

# CYPRUS



**THE IDEAL LOCATION TO ESTABLISH YOUR COMPANY**



**STEPHANOU AUDIT**

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# CYPRUS

THE IDEAL HOME, DESTINATION AND GATEWAY TO EUROPE



Cyprus is a European island country in the Eastern Mediterranean Sea, located at the crux of the busy shipping and air routes linking 3 continents: Europe, Africa and Asia. A relaxed lifestyle in a Mediterranean atmosphere has established Cyprus as not only a popular tourist destination, but as one of Europe's top spots for expats, business professionals and retirees.

Cyprus enjoys around 340 days of glorious sunshine a year and boasts a coastline teeming with endless stretches of golden sands, secluded bays and rocky coves. Indeed, Cyprus has the second highest percentage of foreign citizens in the European Union. The biggest group of expats living in Cyprus consists of British nationals, but there are also large communities of Americans, Russians and other Eastern European nationals.

Surrounded by the crystal-clear waters of the Mediterranean Sea, Cyprus offers a wonderful

environment and an enviable lifestyle in a safe, clean and healthy environment with high living standards. Living and working in Cyprus is combined with fabulous weather, beautiful nature, centuries of art and culture, safety, security, delicious space gastronomy and above all, hospitable people.

Cyprus combines this pleasurable and balanced way of life with the international competitive business environment, making the island one of the most attractive destinations in the European Union for both living and doing business. Its business friendly environment and advanced infrastructure, combined with a high quality of life, allows investors and their families to enjoy the best of both worlds.

This small but dynamic country has developed into a major financial and business centre, retaining unique clusters of expertise and service capability to support key growth sectors of the economy.

# CYPRUS

## CYPRUS INTERNATIONAL RANKINGS



- Cyprus was ranked as the 5th best relocation destination worldwide by the 2013 Knight Frank Global Lifestyle Review, while Limassol, the second biggest city in Cyprus has been ranked 4th best retirement destination globally by the 2016 Knight Frank Global Lifestyle Review.
- The UNDP Human Development Index Report 2013 ranked Cyprus 31st out of 187 countries for the quality of life.
- Bloomberg's 2012 Best Countries for Doing Business Report ranked Cyprus 32nd out of 161 countries.

**1st SAFEST COUNTRY (of population less than 5 min)**

**4th HIGHER EDUCATION & TRAINING (out of 144 countries)**

**5th SAFEST COUNTRY (Worldwide)**

**5th BEST RELOCATION DESTINATION**

**13th PASSPORT POWER RANK**

# Living in Cyprus



**"Cosmopolitan, naturally beautiful, culturally rich, Cyprus offers an enviable lifestyle in a safe, clean and healthy environment with high living standards."**

## **Cyprus Climate**

Cyprus is one of the most popular vacation destinations in Europe as it has an undeniably wonderful weather. The island enjoys an intense Mediterranean climate, with long dry summers from mid-May to mid-October, and mild winters from December to February, which are separated by short autumn and spring seasons.

Summer is a season of high temperatures with cloudless skies, but the sea breeze creates a pleasant atmosphere in the coastal areas. Isolated thunder showers are possible mainly over the mountains during early afternoons.

Winters are mild with rain and snow on Troodos Mountains (usually starting before Christmas). The island enjoys abundant sunshine, and even in December and January, there is an average of six hours of bright sunshine per day, whilst over the six 'summer' months, there is an average of 11.5 hours of bright sunshine per day.

The air quality is among the best in the world and is free of pollutants and hazardous substances adding substantially to the quality of life.

## Safety

Besides its natural beauty, Cyprus offers a very safe environment, with low stress levels and crime rates, ideal for a peaceful family life. Cyprus is the 5th safest country in the world, according to recent statistics, and one of the safest countries in the EU – and crime is virtually non-existent. It is safe to walk around all towns and villages whether day or night. Few locations in the world can offer the same level of security and stability that Cyprus does.

Acknowledging the island's safety and security standards, ValuePenguin has ranked Cyprus 5th worldwide and 1st among smaller Countries in its Safest Countries in the World study for 2015.

## Health

Ranked by the World Health Organization as one of the healthiest countries in the Mediterranean, Cyprus has an excellent healthcare system provided through both the private and public sector.

Healthcare in Cyprus is cheap and effective, and is another reason many expats relocate to the island. The Cyprus healthcare system is divided into public and private sectors. Public healthcare is either inexpensive or free, at least for citizens of the EU, and even private healthcare costs can be relatively affordable.

The public health service is funded through the social security payments of those who work on the island, whether Cypriots or foreign residents. The system provides free or low cost healthcare for those who contribute to social security, plus their families and retirees, as well as emergency treatment for everyone.

EU citizens who are visiting Cyprus can receive free outpatient or inpatient treatment with a European Health Card, which is issued by the health authority in their home country. However, this covers only essential treatment and not routine treatment.

Non-EU visitors must pay for healthcare. There are a number of private clinics throughout the island that specialize in all fields of healthcare and their fees are low compared to most European countries.



## Religion

Religious freedom is written into the Cypriot constitution and Greek Orthodox, Muslims, Catholics, Jews, Armenians and Maronites coexist peacefully on the island.

However, the overwhelming majority of Cypriots (around 78% of the total population) are members of the Greek Orthodox Church, an institution that plays an important role in both personal and public life on the island.

In Cyprus, there are many Churches in each town and village, each one devoted to a different Saint, or to the Virgin Mary.

Most people attend Church during festivities such as Christmas, Easter, weddings, christenings, funerals or on Sundays. Apart from the many Churches there are also many monasteries which can be dated thousands of years ago.



## Language

Cypriots are highly educated and multilingual. The official languages of Cyprus are Greek and Turkish, but English is widely spoken and written and is the language of international business.

Proficiency in English is high (higher than in many other European countries), and Cypriots that receive education in English might code-switch between Cypriot Greek and English.

English features on road signs, public notices, and in advertisements, etc. German, French and Russian are also widely spoken in commerce, due both to the number of Cypriot graduates from overseas universities and the island's commercial ties with the global business community.

## Education

With renewed emphasis on cultivating a knowledge-based economy, Cyprus' education sector is continuously expanding and diversifying to meet market demands.

Cypriots have always valued education and learning, and while prizing their own languages and culture, they have also long had a realistic understanding of the importance of English in today's globalized markets. The island has a highly educated English-speaking workforce, with over half of all 30 to 34 year-olds educated to degree level.

The country's five private universities maintain consistently high academic standards, and are acutely aware of the need to keep ahead of the curve by offering English-language teaching of vocationally relevant courses that reflect the changing commercial climate.

There is a wealth of excellent private schools on the island, the majority of which are English speaking, but there are also French, Russian and Greek-speaking private schools. Fees are generally less than for the equivalent education in the UK. Public schools are free, and teaching is conducted in Greek. Tertiary education is provided by the six universities in Cyprus as well as several other colleges that offer a variety of vocational and academic courses mostly in English Language.



## Cyprus Culture

Most of the culture in the island is linked with the Greek culture which has been present here from the ancient times. However Cyprus has also been affected by the Arabic and Turkish neighbors in terms of various culture elements.

