

Invest Cyprus

Cyprus Investment Promotion Agency



Cyprus: A step-by-step guide to your investment



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“Centre
of
Excellence”



/Cyprus at a Glance

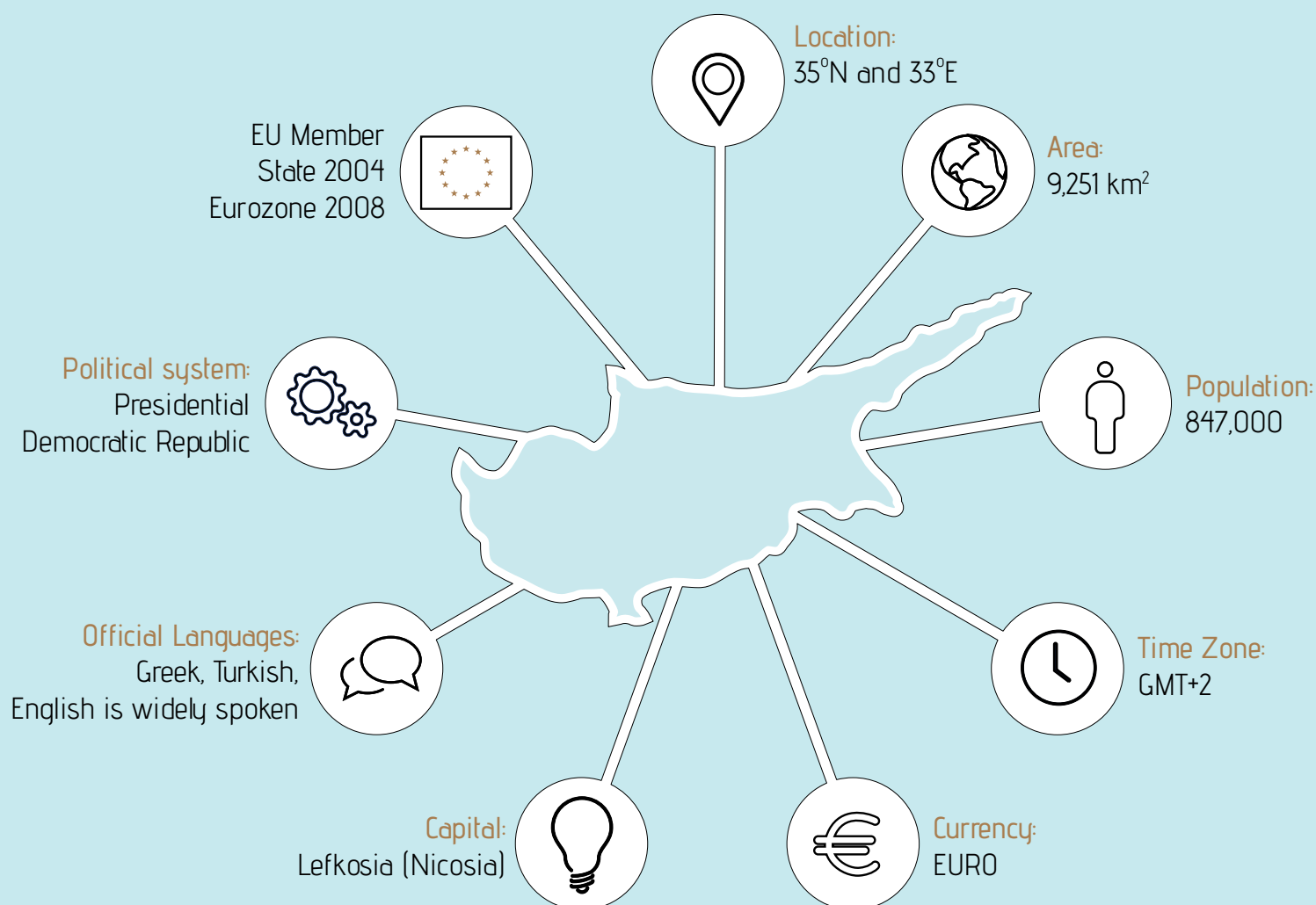
Cyprus is the third largest island in the Mediterranean Sea, located at the Eastern end of Europe, at the crux of the busy shipping and air routes linking three continents: Europe, Africa and Asia. Through its rich and fascinating history, going back more than 10,000 years, the island has developed from a Stone Age settlement to a modern and thriving European Union state, with a host of opportunities and prospects for economic growth and prosperity.

Cyprus has long been a destination of choice both for business and relocation, offering international investors and domestic businesses opportunities to invest, grow and prosper. The island has a modern, market-driven, service-based economy fostered by a stable democracy and supported by an abundance of well-educated and highly-skilled human talent. A modern and sophisticated infrastructure, advanced telecommunications, an attractive and transparent tax regime and a robust legal framework, further underpin Cyprus' investment offering. Complementing this is a truly enviable standard of living, year-round sunshine and centuries of art and culture.

This small but dynamic EU Member State has long established a strong reputation as a “centre of excellence” for international business activities, retaining unique clusters of expertise and service capability to support key growth sectors of the economy. Capitalising on our competitive advantages by diversifying our economy through driving and enhancing both traditional and emerging economic sectors, and continuously improving our innovative and investor-friendly business environment, Cyprus is committed to ensuring the best possible experience for international investors, while ensuring sustainable economic growth.



Top Reasons to invest in Cyprus



Strategic Location

With its ideal geographical position at the crossroads of three continents – Europe, Africa and Asia – Cyprus plays a key stabilising role in the region of the Eastern Mediterranean. 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.

Attractive Tax System

Cyprus offers an attractive and transparent tax regime, fully compliant with EU directives, OECD requirements and international laws and regulations. Its main features are:

- One of the lowest corporate income tax rates in the EU at 12.5%
- Dividend participation exemption
- Exemption on disposal of “securities” (eq. shares, bonds, debentures)
- No succession taxes
- No withholding taxes
- Attractive IP regime
- Tonnage tax for shipping companies
- Notional interest deduction
- Personal tax exemptions for new residents and non-domiciles

Dynamic EU Member State and Member of the European Monetary Union

As a member of the European Union and the European Monetary Union, Cyprus is committed to quality, efficiency and transparency. Its EU membership ensures safety and stability for investors, also offering market access to more than 500 million EU citizens.

Robust Legal and Regulatory Framework

Based on English Common Law principles, Cyprus' comprehensive and robust legal and regulatory framework is widely recognised as a business-friendly and effective system that ensures transparency and reliability in business practices. Offering foreign businesses a familiar and reliable framework within which to operate, Cyprus' legal system is also fully compliant with the EU, the Financial Action Task Force on Money Laundering (FATF), OECD, FATCA, the Financial Stability Forum laws and regulations and EU AML directives.

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. Cyprus ranks amongst the top countries in Europe for tertiary education per capita, recording an impressive 54.6% in higher education attainment, way above the EU average of 38.7%. Cyprus is widely recognised as a centre of excellence for the provision of professional services that support all business needs at competitive rates. Indicatively, the Institute of Chartered Accountants in England and Wales (ICAEW) and the Chartered Institute of Management Accountants (CIMA) selected Cyprus as the first country in the world outside the UK to train ICAEW and CIMA accountants.

Advanced Infrastructure

Cyprus benefits from a modern and advanced infrastructure, as well as an extensive telecommunications network, ideally suited for business people with demanding schedules. Thanks to its sophisticated road system, bustling 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.

High Quality of Life

Cyprus residents enjoy an enviable lifestyle in a safe, clean and healthy environment with high living standards. Low crime and stress levels, the 2nd best climate worldwide (InterNations, 2016), with year-round sunshine, centuries of art and culture, and appealing gastronomy all contribute to a high quality of life, ideal for businesspeople and their families seeking the perfect balance between work and pleasure. Safety is amongst the major advantages of Cyprus; the island was ranked 1st safest small country in ValuePenguin's Safest Countries in the World (2015) report and 5th safest country globally.

/Country Overview

Geography and Demographics

Location: Cyprus, with an area of 9,251 km² and coordinates at 35°N and 33°E, lies at the crossroads of Europe, Africa and Asia at the crux of the busy shipping and air routes linking the three continents.

Population: The population of Cyprus is about 847,000 (2016). The capital of Cyprus is Nicosia (Lefkosia), situated at the heart of the island with a population of approximately 336,000. The second largest city is Limassol (Lemesos) on the south coast with a population of approximately 241,000 and the island's major port. Larnaca and Paphos are the third and fourth largest cities, each with a new airport, situated on the south east and south west coasts respectively.

Climate: Cyprus has a pleasant Mediterranean climate, enjoying year-round sunshine, with mild winters (mean daily minimum 5°C and maximum 13°C) and sunny, dry summers (mean daily minimum and maximum temperatures are 21°C and 36°C respectively).

History

The first signs of civilization in Cyprus, the third largest island in the Mediterranean Sea, are traced back to the 9th millennium BC. According to tradition, Aphrodite, the ancient goddess of love and beauty, was born from the foam of the sea on the southwestern coast of Cyprus, near the ancient city of Paphos.

Throughout the centuries, Cyprus' strategic location has played a pivotal role, rendering the island a true international business and trade centre, while leading to its repeated conquest by successive powers dominating the Mediterranean Sea. Since the settlement of the first Greek Mycenaeans in 1400-1300 BC, Cyprus has developed a unique character, harmoniously blending influences from different civilisations, while maintaining its Greek character. Independence from British rule in 1959 led to the declaration of Independence of the Republic of Cyprus in 1960.

Governance and Political System

The Republic of Cyprus is a Presidential Democratic State, founded in 1960. The Executive authority is vested in the President who is elected for a five-year term by universal vote, and exercised by a Council of Ministers appointed by the President.

The Legislative authority of the Republic is exercised by the House of Representatives, whose Members are elected by universal vote every five years.

The administration of Justice is exercised by the Judiciary, which is a separate and independent body. The Members of the Cyprus Supreme Court are appointed by the President.



European Union and Eurozone Member State – International Memberships

The Republic of Cyprus became a full member of the European Union on May 1, 2004. Accession to the EU was a natural choice for Cyprus, driven by its culture, civilization and history, as well as its unwavering commitment to the values of democracy, freedom and justice. In 2008, Cyprus joined the European Monetary Union leveraging a robust economic performance marked by banner key indicators, thus adopting the Euro as its national currency. This instigated a new era of opportunities and responsibilities for the island, as well as an era of commitment to growth.

Like all members, Cyprus has benefitted from EU membership and, despite its small size, does have a lot to offer as well. Being Europe's Eastern outpost at the intersection of important transport and communications routes and at the crossroad of three continents, Cyprus provides a secure gateway for European enterprises into the Middle East, North Africa and Asia, while offering non-European businesses and entrepreneurs possibilities for investment into Europe.

Within the framework of the Common Commercial Policy, the European Union prioritises the facilitation of market access of EU exporters to third countries, through the conclusion of trade agreements with a large number of trade partners. The negotiation of trade agreements (usually referred to as “Free Trade Agreements” – FTA), to which the EU and all Member States are parties, aims at boosting economic development and creating jobs by stimulating bilateral transactions. Currently, the EU has trade agreements with more than 50 partners and is in the process of negotiating agreements with many more. For a full list of EU Free Trade Agreements visit the European Commission website (ec.europa.eu). Furthermore, a number of Bilateral Investment Treaties (BITs) are currently in force and can be found in the UNCTAD Investment Policy Hub website (investmentpolicyhub.unctad.org).

Apart from the EU, the Republic of Cyprus is a member of many international organisations including the United Nations, the Council of Europe, the World Trade Organization, the Commonwealth, the World Bank, and the International Monetary Fund, and is represented through diplomatic missions in over 40 countries.

Infrastructure

With a constantly evolving system of advanced and modern infrastructure, Cyprus offers sophisticated road, air and sea transport solutions and services, which are widely recognised as an important competitive advantage in attracting foreign direct investment.

Cyprus' two multi-purpose deep sea ports are located in the coastal cities of 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 the most popular transit hubs throughout the world.

Considerable investment has also been made to transform the island into a major telecommunications hub in the region, connecting Cyprus via submarine fibre optic cable and satellite to other networks in the Eastern Mediterranean basin and beyond.

Doing Business in Cyprus

Cyprus has long established itself as a thriving business hub, with a vast array of investment opportunities in key growth sectors of the economy. The island's ideal strategic location, advanced infrastructure and high quality of life do not only represent key reasons to relocate and live on the island, but are also at the heart of an investor's choice to invest in Cyprus.

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. As a member of the wider EU and Eurozone community, Cyprus ensures safety and stability for investors, while also offering market access to more than 500 million EU citizens and numerous Free Trade Agreements.

The local infrastructure is ideally suited for business people who need to get things done. Thanks to its modern road network, extensive port facilities and two new international airports, travel and transport in and beyond Cyprus is fast, efficient and cost-effective.

Human talent 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.

Cyprus, indeed, has all the right ingredients to maintain a strong and resilient economy, due to its small size, productive labour force, business friendly and flexible government.

Our country's competitive advantages are significantly enriched by a robust and transparent legal and regulatory framework and an attractive tax regime, which offers a wide range of incentives and advantages both for legal and natural persons.

