

CYPRUS

INVEST WITH CONFIDENCE





*[...] Strange, I can see it here, the light of the sun, the gold net where
things are quivering like the fishes
which a great angel draws together with the nets of the fishermen [...]*

From the poem "Ayia Napa" by George Seferis; 1963 Nobel Prize Laureate – Literature.



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Cyprus: An International Business and Financial Centre Bridging the Middle East and Europe

Cyprus has become the destination of choice for investors in search of an ideal location for their company headquarters and operational activities. Cyprus, which has a long established reputation as a safe and secure location for commercial and business activities, continues to develop into an ideal hub for doing business between the Middle East, Africa, Asia and Europe. Cyprus offers **ease of doing business** in a professional environment in the surroundings of a sophisticated culture and advanced quality of life, both for multinationals as well as small and medium enterprises. The European Union (EU) is one of the most attractive Foreign Direct Investment (FDI) destinations: by investing in an EU member state such as Cyprus, a market of over 500 million citizens is readily available.

An **EU member state** since 2004 and a **member of the European Monetary Union** since 2008, Cyprus provides a thriving market oriented economic system with the **lowest corporate tax regime in the EU at 10%**, combined with a range of double tax treaties with over 43 countries worldwide. Cyprus offers relatively low operating costs for high quality services, including banking, tax accounting, auditing, business administration, legal processing, trustee, investment, brokerage and funds management.

The full liberalization of the capital market along with the elimination of tariffs and quantitative restrictions, fully harmonized with the European Union laws, presents new promising opportunities for foreign investors.

In terms of Foreign Direct Investment, Cyprus demonstrates a solid FDI performance and potential. Foreign inward investment is recognized as a major contributor to the country's sustainable economic development and social prosperity. In Cyprus, the

business realm makes every effort to further enhance the already positive and investor-friendly business operating environment in order to attract even higher investment levels. In particular, **Cyprus Investment Promotion Agency (CIPA)** strives to boost investment in areas such as international banking and financial services, shipping and ancillary services, business services as well as in large development and infrastructure projects in the energy and tourism sectors.

Cyprus has completed a program of reforming its finance sector legislation to be in line with international best practice and has put a simplified, effective and transparent tax system in place that is fully EU, Organization for Economic Co-operation and Development (OECD), Financial Action Task Force (FATF) and Financial Stability Forum (FSF) compliant. Cyprus possesses an advanced transport and telecommunications infrastructure with state-of-the-art high-speed internet and mobile telecommunications, two international airports (Larnaca and Paphos) and sea ports (Limassol and Larnaca), with close geographic proximity to the Suez Canal.

Cyprus' economic and regulatory stability, in conjunction with its effective and transparent supervisory and regulatory authorities, offer international and domestic businesses confidence to invest, grow and prosper.

Cyprus is located in the ideal geographical position and can act as a hub for investments to Europe and to countries of Middle East, Gulf States, Africa and Asia. Cyprus provides the ideal environment to set up your business operations effectively and efficiently. **Cyprus can fully cater to your business needs** providing services ranging from registering and set-



*Cyprus has more than
30 years experience
as an international
business and financial centre*

ting up your company's operations to managing your EU, North African and Middle Eastern and Asian clients very cost-effectively. Cyprus is committed to sustainable growth and economic development. With pristine beaches and enviable weather, Cyprus blends a high quality of life with maximum business benefits, catering for individuals and families.

On a strategic level, a measure that unambiguously reflects the importance of the development of Cyprus as an attractive investment destination has been the establishment of the **Cyprus Investment Promotion Agency (CIPA)**, as of January 2008. CIPA plays a significant role in promoting Cyprus as an appealing investment location, providing vital aftercare services to new and existing investors, and acting as an advocate for reforms that further improve the business operating environment.

Cyprus is actively supporting the development of high value-added sectors that augment the is-

land's innovative capacity, international competitiveness and status as a knowledge economy. In this respect, CIPA's strategic focus is to encourage investment in sectors and activities which result in products and services that encompass high value-added knowledge and expertise.

In conclusion, the benefits and opportunities Cyprus presents to the global business and investment community are tangible and substantial. Companies at all stages of the process leading to the establishment of a presence in Cyprus, ranging from information gathering to conducting a site visit or even implementing a business plan in Cyprus, have a partner on the ground, the **Cyprus Investment Promotion Agency (CIPA)**.

We look forward to supporting your business venture in Cyprus and assure you that the island has more than meets the eye!