The island of Cyprus is located in the most eastern part of the Mediterranean, connecting three continents; Europe, Asia and Africa. Due to its unique geographical location which renders it as a crossroad of the eastern Mediterranean basin, Cyprus has a rich and varied history.

The island was an attraction point since ancient time, and was first inhabited around 10,500 -8, 400 B.C. Since ancient times, it was a link between the greatest civilizations, including Egyptians, Assyrians, Greeks, Romans and Arabs and the ancient monuments that have been excavated, illustrate the impact as well as the history not only of Cyprus but of the whole of the Mediterranean. Each conqueror as well as neighbor civilizations have been a source of influence however,

Cypriots managed to illustrate all new imported characteristics in a Cypriot way therefore the term "Cypriot style" was created to characterize the archaeological remains.

Cultural events such as the Pharos Chamber Music Festival, the Kypria International Festival, which comprises music, dance and performance arts, and the Thalassa International Festival, which includes photographic exhibitions, movie screenings and music performances, ensure there's something to interest everyone on the annual calendar of events. 2017 also brings with it an additional programme of top-tier cultural events in the coastal town of Paphos, the legendary birthplace of Aphrodite and UNESCO world heritage site, following the town's win for the bid of the European Capital of Culture this year.





## **Cuisine**

It is of course impossible to talk about Cyprus without mentioning the food. As with most Mediterranean countries food plays an important role and is to be enjoyed at a leisurely pace with friends and family. Cypriot food bears a distinct resemblance to Greek cooking, but also has Turkish and Lebanese influences.

As in other Mediterranean countries, eating is an activity to be savored and enjoyed and is certainly not to be rushed in any way. Cypriot cuisine features lots of fresh fish, meat, beans, pulses and vegetables flavored with lemon, fresh herbs and spices.

## **Cyprus Winery**

According to tradition, the Cypriots are the eldest wine producers in the world. Until lately, clues showed that the production of wine in Cyprus began around 2000 B.C. Recently though, Italian archaeologists studied the number of containers which were found in 1993 by the Cypriot Archaeologist Porfirios Dikeos in Erimi.

This proved that the containers which were 5500 years old were used for wine. Therefore Cypriots produced wine a lot earlier before Greeks, possibly even 1500 years earlier.

Cyprus Commandaria is one of the oldest wines in the world, representing an ancient wine style documented in Cyprus back to 800 BC and has the distinction of being the world's oldest named wine still in production, with the name Commandaria dating back to the crusades in the 12th century.



## Entertainment in Cyprus

More than a place just for lounging in the sun, there are lots of things happening in Cyprus all year round. From music concerts and cultural performances with big name stars, sports events, religious festivals of the Greek Orthodox Church, to informative conferences where you can meet like minds.

Each town has a shopping mall, zoos, bowling alleys, cinemas, waterparks, theatres, go – karting, Luna parks and many others in order to keep you continuously entertained.

## Diving in Cyprus

Diving in Cyprus is one of the best experiences divers will get as the beautiful Cyprus offers a number of wonderful diving sites ranging from caves, underwater tunnels and much more.

The waters, here in Cyprus are at a very good temperature for diving as they range from 16 to 27 degrees. In almost all of the diving sites there is great visibility underwater as there is no plankton in the sea. In addition, there are many reefs, caves and tunnels for divers to explore as well as a variety of sea creatures such as fish, octopuses, turtles, mussels, sponges, corals and much more.

For those who love Wreck diving, Cyprus has a number of wreck diving sites including the popular Zenobia wreck diving site, the Three stars wreck diving site and various others.

## Cyprus Golf

The charm of playing golf in an impressive natural environment, in combination with the possibility of a Mediterranean climate are two of the factors which make Cyprus ideal and attract internationally famous athletes. Located in the most graphic areas of Cyprus, the golf courses have gained raving reviews for the way they have been incorporated in breath-taking natural locations, near gorges, cliffs and the sea. The natural locations were carefully used in order to upgrade the game in each golf course.

Some of the most famous golf architects in the world have designs the unique golf courses which exist in the island , some being incorporated in luxury resorts and others operating and autonomous areas.

# CYPRUS (EU) CITIZENSHIP



Cyprus has recently been ranked as the 5th best relocation destination in the world by an international lifestyle review. The Mediterranean climate, the high quality of life and one of the most favorable tax systems in the Union, both for individuals and legal persons are just a few of the many reasons why people come to Cyprus.

The Cyprus Government is offering a very attractive citizenship scheme for individuals wishing to invest in the Cyprus economy to obtain Cypriot citizenship and, automatically, EU citizenship.

Cyprus citizens are EU citizens and this entails that the holders of a Cyprus passport can freely move in the EU, may live and work in any EU country and can incorporate companies in any EU state.

Indeed, recent studies conducted by global immigration experts, ranking the Cyprus Citizenship by Investment program among the "top ten best in the world".

**A 3rd country national may apply for citizenship in Cyprus by:**

**Investment In Real Estate, Land Development And Infrastructure Projects**

**Purchase, Creation or Participation in Cypriot Businesses or Companies**

**Investment In Financial Assets Of Cypriot Companies Or Cypriot Organizations**

**Deposits In Cypriot Banks**

**Investment In Government Bonds**

# PERMANENT RESIDENCY PERMIT PROGRAMME



The Cyprus Government, in its continuous effort to attract foreign investments, has adopted a range of policies that allow third country individuals (non-EU citizens) to obtain Permanent Residence Permit in Cyprus (PRP).

Permanent Residence Permit (PRP) is easily obtained for people who purchase property. The advantage is that, unlike temporary permits for third country nationals, PRPs are permanent and they do not have to be renewed. Hence, the obtaining of a PRP by a third country national could be very useful for various reasons.

The Ministry of the Interior released a more efficient procedure for granting an immigration permit to third country nationals that intend to take up permanent residency in Cyprus, provided that they fulfil certain criteria.

## **MAIN CONDITIONS:**

1. Non-European citizens
2. Property of value of €300,000 + VAT or more

The application form must be accompanied by a title deed or a contract of sale that has already been submitted to the Department of Land and Survey, for the acquisition of a house, apartment or any other building situated in Cyprus, of a minimum market value of €300.000 (plus VAT). Further, the applicant must submit proof of payment for at least €200.000 (plus VAT) in respect of the above mentioned property.

Immigration Permit can be granted to the applicant's wife and children as long as the children are under the age of 18. Provided that the applicant's unmarried children between the ages of 18 and 25 are students abroad with a remaining study period of at least 6 months from the application submission date and are financially dependent on the applicant.

Immigration Permit can also be granted to the applicant's and/or his spouse's parents.

## The "60 day rule"

On 14th of July 2016, the Parliament of Cyprus amended a Cyprus Tax Law granting tax resident status to individuals that spend at least 60 days in Cyprus per year, under certain conditions. Under the "60 day rule", which is effective as from 1 January 2017, an individual will be considered as a tax resident of Cyprus if the individual satisfies either the already existing "183 day rule" or the new "60 day rule" for the tax year.