Cyprus' legal system, based on English Common Law principles, is widely recognised as a business-friendly and effective system that ensures transparency and reliability in business practices. Offering foreign businesses a familiar and reliable framework within which to operate, Cyprus' legal system is also fully compliant with the EU, the Financial Action Task Force on Money Laundering (FATF), OECD, FATCA, the Financial Stability Forum laws and regulations and EU AML directives.

Cyprus offers an attractive and transparent tax regime, fully compliant with EU, OECD and international laws and regulations. Providing access to an extensive network of 60 Double Tax Treaties, maintaining a corporate tax rate of 12.5%, one of the lowest in the EU, and continuously introducing important incentives for both individuals and corporations, Cyprus offers a most attractive package to international businesspeople and investors. For detailed information on the tax framework, provisions and incentives, please refer to the relevant chapter (page 32).

Living in Cyprus

The island offers a wonderful living experience in a comfortable, stress-free and safe environment. With a modern and sophisticated character, it is ideal for people who seek the perfect balance between work and pleasure. Commutes are minimal, easy and cost-effective in Cyprus. One can drive from the capital, Nicosia, to the beach in Larnaca, in about 30 minutes and to the Troodos mountains in just over an hour.

Cyprus has a pleasant Mediterranean climate with year-round sunshine. The island boasts great natural beauty with rare flora and fauna, stunning coastlines, golden sandy beaches and clear blue waters, as well as glorious mountains and peaceful, picturesque villages. Cyprus' famous beaches have been awarded with 57 Blue Flags in 2015, ranking the island 1st in the EU for the 10th consecutive year, including 3 records:

- most Blue Flags per capita in the world
- most dense concentration of Blue Flag Beaches
- most Blue Flag beaches per coastline

The rich cultural landscape is reflected in the hundreds of archaeological sites and monuments located across the island, representing the numerous different historical periods in Cyprus's evolution. A large number of museums in the towns and villages of Cyprus showcase a broad array of archaeological collections and cultural treasures from different time periods. A vibrant nightlife, with plenty of restaurants, bars and clubs, theatres and concerts caters to all tastes and lifestyles. With a buzzing cosmopolitan environment, arts and culture are flourishing with local and international festivals, exhibitions, concerts and museum nights taking place in both modern and ancient venues. Cypriots are known worldwide for their genuine and sincere hospitality and friendliness, but also for the famous Cypriot cuisine, based on the healthy Mediterranean diet.

High quality of life is without a doubt one of Cyprus' most attractive attributes. Indicatively, the island was ranked as the 5th best relocation destination worldwide by a recent 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.

Besides its natural beauty, Cyprus offers a highly valued safe environment, with low stress levels and crime rates, ideal for a peaceful family life. 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.

People choosing to make Cyprus their home do not have to worry about language and education. English is widely spoken on the island, while most people are bilingual. The country offers excellent multilingual educational institutions, where courses are taught in English, French, German, Russian, Italian, Armenian and other languages.



Growth Sectors

Cyprus has great potential to offer in both traditional and emerging economic growth sectors, continuously diversifying and enriching its product. The island retains its competitive edge by introducing innovation to both traditional sectors, such as shipping, tourism, banking, financial and professional services, new sectors, such as energy, investment funds, research & development, start-ups and education. Our modern perspective provides impetus to the country's path towards growth while fostering a varied, knowledge-based economy. Numerous opportunities are waiting to be explored in various development sectors, while significant incentives and funding opportunities are frequently introduced. Key economic sectors that drive and support the economy's growth path include the following:

Shipping

Cyprus is a renowned International Shipping Centre and home to some of the world's leading names in the global shipping industry. The recent commercialisation of the Limassol port is expected to boost the sector even further and encourage even more international companies to choose Cyprus as their base.

The maritime sector has historically been one of Cyprus' most successful industries. Capitalising 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:

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

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

Tourism

Tourism has traditionally been a major source of income with a significant contribution to the country's GDP. Being one of Cyprus' most resilient economic sectors, tourism continuously experiences substantial growth, translated into an increasing number of tourists each year, in excess of 2.5 million.

In 2016, tourism represented 14% of Cyprus' GDP, with tourist arrivals marking an all-time record since 2001, reaching 3.18 million arrivals according to the Cyprus Statistical Service. This number is expected to rise further in projections for 2017.

Not only is Cyprus blessed with exceptional natural beauty and millennia of history, it is also well known for the hospitality of its people, its appealing gastronomy and rich culture. With its golden sandy beaches and clear blue waters, beautiful mountains and vineyards, pleasant Mediterranean climate, year-round sunshine, Cyprus caters to all tastes. The island's famous beaches have been awarded with 57 Blue Flags in 2015, ranking Cyprus first in the EU for the tenth consecutive year, including three records:

- most Blue Flags per capita in the world
- most dense concentration of Blue Flag Beaches
- most Blue Flag beaches per coastline

Cyprus' tourism industry has been awarded several prestigious accolades, 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.

But there is much more to Cyprus than just sun and sea. Cosmopolitan and culturally rich, Cyprus offers a variety of touristic 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. Paphos is currently the European Capital of Culture for 2017.

The island has all the prerequisites to further develop this industry and offers great potential for investments in niche areas such as Health & Wellness, Sports, Luxury and Lifestyle tourism.

A comprehensive strategy for tourism was prepared in 2016. Building on the previous years' success, the policy adopts an integrated approach aimed at enhancing and diversifying the tourism product, targeting the premium market segment and achieving high value-added tourism from traditional as well as emerging tourism markets. Building on Cyprus' competitive advantages, the new strategy envisions the implementation of parallel actions in a wide range of areas. These include expanding the accommodation capacity, further developing niche areas and new experiences and building a strong tourism brand while diversifying the source markets of tourists. Becoming an all-year-round sustainable tourism destination is right at the heart of the government's tourism policy, which aims at ensuring a memorable and exciting experience for all visitors.

Tourism is expected to be further enhanced through several large-scale development projects which are currently under development, such as the Ayia Napa Marina and the island's first ever luxury Casino Resort. Tourism is really 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 centres.

The recently completed Limassol Marina has provided a significant boost to the further development of the city of Limassol. More large-scale projects, such as leisure & theme parks, luxury resorts, medical and rehabilitation centres tourism resorts and golf courses are underway, attracting significant investor interest. Following the success of the Limassol Marina, new luxury marinas are also in the pipeline for Larnaca, Ayia Napa, Paralimni and Paphos.

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.

Investment in land development has brought significant FDI inflows through the naturalisation and immigration permit schemes. Property sales 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.

In line with the government's policy for the attraction of foreign

direct investment, the Cyprus government has introduced two schemes for granting foreign investors Cypriot Citizenship and Immigration Permit to Cyprus (see relevant chapter on page 42).

Energy

The discovery of hydrocarbon reserves in Cyprus' Exclusive Economic Zone (EEZ) has created the opportunity for Cyprus to become an energy centre 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. A comprehensive strategy has been developed to exploit the country's wealth not only for local needs, but also for export purposes.

Developments have attracted worldwide interest and investment from leading international energy giants, such as ExxonMobil, Qatar Petroleum, ENI, Total, Noble Energy, Delek and KOGAS, which have been granted exploration licences for several offshore blocks within Cyprus' EEZ. US firm Noble Energy, operating block 12, the 'Aphrodite', and also developing Israeli Tamar and Leviathan gas fields, found an estimated 4.5 trillion cubic feet of natural gas, enough to meet Cyprus' domestic gas demand for over 100 years.

Emphasis has also been given on fostering multilateral cooperation with neighbouring countries in exploiting the reserves and building prospective regional pipelines. Regional cooperation has been successfully enhanced through agreements signed with Israel, Egypt and Lebanon, while Egypt and Cyprus have also entered into an agreement for the utilisation of a natural gas via pipeline. The agreement allows a direct subsea pipeline from Cyprus' s EEZ to either Egypt's EEZ or onshore Egypt, for domestic consumption or re-export.

Cyprus offers a secure and convenient base for operations for various ancillary services to the oil and gas industry as well as for company headquarters to support activities in the EMEA region. Multinationals operating in the oil and gas ancillary services sector, such as Halliburton, Schlumberger, Weatherford, have already established regional offices in Cyprus.

An important step in the government's plan to evolve into a regional energy hub is the operation of a €350 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. The asset currently comprises 28 tanks and capacity of 544,000m³, and offers access to a deep water marine jetty, as well as to road tanker loading facilities. A Phase 2 expansion is currently under evaluation and would create an additional 13 tanks and further capacity of 305,000m³.





Banking and Financial Services

The Cyprus financial services sector is diverse, comprising domestic and international banks, International Banking Units (IBUs), insurance companies, and other companies that offer financial intermediation services. Many foreign banks from the Middle East, Europe and Asia operate 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 specialised 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.

Regulatory authorities involved in the monitoring of all financial institutions are:

- The Central Bank of Cyprus, an autonomous institution established in 1963, is the supervising authority of the banking system in Cyprus. The Central Bank of Cyprus follows the Basel Committee and European Union banking regulation directives. In January 2008, the Central Bank of Cyprus was integrated into the Eurosystem under the European Central Bank
- The Cyprus Securities and Exchange Commission
- The Co-operative Credit Societies' Supervision and Development Authority
- The Commissioner of Insurance Companies (Ministry of Finance)
- Insurance Services Law
- Authority for the Supervision of Pension Funds (Ministry of Labour and Social Insurance)

Cyprus has adopted International Financial Reporting Standards over three decades and has passed Anti Money Laundering legislation (Law 188(I)/2007). Cyprus complies with MiFID II, Transparency Law and Anti-Money Laundering Law.

Industry Associations:

- Association of Cyprus Commercial Banks
- Association of International Banks - Cyprus
- Insurance Association of Cyprus

Investment Funds

Cyprus is one of the fastest growing investment fund centres 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.

Cyprus offers a European passport to the fund management industry and outstanding possibilities for cross-border and global fund distribution.

The alternative investment funds industry in Cyprus has experienced significant growth in the last few years, with the establishment of a significant number of both UCITS Management Companies and UCITS funds, a trend which is expected to continue.

In an effort to further enhance and grow the Cyprus Investment Funds Industry, the Cyprus Investment Promotion Agency (CIPA) established the Cyprus Investment Funds Association (CIFA), as a natural development of the progress made in promoting Cyprus as a competitive investment funds destination. In extending its local network, CIFA has established close cooperation with the competent Regulatory Authorities, the Ministry of Finance as well as the relevant Industry Associations and Professional Bodies. At an international level, CIFA is taking the necessary steps to become a national member of widely recognised and respected international bodies. In 2016, CIFA was granted full membership of the European Fund and Asset Management Association (EFAMA).

The increasing number of applications being received by the Cyprus Securities and Exchange Commission (CySEC) for Cyprus Investment Firms (CIFs) is indicative of the enduring attraction of Cyprus as an investment base. The number of CIFs has registered an impressive increase over the years, surging from 50 in 2005 to 195 in June 2015, with the trend expected to continue.

Education

With 3 public and 5 private universities, Cyprus is an established educational and research centre striving to support and develop the island's knowledge-based economy.

The Cyprus educational system is centralised and fully regulated by the Ministry of Education and Culture. In 2015, Cyprus easily exceeded two of the headline targets for Education set under the Europe 2020 strategy: the percentage of entry leavers from education and training as well as the tertiary education

attainment rate. According to the latest available data, Cyprus has the highest tertiary education percentage within the EU (2015: 54.6% in Cyprus compared to 38.7% EU average), while public expenditure on education was 5.8% in 2014 compared to a 4.9% EU average.

Cyprus Education at a Glance

Compulsory education in Cyprus lasts for ten years and covers the ages from approximately 5 years (pre-primary education) to 15 years (end of lower secondary education). Education is free for all ages up to 18 years. Early childhood education and care is organised in pre-school and pre-primary systems. The pre-school system involves day nurseries for children under the age of 3. The pre-primary system involves nursery schools for children aged 3-6. Primary education is offered in primary schools and comprises a six-year course of general education beginning around the age of 6. Lower secondary education, between the ages 12-15 is offered in the gymnasium and it comprises a three-year course of general education.

Upper secondary education for children aged 15-18 years, is offered in two different types:

- Secondary general education, which is offered at lyceums and includes both common core and optional subjects of specialisation
- Secondary technical and vocational education, which is offered at technical schools and includes a theoretical and a practical stream of apprenticeship

The vast majority of graduates of upper secondary education continue their studies at tertiary level of education, either in Cyprus or abroad. Post-secondary non-tertiary education programmes, lasting two years, are offered to graduates of secondary education (18+) at Post Secondary Institutes of Vocational Education and Training.

Higher education is offered in public and private institutions, both at University level and non-University level. Private secondary schools are established by private bodies or individuals and they are registered with the Ministry of Education and Culture which is responsible for their supervision.

The Republic of Cyprus has established a favourable higher education framework for the operation of public and private institutions targeting quality, investing in infrastructure and attracting highly qualified human talent. Cyprus, as a member of the Bologna process, focuses on employability, lifelong learning, internationalisation, student and staff mobility with great emphasis in enhancing quality education.