For more information contact:
info@cipa.org.cy, www.cipa.org.cy





Reasons to Invest in Cyprus

Cyprus offers multiple advantages to investors looking for alternative destinations

In a globalized economy where multinational companies are pressed to maintain and increase quality while cutting costs to achieve increased competitiveness, Cyprus provides **a complete value proposition**:

European Union and European Monetary Union member state

- EU 27 member since May 2004, European Monetary Union (EMU) member since January 2008.
- Cyprus has six elected Representatives at the European Parliament.

Lowest corporate tax rate in the EU and double tax treaties

- Cyprus has the lowest corporate tax in the European Union of 10%.
- Dividend income, profits from overseas permanent establishments and profits from the sale of securities are exempt from tax.
- No withholding tax on dividend, interest and royalties paid from Cyprus.
- Cyprus has concluded double tax treaties with more than 43 countries.

Macroeconomic stability with successful economic performance

- Cyprus has a modern, free-market, service-based economy with a long record of successful economic performance. The island's consistent performance is reflected in the rapid growth, low inflation, relatively low unemployment and internal and external stability.

Foreign Direct Investment track record

- The long-term FDI trend is positive, and Cyprus has the potential to attract even higher levels of FDI.

Efficient legal, accounting and banking services

- Recognizing the key role that the development of a

wide range of sophisticated legal and financial services has played in the growth of the island's economy, Cyprus is continually supporting and upgrading its capacity in this area so as to offer even more, better, and faster services to fully accommodate the diverse needs of its investors. In fact, around 78% of the country's economy is based on services.

Strategic location Europe's Middle Eastern outpost

- Cyprus is Europe's eastern outpost at the crossroads of three continents – Europe, Africa and Asia – providing a gateway to and from each one of them.

Advanced telecommunications network and infrastructure

- State-of-the-art high speed internet and mobile telecommunications, two international airports, and two ports in Limassol and Larnaca.

Highly qualified and multilingual talent

- Statistics for the year 2009, show that 47.5% of Cypriots in the 25-34 age bracket have acquired tertiary education.

Reputable international shipping centre

- Cyprus is a highly reputable international shipping centre, ranking in the top 3 leading maritime nations in the EU 27 and top 10 in the world. Also, a new Tonnage Tax System is now in effect which transforms Cyprus into an even more attractive shipping destination.

Living and working on the island for all seasons

- Living and working in Cyprus means collaboration with highly qualified professionals with international education combined with fabulous weather, beautiful nature, low stress, art and culture, safety, security, gastronomy and wine, and above all, hospitable people.



A Glimpse of Cyprus

Cyprus is the third largest island in the Mediterranean Sea, is in the eastern-most corner of the European Union, and a strategic post throughout the centuries. Cyprus has a robust, market-driven economy supported by a stable democracy and driven by a diverse, well-educated, skilled workforce, along with an excellent telecommunications and infrastructure system and the lowest tax regime in the EU. The country's currency is the Euro. These descriptors provide a glimpse into the many positive attributes of Cyprus as an attractive business and financial destination.

Location & Population

Cyprus, with an area of 9,251 sq km 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.

In 2010, the population of Cyprus is 870,000 (est). The capital of Cyprus is Nicosia situated at the heart of the island with a population of 310,000 (est). The second largest city is Limassol on the

south coast with a population of approximately 230,000 (est) and the location of the island's major commercial port.

Larnaca and Paphos are the third and fourth largest cities situated on the south west and south east coasts respectively. More than 35 international airlines operate scheduled flights to and from Larnaca International Airport (5 km from Larnaca town centre) and Paphos International Airport (15 km east of Paphos town). The Paphos Airport was inaugurated in 2008 with a passenger flow of approximately 1.7 million in 2010. The new Airport in Larnaca opened in 2009 and handled more than 5.3 million passengers in 2010.

Language

Cyprus' languages include Greek, English and Turkish. English is widely spoken and used as the language of international business on the island. In addition, Cyprus is home to people that also speak Russian, German, French and other languages.



Government

Cyprus is a Presidential democratic state. 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. House Members are elected by universal vote every five years through the electoral system of proportional representation. The administration of Justice is exercised by the Judiciary, which is a separate and independent body.