The "60 day rule" intends to attract a significant number of individuals who do not fulfill the tax residency requirements in any country, since the absence of an established tax residency status may make them exposed to the tax authorities worldwide. Indeed, an individual who is considered as a Cyprus tax resident, will have access to one of the most favorable and attractive tax systems in Europe.

The main aim of the new law is to allow an individual who does not remain in any other state for one or more periods, which do not exceed 183 days in total, within the same year of assessment and who is not tax resident in any other state for the same year of assessment, to be considered as a resident of Republic of Cyprus.

**According to the new rule, the individual will be considered as tax resident to Cyprus, if he/she satisfies cumulatively the following four criteria:**

1. Stays in Cyprus for at least 60 days in a calendar year
2. Do not reside in any other single state for a period exceeding 183 days
3. Carries on any business in Cyprus and/or is employed in Cyprus and/or holds an office (director) in a company tax resident in Cyprus at any time in the tax year.
4. Maintains a permanent house in Cyprus which is either owned or rented by the individual.

### **How to calculate the days of residency in Cyprus:**

- The day of departure from Cyprus is considered as a day outside of Cyprus
- The day of arrival in Cyprus is considered as a day in Cyprus
- Arrival in Cyprus and departure from Cyprus within the same day is considered as one day in Cyprus
- Departure from Cyprus and return to Cyprus within the same day is considered as one day outside of Cyprus.

**Individuals who may want to claim Cyprus residence under this rule should be aware that in case of double residency situation, the individual has additional considerations as the center of vital interests, Habitual adobe, Nationality and Mutual agreement procedure.**

# *“Obtain Cyprus Tax Residency by Staying in Cyprus 60 Days per Year.”*



# DOING BUSINESS IN CYPRUS



## Why Cyprus

Cyprus has long established itself as a thriving international financial centre, the ideal bridge between East and West. An EU member state since May 2004, Cyprus is an ideal investment gateway to the European Union and offers a vast array of investment opportunities in key growth sectors of the economy.

The island's ideal strategic location, the strong pro-business attitude, the multi-lingual and highly skilled human capital, the advanced infrastructure and the favorable tax system have made Cyprus one of the most progressive and efficient business locations in Europe.

Cyprus has succeeded in differentiating itself from other financial centers. With more than 48 double Tax Treaties and a unique combination of favorable participation exemption provisions on income emanating from international activities, Cyprus has evolved to one of the world's most favorable locations to establish your Holding Company.

The legislative, political and socioeconomic climate is not only business friendly but innovative with one of the lowest rates of tax in the EU. It has a competitive advantage over other jurisdictions making it extremely attractive to potential investors looking for a stable tax regime.

## **Strategic Location**

Cyprus is situated in the north-eastern basin of the Mediterranean Sea at the crossroads of Europe, Asia and Africa.

The island is an ideal investment gateway to the European Union, as well as a portal for investment outside the EU, particularly into the Middle East, India and China.

The strategic location of the island has played an important role in its continuing development into a financial centre.

## **Legal and Regulatory Framework**

Cyprus' legal framework is particularly strong, due in part to mandatory compliance with European Union regulations. The legislation governing Cyprus' financial services sector underpins the island's ambition to become a leading international financial centre.

Cyprus comprehensive and robust legal and regulatory framework is widely recognized as a business-friendly and effective system that ensures transparency and reliability in business practices.

As a former British colony, Cyprus law is based on English Common Law and was amended in recent years to meet European Union requirements. Offering foreign business a familiar and reliable framework within which to operate, the island's legal and regulatory system is considered to be one of the most favorable in Europe, whilst at the same time being fully compliant with the EU, the Financial Action Task Force on Money Laundering (FATF), the Organization for Economic Co-operation and Development (OECD) and the Financial Stability Forum.

## **Advanced Infrastructure**

The local advanced and modern infrastructure, as well as the extensive telecommunications network, is ideally suited for business people with demanding schedules.

Thanks to its modern road system, extensive port facilities (in Limassol and Larnaca) and two international airports (in Larnaca and Paphos), travel and transport in and beyond Cyprus is always fast, efficient and cost effective.



## Economic Prospects & Opportunities

The government's commitment to the continuous introduction of progressive measures for reform and growth has resulted in the impressive recovery of the Cypriot economy, much earlier than expected.

Cyprus constitutes today a success story for the EU, a fact enhanced by continuous upgrades from credit rating agencies, such as Standard & Poor's, Fitch and Moody's.

By continuously enhancing and developing key economic sectors, introducing structural changes and important reductions in expenses and operational costs, Cyprus has regained its credibility and reinforced its competitiveness as an attractive investment destination offering numerous opportunities and potential.

## Ease of Doing Business

Cyprus has developed into an international quality business centre that offers specialized services and rewarding business opportunities serving the diverse needs of international investors, enhancing the ease of doing business. Indeed:

- a. The World Bank's Doing Business Report 2013 ranked Cyprus 36th out of 185 countries and 16th out of the 28 EU member states for the ease of doing business.
- b. Forbes Magazine "2012 Best Countries for Doing Business" report ranked Cyprus 25th out of 144 countries.



## Human Talent & Level of Services

Human talent probably constitutes Cyprus' most compelling advantage, complemented by a broad range of high quality professional 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.

Indeed, 2011 statistics demonstrate that 33.6% of Cypriots in the 15 – 64 age group have acquired tertiary education – higher than the EU 27 average of 23.6% and one of the highest percentages in the world.

## EU & Eurozone

Cyprus is an EU-member since May 2004 and an Economic and Monetary Union Member since January 2008. Its EU membership ensures safety and stability for investors, also offering them market access to more than 500 million EU citizens.





## Investment Sectors

Cyprus offers many attractive investment industries in both traditional and emerging economic growth sectors.

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.

Recognizing the growing investor interest, Cyprus has focused on streamlining processes to boost its economy and attract more investment through modernizing legislation, promoting development projects, diversifying tourism, introducing tax incentives, various incentives and funding opportunities and speeding up licensing procedures.

Cyprus has been acknowledged for making notable improvements in upgrading its business environment, jumping up two places in the rankings of the World Bank's 2017 Doing Business Report, after climbing 17 places in 2016.

Already known as a popular holiday destination and a safe business hub servicing international companies with multinational operations, the island is growing its investment appeal with more incentives and improvements to its FDI framework – making this a ripe time to invest in the Cypriot market.

# TOURISM

Tourism has traditionally been a major source of income and a driver of economic growth in Cyprus, with a significant contribution to the country's GDP. Tourism continuously experiences substantial growth, translated into a number of more than 2.5 million tourists visiting Cyprus every year.