Currently, there are three public and five private universities with the average duration of undergraduate courses being four years and the language of instruction either Greek or English. Around forty private higher education institutions offer academic and vocational programmes of study at both undergraduate and postgraduate level.

- **Public Universities:** Cyprus University of Technology, Open University of Cyprus, University of Cyprus
- **Private Universities:** European University, Frederick University, Neapolis University, UCLan Cyprus, University of Nicosia

The main source of funding for public universities derives from the national budget, fees paid by post-graduate students, donations and national or EU research programmes. Private institutions receive their funding mainly from student fees and research contracts.

Start-Ups and Innovation

Creating value through ideas and having the potential of becoming a key driver of economic growth, the development of the Start-Ups sector is deemed a priority. For this reason, significant incentives have been introduced by the Cyprus government in order to boost innovation and entrepreneurship, such as tax incentives for investment into start-ups, as well as the introduction of the Start-up Visa for third country nationals.

IP Regime main features:

- The Cyprus IP Regime is fully aligned with the OECD/G20 BEPS Action 5 report
- The regulations provide that qualifying IP types include patents and copyrighted software
- An 80% deduction is provided against qualifying profits from a qualifying IP
- Only 20% of qualifying profits are taxed at the rate of 12.5%.
- A taxpayer may elect not to claim all or part of the available 80% deduction for a particular tax year
- Qualifying tax losses in the new Cyprus IP Regime are restricted to 20% of their amount
- The closing of the previous IP Regime will take place via a set of transitional rules up to June 30, 2021

Tax Incentives for investing in innovative SMEs Start-ups

The tax incentives package includes up to 50% tax exemption on investment in qualifying innovative companies and start-ups. The exemption is available to individuals who invest in a qualifying innovative enterprise, either directly or through an investment fund. The maximum annual amount to be exempted is €150,000. The investment could be in the form of acquiring shares, a loan, or providing guarantees to innovative enterprises.

To be considered innovative, a company must have spent 10% of its operating expenses on research and development in at least one of the previous three years, as certified by an external auditor. Start-ups are assessed based on their business plan.

Qualifying innovative enterprises cover a wide spectrum that is not restrictive and aims to encourage innovators to turn their ideas into entrepreneurship and commercial products.



Who qualifies:

- Existing innovative Enterprises: research and development costs represent at least 10% of its total operating costs in at least 1 of the 3 previous years
- New innovative Enterprises (Start-ups): Assessment based on business plan

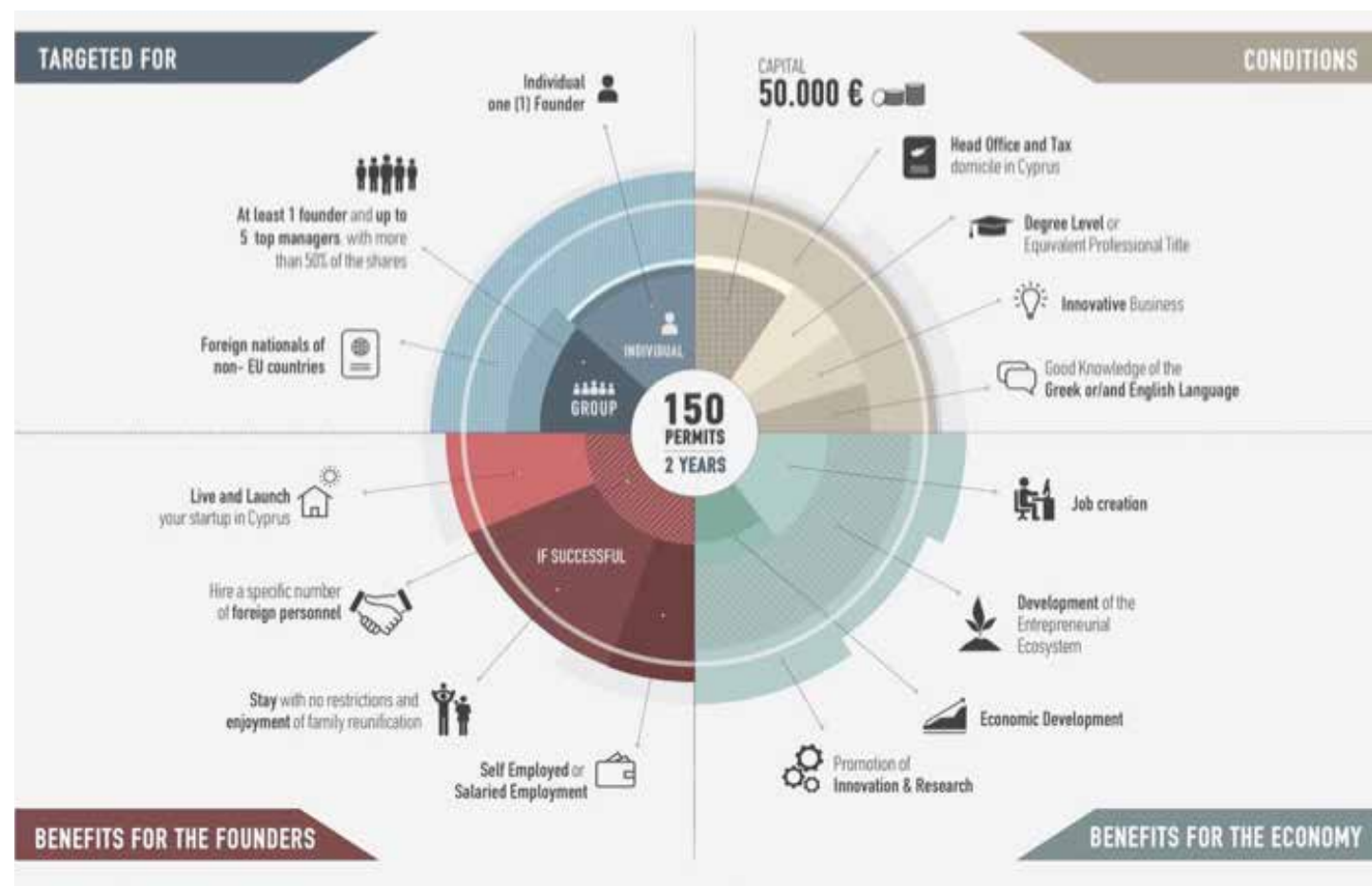
Incentives:

- Income tax relief of up to 50% of taxable income for natural persons investing in qualifying innovative SMEs
- Upper limit of deduction €150,000/year
- Right to claim the tax relief within a 5-year time period

Start-Up Visa

The Cyprus ecosystem is further enhanced with the introduction of the Start-up Visa for third country nationals. This scheme concerns individual investors and groups of investors in a position to establish a start-up in Cyprus.

Investors who are citizens of third countries are eligible for a start-up visa provided they invest a minimum of €50,000 capital and set up their headquarters and tax residency in Cyprus. Applicants must also be university graduates and have a good knowledge of either Greek or English, while their businesses must be certified start-ups.



Information and Communications Technology (ICT)

ICT is an important driver of productivity, growth and economic performance crossing horizontally all sectors of the economy. The government of Cyprus has identified ICT as one of the country's priority growth sectors and has developed a Digital Strategy and Action Plan for immediate implementation. 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 centres, 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:

- 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, such as sales and marketing, project management, software development, systems integration, testing services, training and development, disaster recovery and business continuity, as well as joint R&D among countries of the region
- Skills and Expertise:** Existing knowledge base and available expertise of highly educated and experienced resources. Cyprus has a very high number of university level educated ICT professionals with international experience and expertise in various technologies and industry sectors. Cyprus has the 2nd highest percentage within European Union countries of University graduates, which reflects the high quality of professionals
- EU Research Funds:** As an EU member state, Cyprus attracts EU research funds for Industry-University partnerships. Invest Cyprus acts as a catalyst for the provision of advanced R&D infrastructures and Cypriot talent to foreign companies, who wish to establish Industry-University partnerships with the Cyprus network of Universities and Research Centres. The Cyprus Research Promotion Foundation is currently evaluating and funding companies and projects that have R&D facilities in Cyprus
- Taxation:** Cyprus offers an attractive and fully transparent tax regime, fully compliant with EU, OECD and international laws, with one of the lowest corporate income tax rates in the EU at 12.5% and an attractive Intellectual Property (IP) regime Cyprus welcomes and has the know-how to support Foreign Direct Investment for expansion and development of projects on e-Government, e-Business, e-Learning, e-Inclusion, e-Health and overall ICT services. The country has aligned its ICT and innovation strategy with the flagship initiatives "Digital Agenda for Europe" and "Innovation Union" of the "Europe 2020" growth strategy of the EU



“Cyprus Companies Law”



/Setting Up A Business

Registering a Company

The core wording of the Cyprus Companies Law (CAP 113) is based on the UK Companies Law. Since its adoption, a number of amendments have been made in order to maintain and enhance competitiveness. The Companies Law, as all other legislation in the Republic of Cyprus, is fully compliant with EU Directives and Regulations. As such, any physical person, both from the EU or a third country, who registers a company in Cyprus, can engage in business activities without any restrictions.

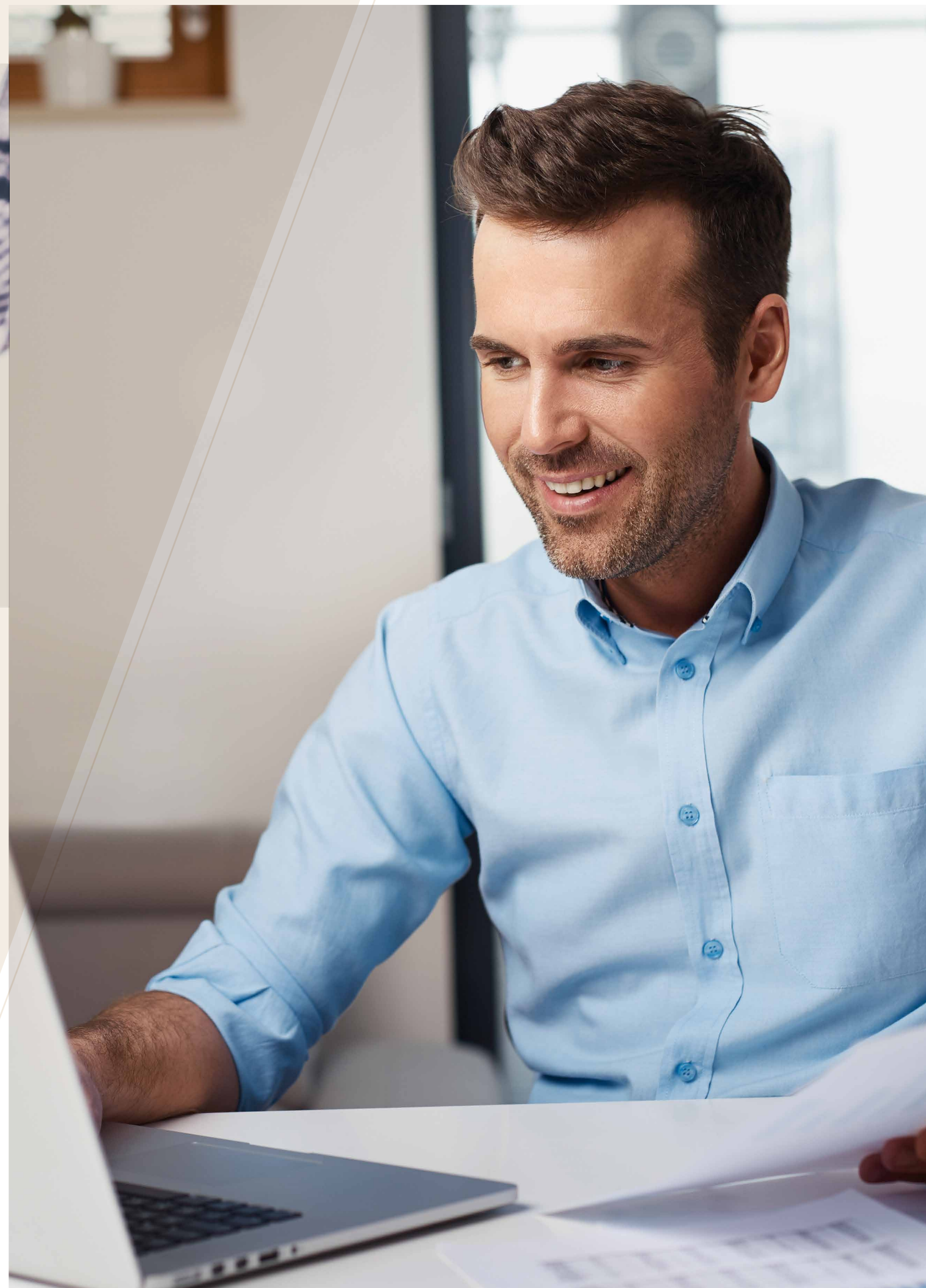
The following types of business entities may be registered under the Cyprus Companies Law:

- Limited Liability private or public companies
- General or limited partnerships
- Business/ Trade Name
- European Companies (Societas Europaeas)
- Branches of foreign Companies

Registration Procedure

The Registrar of Companies and Official Receiver is the responsible government body for the registration of companies in Cyprus. It is also responsible for keeping the Register of Companies, Partnerships, Business Names, Trade Marks, Patents and Industrial Designs and is also responsible for administering properties of insolvent legal and natural persons.