The Cyprus Issue

On July 20, 1974, Turkey invaded Cyprus with massive military force. The pretext was a coup against President Makarios on July 15 instigated by the military junta of Greece. A second wave of invasion followed in August of the same year, in violation of ceasefire agreements arranged by the UN. Turkey occupied 36.2% of the sovereign

territory of the Republic of Cyprus and forcibly expelled from their homes about 200,000 Greek Cypriots. These displaced people, who in effect became refugees in their own country, constituted 69% of the population of the occupied areas and about one quarter of the total population of the island. To this day, these persons are deprived of their right to return to their homes and properties.

International Memberships

Since 1960, Cyprus has been granted membership to the United Nations and to several international organizations, including:

- European Union (2004) and Eurozone (2008)
- The World Trade Organization (1995)
- The International Monetary Fund (IMF) (1962)
- The World Bank (1962)
- The Commonwealth (1961)
- The Council of Europe (1961)



European Union Membership

The global integrated economy is a reality and Cyprus plays a key role as a business and financial centre for the region

After a long journey of over three decades, the Republic of Cyprus became a full member of the EU on 1st of May, 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. EU accession has launched a new era of opportunities and responsibilities for Cyprus. The cumulative body of EU legislation, known as the *Acquis Communautaire* has been suspended for the area under military occupation by Turkey, pending a solution to the division of the island.

With the dawn of 2008, Cyprus joined the European Monetary Union leveraging a robust economic performance marked by banner key indicators. Apart from achieving and maintaining the indicators to meet the strict EMU entrance requirements, a key advantage of joining the Eurozone is price transparency: with exchange rate risk eliminated and costs significantly lower, prices are transparent across the Eurozone, fostering healthy competition and lower prices in the medium to longer term.

Accession to the EU has also launched a new era of commitment to growth in Cyprus. Cyprus encourages Foreign Direct Investment opportunities in the priority economic growth sectors, highlighted in the country's Strategic Development Plan 2007-2013. These priority economic growth sectors include:

- Banking & Financial Services
- Shipping
- Information and Communication Technologies
- Renewable Energy and Environmental Technologies
- Medical & Wellness Tourism
- Professional Services
- Education
- Medical Services

Today, Cyprus actively participates in EU Programs, focusing on strengthening growth in various economic sectors, as well as entrepreneurship and innovation across sectors and processes.

Cyprus will assume the EU Presidency in 2012 from July to December 2012. In this role, as "the face and the voice" of the European Union, Cyprus will direct the work of the Council of the European Union, maintain relations with other EU institutions and represent the European Union on international matters.





Cyprus: A Low Risk Market Economy

During the past few years, many countries experienced the effects of the global financial crisis. The Cyprus economy is resilient as the negative impact from the crisis hit with a time lag and to a much lesser extent than other countries. We foresee that it will remain a stable and flexible environment that is favorable for foreign direct investments.

Cyprus has transformed itself into one of the Mediterranean's most dynamic international business and financial centers bridging three continents and offering world-class services, in a tax-efficient and stable environment, that cater to the needs of a wide array of foreign investors. This evolution is the result of several key drivers coming together and providing a solid foundation for sustainable growth.

Robust, Steady Growth

Several internationally acclaimed organizations such as the World Economic Forum, World Bank and the Heritage Foundation published results reflecting the steady growth of Cyprus during the past several years. Cyprus enjoys world-class property rights and solid investment, monetary, trade, labor, business, and financial freedom. The Judiciary is independent which reflects a robust and transparent legal system. The labor market is relatively flexible, with moderate severance packages and unemploy-

ment benefits. The financial market is sound and open to foreign competition.

Commitment to Reform

The Government of Cyprus is committed to implementing reforms to further strengthen the regulatory and business environment in the country. Since joining the EU, Cyprus has implemented significant economic and structural reforms which transformed the economic and business landscape of the country. Tariffs and quantitative restrictions have been eliminated for all manufactured goods and agricultural products originating in Cyprus and other EU countries, liberalizing trade.

Within the EU, the Common Customs Tariff (CCT) and all relevant EU legislative framework for the facilitation of the free movement of goods, capital and services have been adopted.

Today, and relating in particular to the foreign direct investment environment, the **Cyprus Investment Promotion Agency (CIPA)** in conjunction with both the public and the private sector, is covering significant ground in ensuring that laws and regulations are updated and reformed to reflect the development of the economy and to encourage further opportunity for growth of Foreign Direct Investment in the country.

*Cyprus welcomes investment
to strengthen capacity and
growth in priority economic
growth sectors*



Robust Legal & Regulatory System



Cyprus has a comprehensive, modern and forward-looking legal and regulatory framework. It employs a common law legal system that prides itself in being widely recognized as highly reliable and effective. Cyprus fully applies EU law (the "Acquis") and has the Euro as its currency. It is also a member of the UN, the Council of Europe, and a signatory to a large number of unilateral and multilateral treaties and conventions.