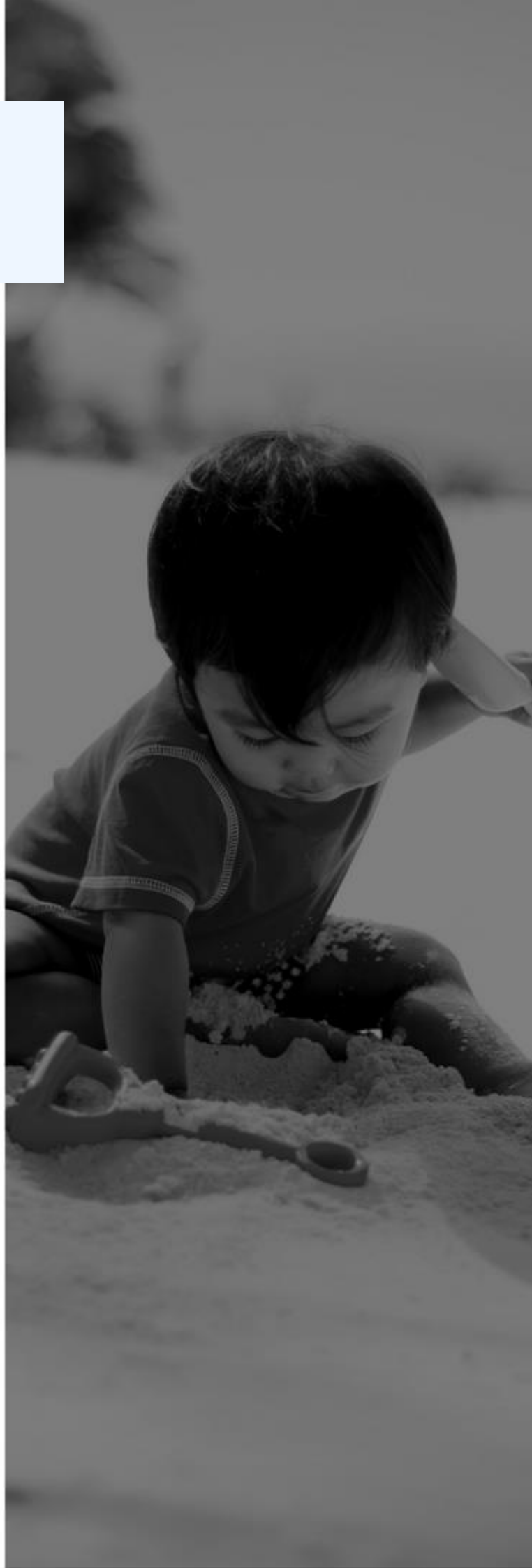
Cyprus' tourism industry has gained several prestigious awards, including the Sustainable Destinations Global Top 100, VISION on Sustainable Tourism and Totem Tourism and Green Destination titles presented to Limassol and Paphos in 2014.

Cyprus is well known for the hospitality of its people, its' delicious gastronomy, its rich culture and extraordinary natural beauty. With its golden sandy beaches and clear blue waters, as well as its pleasant Mediterranean climate with year-round sunshine, Cyprus has been a popular tourist destination for decades.

But there is much more to Cyprus than just sun and sea. Cosmopolitan and culturally rich, Cyprus offers a variety of tourism options that cater to all tastes and desires, whether it be sports, historical and cultural attractions, luxury resorts, wine routes, nature trails and ecotourism in traditional villages.

A number of large-scale development projects, such as leisure & theme parks, luxury resorts, marinas, tourism resorts and golf courses are underway, attracting significant levels of foreign investment.

Tourism is also now gaining momentum with the creation of a single Integrated Casino Resort, a landmark attraction that will add value to the island's tourism product. The new casino aspires to becoming the leading Integrated Casino Resort in Europe and amongst the best in the world, exceeding five-star requirements and offering numerous leisure services such as hotels, spas and conference centers. Moreover, following the success of the Limassol Marina, new luxury marinas are also in the pipeline for Larnaca, Ayia Napa, Paralimni and Paphos.



# SHIPPING

Cyprus is a renowned International Shipping Centre and home to some of the world's leading names in the global shipping industry, such as the Italian MSC Mediterranean Shipping Company, the German-owned Bernhard Schulte Shipmanagement and the Russian Unicom Management Services.

The maritime sector has historically been one of Cyprus' most successful industries. Capitalizing on its strategic location at the crossroads of busy sea trade routes and offering attractive legislative and operational shipping infrastructure, a solid and efficient tax framework and an excellent communications network, Cyprus has successfully built a diversified and robust maritime industry that accounts for over 7% of the country's GDP (including auxiliary services).

**Currently more than 1,022 registered vessels with a 21 million gross tonnage are registered under the Cyprus flag making Cyprus the:**

- Largest third party Ship Management Centre within the EU
- 2nd largest Ship Management Centre globally
- 3rd largest merchant fleet in the EU
- 10th largest merchant fleet in the world

Cyprus has an EU-approved "Open Registry" regime, one of the only two 'Open Registries' in the EU, with a very wide and legally endorsed Tonnage Tax System (TTS), which was introduced with the Merchant Shipping Law in 2010 and covers the three main "maritime transport" activities, namely ship-owning, ship-management (crew and technical management) and chartering.

The simplified Cyprus Tonnage Tax System represents a compelling competitive advantage and contributes significantly to the already strong position of the country in the global shipping world.





Owners of Cyprus flag ships fall automatically under the tonnage tax regime, whereas ship owners of foreign flag ships, charterers and ship managers may opt to be taxed under the tonnage tax system (TTS) under certain conditions.

Over 150 ship-owning, ship-management, chartering and shipping related companies control a merchant fleet of 2,300 vessels with a 50 million gross tonnage, while employing approximately 4,500 employees and 55,000 seafarers.

**Cyprus maintains a wide range of competitive advantages through a high quality maritime cluster, offering efficient and quality services, including:**

- The latest EU-approved Tonnage Tax System (TTS) with no direct link to corporate tax
- Competitive ship registration costs and fees
- No crew/officer nationality restrictions
- 28 Merchant Shipping Bilateral Agreements
- Signatory to all international maritime conventions on safety, security and pollution prevention
- Full protection for financiers and mortgagees
- White List of Paris and Tokyo MoUs

# 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.

Prospects in the energy sector are all the more promising thanks to the island's geostrategic location, connecting Europe and the Black Sea with markets in the Middle East and Asia and its role as a pole of stability and security in the region of the Eastern Mediterranean.

Recent developments have attracted worldwide interest and significant investments from leading international energy giants, such as Noble Energy, Delek, Total, ENI and KOGAS, ExxonMobil 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.

Exploration licenses have been granted for several offshore blocks within Cyprus' EEZ and regional cooperation has been successfully enhanced through agreements signed with Israel, Egypt and Lebanon, while Egypt and Cyprus have signed a deal for the transfer of natural gas via a direct sub-sea pipeline.

Moreover, Cyprus offers a secure and convenient base for operations for various auxiliary services to the oil and gas industry as well as for company headquarters to support activities in the EMEA region.

An important step in Cyprus' ambitious plan to evolve as a regional energy hub is the operation of a €300 million oil storage terminal, which opened for business in November 2014, designed and constructed by VTTI Energy Partners LP.

Its strategic location makes it the first terminal of its kind in the Eastern Mediterranean, connecting Europe and the Black Sea with markets in the Middle East and Asia.





## Renewable Energy

The energy policy of Cyprus is harmonized with the European Union goal of promoting the use of energy from renewable sources, as a major step towards the reduction of global warming and climate change phenomena.

The EU RES Directive sets out specific national targets to be achieved by each individual Member State, regarding the share of RES generated in each Member State by the year 2020. For Cyprus, the national target states that the share of energy produced from RES must be at least 13% out of the gross national final consumption of energy in 2020.