The Registrar is in at an advanced stage in the process of simplifying the procedures and updating its computerised system. Registering and running of companies is being streamlined and becoming very cost-effective. All applications can be submitted electronically.



1 Finding a Cyprus Lawyer or service provider

According to Cyprus law, only lawyers licensed by the Cyprus Bar Association are authorised to prepare and sign the Memorandum, Articles of Association of the company and the HE1 form, which is available only in Greek. Almost all law firms offer translations in English or other languages as required.

2 Approval of Company Name

Companies should submit an application of approval of company name to the Registrar of Companies and Official Receiver. This can be undertaken either directly by the applicants themselves, or indirectly through a lawyer or service provider.

It should be noted however, that as a matter of good practice, legal advisors in Cyprus typically maintain a number of “shelf names”, that is to say, company names already approved by the Registrar. These are offered to clients for whom speed is of the essence. This means that the applicant can have an approved company name in virtually no time.

3. Collection of required information documentation
Preparation and submission of necessary forms to the Registrar

The role of a lawyer or service provider in the preparation of the forms and the opening of a bank account, according to the information collected by the applicant, is necessary. Documents required from the applicant:

- A brief description of the main objects of the company, unless the standard Memorandum and Articles of Association are to be used
- The amount of nominal share capital and how it is divided
- Names, addresses, passport details of the proposed directors and secretary of the company
- The proposed registered address of the company
 - Certified passport copies of the ultimate beneficial owners of the company
- Bank or other references on the good standing of the ultimate beneficial owners
- The chain of ownership behind the Cyprus Company up to and including the ultimate beneficial owners
- Any information according to the requirements of the “KYC”, in compliance with the Anti-Money Laundering Law and the CBA guidelines

Forms required by the Registrar

- Declaration Form (known as HE1 form)
 - Declaration Form concerning the registered office address (HE2 form)
 - Form containing details on the Company Directors and Secretary (HE3 form)
 - Original Memorandum and Articles of Association which should be signed by (a) the subscribers to the Memorandum whose signatures must be attested by at least one witness; and (b) the lawyer who has drawn up the same. All relevant information and required forms can be found in the Registrar of Companies website.

4. Application Processing and Approval by the Registrar of Companies

Once the application package has been submitted to the Registrar and the applicable fees have been paid, a process is set in motion, which in the absence of any problems results in the incorporation of the company, the issue of its certificate of incorporation and of a certified copy of its Memorandum and Articles of Association.

5. Post Registration procedure

All companies must register with the Tax Department, as well as with the Social Insurance Services.

Employers are liable to pay contributions to the Funds (Social Insurance, Annual Holidays with Pay, Redundancy, Human Resource Development and Social Cohesion) for each of their employees whose remuneration is not less than €200 per week or not less than €700 per month. Employers pay their contributions (including the employees’ share) monthly in arrears, within one month from the end of each contribution month. The application form should be accompanied by the following certificates:

- Copy of identity card or passport or aliens registration certificate of employer
- Copy of the certificate of incorporation, copy of certificate of directors and secretary (in case of a limited company)
- Copy of the certificate of partners, copy of certificate of partnership registration (in case of a partnership)
- Declaration of Employers Registration form for the recruitment of employees

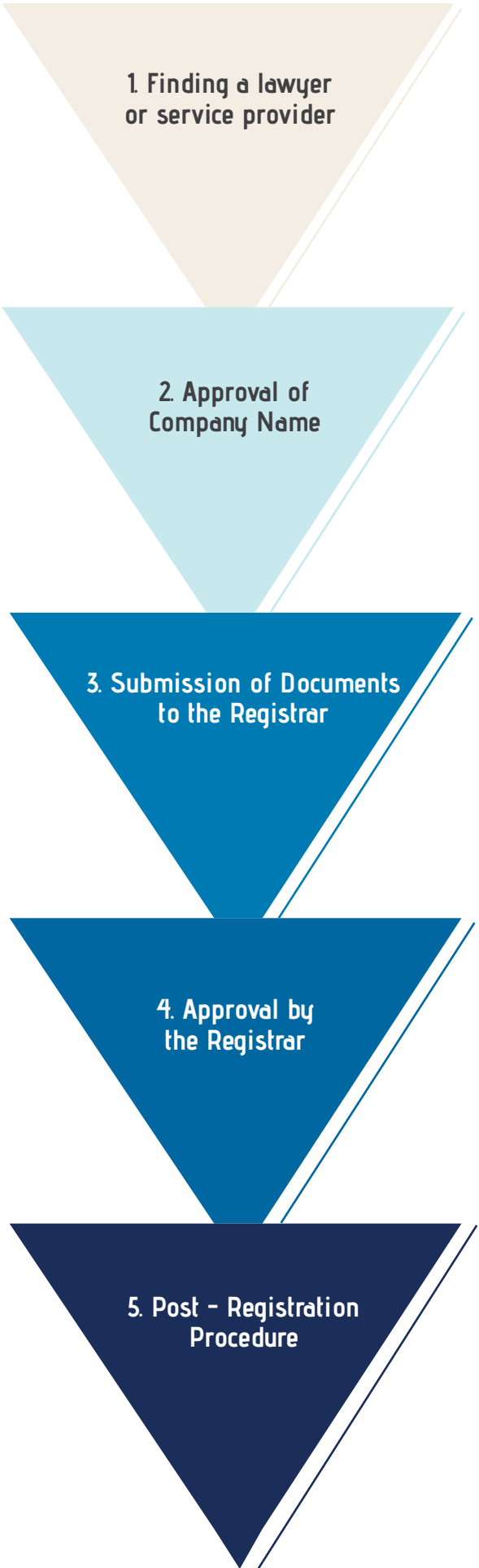
Accounting and Auditing Requirements

• Financial Statements

Companies are required to complete financial statements compliant with International Financial Reporting Standards (IFRS) and inspected by an approved local auditor, in accordance with International Auditing Standards (IAS). Financial statements are due to the Registrar of Companies, along with a company’s annual report, by 31 December following the fiscal year being audited. All financial records required for the preparation of the financial statements must be kept in proper books of accounts.

• Annual General Meetings and Annual Returns

Every company must hold its first Annual General Meeting (AGM) within 18 months of the date of incorporation. Thereafter, an AGM must be held each year and the time between them must not exceed 15 months. Within 42 days of the AGM, the Company must complete and file a fully signed (by a director or the company secretary) copy of the Annual Return with the Registrar of Companies. According to Companies Law, the Annual Return (H.E. 32) must include, amongst others, certified copies of the financial statements, directors’ report and auditors’ report. For more information visit the website of the Institute of Certified Public Accountants of Cyprus (www.icpaccom.cy).



Investment Funds
Setting up an investment fund

Setting up an investment fund in Cyprus is a simple process. The Cyprus Securities and Exchange Commission (CySEC) is the regulatory authority responsible under the Law for the licensing and supervision of Investment Funds for both UCITS and Alternative Investment Funds (AIFs) as well as any other type of Investment Fund. The commencement of operations of Investment Funds requires authorisation from CySEC.

Interested investors, asset managers or other parties that would like to set up an investment fund in the Cyprus jurisdiction can obtain the relevant application forms from CySEC (also available through the website www.cysec.gov.cy) and complete them accordingly. Upon completion, the application forms are submitted to CySEC for approval.

CySEC must review an application and communicate its decision within three months of the submission of a duly completed application.

Types of Investment Funds

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

1 Alternative Investment Funds (AIFs)

An AIF is a collective investment undertaking raising external capital from a number of investors with a view to investing it in accordance with a defined investment policy for the benefit of those investors, and that has not been authorised as an Undertaking for Collective Investments in Transferable Securities (UCITS).

The enactment of the Alternative Investment Funds law in July 2014 has aligned the Cyprus legal and regulatory framework with the latest EU directives on asset management, transparency and investor protection. Following on-going efforts to modernise its fund framework, Cyprus introduced a new law offering more investment structuring possibilities and upgraded rules for the authorisation, on-going operations, transparency requirements and supervision of Cyprus AIFs and regulation on the role and responsibilities of their directors, custodians and external managers. The new AIF law replaces the International Collective Investment Schemes (ICIS) Law of 1999 and has brought all investment products, asset managers and investment firms under the regulation and supervision of the Cyprus Securities and Exchange Commission (CySEC). AIFs that are established under domestic Cyprus fund legislation can be sold on a private placement basis or marketed to professional investors across the EU under the AIFMD passport.

AIF Legal Forms

An AIF can take the following legal forms and may be established with limited or unlimited duration:

- Fixed Capital Company
- Variable Capital Company
- Limited Partnership
- Common Fund

Types of AIFs

Alternative Investment Fund with Unlimited Number of Persons

- May be marketed to “retail”, or “well-informed” and/or “professional investors”
- Freely transferable investor shares
- Must appoint a global custodian
- Can be listed on a recognised stock exchange, and AIFs marketed to retail investors can be traded
- Subject to minimum capital requirements of €125,000 or €300,000 if a self-managed fund
- May be subject to certain investment restrictions depending on the investor type and the overall investment policy

Alternative Investment Fund with Limited Number of Persons:

- May be marketed only to “well-informed” and/or “professional investors”
- Cannot exceed total number of 75 investors / unit holders
- Freely transferable investor shares, with the condition that their transfer does not result in the AIF having more than 75 investors
- In certain cases, it may not be required to appoint a licensed manager or a custodian
- Assets under management do not exceed the AIFMD thresholds of €100 million (including leverage) or €500 million (5-year lock-up period without leverage)

Investor Classification

Professional Investor: An investor considered a professional client, who has the experience and expertise to make his/her own investment decisions and assess the risks involved. To be considered a professional client, the investor must comply with the criteria prescribed in the Markets in Financial Instruments Directive (MiFID) 2004/39/EC.

Well-informed Investor: Not considered a professional investor and (i) must confirm in writing that he/she is a qualified investor aware of the risks involved with an investment in the relevant AIF and (ii) makes an investment of a minimum €125,000 or has been evaluated by a licensed bank/credit institution, an authorised investment firm or an authorised Management Company that he/she has the expertise, experience and knowledge in evaluating the suitability of an investment opportunity.

Retail Investor: An investor who does not meet the requirements listed above.

Key Benefits of the Cyprus AIF

- Cost-efficient and simple to set-up, manage and operate
- Modern regulatory framework fully in line with relevant EU directives and no burdensome reporting requirements
- Significant tax incentives offered by the country’s advantageous tax framework (see below)
- Full transparency through annual audited and half yearly reports to CySEC and investors, which include financial statements, borrowing information, portfolio information and Net Asset Value
- Supervised by a competent and accessible regulatory authority
- Reduced reporting requirements
- No restrictions imposed by the Regulator on type of investments
- May be self-managed (subject to the approval of the Regulator)
- May be set-up as umbrella funds with multiple compartments
- May be listed on Cyprus Stock Exchange and other recognised EU stock exchanges, provided number of investors is not limited

Tax Benefits

- Most income of a Cyprus tax resident Fund is tax free (e.g. most dividend income, capital gains)
- Interest income is taxable, but effective tax can be significantly reduced (taking into account the NID on new equity)
- Tax resident funds are eligible to all benefits under a double tax treaty or the EU Directives
- Services provided by the Investment Manager of the fund are not subject to VAT
- No withholding tax on any type of payments to non-residents
- No subscription tax on net assets of a fund
- No capital gains tax on disposal of shares/units by the holders
- No tax on capital gains from the sale of immovable property located outside Cyprus
- Extensive network of Double Tax Treaties in place with more than 60 countries

2. Undertakings for Collective Investment in Transferable Securities (UCITS)

Any organisation whose sole aim is the collective investment in transferable securities or in other liquid financial assets of capital raised from the public and whose operation is based on the principle risk-spreading and whose units are, at the request of holders, repurchased or redeemed, directly or indirectly out of the UCITS’ assets.

The availability of funds in Cyprus has grown steadily since the country’s accession to the European Union (EU) in May 2004, which resulted in the harmonisation with the acquis

communautaire and EU Directives regulating funds. The transposition of the UCITS IV Directive (2009/65/EC) in July 2012, through the enactment of the Open-Ended Undertakings for Collective Investment Law of 2012 (UCI Law), was another key milestone for the Cypriot funds industry and interest in Cyprus has been on an upward trajectory ever since. UCITS are internationally regarded as one of the most effective asset management tools available, thanks to their low investment risk and high levels of investor protection.

The Cyprus Securities and Exchange Commission (CySEC) regulates and supervises Cypriot UCITS and Management Companies, and also issues permits for distributing Agents for Foreign UCITS. The Management Company and the Custodian must act – at all times – independently of each other. The business of the Management Company must also be managed by at least two persons, who fulfil the relevant legal requirements. UCITS must also appoint a Custodian responsible for keeping the assets of the fund. CySEC requires that the Custodian must have the necessary mechanisms to protect the property of the fund under its custody and forbid its use for own account or for the benefit of third parties. The Custodian can be either a Cypriot bank or a foreign bank with an active branch in Cyprus.