Legislation that is relevant to Foreign Direct Investment includes, inter alia, the following:

- Companies Law Chapter 113
- Banking Law
- Law on the Prevention and Suppression of Money Laundering Activities
- Investment Services and Regulated Markets Law
- Transparency Law (Transferrable Securities Traded in Regulated Markets)
- Undertakings in Collective Investments in Transferrable Securities Law
- Insurance Services and other Related Issues Law
- International Trusts Law
- Trustees Law
- Cyprus Stock Exchange Law
- Law on the Control of the Trafficking of Merchandise that Breaches Intellectual Property Rights
- Merchant Shipping Law
- Limited and Unlimited Liability Partnership Chapter 116
- Law on the Issuance of Covered Bonds
- Law on the Partnerships and Trade Names
- Law on the Payment of Services



*The infrastructure of Cyprus
enables business efficiency*

For further detailed information contact the Cyprus Bar Association at: www.cyprusbarassociation.org.



Cyprus has the lowest corporate tax rate in Europe of 10%.

Favorable Tax System

Cyprus offers a broad range of tax advantages to both individuals residing and companies currently conducting business on the island.

As an EU member, Cyprus tax system is in line with the EU law. Also, the Organisation for Economic Co-operation and Development (OECD) includes Cyprus on its "white list" as one of 45 countries that have implemented internationally agreed standards.

Exemptions from Tax for Companies:

- Most dividend income received
- Profits of most foreign branches of Cypriot companies
- Profits from the disposal of shares as well as bonds and debentures and many other securities
- No tax on capital gains from sale of property outside Cyprus
- Profits earned from a permanent establishment abroad, subject to certain conditions

No withholding tax on:

- Dividends paid to non-resident shareholders
- Interest and most royalties paid from Cyprus
- Capital gains and income on the disposal on either the shares of the subsidiary's share capital, or the share of the Cypriot holding company
- Capital gains or income on the liquidation of the Cypriot holding company

International Trusts

Cyprus international trusts are widely used as a vehicle for international tax planning, offering the following tax advantages:

- Income and gains of a Cyprus international trust are exempt from any tax imposed in Cyprus
- Dividends, interest or other income received by a Cyprus international trust are not subject to Cypriot tax
- No capital gains tax is charged on the disposal of

assets of a Cyprus international trust

- No withholding tax on distributions made by a Cyprus international trust
- Exemption from taxation in the case of an alien who creates an international trust in Cyprus and retires in Cyprus under certain conditions

Personal Income Tax

An individual tax resident of Cyprus is an individual who resides in the republic for 183 days in the year of assessment. Cyprus tax residents are taxed on income earned both in Cyprus and abroad whereas, non-tax residents are taxed on income earned only from Cyprus sources.

The following tax provisions apply:

- Low income tax comparable to EU average
- No tax on dividends and interest, subject to certain conditions
- No tax on profits of a permanent establishment abroad and on salary earned abroad, under certain conditions
- No tax on profits gained from the sale of securities
- Current year and previous year losses are deducted from the taxable income, subject to certain conditions
- Income received in the form of retirement gratuity, compensation for death of injuries, provident fund, pension fund, or other approved funds, is exempt from tax
- Tax exception of 50% of the emoluments of the individual who was resident outside Cyprus before the commencement of employment in the Republic of Cyprus. The exemption is effective for five years provided that the emoluments exceed €100.000 annually.

For further detailed information contact the Institute of Certified Public Accountants of Cyprus at: www.icpac.org.cy.

This information is intended for general guidance only. For details please contact professional advisors.



Double Taxation Agreements

Cyprus is at the forefront of leading market changes and opportunities on a global scale, with strategic access to the European Union, Asia and Africa

Cyprus has developed a wide network of double tax agreements with over 43 countries, with the objective that the same income is not taxed in more than one country and which provides for reduced or nil withholding taxes on dividends, interest and royalty flows between the countries.

These agreements allow the tax payable in the other country involved to be treated as credit against tax payable in Cyprus and vice versa. Therefore, tax is charged only once, in the higher of the two rates.