In light of the above, the Cyprus Government has launched a number of financial measures in the form of governmental grants and/or subsidies, which aim at providing support and incentives for the promotion of RES-E utilization in Cyprus. The main types of RES technologies which are promoted under these measures for integration in the Cyprus power system are Solar Energy, Wind Energy and Biomass.

Cyprus ranks first in the world in solar energy use for water heating in households, and has achieved significant progress in the production of energy from Renewable Energy Sources (RES).

Cyprus has already exceeded its intermediate 2020 targets, with RES comprising of about 8.7% of its total electricity generation, compared to the 7.45% threshold for 2015- 2016. In addition, Cyprus holds the EU-28 record according to the “European Solar Thermal Industry Federation” for use of solar water heating systems per capita and is on track in achieving its Renewable Energy Sources (RES) target.

The most important projects relating to power generation from RES concern wind parks and photovoltaic (PV) parks, concentrated solar thermal plants and biomass and biogas utilization plants.

Renewable energy is definitely rising and is expected to experience considerable growth in coming years, while the Cyprus government is also welcoming companies with expertise in renewables to bring their operations, know-how and advanced technology to the country.

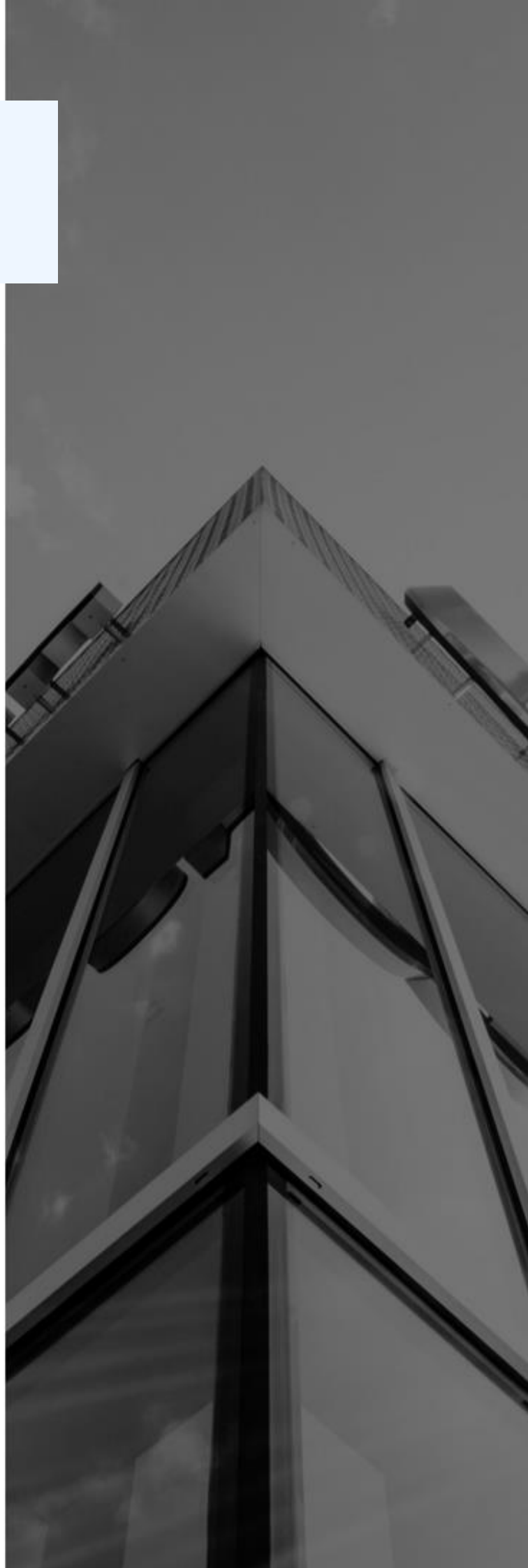
# REAL ESTATE

Acquiring property in Cyprus, either as an investment or as a second home, has always been a popular choice among foreign investors. A combination of high quality of life, year-round sunshine and natural beauty, ease of doing business and investment incentives offer investors an attractive experience in terms of both living and doing business.

Property sales have increased significantly in 2016, with the construction industry intensifying its activities island-wide. Cyprus continues to offer unique options for beautiful holiday homes and represents a popular destination for permanent residency and retirement.

At the same time, a wide range of prestigious Large-Scale Development opportunities are available, ranging from residential and commercial developments, to luxury tourist attractions, such as marinas, golf courses, tourist resorts.

Attracting foreign direct investment is at the heart of Cyprus' development strategy, as it represents a key driver for economic growth, amidst today's constantly changing international environment. In line with this policy, the Cyprus government has introduced two schemes for granting foreign investors Cypriot Citizenship and Immigration Permit to Cyprus.



# INVESTMENT FUNDS

Cyprus is fast becoming one of the top emerging investment fund centers in Europe thanks to its continuous efforts to upgrade its legislative and regulatory regime, and its strong network of financial and professional services providers. Determined to stay at the forefront of industry developments,

Cyprus offers unique access to high-growth markets, compliance with EU fund regulations and international best practices, as well as high quality and cost-efficient support services.

The country's population is one of the most highly educated within the EU, and the expertise of its service providers has established Cyprus as a location of choice for international fund promoters and investors seeking secure and advantageous fund solutions.

Service providers support funds throughout their entire life cycle: regulatory approval, administration, custody, annual audit, listing on the Cyprus Stock Exchange (if applicable), order routing, registration, clearing and settlement.

Due to its modern and well-regulated framework, Cyprus attracts increased interest and substantial investment from funds and asset managers worldwide.

The Cyprus legislation allows for the set-up of both Alternative Investment Funds ("AIFs") and Undertakings for Collective Investment in Transferable Securities ("UCITS").

Indicatively, assets under management have tripled in Cyprus from €1 to €3 billion in the last years and incentives for funds' set up and operation, e.g. low income rates, exemptions and the absence of any withholding tax on dividends are widely offered and upgraded.





# BANKING & FINANCIAL SERVICES

Cyprus is reputable for its high quality banking and advanced financial services.

The Cyprus banking and financial services sector is diverse, comprising of the domestic banks, the co-operative credit institutions (CCIs), the former international banking units (IBUs), insurance companies, and other companies that offer financial intermediation services.

There are many foreign banks from the Middle East, Europe, Africa and Asia that operate as subsidiaries, branches or representative offices in Cyprus.

The banking & financial services sector legislation is in line with international best practices and is fully compliant with EU, OECD, FATF and FSF requirements. Commercial banking arrangements and practices follow the British model.

All banks maintain correspondent networks around the world and are able to carry out both traditional and specialized financial transactions.

Banks located in Cyprus offer an array of services ranging from asset management, private banking, international, corporate and investment banking, retail banking, syndicated loans, custodian services and more.

In line with business changes, Cyprus' banking infrastructure has rapidly evolved and adopted the use of advanced technology systems, implementing measures to reinforce risk management practices



# PROFESSIONAL SERVICES

Cyprus is reputable for its high quality and advanced professional services.