Key Benefits of Cyprus UCITS

- Full EU passporting rights, Cyprus UCITS can be marketed in all EU member states
- Cost-efficient to set-up and operate
- Low investment risk and internationally regarded as one of the most efficient asset management tools
- Continuous professional management by a team of experienced and reputable financial experts, with the know-how to determine investment opportunities both in Cyprus and in international markets
- Robust legislative framework that protects and promotes investor interests
- Possibility to set up umbrella funds, allowing different sub-funds and share classes
- Investments are fully transparent and easy to monitor through daily publication of Net Asset Value (NAV)
- Upon request, investors are entitled to repurchase or redeem their units from the assets of the UCITS
- Supervised by a competent and accessible regulatory authority

Eligible asset categories for UCITS:

- Transferable Securities (TSs)
- Money Market Instruments (MMIs)
- Open-ended collective investment schemes
- Deposits with eligible credit institutions
- Financial derivative instruments

Restrictions on UCITS

UCITS must operate on a principle of risk spreading and as a consequence UCITS must be properly diversified. There are individual limits in the areas of asset eligibility and concentration.

UCITS Legal Forms

- Common Fund
- Variable Capital Company Share

Capital Requirements

- Third-party managed €200,000
- Self-managed €300,000

Master-Feeder Funds

The Master-Feeder structure allows the creation of a structure investing its portfolio into another UCITS, even if located in another EU country. Streamlining the efficiency of the fragmented European industry of investment funds and the search for economies of scale are the driving rationale for the introduction of this investment rule. In a MasterFeeder structure investor contributions go into a Feeder fund, which invests at least 85% of its assets in the Master Fund and the remaining 15% may be invested in other assets subject to the investment objectives of the Feeder Fund.

Umbrella Funds

Umbrella Funds are established with several investment compartments, commonly called sub-funds, with each one constituting a separate pool of assets. The UCITS fund constitutes a single legal entity and each sub-fund has its own separate Net Asset Value (NAV) calculation and issues units corresponding to its assets. Rights of the unitholders of a specific sub-fund only arise from the assets of that compartment and each compartment is liable for the obligations arising from its constitution, operation or dissolution. A compartment of an umbrella fund may invest in another compartment (target) of the same umbrella fund subject to certain restrictions, such as diversification strategies, exposure and no circle investment. Each sub-fund may be dissolved or liquidated separately without affecting the operations of the others and are segregated, thus not subject to ‘cross -class liability’.

Foreign UCITS

All foreign UCITS, which qualify under the relevant EU directive, based in another EU member state seeking to market their shares in Cyprus must apply to the Cyprus Securities and Exchange Commission (CySEC) for registration.

Partnerships

The law governing partnerships in Cyprus was enacted as the Partnership Law Cap 116 and further to an amendment in 1977 it is now titled as the General and Limited Partnership and Business Names Law (the “ Law”). The Law provides for general partnerships, limited partnerships and after October 9th 2015 pursuant to the amending law 114 (I)/2015, partnerships limited by shares, introducing for the first time in Cyprus a limited liability partnership with a share capital, widely used in other jurisdictions for investment purposes.

Types of Partnerships

In a General Partnership every partner is liable jointly and severally with all the other partners for an unlimited amount of the debts and obligations of the partnership. A person who is admitted as a partner into an existing firm does not thereby become liable to its creditors for anything done before he became a partner. A partner who retires from a firm does not thereby cease to be liable for partnership debts or obligations incurred before his retirement.

In a Limited Partnership at least one of the partners must have unlimited liability for the debts and obligations of the partnership while the remaining partners may have limited liability. Only general partners may participate in the management and operation of the partnership and be authorised to bind the partnership while a limited partner may not. If such limited partner takes part in the management and operation of the LLP or purport to bind the LLP then he is liable for all debts and obligations of the LLP which arise for as long as he takes part in the management, as if he were a general partner.

In a Limited Liability Partnership (“ LLP”), the partnership has share capital. An LLP partner contributes to the share capital and shares are allotted to them depending on the amount contributed. An LLP has one or more general partners who are liable for all debts and obligations of the partnership and are authorised to manage, operate and bind the LLP and one or more limited liability partners who merely contribute capital towards shares in the partnership. Limited liability partners may not participate in the management and operation of the partnership, and may not be authorised to bind the partnership. Liability of the limited partners is limited up to the amount that remains unpaid, if any, for the shares held by each partner, who enjoys limited liability in the same manner as shareholders enjoy limited liability in a limited company.

Conditions for the Existence of a Partnership

- The partnership must carry out a business
- The minimum number of partners (may be corporate entities or natural persons) is two and the maximum number is 100 (if the partnership is conducting banking activities then the maximum number of partners is 10)

- The partnership must have the purpose of obtaining profit
- Partnerships of any type are not legal entities and do not have separate legal personality from the partners who compose it
- A partnership agreement is prepared to regulate the relations between the partners such as the interests of the partners in the partnership property, entitlement to capital and profits, contributions towards losses, participation in the management of the partnership and duration of the partnership etc

Registration Procedure

An application is made to the Cyprus Registrar of Companies for approval of the name (before any applications for its registration). Within a month of its establishment a written statement in a prescribed form is submitted to the Registrar signed by all the partners containing the following information:

- The name of the partnership
- The general nature of its business activities
- The names, nationality, usual residence address, any other business activity of every natural person who is a general or limited partner, and if a legal person then its name and registered office or address of the main office (general partners and limited liability partners may be companies)
- The duration of the partnership and its commencement date
- A declaration, if applicable, that the partnership is a limited partnership
- The shares and capital which have been granted or which will be granted to every limited partner, and /or the amount that will be contributed or the amount which has been contributed by every limited partner, reference to the amount which has been contributed in cash or any other manner and the manner by which it was contributed
- The names of the general partners who are authorised to deal with the affairs of the partnership, to direct and to sign on behalf of the partnership
- Payment of registration fee

The Registrar, if satisfied as to the information, provided issues a certificate of registration. If there are any changes in any of the information submitted, within 7 days of the date of the change, a statement must be sent to the Registrar in a prescribed form signed by the partnership, either by a natural or legal person, which outlines the change. If the partnership ceases to conduct business activities, within 1 month after the cessation a declaration in the prescribed form shall be submitted to the Registrar.

Taxation

Partnerships are considered as look through vehicles and are not subject to taxation.

Financial Accounts

Partnerships must keep books of accounts and for this purpose partners (except for LLP partners) must keep proper accounts in a manner necessary to present or explain their transactions and the financial statements in trade, activities or profession

including statements which contain day to day entries with sufficient details.

If a sole general partner or all general partners of a partnership are entities listed in article 64A of the Law, which includes limited liability companies established in accordance with the Cyprus Companies Act Cap 113 and partnerships which are established in accordance with the Law among others, annual reports and financial statements must be prepared in accordance with articles 118-122 and articles 141-169 of the Cyprus Companies Act Cap 113 at the end of the financial year and must comply with the requirements specified therein.

Trusts

The main legal framework governing trusts in Cyprus is a combination of English Law i.e the Principles of Equity and Statute Law i.e The Trustees Law of Cyprus (Cap 193), which, is modelled on the English Trustee Act of 1925 and the International Trusts Law of Cyprus (Law 69(I) of 1992 as amended by Law 20(I)/2012).

A trust arrangement entails an obligation on the holder of property (the “ trustee”) to manage the “ trust property” , vested in him/her by its previous owner (the “ settlor”) for the benefit of the “ beneficiary” .

Types of Cyprus International Trusts

- Express private trusts
- Charitable Trusts
- Fixed Trusts
- Discretionary Trusts

In order to create a valid trust, the 3 certainties requirement needs to be satisfied:

- Certainty of Intention: demonstrate evidence of the Settlor’s express intention to create the trust
- Certainty of Subject Matter: demonstrate that the assets which will form the trust property are readily identifiable and tangible
- Certainty of Objects: the identity of all beneficiaries must be ascertained or ascertainable at the time of setting up the trust

Main elements of the Cyprus International Trusts’ Law:

- The Settlor and the Beneficiaries must not be tax residents in Cyprus during the year preceding the year of creating a CIT
- A CIT may be challenged only on defraud of creditor grounds with a 2-year limitation period

- Succession, heirship or other laws applicable in foreign jurisdictions or court judgments or orders or arbitral awards or decisions by foreign Competent Authorities do not affect the validity of a CIT or the transfer of property to the Trustee of a CIT
- The Settlor has the right to reserve many powers including, the powers to revoke or amend the trust, to instruct the Trustee, to appoint and remove trustees, the protector or the enforcer, to change the law regulating the CIT or the place of its administration etc
- A CIT may last for an indefinite period
- The income of a CIT may be accumulated without limitations
- The law regulating a CIT may be changed to another foreign law
- The trustees of a CIT are bound by confidentiality and cannot disclose information or documents unless ordered by a Cyprus Court or required by law
- In the case of a CIT which is expressly governed by Cyprus Law, the provisions of the International Trusts Laws of Cyprus apply without reference to other applicable rules of conflict and as a matter of public order

Taxation of a Cyprus International Trust

Generally, Cyprus International Trusts are transparent for tax purposes. The trustee is not assessed on the income/ gains of the trust and is responsible for discharging the tax liabilities of the beneficiaries on their behalf.

In determining the basis of taxation of a beneficiary in Cyprus, it is important to consider whether or not the beneficiary is tax resident in Cyprus. In the case of a Cypriot tax resident beneficiary, income and gains of the trust earned from sources within and outside Cyprus are subject to tax in Cyprus in accordance with the provisions of the Cypriot tax legislation (see relevant chapter on page 32). Beneficiaries who are not tax resident in Cyprus are subject to tax only on income and profits sourced in Cyprus.

International Cyprus Trusts are liable to taxes such as VAT and stamp duty on their activities in Cyprus.

Capital gains tax applies only regarding gains from the disposal of real estate situated in Cyprus or shares of a company holding property situated in Cyprus.

No estate duty is payable by a Cyprus International Trust that was formed for the purposes of estate duty planning.

Trusts fall within the scope of double taxation treaties in the case where the other contracting state recognises trust structures and principles of equity and the trust itself meets the eligibility criteria set out in the treaty in question.

Registering Vessels

The Department of Merchant Shipping (DMS) operates under the Ministry of Transport, Communications and Works and is accountable to the Ministry for the effective implementation of merchant shipping laws and international maritime conventions to which Cyprus is a contracting party. In particular, the basic functions of the Department are:

- Registration of ships and small vessels and registry related transactions
- Control of Cyprus flag vessels in respect to safety, security, pollution prevention, qualifications of seafarers and living and working conditions of seafarers
- Inspection/surveys of foreign flag vessels in Cyprus ports (Port State Control) as a contracting party to the Paris Memorandum of Understanding on Port State Control
- Control and certification of coastal passenger and high-speed craft
- Training, Certification and Registration of Seafarers
- Continuous updating of the merchant shipping legislation and harmonisation with European Union legislation
- Taxation of ship-owning and ship management companies
- Promotion and further development of Cyprus as a maritime centre and an international registry
- International relations, participation in international organisations, bilateral agreements and cooperation with maritime authorities of other countries

A vessel may only be registered on the Register of Cyprus Ships if:

- More than 50% of the shares of the ship are owned by Cypriot citizens or by citizens of other EU Member States who in the instance of not being permanent residents of the Republic will have appointed an authorised representative in the Republic of Cyprus, or
- The total of the shares of the ship are owned by one or more corporations, which have been established and operate:
 - in accordance with the laws of the Republic of Cyprus and have their registered office in the Republic, or
 - in accordance with the laws of any other Member State and have their registered office, central administration or principal place of business within the European Economic Area and which will have either appointed an authorised representative in Cyprus or the management of the ship is entrusted in full to a Cypriot or a Community ship management company having its place of business in Cyprus, or
 - outside Cyprus or outside any other Member State but controlled by Cypriot citizens or citizens of Member States and have either appointed an authorised representative in Cyprus or the management of the ship is entrusted in full to a Cypriot or a Community ship management company having its place of business in Cyprus

Types of Registration

- Provisional Registration
- Permanent Registration
- Parallel Registration

Business Costs

Operational costs related to maintaining an office in Cyprus include rent, water, electricity, telecommunications and maintenance costs, as well as staff salaries, which are presented in the relevant chapter on Labour Market on page 38.

Basic average costs of operating an office in Cyprus include:

- **Rent:** Rent for commercial buildings can vary from €10-18 per m², per month, depending on several factors, such as location and building condition.
- **Electricity:** There are different types of electricity tariffs such as: Domestic, Commercial, Industrial, Public Lighting, Water Pumping, hours of interrupted supply (Water Pumping Tariff), Off-Peak, Hours of supply for storage heaters (Off-Peak Tariff) and Wind Parks. Detailed information on all electricity issues can be found on the website of the Electricity Authority of Cyprus (www.eac.com.cy), the organisation responsible for the generation, transmission and distribution of electricity in Cyprus.
- **Water:** There are different tariffs for water consumption for Domestic, Commercial and Industrial use. Detailed information can be found on the websites of the Water Boards and the Municipalities of the respective cities.
- **Telecommunications:** There are three telecommunications companies in Cyprus, Cyprus Telecommunications Authority (CYTA) (www.cyta.com.cy), Primetel (www.primetel.com.cy) and MTN (www.mtn.com.cy). Different tariffs and schemes are offered by all providers.