Cyprus has entered into agreements with the following countries:

Armenia, Austria, Belarus, Belgium, Bulgaria, Canada, China, Czech Republic, Denmark, Egypt, France, Germany, Greece, Hungary, India, Ireland, Italy, Kuwait, Kyrgyzstan, Lebanon, Malta, Mauritius, Moldavia, Montenegro, Norway, Poland, Qatar, Romania, Russia, San Marino, Serbia, Seychelles, Singapore, Slovakia, Slovenia, South Africa, Sweden, Syria, Tajikistan, Thailand, Ukraine, United Kingdom, and United States of America.

(Source: Ministry of Finance)

Cyprus is in the process of negotiating the conclusion and/or awaiting ratification of double taxation agreements with additional countries and the most updated list of countries is located at: www.mof.gov.cy.





Cyprus offers a strong and flexible services infrastructure that caters to business needs today

Banking & Financial Services

Solid Banking and Financial Fundamentals

The Cyprus banking and financial services sector is diverse, comprising of the domestic banks, the Co-operative Credit Institutions (CCIs), International Banking Units (IBUs), insurance companies, and other companies that offer financial intermediation services. There are many foreign banks from the Middle East, Europe, Africa and Asia that operate as subsidiaries, branches or representative offices in Cyprus.

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 the business changes, the Cyprus banking infrastructure has rapidly evolved and adopted the use of advanced technology systems, implemented actions to minimize risk along with the acquisition of highly trained personnel.

The two main Banks of Cyprus successfully passed the 2011 EU-wide stress testing exercise in this way reaffirming the solid financial fundamentals of the Banks, which by maintaining adequate capital ratios, strong liquidity and profitability successfully face even the adverse stress scenarios.

Synopsis

- Financial Intermediation services account for a significant portion of the Cyprus GDP
- All banks maintain correspondent networks

around the world and subscribe to SWIFT, Reuters, Telerate and other services

- Insurance companies operate under the supervision of the Insurance Companies Control Service (ICCS) of the Ministry of Finance and are transacting in both the domestic and other markets
- Cyprus hosts more than 370 EU insurance companies operating under either the Freedom of Establishment (FOE) regime or the Freedom to Provide Services (FOS) regime

Bank Statistics

- Four local banks listed on the Cyprus Stock Exchange
- Located in Cyprus:
- Eight subsidiaries of foreign banks
 - Three other local banks
 - Nine branches of banks of European Union countries
 - Sixteen branches of banks of non EU countries
 - One representative office of a bank
 - 110 Cooperative Credit Institutions

(Source: Central Bank of Cyprus, www.centralbank.gov.cy)

Supervisory/Regulatory Framework

Various regulatory authorities are involved in the monitoring of all financial institutions:

- 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 (ECB)

- The Cyprus Securities and Exchange Commission (CYSEC)
- The Co-operative Credit Societies' Supervision and Development Authority
- The Insurance Companies Control Service
- The Authority for the Supervision of Pension Funds

Industry Associations

- Association of Cyprus Commercial Banks (www.accb.com.cy)
- Association of International Banks (www.aibcy.com)
- Insurance Association of Cyprus (www.iac.org.cy)

Opportunities

As the global market is forecasted to continue its growth, Cyprus is well placed to participate in this growth by offering its expertise, financial stability, cost competitiveness, educated human resources and expertise as well as other comparative advantages.

"We are very happy to have selected Cyprus as a base and aspire to maintain, lead and expand our operations from the island. Cyprus' accession to European Union has enhanced the country's credit standing, transferring the image of a low tax jurisdiction to a serious regional trading and service hub. We also believe that the Eurozone entry upgrades the country's standing within the European Union."

Mehran Eftekar, FCA

**Group Head of Corporate Services & Finance Director
Nest Investments Holdings (Cyprus) Ltd**





Investment Funds Centre for the Region

A Growing Fund Center

Cyprus is rapidly growing as a centre for private investment funds, while implementing measures for the transposition of EU Directives on Undertakings for Collective Investment in Transferable Securities (UCITS) IV and Alternative Investment Fund Managers Directive (AIFMD) so that it will be able to offer outstanding possibilities for cross-border and global fund distribution benefiting from an efficient and reliable fund infrastructure. Cyprus combines a strong banking infrastructure with low costs while complying with EU fund regulations and international best practices.

Competent Service Providers

Experienced and recognized service providers, including custodian banks and central administration companies, are capable of serving a wide range of funds and providing operational support and reporting solutions for all EU and non EU distribution countries at competitive rates. Service providers support funds throughout their entire life cycle: regulatory approval, listing on the Cyprus Stock Exchange (CSE), order routing, registration, clearing and settlement. The arrival of funds management activities with strong local presence is a testimony to the expertise of the sector professionals in the country who cater for complex fund strategies and structures making Cyprus a fund management business domicile of choice.