With around 80% of Cyprus' economy based on the provision of services, this sector is one of the most important in the country.

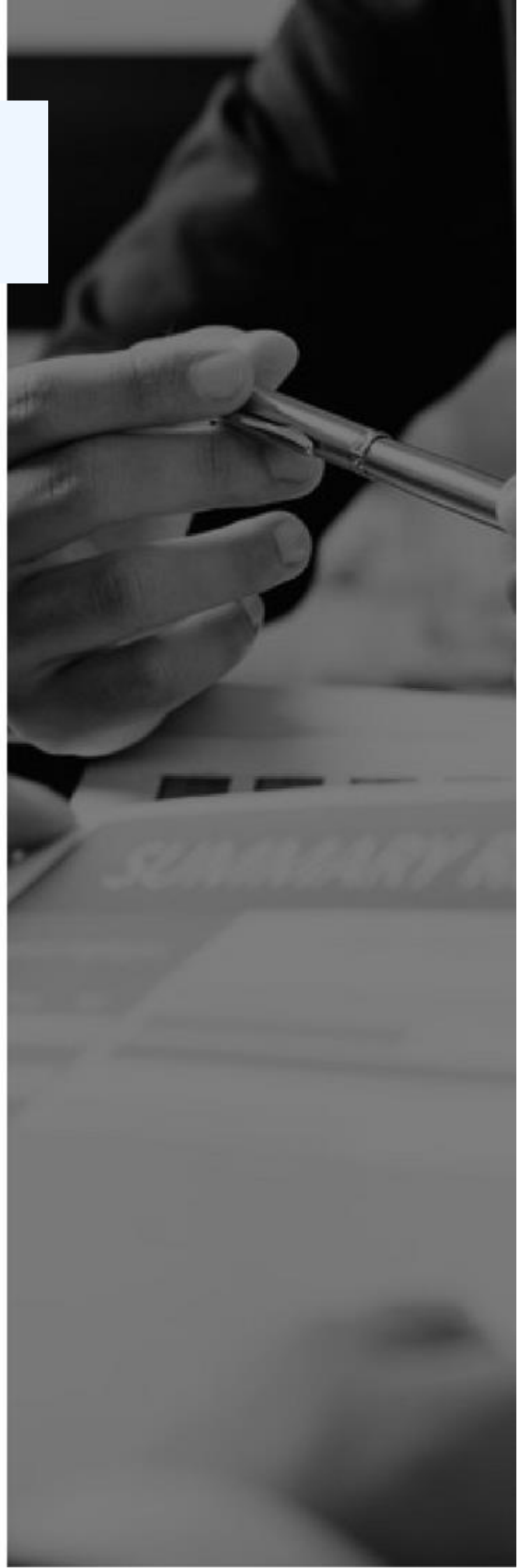
Professional services are a cornerstone of the economy, and continue to show strong growth year on year. Manned by an experienced and highly qualified contingent of professionals, this sector underpins many of the most rapidly growing areas of Cypriot business, from company registration, to finance, insurance, investment funds, ship management and others.

The expertise of the country's lawyers, accountants, auditors and other specialists, often European or US trained, offer full and efficient services in all aspects of company law and tax planning, and the world's leading accountancy and consultancy firms are all present on the island, as are all the leading insurance, ship management and trust companies.

While professional services costs are generally lower than in other Western European locations, the level and quality of service is not.

**Currently, there are:**

1. More than 120 limited accounting firms and 160 limited liability law firms and
2. Offices of the top international accounting firms operating in Cyprus



# INFORMATION TECHNOLOGY

Information and Communications Technology (ICT) is an important driver of productivity, growth and economic performance crossing horizontally all sectors of the economy. Cyprus' ICT strategy aims at developing a digital economy and is fully aligned with flagship initiatives "Digital Agenda for Europe" and "Innovation Union" of the "Europe 2020" growth strategy and supports projects on e-Government, e-Business, e-Learning, e-Inclusion, e-Health and overall ICT services.

In order to promote applied research, development, innovation, technology and entrepreneurship in Cyprus, the Government is looking to promote the establishment of a new large scale Science Technology Park (STP).

It is a high impact project, that will host research centers, business incubators, spin-off innovative enterprises and other local and international knowledge based companies, with the aim of promoting new and more competitive knowledge-based products and services.

## **Main advantages and opportunities of the ICT sector:**

1. **ICT Ecosystem:** Major multinational firms in the ICT industry, including ICT consulting firms, operate regional headquarters in Cyprus using the country as a regional base and gateway (into and out of the EU) for corporate services
2. **Skills and Expertise:** Existing knowledge base and available expertise of highly educated and experienced resources.
3. **EU Research Funds:** As an EU member state, Cyprus attracts EU research funds for Industry-University partnerships.
4. **Taxation:** Cyprus offers an attractive and fully transparent tax regime.



# TRANSPORT & LOGISTICS

Its' ideal geographical position at the crossroads of three continents - Europe, Africa and Asia, its transportation connectivity and broad range of top-end facilities, give Cyprus maximum advantage as a transshipment and logistic hub in the region.

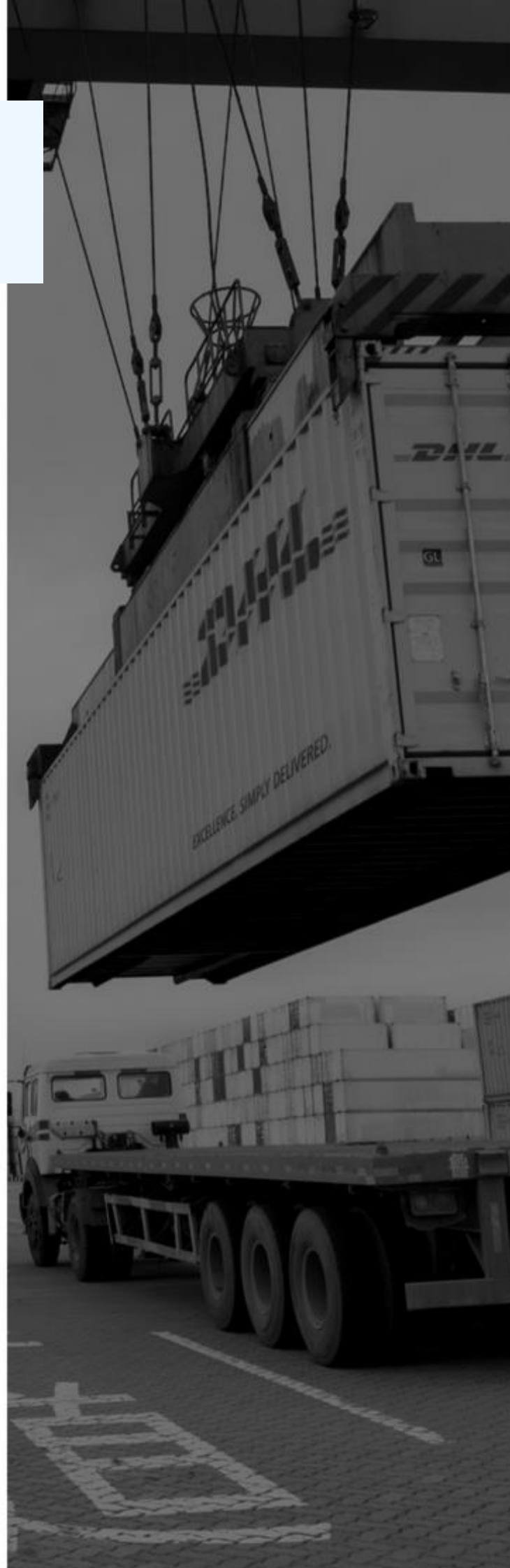
Following the country's accession to the European Union in 2004, Cyprus was transformed into a key EU outpost in the Eastern Mediterranean.

