auditor
- 4 Submit an annual return to the registrar of companies
- 5 Register with the cyprus tax authorities
- 6 Calculate and pay its taxes (if applicable)
- 7 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

In Cyprus, there is not mandatory for a company to have a bank account, but it is advised to have an account for a smooth flow of financial operations. Currently, more than 40 local and international banks are working in Cyprus.

The banking system follows EC Directives, under the regulation of the constitutionally independent Central Bank of Cyprus, as integrated with the Euro system.

Regulatory Framework

Being a British colony in the past, Cyprus' legal system is based on English Common Law principles and is globally acknowledged as offering 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

The tax regime in Cyprus is considered as an ideal example among European tax regimes. It is fully compliant with EU and OECD regulations having ideal provisions.

Any business entity which is financially operated within Cyprus is considered to be Cyprus tax resident with all the perks and privileges. Generally, there is a tax rate of 12.5% for business profits of a Cyprus tax resident.

Tax exempt sources of income



A company which is managed and controlled in Cyprus, is considered tax resident in Cyprus and is liable to tax on income arising both from sources within and outside the Cyprus. A company which is not tax resident in Cyprus is liable to tax on income arising from sources within Cyprus only. Cypriot tax residency is achieved, in practice, by either having a majority of Cypriot resident directors or by ensuring that the major decision-making is taking place in Cyprus or a combination of the two. There are certain types of income which are exempt for tax purposes and allowances / deductions that decrease your corporation tax. Taxable and group losses can also be set against your taxable income and as a result save corporation tax.

The tax rates that apply to corporations are as follows:

- 12.5% Companies**
The tax rate applicable on life insurance companies is
- 12.5% Life Insurance Companies**
The tax rate applicable on companies is

(In the case where the corporation tax payable on taxable profit of life insurance business is less than 1,5% of the gross premium. In this case the difference is paid as additional corporation tax.)

Personal taxation

Cyprus has an attractive personal tax regime which fascinates a large number of expatriates to settle in the country.

Within the EU tax regimes, Cyprus offers ideal jurisdictions regarding personal taxation. 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

Personal income tax

An individual is tax resident in Cyprus if he/she is physically present in Cyprus for an aggregate period exceeding 183 days in the tax year (1/1/XXXX – 31/12/XXXX). Tax resident individuals are liable to tax in Cyprus on their worldwide income whereas non-resident individuals are only liable to tax on income accruing or arising in Cyprus. There are certain types of income which are exempt for tax purposes and allowances/deductions that decrease your personal income tax.

Tax exemptions

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

- 50% of the remuneration from any employment exercised in Cyprus by an individual who was resident outside Cyprus before the commencement of his/her employment in Cyprus. The exemption applies for a period of ten years starting from the first year of employment provided that the employment income exceeds €100,000 per annum
- 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

Cypriot 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 Cypriot tax resident for at least 17 out of the last 20 years prior to the relevant tax year.

Capital gains tax

Capital Gains Tax is charged at the rate of 20% on gains arising from the disposal of immovable property located in Cyprus including the profit from the disposal of shares of companies which own immovable property in Cyprus. Gains from the sale of shares listed on a recognised stock exchange are excluded from CGT. However there are a number of disposals that are exempt from CGT.

Estate duty, wealth tax and inheritance tax

Estate duty, wealth tax and inheritance Tax has been abolished with effect from 1st January 2000, and is no longer imposed.



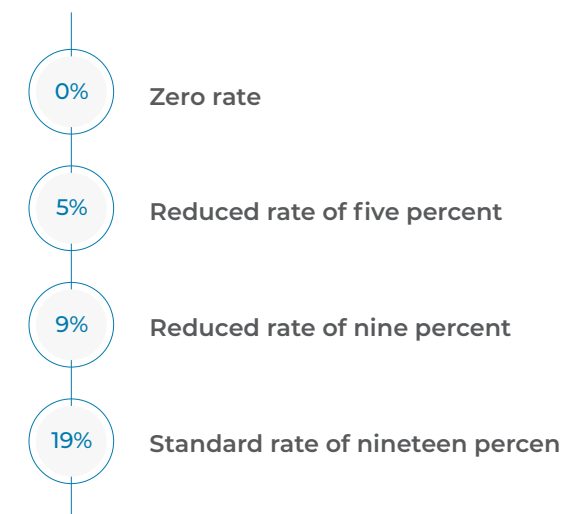
Social insurance and other contributions

Social Insurance Contributions (SICs) are payable by the employer, employees and self-employed persons based on their insurance earnings.

VAT

Taxable persons charge VAT on their taxable supplies (output VAT) and are charged with VAT on goods or services received (input VAT).

The legislation provides for the following tax rates:





Migration

EU nationals

In Cyprus, the EU citizens are allowed to travel back and forth. They get the work permit as well and are allowed to start a business or do jobs.

Third country (non-EU) nationals

For third country nationals, Cyprus has fairly easy visa process and they can visit the country on temporary basis. The country issues a visitor's visa for tourism purposes or for short business trips. The total duration of all visits under a single entry or multiple entry visa should not exceed three months in any half year, starting from the date of first entry.

For the purpose of employment, it is mandatory for third country nationals to apply in advance to the migration authorities in Cyprus for a work and residence permit. The validity period of work permit is usually one year which can also be renewed.

For the companies seeking to hire third country national in their team are advised to take membership to be an eligible employer of third country nationals (one-off procedure)

Permanent Residence

The Non-residents in Cyprus has the opportunity to attain a permanent residence permit by purchasing property in Cyprus of at least €0.3 million. In addition to that, the applicant must meet certain criteria including having a steady income flow from overseas. The relevant permit grants investors and their families visa free travel to Cyprus and the right of residence.

Citizenship

Non-residents can attain Cyprus citizenship by making qualifying investments in Cyprus between €2million - €2.5 million and meeting certain criteria. Eligible investors would need to have a clean criminal record and own a permanent residence worth at least €0.5million. Qualifying investments include real estate, private companies with operations and staff in Cyprus, government bonds and alternative investment funds. Cyprus citizenship grants investors and their immediate families, rights of EU citizens, including visa-free travel within the European Union.



Our Services Include:

- **Accounting and Bookkeeping Services**
- **Audit and Assurance Services.**
- **Direct and Indirect Tax Services**
- **Payroll Services**
- **Outsourced CFO Services**
- **Business Advisory and Consulting Services**
- **Information Management Services**
- **Corporate and Administrative Services**
- **Human Resource & Recruitment Services**
- **Property Management Services**
- **Marketing Services**

We are a registered professional consultancy firm offering our services in various dimensions. Our diversified, competent and professional team is always willing to help our clients.

A & C CHRISTOFI LTD is a Certified Chartered Accountants and Registered Auditors firm, regulated by ICPAC, offering a range of financial and business services located in Limassol, Cyprus. The firm was established in 2008

Contact Us

A & C CHRISTOFI LTD

37 Nicou and Despinas Pattichi Avenue
Evi Court 3rd Floor, Office 302-303
Limassol CY - 3071 Cyprus

Tel.: +357 25 332177

Fax.: +357 25 732411

E-mail: info@accryp.com

www.accryp.com



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