All business costs can vary and change at any times.





/Tax Framework

The Cyprus tax regime is efficient, straightforward and fully transparent, providing an excellent framework for the operation of international businesses. The tax system is one of the most favourable in the EU, featuring a 12.5% corporate tax rate as well as the tax-exempt status of gains from the sale of securities and dividends received from overseas. Such beneficial provisions, coupled with the affordable costs of the high-level professional services offered, render Cyprus an attractive destination for investors from all over the world.

Cyprus' tax laws have been duly amended to incorporate all EU directives, including the Interest and Royalty Directive, the Parent-Subsidiary Directive, the Directive on Mergers and the Directive on Administrative Cooperation.

Tax Highlights

- Competitive corporate tax rate of 12.5%,
- Competitive personal tax rates with the first €19,500 tax-free
- Competitive VAT rates
- Participation exemption on dividend income
- Foreign capital gains are exempt
- No dividend, interest or royalty withholding tax on outgoing payments
- Gains from trading in a wide range of securities are tax exempt
- A competitive IP Tax Regime
- Notional interest deduction
- Foreign Permanent Establishment profits are tax exempt
- Foreign Exchange gains are tax exempt
- Access to more than 60 Double Tax Treaties
- Full access to EU Tax Directives
- Personal tax exemptions for international investors and professionals taking up residence in Cyprus
- Tailor-made provisions for the fund industry
- Competitive Tonnage Tax for Shipping and an approved EU open registry

Corporate Tax

All trading profits of a Cyprus company are taxed at the flat rate of 12.5%, following the deduction of related expenses wholly and exclusively incurred in the production of this income.

Foreign Exchange gains or losses do not affect the tax computation irrespective of the assets/liabilities creating these FX results or whether these are realised or unrealised.

The Notional Interest Deduction (NID) is available, subject to conditions, on "New Capital" contributed and paid into Cypriot companies. The NID is calculated based on the "New Capital" contributed and a "Reference Interest Rate". The Reference Interest Rate is based on the 10-year government bond yield of the Country in which the new equity is invested, plus 3% (a minimum rate applies). The New Capital is equity contributed and paid into the company on or after 1 January 2015, in the form of issued share capital and share premium (subject to conditions). The NID granted in any tax year cannot exceed 80% of the taxable income of the company in that year. If the tax computation results in tax losses then the NID is restricted, and cannot create taxable losses to be carried forward.

Personal Tax

Cyprus has an attractive personal tax regime with low income tax rates and appropriate concessions for international and mobile professionals. 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 gross emoluments are 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 pa. 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 a tax exemption of €8,550 or 20%, whichever is lower, of the gross emoluments of an individual who was not a tax resident of Cyprus prior to the commencement of his/her employment in Cyprus. This exemption applies for a period of three years, commencing in the tax year following the year of taking up employment in Cyprus and is valid until 2020.

Non-domiciled individuals-resident in Cyprus are exempt from taxation on personal investment income (dividends and interest).

Taxable Income (€)	Tax Rate (%)
0 - 19,500	0
19,501 - 28,000	20
28,001 - 36,300	25
36,301 - 60,000	30
60,000+	35

Special Contribution for Defence on Income for non-domiciled individuals has also been abolished.

Value Added Tax

Value Added Tax (VAT) was introduced in Cyprus on July 1st, 1992 and is imposed on the provision of goods and services as well as on the importation of goods into Cyprus. Different rates apply according to the type of services/ goods offered, as per the table below:

Exemptions

Participation exemption regime

Foreign dividends received by a Cyprus company are not subject to income tax and may also be exempt from Special Defence Contribution, if the following conditions are met:

- The paying company must not engage more than 50%, directly or indirectly, in activities that lead to passive income (non-trading income) or;
- The foreign tax burden on the income of the company paying the dividend is not substantially lower than the tax burden in Cyprus (a tax rate of 6.25% or more in the country paying the dividend satisfies this condition)
- No participation or holding threshold is required and the Cyprus participation exemption regime can be described as one of the most generous amongst those available

*Special contribution for defence is imposed on dividend income, "passive" interest income and "passive" rental income earned by Cyprus tax residents. Non-tax residents and non-domiciled tax residents are exempt from special contribution for defence.

Exemption on foreign capital gains

As Cyprus' tax legislation clearly applies the separation of Income and Capital, capital gains are not included in the ordinary trading profits of a business but instead are taxed separately under the Capital Gains Tax Law (CGT). CGT is only imposed on the sale of immovable property situated in Cyprus as well as on the sale of shares in companies (other than quoted shares) in which the underlying asset is immovable property situated in Cyprus. Capital gains tax is imposed at a flat rate of 20% after allowing for indexation allowance.

What is critical for international businesses is that capital gains that arise from the disposal of immovable property held outside Cyprus, as well as shares in companies which may have as an underlying asset immovable property situated outside Cyprus and shares of non-Cyprus companies are completely exempt from capital gains tax.

Vat Rate	Services/Goods
Standard Rate 19%	All goods/services which are not subject to the zero rate, the reduced rate or are exempt
Reduced Rate 5%	Supply of coffins, services supplied by undertakers/ writers/ artists, supply of fertilizers, foodstuff for animal, live animals, seeds, non-bottled water, newspapers, books, periodicals, certain products for persons with special needs, ice cream, certain types of nuts, transport of passengers and their accompanying luggage with urban and rural buses, the letting of camping sites and caravan parks, hair salon services, repair and maintenance of private households, animal feedstuff, confectionary product, bottled water, Juices, pharmaceutical products, entry fees to theatres, cinemas, sports events, luna-parks and other cultural events
Reduced Rate 9%	Transport of passengers and their accompanying luggage by sea and within Cyprus, with urban, suburban and rural taxis as well as with tour and suburban buses, services of restaurants and supply of food in the course of catering, provision of accommodation in the hotel sector or in sectors with a similar character.
Zero Rate 0%	Supply, hiring and repair of sea-going vessels and aircrafts, supply of services to meet the direct needs of sea-going vessels, supply of goods entered into customs regime, supply of medicines and food except in catering, supplies of goods or services which are exempted under the VAT legislation, leasing or letting of immovable property, supply of immovable property with the exception of buildings or parts of buildings and the land on which they stand if the application for a building permit was submitted after the 1st May, 2004, financial services, lotteries, medical care, social welfare, education, sports, cultural services, insurance transactions etc.

No dividend, interest or royalty withholding tax on outgoing payments

Cyprus imposes no withholding taxes on payments to non-tax resident persons (companies or individuals) in respect of dividends, interest and royalties used outside Cyprus, irrespective of whether the recipient of the payment resides in a treaty country or not.

Exemption on gains arising from trading in securities

A unique feature of the Cyprus tax system relates to the exemption from tax of any gains arising from the trading of a wide range of securities. Any income arising from trading in securities is completely exempt from corporate tax. The term “Securities” includes but is not limited to: ordinary and preference shares, founder’s shares, options on titles, debentures, bonds, short positions on titles, futures/ forwards on titles, swaps on titles, depositary receipts on titles, rights of claims on bonds and debentures, index participations (only if they represent titles), repurchase agreements or “Repos” on titles, participations in companies, units in open-end or closed-end collective investment schemes such as Mutual Funds, International Collective Investment Schemes (ICIS) and Undertakings for Collective Investments in Transferable Securities (UCITS).

A competitive Intellectual Property (IP) tax regime

- The Cyprus IP Regime provides very attractive opportunities for structuring the exploitation of IP rights through the country. Its main features are:
- The Cyprus IP Regime is fully aligned with the OECD/G20 BEPS Action 5 report
- The regulations provide that qualifying IP types include patents and copyrighted software
- An 80% deduction is provided against qualifying profits from a qualifying IP
- Only 20% of qualifying profits are taxed at the rate of 12.5%.
- A taxpayer may elect not to claim all or part of the available 80% deduction for a particular tax year
- Qualifying tax losses in the new Cyprus IP Regime are restricted to 20% of their amount
- The closing of the previous IP Regime applicable in Cyprus will take place via a set of transitional rules up to June 30, 2021

Foreign Permanent Establishment (PE) profits are tax exempt

Subject to the criteria listed below, any profit of a foreign PE of a Cyprus company is exempt from corporate tax in Cyprus if:

- The PE does not engage more than 50%, directly or indirectly in activities which lead to passive income,

or,

- The foreign tax burden imposed on the PE is not substantially lower than that in Cyprus.

This allows international businesses based in Cyprus and operating in a broad scope of sectors such as construction and trading to organise their operations in a tax-efficient manner.

Tailor-made provisions for the fund industry

The above-mentioned combination of corporate and individual tax beneficial provisions finds a clear application in the funds industry. Cyprus is developing into a select destination for fund managers and fund management companies. Individual fund managers enjoy the low income-tax rates and the readily available concessions, while fund management companies enjoy the low corporate income tax rates, exemptions and the absence of any withholding tax on dividends and interest to non-resident shareholders. Furthermore, they enjoy significantly lower operating costs without the quality of services delivered being compromised.

The revenues of fund management companies in Cyprus are generally exempt from VAT. Cyprus’ VAT Legislation provides specific guidance with respect to the meaning of “funds and management of mutual funds” that would benefit from this VAT exemption. In this respect “fund management services” that are offered to mutual funds include the following main categories of services: investment management, administration, and promotion/marketing.

Cyprus tax laws have accommodated the tax needs of investment funds (both UCITS and alternatives) by offering a wide range of incentives for their set up and operation:

- Exemption from tax on any income arising from trading in securities and more specifically participations in companies, units in open-end or closed-end collective investment schemes such as Mutual Funds, International Collective Investment Schemes (ICIS)/Alternative Investment Funds (AIFs) and UCITS
- Interest received by regulated investment funds will be considered “active” interest income and taxed at only 12.5% corporation tax.
- No minimum or holding participation threshold for exemption on inbound dividends.
- Liquidation of investment funds not taxable if the unit holders are not Cyprus tax residents.

Competitive Tonnage Tax for Shipping and an approved EU open registry

The European Commission has approved, under EU State Aid rules, a scheme proposed by the Cyprus Government that allows shipping companies to opt to be taxed on the net tonnage of the fleet they operate (Tonnage Tax System – TTS), rather than corporate tax, which they would otherwise have to pay. Under certain conditions the TTS applies also to tug boats, dredgers and cable layers. Cyprus now has a competitive European Union approved “Open Registry” and the TTS allows for mixed activities subject to tonnage tax, and to corporation tax.

The main benefits of the new TTS are:

- The Cyprus Registry is an EU approved Open Registry
- Lower taxation
- Ship chartering activities are included

The new law increases the competitiveness of Cyprus and EU shipping and encourages new shipping companies to set up in Cyprus.

Double Tax Treaties and EU Tax Directives

Cyprus has over the years developed an extensive network of 60 Double Tax Treaties, facilitating international investment to and from Cyprus. Cyprus has managed to conclude and maintain over the years a number of treaties with exemplary beneficial provisions that when combined with the favourable aspects of Cyprus’ tax system provide an invaluable tool for international businesses.

Among others, Double tax treaties have been concluded with the following countries: Austria, Bulgaria, Belarus, Belgium, Canada, China, Denmark, Egypt, France, Germany, Greece, Hungary, India, Ireland, Italy, Kuwait, Lebanon, Malta, Mauritius, Norway, Poland, Romania, Russia, South Africa, Sweden, Syria, Singapore, Thailand, United Kingdom, United States of America, Serbia, Montenegro, Slovenia, Slovakia, Czech Republic, Azerbaijan, Armenia, Kyrgyzstan, Moldova, Tajikistan, Uzbekistan, Ukraine, Seychelles, San Marino, Qatar, United Arab Emirates, Estonia, Finland, Portugal, Bosnia, Lithuania, Spain, The States of Guernsey, Swiss Confederation, Iceland and Iran.

Exemption relating to investment in innovative companies

Tax Incentives have also been introduced to boost innovation and entrepreneurship and provide for a 50% tax exemption on investment in innovative and start-up companies. The exemption will be afforded to individuals who invest in an innovative enterprise, either directly or through an investment fund. The maximum annual amount to be exempted is €150,000. The investment could be in the form of acquiring shares, a loan, or providing guarantees to innovative enterprises. (For more information, see relevant chapter on page 19).

Transparency and Compliance

A strategic business centre, offering a high-quality service that is robustly regulated, is the key to competitiveness and investor confidence in today's rapidly changing environment. Cyprus combines ease of doing business with a fully transparent and stable regulatory framework. Moreover, the Cyprus authorities are continuously introducing and implementing a number of measures both to support and enhance compliance.

As a European Union member, Cyprus adopts International Financial Reporting Standards (IFRS), Accounting and Auditing Standards. Even before joining the EU family, Cyprus had in place both the legislation and a body responsible for the supervision of monetary transactions within its jurisdiction, also establishing the Unit for Combating Money Laundering (MOKAS).