Benefiting from its superior geographical position, Cyprus has attracted many companies to use it as a logistics base. In addition to this, Cyprus provides a vivid example of the efforts made by Mediterranean countries, towards adapting their port systems to the demands of international shipping and trade.

The ports of Limassol and Larnaca, which are the island's main gateways for shipping and trade, were extended three times since their construction in the mid 70's. Thus from being small traditional break bulk handlers exclusively serving the island's imports and exports, Cyprus ports were transformed into container and cruise ports acting as hubs for international trade, shipping and passenger services.

With its advanced infrastructure, institutions, range of qualified service providers, well-designed regulation and its stable and durable institutional framework Cyprus has a promising future as an international transport and logistics hub. Its importance in world shipping can only increase, as a result of enhanced trade, regional port expansions and the discovery of significant hydrocarbons deposits in its waters.

Arguably, Cyprus represents a highly competitive, cost effective port call for every company.



# TAX SYSTEM



Cyprus offers one of the most attractive tax systems in Europe. The country provides a simplified, effective and transparent tax regime that is fully compliant with the EU, OECD and international laws and regulations.

The benefits of establishing a base in Cyprus, one of the fastest growing economies in the European Union, are numerous and a lot of international companies are already taking advantage of the many business and taxation benefits the country has to offer.

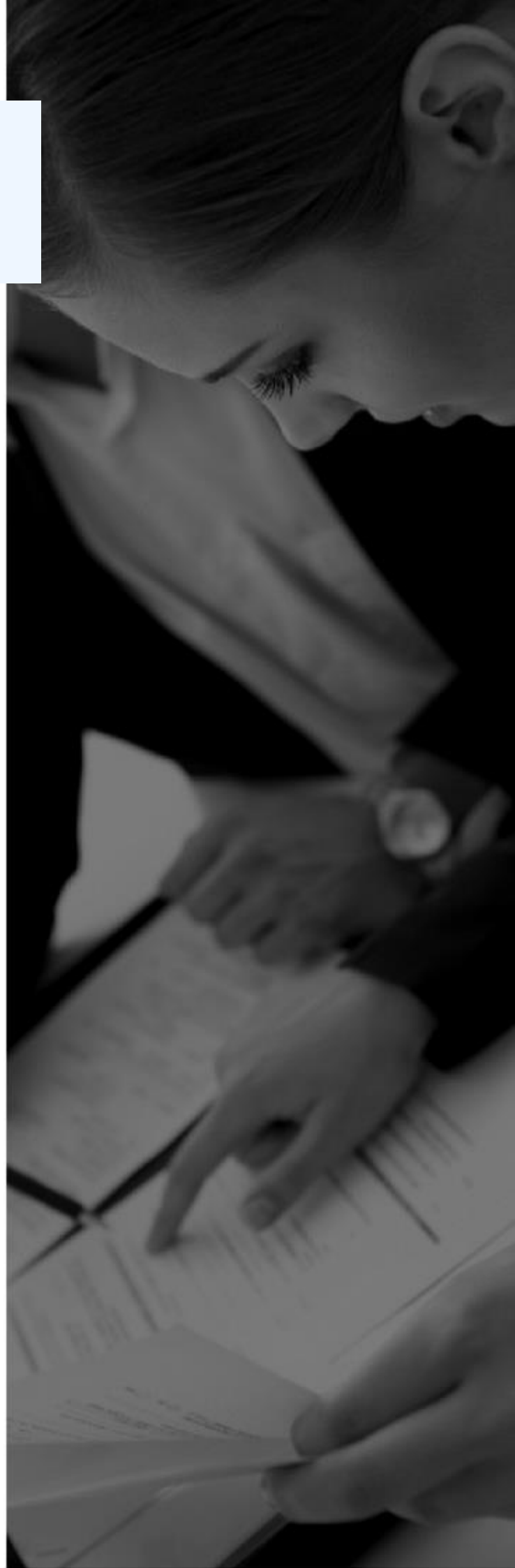
The favorable provisions of the Cyprus tax legislation is what makes the Cyprus holding company ideal for international tax planning purposes.

Providing access to an extensive network of more than 60 Double Tax Treaties, and maintaining a corporate tax rate of 12.5%, one of the lowest in the EU, Cyprus offers international investors and domestic businesses confidence to invest, grow and prosper. Additionally, this tax exposure can be further minimized through strategic tax planning.

# TAX SYSTEM

## Tax Highlights:

- Full adoption and compliance with the EU Directives / OECD approved
- Extended and exceptionally beneficial network of double tax treaties
- One of the lowest corporate tax rates in the European Union at 12.5%. The effective tax rate can be reduced further due to specific exemptions provided by the tax legislation
- Competitive personal tax rates with the first €19,500 tax-free
- Attractive Tonnage Tax (TT) regime to ship owners, managers and charters and an approved EU open registry
- Tailor-made provisions for the fund industry
- Attractive IP Box regime: effective tax rate of 2.5% on profits from the use and sale of qualifying intangible assets
- Competitive VAT rates
- Participation exemption on dividend income
- Exemption on trading and disposal of securities (e.g. shares, bonds, debentures)
- No withholding tax on dividends, interest and royalties paid to non-tax residents
- Foreign capital gains are exempt
- Foreign Exchange gains are tax exempt
- Foreign Permanent Establishment profits are tax exempt
- Notional interest deduction
- No inheritance and gift tax
- Unilateral tax-relief for foreign tax suffered is granted irrespective of the absence of a double tax treaty
- Tax relief for group losses and losses carried forward for the next five years
- Personal tax exemptions for international investors and professionals taking up residence in Cyprus



## Corporate Tax

Incorporation of a private Cypriot company is a relatively easy process which typically takes up to two weeks. The ease of setting up a company in combination with one of the lowest corporation tax rates in the EU, an extensive Double Tax Treaties network and the availability of special taxation regimes makes the operation of a business through a company a very popular option.

Companies which are considered to be tax resident in Cyprus are subject to Corporate Income Tax at 12,5% on their worldwide income. A company is considered to be tax resident in Cyprus if it is managed and controlled from Cyprus.

In addition to this, the legislation prescribes an extended number of deductions and allowances that further minimize the tax exposure.

## Value Added Tax

Value Added Tax (VAT) was introduced in Cyprus on July 1st, 1992 and is imposed on the supply of goods and provision of services in Cyprus, as well as on the acquisition of goods from the European Union (EU) and the importation of goods into Cyprus.

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

If output tax in a VAT period exceeds total input tax, a payment has to be made to the state. If input tax exceeds output tax, the excess input tax is carried forward as a credit and set off against future output VAT.



## Personal Income Tax

Arguably Cyprus has one of the most favorable and attractive tax systems in Europe due to generous Personal Income Tax (PIT) tax rates as well as the allowances and deductions it provides to highly paid individuals who wish to live and work on the island.

An individual is considered resident in Cyprus for income tax purposes if they are present in Cyprus for a period exceeding 183 days in the tax year in question. If this condition is met, tax is imposed in Cyprus on income arising from sources within Cyprus and outside Cyprus. 50% of the remuneration is allowed to be deducted from taxable income for individuals who 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 tax benefits available under the Cyprus income tax law for expatriates also includes 20% exception with a maximum of €8,550 of remuneration from any office or employment exercised in Cyprus by an individual who was resident outside Cyprus before the commencement of his employment (applicable for 3 years - for employment which commenced during 2012 or after 2012 this exemption applies for 5 years with the last year for which the exemption will be available being 2020). Non-domiciled individuals-resident in Cyprus are exempt from taxation on personal investment income (dividends and interest).

You can always download our complete tax brochure [here](#)

# YACHT LEASING SCHEME

Since March 2012, after the Cyprus tax Authorities published guidelines clarifying the VAT treatment of the Yacht Leasing Schemes, Cyprus has been running a private yacht regime. In 2015, the Cyprus tax regime Authorities issued new guidelines, making Cyprus' yacht scheme being described as one of the most attractive VAT yacht regimes in Europe, with lowest tax 3.05%.

The Scheme's main aim is to relieve the VAT burden in the purchase of yachts, used mainly for private purposes.

## **What do we mean by "Yacht leasing agreement"?**

The agreement refers to the lessor (the owner of the Yacht), who enters into a contract with the lessee (the person who leases the yacht) for using the yacht for a consideration. The agreement could also give the opportunity to the lessee to purchase the yacht at a percentage of the price of the yacht.

## **Essential pre-requirements for the Regime to operate:**

- The lessor's place of origin has to be a company registered under the Republic's Companies Law.
- The lessee has to be a legal or natural person regardless of the place of establishment or residence.
- **The yacht use within the EU territorial waters** is difficult to be calculated. To resolve the problem, the percentage of time that the yacht spends in the EU waters has been predetermined.

## **A six step procedure is required for the approval of the VAT scheme:**

- Prior Approval from Cyprus VAT Commissioner; together with the submission of relevant details of the craft, the applicant must submit an inter alia certificate and survey of the vessel, bill of sale and such other documentary evidence.
- Register Cypriot Company (CypCo); the company must have as its main trading objective the power to operate, charter and manage yachts.
- Cypriot Company applies for VAT
- Cypriot Company enters into lease agreement
- Submission of the lease agreement and supporting documentation to VAT Department
- VAT Department issues letter of approval





# AIRCRAFT LEASING SCHEME

The new guidelines issued by the Cypriot VAT authorities with regards to the registration of private aircrafts, make Cyprus the most attractive jurisdiction in the European Union (EU) in this area, reducing the effective VAT rate for private aircraft registration to as low as 4,37% through the use of the “Private Aircraft Leading Scheme”.

The scheme involves a lease of the aircraft with an option to purchase it at an agreed price, and is similar to the existing scheme for yachts. The special regime applies to a private aircraft owned by a Cyprus VAT registered company which are leased to any physical or legal person established or permanently resident or ordinarily resident within the Republic of Cyprus and which is not engaged in any business activity.

For the purpose of this scheme, a Private Aircraft Leasing Agreement is an agreement under which the lessor, being the owner of the private aircraft, for a certain consideration, contracts the use of the aircraft (leases the aircraft) to the lessee.

For Cypriot VAT purposes the lease of a private aircraft is subject to the standard VAT Rate (19%) to the extent that the leased aircraft is used within the air space of the European Union (EU).

However, further to the Private Aircraft Leasing Scheme, there is no longer need to keep records (log books) as to the time the aircraft is used within the EU. Instead, the relevant percentage will be calculated based on the aircraft size and type (piston, turbo or jet aircraft).





# Stephanou Audit

Audit • Tax • Assurance

Stephanou Audit is a dynamic firm of Qualified Auditors, Certified Accountants and Business Advisors. Since its establishment, in 1984, the company has gained an enviable reputation for providing excellent advice and service to its clients.

At Stephanou Audit we put our clients first. With our business support services, we can take care of your financial and accounting operations, leaving you free to do what you do best - growing your business.

We are dedicated in helping our clients minimize their tax costs, protect their assets, develop their business and generally manage their financial affairs.

#### **Our Services include:**

1. Audit & Assurance
2. Accounting and VAT services
3. Tax Consultancy
4. Corporate and Fiduciary Services
5. Incorporation of Cyprus Companies
6. Incorporation of Companies in other Jurisdictions
7. Secretarial and Administration Services
8. Business Planning & Consulting
9. Financial Advisory
10. Cyprus (EU) Citizenship Programme
11. Real Estate Consulting

Our staff is trained comprehensively in anti - money laundering and “know your client” procedures. As one would expect, confidentiality is paramount in all our dealings, and our staff is bound by law to maintain professional confidence.

Innovative thinking and practical business approach are the reasons why companies choose to work with us. Our different clients’ success stories reflect the company’s expertise in a range of industry sectors, including Banking and Investment Banking, Financial Services Firms, Manufacturing Companies, Shipping Companies, Aircraft Leasing Companies and Internet Based Companies.

We are one of the leading corporate providers and we bring a depth of experience to our work and dealings with clients. Our personnel consists of certified accountants, financial advisors, tax specialists, administrators and company secretaries as well as a highly trained and knowledgeable corporate and support staff.

Currently our Company has its headquarters in Limassol and a branch office in Paphos.

Stephanou Audit is the firm you need to help you achieve your goals whether they are local, national or global."

**"OUR MISSION: TO HELP OUR CLIENTS PROSPER, BY PROVIDING PERSONALIZED PROFESSIONAL SERVICES OF THE HIGHEST QUALITY"**

# MEET THE TEAM

## PEOPLE BEHIND THE BRAND



**STEPHANOS  
STEPHANOU**



**KATERINA  
STEPHANOU**



**CONSTANTINA  
STEPHANOU**



**CHARALAMBOS  
STEPHANOU**

Here, at Stephanou Audit, we strongly believe that the strength of our reputation comes from our people. The expertise, professionalism, commitment, passion and diversity of our employees are the foundations of our success. We work together to provide a holistic range of financial services.

Our team is made up of young, dynamic, experienced and committed professionals with a guaranteed common concern to deliver a high quality service.

All personnel adhere to the firm's philosophy that dictates a priority to a high degree of integrity, absolute confidentiality and loyalty to clients in whatever it does.

The firm's work methodologies are designed to deliver its services without compromise to professional standards and ethics. Personnel are specialists in their own fields and are also given ongoing training in various competences which is ultimately a benefit to all its clients.



STEPHANOU AUDIT

# Got any Questions?

Don't hesitate to come in contact with us!

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