Among the many tools used to ensure a high level of compliance and transparency are the following:

- The Law Regulating Companies Providing Administrative Services and Related Matters, including a public register of licensed practitioners, a mandatory register for trusts and licensing requirements for all administrative service providers (ASPs), such as fiduciary agents.
- For auditors, the competent authority for all measures to prevent money-laundering and terrorist financing is the Institute of Certified Public Accountants of Cyprus (ICPAC). For lawyers, it is the Cyprus Bar Association, for banks and credit institutions it is the Central Bank of Cyprus, while for other providers it is the recently expanded Cyprus Securities and Exchange Commission (CySEC). All the authorities meet a number of times a year to share observations and best practices.
- Central to the legal framework is the "risk-based approach" with rigorous know your client (KYC) and due diligence procedures, effective record-keeping and robust channels for reporting suspicious activities. Competent authorities monitor, review and conduct onsite visits to ensure the effectiveness of procedures.

International standards

Since January 2017, Cyprus is one of the "early adopters" of the Common Reporting Standard (CRS)-the first group of countries to implement the standard on automatic exchange of financial information. Cyprus has been implementing the US-based FATCA on the automatic exchange of financial information since January 2016. It has exchange of information agreements on tax rulings with 96 countries and of course it fully adopts all EU AML directives. All new double tax treaties are concluded according to OECD standards and include exchange of information clauses.



Regulatory Authorities

The Central Bank of Cyprus, an autonomous institution established in 1963, is the supervising authority of the banking system in Cyprus. The Central Bank of Cyprus follows the Basel Committee and European Union banking regulation directives. In January 2008, the Central Bank of Cyprus was integrated into the Eurosystem under the European Central Bank.

Other regulatory authorities involved in the monitoring of financial institutions include:

- The Cyprus Securities and Exchange Commission (CySEC): the financial regulatory agency of the Republic of Cyprus, that aims at establishing the Cyprus securities market as one of the safest, most reliable and attractive destinations for investment through effective supervision, ensuring investor protection
- The Co-operative Credit Societies' Supervision and Development Authority
- The Commissioner of Insurance Companies (Ministry of Finance)
- Authority for the Supervision of Pension Funds (Ministry of Labour, Welfare and Social Insurance)

For auditors, the competent authority for all measures to prevent money-laundering and terrorist financing is the Institute of Certified Public Accountants of Cyprus (ICPAC). For lawyers, it is the Cyprus Bar Association.

All the authorities responsible for the proper functioning of the financial sector meet a number of times a year to share observations and best practices.

Global recognition

The ongoing drive to enforce standards has been recognised by international bodies. A Transparency International report published in 2017, entitled Top Secret Countries Keep Financial Crime Fighting Data to Themselves, found that "Cyprus disclosed the most complete set of anti-money laundering data among the 12 analysed countries, with information available for 14 out of the 20 indicators". It also found that "Cyprus and the US disclosed the broadest range of up-to-date anti-money laundering statistics".



Labour Market and Legislation

Human talent is one of Cyprus’ most compelling advantages, as it ranks among the top countries in Europe and worldwide as regards to tertiary education attainment. Cyprus has a young, multilingual, well-educated and highly skilled human capital that can cater to the needs of all types of businesses. Cyprus actively supports various projects that augment the island’s learning and innovative capacity and status as a knowledge economy.

The Ministry of Labour, Welfare and Social Insurance (www.mlsi.gov.cy) is responsible for the promotion of social justice within a free democratic system based on the pillars of social cohesion and social inclusion and the maintenance and continuous improvement of the standard of living and the quality of life of the working population and society in general.

Labour legislation

All companies operating in Cyprus are obliged to adhere to the employment legislation of Cyprus. Detailed information on labour laws and regulations can be found on the website of the Ministry of Labour, Welfare and Social Insurance at www.mlsi.gov.cy.

Payroll Accounting

The minimum salary in Cyprus starts at €870 per month for shop assistants, nurse’s assistants, clerks, hairdressers and nursery assistants and rises to €924 after six months’ employment.

Working hours

The maximum weekly hours of work are 48 hours, including overtime. The normal pattern of working hours in Cyprus is 40 hours per week. Additionally, the employee is entitled to at least 11 continuous hours of rest per day. If the daily period of work is greater than 6 continuous hours, the employee is entitled to a 15-minute break. The employment legislation has a provision for a minimum probation period of at least 26 weeks which may be extended up to 104 weeks. In the event of termination of employment during the probation period, there is no minimum notice period.



Annual holidays

According to the type of work schedule, employees are entitled to annual holiday leave of a minimum of 20 days, when working on a 5-day week basis, (or 21 days if the company is exempted from the 8% Holiday Fund Contribution), or minimum 24 days when working on a 6-day week basis, (or 25 days if the company is exempted from the 8% Holiday Fund Contribution).

Public holidays

- 1 January (New Year’s Day)
- 6 January (Epiphany)
- Green Monday (movable date)
- 25 March (National Day)
- 1 April (National Day)
- Good Friday (movable date)
- Easter Monday (movable date)
- 1 May (Labour Day)
- Whit Monday (movable date)
- 15 August (Assumption Day)
- 1 October (Independence Day)
- 28 October (WWII National Day)
- 24 December (Christmas Eve)
- 25 December (Christmas Day)
- 26 December (Boxing Day)

Social Security System

The social security system provides for several benefits, such as maternity allowance, sickness benefit, unemployment benefit, old-age pension, invalidity pension, widows’ pension, orphans’ benefit, benefits for employment accidents and occupational diseases.

Cyprus has concluded social security bilateral agreements with the United Kingdom, Greece, Egypt, Canada, Quebec, Australia, Austria, Slovakia, Swiss Confederation, Czech Republic, Netherlands, Bulgaria, Serbia and Syria. The bilateral agreements that Cyprus has concluded with member states of the EU have been replaced by the EU Regulations 883/04 and 987/09, which coordinate the social security systems of the member states.

Social insurance contributions are made by any individual employed or self-employed in Cyprus. An employer also makes contributions for his/her employees. Payments can also be made electronically. The relevant rates are applied on the weekly wages or monthly salaries received and are subject to certain upper limits.

The Social Security contributions of employees are withheld by the employer from the monthly salary paid to employees. These contributions along with the employer contributions should be paid no later than the end of the calendar month following the month that the salaries relate to. The Social Security contributions of self-employed individuals are paid quarterly. Social insurance contributions are restricted to a maximum amount that is increased annually.

The amount of contributions made by an employer to the Social Cohesion Fund is calculated on the total emoluments with no upper limit. Employers may be exempted from the 8% Holiday Fund Contribution provided they meet certain criteria.

Sick leave is paid by the Department of Social Insurance. The benefit starts from the 4th day of absence from work due to illness and in the case of a self-employed person on the 10th day of absence from work. The level of the benefit is based on the average weekly earnings on which contributions were made in the previous contribution year under the social insurance scheme.

Many employers sponsor a Provident Fund scheme for their employees, similar to a pension plan. The basic principle of a provident fund is that both the employer and the employee contribute a specific percentage of the employee’s monthly gross salary to the fund. It is not compulsory to operate such funds, but once formed a fund is regulated by legislation and the office of the Commissioner of Provident Funds.

Unions

Since its accession to the EU, Cyprus has adopted the European Union’s legislative framework on labour regulations. The Cyprus labour market has a tradition of social dialogue and a well-developed institution of free collective bargaining. Terms and conditions of employment are negotiated either directly between the employer and the employee or through collective bargaining between trade unions and employers’ organisations.

	Employer	Employee	Self-employed
Social Insurance Fund	7.8%	7.8%	13.6%
Redundancy Fund	12%		
Industrial Training Fund	0.5%		
Social Cohesion Fund	2.0%		
Holiday Fund (if not exempt)	8.0%		

“Cyprus Visa”



/Immigration

Visa Requirements

The following categories of nationals do not require a visa to enter Cyprus:

- Citizens of ALL EU member states, as well as, of Switzerland, Iceland, Liechtenstein and Norway. They can also travel with their Identity Card, provided it bears the holder's photo.
- Holders of diplomatic passports of Albania, Azerbaijan, Bosnia Herzegovina, FYROM, Montenegro and Qatar.
- Holders of diplomatic and service passports of Armenia, China, Costa Rica, Georgia, Iran, Jordan, Kazakhstan, Mongolia, Moldova, Russian Federation, Serbia, Seychelles and Ukraine.
- Holders of diplomatic, service, and special passports of Egypt, Lebanon, Kuwait, Syria and of the United Arab Emirates.
- Holders of diplomatic, official and service passports of Colombia, Cuba, India, Mexico and of Panama.
- Holders of diplomatic or official passports of the Republic of Korea.
- Holders of biometric passports of Albania, Bosnia Herzegovina, FYROM, Montenegro, Serbia and of Moldova.
- All flight crew members who are holding Flight crew Member's License or a Crew Member Certificate issued under the Chicago Convention.
- The flight crew and attendants on emergency or rescue flights and other assistants in the event of disaster or accident.
- The civilian crew of ships.
- The holders of United Nations laissez-passer.
- The holders of Council of Europe laissez-passer.
- Holders of valid double or multiple entry Schengen visa or Bulgarian, Croatian and Romanian, as well as residence permits issued by Schengen Member States or by Bulgaria, Croatia and Romania, are not required to hold a short-stay visa to enter the Republic of Cyprus for a time period that does not exceed 90 days in any 180-day period. This provision doesn't apply to Citizens of Turkey and Azerbaijan who have to follow the regular visa issuance procedure.

- The Republic of Cyprus has adopted the provisions of Decision No 565/2014/EU of the European Parliament and of the Council of 15 May 2014 introducing a simplified regime for the control of persons at the external borders based on the unilateral recognition by Cyprus as well as by Bulgaria, Croatia and Romania of certain documents as equivalent to their national visas for transit through or intended stays on their territories not exceeding 90 days in any 180-day period.
- Holders of travel documents issued to recognised refugees under the Convention relating to the Status Refugees of 28 July 1951, do not require a visa to enter Cyprus, if their travel documents are issued by a member-state of Schengen or by a state listed in Annex II to the Council Regulation 539/2001 as per its amendments.
- Holders of travel documents issued to stateless persons under the Convention relating to the Status of Stateless Persons of 28 September 1954, do not require a visa if the documents are issued by a member state of Schengen and the holders of these documents are residing in this Member State.
- All persons who are in possession of work permit or entry permit issued by the Civil Registry and Migration Department.
- All persons who possess a permanent or a temporary residence permit issued by the Civil Registry and Migration Department.

Types of Visas

• Airport Transit Visa (Category A)

An Airport Transit Visa (ATV) entitles aliens who are required to possess such a visa to pass through the international transit area of Cypriot airports without actually entering the territory of the Republic of Cyprus, during a stop-over or transfer between two stages of an international flight. The ATV is an exception to the general right to transit without a visa through Cyprus.

• Short-stay Visa (Category C)

This visa entitles aliens to enter the territory of the Republic of Cyprus, for reasons other than immigration, for a max period of 90 days within 6 months.

• Multiple entry Visa (Category C)

Multiple entry Visas (up to 5 years) are granted to third country nationals who provide proof of frequent visits to

Cyprus and other EU countries. Similarly to the Short stay Visa, the duration of stay should not exceed the three months in any half year, starting from the date of first entry.

• Visa issued at the border (Category C)

Short-stay and ATVs can be exceptionally granted (only in emergency cases and following the approval of the Director of the Civil Registry and Migration Department) upon arrival at the legal ports of entry in the Republic.

• Visa Extension (Category C)

Holders of Category C visa may apply at the local Alien and Immigration Unit for an extension of their visa for a period up to 90 days from the date of entry, within 6 months. In case the granted visa bears the indication "Final", the prior approval of the Schengen and Consular Affairs Division of the Ministry of Foreign Affairs is compulsory.

• Long-Stay Visa (Category D)

This visa entitles the alien to stay in the Republic of Cyprus for a period up to one year

Visa Fees

Type of VISA	Fee
Airport Transit Visa	15
Short-stay Visa (1-90 days)	20
Multiple entry Visa (up to 5 years)	60
Visa issued at the border	20
Visa Extension	30
Long-stay Visa	60

Visas are issued by all the Diplomatic Missions (Embassies and General Consulates) of the Republic of Cyprus, and by Honorary Consulates of the Republic of Cyprus abroad, if there is no Diplomatic Mission of the Republic of Cyprus close by.



Investment and Business Incentives

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 this context, the Government offers favourable incentives to existing or new companies doing business in Cyprus and works to improve Cyprus' competitiveness and create a more effective and business-friendly environment through a series of reforms aimed at restructuring and modernising the state and public sector. Through its Action Plan for Growth, approved by the Council of Ministers in February 2015, the government is committed to creating optimal conditions for businesses to flourish by simplifying administrative procedures, improving the tax framework, guaranteeing an open and transparent legal system and eliminating internal barriers, bureaucratic dysfunctions and distortions that halt or hamper growth.

Furthermore, investors in Cyprus can benefit from a number of investment and business incentives.

Naturalisation and Immigration by Investment Schemes

The Cyprus government has introduced two schemes for granting foreign investors Cypriot Citizenship and Immigration Permit to Cyprus.

Acquiring Cypriot Citizenship - Naturalisation of Investors in Cyprus by Exception

Eligibility:

The following non-Cypriot natural persons who meet one of the set financial criteria, are eligible to apply for the acquisition of Cypriot Citizenship:

- Natural persons, either personally or through a company in which they are participating as shareholders, in proportion to their holding percentage
- Through investments made by their spouse or jointly with the spouse
- As high-ranking senior manager of a company that meets one of the financial criteria below (provided that they receive a remuneration that generates paid tax revenues of at least €100,000 over 3 years)

Financial Criteria:

Eligible persons who meet one of the following financial criteria may apply for the acquisition of the Cypriot Citizenship:

- Investment in real estate, land development and infrastructure projects of at least €2m
- Investment in financial assets of Cypriot companies or organisations of at least €2m
- Investment in Alternative Investment Funds or financial assets of Cypriot companies/ organisations that are licensed by Cyprus Securities and Exchange Commission of at least €2m
- Combination of the above criteria, which can also include investment in government bonds of up to €500,000

Other Terms and Conditions:

- Prior to the naturalisation, investors must hold a residence permit in Cyprus. If not, application for a residence permit can be submitted simultaneously with the application for the naturalisation
- In addition to the above investment requirements, an investor must also own a permanent privately-owned residence in Cyprus of at least €500,000 (+VAT). If investment is made into residential properties, as per the first financial criterion, this requirement is not applicable, if at least one of the units is worth at least €500,000 (+VAT), provided that the applicant retains the possession of the residence for life
- The investment in government bonds is restricted to €500,000
- There is no requirement of residing in Cyprus after acquiring citizenship

Family Members:

- **Spouse/ partner:** The investor's spouse or partner may acquire the Cypriot citizenship. Their application may be filed simultaneously
- **Minor children:** Dependent children up to the age of 18 may apply, after the investor acquires the Cypriot citizenship and provided that the other parent consents to the grant of the citizenship

- **Adult financially dependent children:** the right to apply for citizenship is also granted to the financially dependent adult children of the investor belonging to one of the following two categories:

- students up to the age of 28
- children with severe physical/ mental disability that prohibits employment

- **Parents:** The investor's parents may also apply for citizenship after the investor has acquired his/ her citizenship, provided that they are owners of a private residence of at least €500,000 (+VAT). The investor and his/ her parents may collectively acquire one residential property of a total value of at least €1m (+VAT)

Acquiring Immigration Permit by Investment

Eligibility:

All third country nationals who meet the criteria and terms set out in the scheme are eligible for acquiring an Immigration Permit for Cyprus

Financial Criteria:

A non-Cypriot citizen, who meets the following criteria may apply for the acquisition of an Immigration Permit:

- Deposit minimum capital of €30,000 into a bank account in Cyprus, which will be pledged for a period of at least three years
- Provide evidence of a secure annual income of at least €30,000 (+€5,000 for every dependent person - spouse and children - and +€8,000 for every dependent parent or parent-in-law)
- Purchase residential real estate of total market value of at least €300,000 (+VAT). Payment receipts submitted with the application should amount to at least €200,000 (+VAT)

Other Terms and Conditions:

- The Immigration Permit does not allow the undertaking of any form of employment in Cyprus
- Holders of an Immigration Permit must visit Cyprus once every two years

Family Members:

- Spouse and financially dependent children: Immigration Permits are also issued for the investor’s spouse and all financially dependent children (up to 18 years old – or between 18 and 25, provided that they are unmarried, students), upon payment of the relevant fee
- Parents/ Parents in Law: The applicant’s parents may also be granted an Immigration Permit with the submission of an application and payment of the relevant fee
- Non-financially dependent children: An Immigration Permit may also be granted to non-financially dependent children of the applicant over the age of 18, provided that the market value of the acquired real estate attributed to each child is at least €300,000 (+VAT)

For more information on the schemes, please visit the website of the Ministry of Interior of the Republic of Cyprus, at www.moi.govcy

Funding opportunities

The Directorate General for European Programmes, Coordination and Development maintains an Information Portal for Funding Programmes (www.fundingprogrammesportal.govcy), which provides information to all interested citizens and business for all programmes and calls for proposals, both at European and national level. The different programmes cover a wide range of beneficiaries such as employees, unemployed persons, NGOs, SMEs, local authorities, research centres, educational institutions, public sector entities etc., in areas such as Employment, Competitiveness, Energy and Environment, Education, Culture, Research, Youth, Rural Development etc

This portal features information for the following categories of funding programmes:

- **EU Competitive Programmes:** financed directly by the European Union’s budget and aiming at contributing to the implementation of EU policies. As a general rule, these programmes are transnational, which means that the participation of partners from more than one member state is required for the submission and implementation of a proposal, which is submitted for approval directly to the European Commission
- **EU Co-Financed Programmes:** financed in Cyprus either from specific funds that have been allocated to Cyprus under the EU Multiannual Budget, mainly through the European Structural and Investment Funds, or from national sources. The priority actions which are funded are decided jointly between EU and Cyprus authorities, whereas the management of these programmes is under the responsibility of Cyprus authorities, while the European Commission reserves the right to monitor them
- **EEA/Norwegian and Swiss Financial Mechanisms:** focused on promoting the four basic principles of the Internal Market (free movement of goods, persons, services and capital) in the following priority areas: protection of the environment,

promotion of sustainable development, conservation of European cultural heritage, human resources development, Child Health and Care etc.

- National Grant Schemes: designed and approved at national level and are funded solely by national funds aiming at the implementation of various state policies and priorities such as strengthening employment, promoting tourism etc. Implementation of these projects is the responsibility of the relevant public authorities in Cyprus

Industrial and Free Zones

Industrial Zones differ from industrial estates. Aiming at a balanced development in the interest of health, comfort and the general welfare of its citizens, the Government has declared Industrial/Craft zones for urban purposes. Throughout Cyprus, there are more than 100 privately owned Industrial/Craft Zones.

Free Zones

Free Zones have been abolished in Cyprus by Regulation 230/2011 of 17/06/2011. Nevertheless, this will not discourage investment activity in Cyprus, because the benefits to an investor resulting from free zone operations can also result from operating under other available regimes, such as the Customs Warehouse or the Inward Processing Regime. These two regimes share many features with the now abolished free zone regime.

Customs Warehouse (Previously known as “bonded”)

Most parties that would previously opt for free zone operations will now seek the Customs Warehouse regime. This involves making an application to the district customs office, requesting that a particular facility (i.e a warehouse anywhere) be declared a customs warehouse. If all the documents are in order, approval should be granted within a month. Obtaining approval means that the imported goods are not subject to import duties or VAT, and may even be processed provided that the processing only involves small alterations. If the latter is not the case, (say in the case of a manufacturer of goods from raw material) then the inward processing regime should be chosen. It is noted that the inclusion of an applicant in the regime is subject to fees amounting to €1,700 (one-off) and €1,700 annually. In Cyprus, there are at present about 300 customs warehouses.

Inward Processing

This is the regime that is appropriate for manufacturing businesses interested in importing raw material, processing them, and manufacturing goods that are to a large extent intended for export. The interested party needs to apply to the Department of Customs, requesting approval for the inward processing regime. Application processing takes about a month. This has no relation to the acquisition of land, premises, etc; only to the approval of the applicant’s status. Under this regime, no custom duties and VAT apply to imported raw materials. Concerning machinery and equipment, no tax applies if they originate from the EU. If they do not originate from the EU, then used machines/equipment will be exempt from tax if it is proven that a factory in the

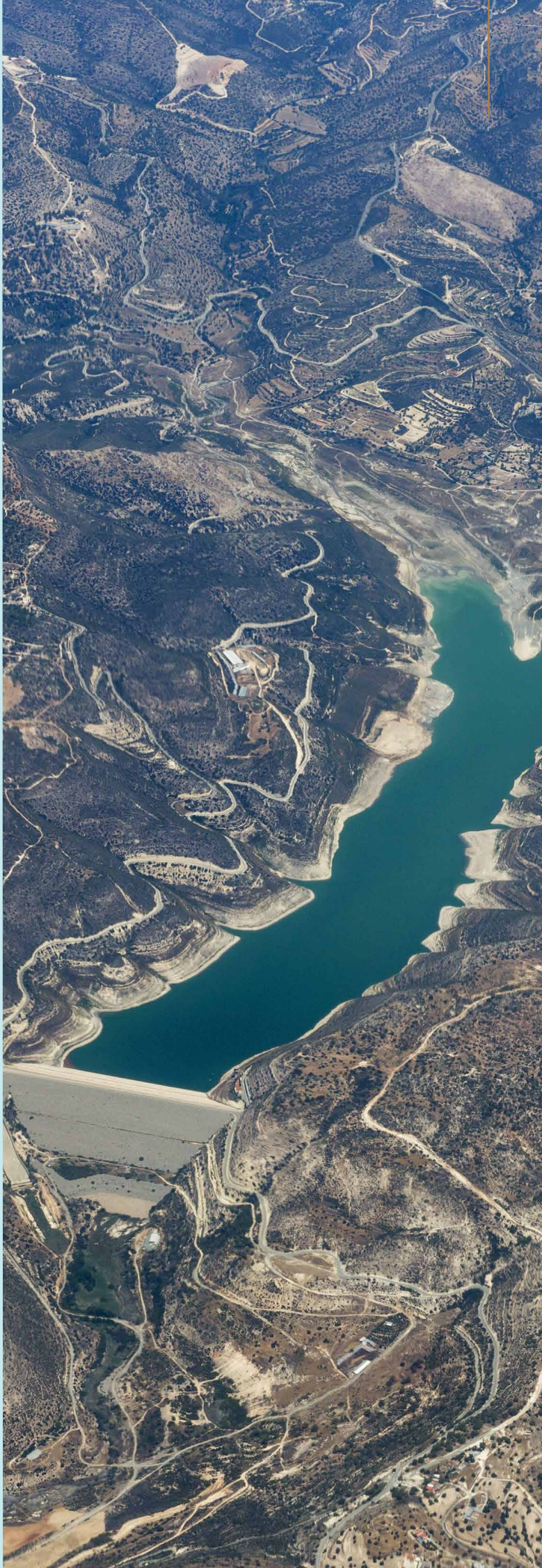
country of origin (where the machines were used) was wound up so as to move operations to Cyprus. For EU common customs tariffs, see the TARIC database (European Commission).

The importer/manufacturer must at the time of application provide information on the expected volume of imports during the validity of his/her licence as inward processor (max licence duration is three years). Based on that figure, he/she will need to provide a guarantee to the department of customs (i.e. bank guarantee) that should be equivalent to the custom duties he/she would have paid on the goods had he/she not been under the inward processing regime. It is noted that the inclusion of an applicant in the regime is subject to fees amounting to €1,700 (one-off) and €1,700 annually.

Establishment

The interested party may set up facilities in an industrial zone or industrial area. Land in industrial zones belongs to private parties, so the interested party can contact them directly to find out about availability and prices. Land in industrial areas belongs to the state, and if there is any space available, it can be provided to an applicant under a 33-year lease that can be renewed twice. If the state has no space available to lease, the interested party can inquire whether any existing leaseholders are interested to sell their lease or sublease.

For more information, please visit the website of the Ministry of Energy, Commerce, Industry and Tourism (www.mcit.govcy).



/About Invest Cyprus

Businesses and individuals considering investment into Cyprus have a partner on the ground at all stages of the investment cycle. Invest Cyprus is a non-profit national body and the government's dedicated partner responsible for the facilitation of investments into Cyprus. In close collaboration with all government authorities, public institutions as well as the private sector and international experts, Invest Cyprus is the investor's first point of contact.

Invest Cyprus takes the lead in attracting and facilitating Foreign Direct Investment in key economic sectors, working with the investor, for the investor. Dedicated to continuously improving the business and regulatory environment, Invest Cyprus advocates reform while providing continuous investor support and aftercare services. Being the essential lead agent in establishing Cyprus as a world-class investment destination, Invest Cyprus proactively promotes the enhancement of the country's competitive environment, maximising FDI, for the economic and social benefit of Cyprus.

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

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Disclaimer: The information available in this guide intends to provide a general introduction to the business environment in Cyprus and every reasonable effort is being made to ensure its accuracy and timely amendment. In no circumstance shall Invest Cyprus be legally bound as a result of any information contained in this guide. Updated information can be found at all times on our website at www.investcyprus.org.cy





Useful Contacts

Public Institutions

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2 Ministry of Finance

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4 Civil Registry and Migration Department

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Email: migration@crmd.moi.gov.cy

5 Human Resource Development Authority of Cyprus

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2 Association of Cyprus Banks

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Postal Address: P.O. Box 16113, 2086, Lefkosia (Nicosia), Cyprus

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E-mail: info@acb.com.cy

3 Cyprus International Businesses Association (CIBA)

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4 Cyprus Investment Funds Association (CIFA)

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5 Cyprus Bar Association

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6. The Institute of Certified Public Accountants of Cyprus

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Website: www.ccci.org.cyEmail: chamber@ccci.org.cy**10. Cyprus Employers and Industrialists Federation**

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