Compliance

Over the past 10 years, Cyprus has completed a program of reforming all of its finance sector legislation in line with international best practices and has put a simplified, effective and transparent tax system in place that is fully EU, OECD, FATF and FSF compliant. Cyprus has been systematically improving the investment fund environment in Cyprus and creating

a truly competitive environment that offers efficiency and quality with low costs.

Regulation

In Cyprus, private investment funds are regulated by the Central Bank of Cyprus under the ICIS (International Collective Investment Schemes) law while UCITS are regulated by the Cyprus Security and Exchange Commission, (www.cysec.gov.cy).

Comparative Advantages

Cyprus offers a strong regional platform for a variety of banking products and financial services including investment funds, ranging from funds setup, management, administration and distribution. The sector is very well-regulated and the system is sound and liquid with a comfortable capital adequacy and sufficient profitability. It is also well-developed and stable as well as catering for a wide variety of financial needs of both businesses and individuals. The commercial banks and specialized financial institutions offer full local, national and international services on a personal and corporate level. The country is already attracting investments from banks and other financial institutions as well as multinational companies using the island as the base for their headquarters or as a holding company jurisdiction. Cyprus today has significant comparative advantages when compared with other jurisdictions that offer investment fund services.

Leading Sectors

Banking, financial and business services are the leading sectors of longitudinal growth in the country. The technology and expertise supporting the Cyprus fund industry constantly evolves to accommodate new products and the growing registrations of Cyprus funds.

*Cyprus is fast becoming
a leading edge energy centre
with top notch technologies*



Energy

Cyprus is committed to ensuring the security of its energy supply, protecting the environment, fostering healthy competition in the energy sector and encouraging development of renewable energy technologies and production. The energy policy of Cyprus is fully harmonized with the energy policy of the European Union. Main aspects of the policy include:

- The liberalization of the electricity and oil markets
- The establishment and operation of a strategic oil stock terminal
- The implementation of development programs related to the use of energy conservation, technologies, utilization of Renewable Energy Systems (RES) and the protection of the environment from industrial pollution
- The promotion of oil products and other sources of energy friendly to the environment, such as natural gas.

The discovery of rich natural gas reserves in the waters surrounding the Cypriot Exclusive Eco-

nomic Zone (EEZ) brings new focus to the energy industry in Cyprus. Cyprus is weighing various options related to natural gas, related to exploiting its own natural gas reserves, (estimated at 10 trillion cubic metres), in its offshore territory and creating a liquefaction plant for export of its own reserves of natural gas as well as of neighbouring countries.

It is clear that natural gas will play an important role in the developments in the energy sector as well as the Cyprus economy in the immediate future.

Regulatory Framework

- CERA – Cyprus Energy Regulatory Authority (www.cera.org.cy)
- TSO – Transmission System Operator (www.dsm.org.cy)
- DEFA – Natural Gas Public Company(www.eac.com.cy)

Opportunities

CIPA, in close cooperation with the Energy Department of the Ministry of Commerce, Industry and Tourism, promotes investment opportunities offered in the renewable energy sectors in Cyprus. These investment opportunities are supported by incentives for utilizing all types of renewable energy technologies. These technologies include: solar energy (solar thermal systems, photovoltaic systems), wind energy (wind turbines for water pumping and electricity generation), biomass and small hydroelectric units.

For more information, please contact the Energy Service of the Ministry of Commerce, Industry and Tourism at www.mcit.gov.cy.

"Cyprus is strategically located between North Africa and the Middle East. This location allows for more rapid deployment of our technology to oil producing nations such as Saudi Arabia and those in West Africa. Cyprus is an ideal location to further extend Weatherford's production capacity globally, while meeting the needs of its clients in an increasingly efficient manner."

**Gary Smart, Vice President
Weatherford International**



Europe's leading shipping centre with 21st century services and tax system

Shipping

Cyprus is an internationally renowned shipping centre. The country's merchant fleet has been growing steadily, reaching a top 3 position in Europe and a top 10 global ranking. The unique geographical position at the juncture of three continents, the advanced infrastructure and services, as well as the very attractive taxation and other advantages make Cyprus an ideal location for ship owning, ship management, ship chartering and ancillary shipping-related companies.

Highlights

- The merchant fleet of Cyprus is the 3rd largest in the European Union and the 10th largest in the world
- More than 1,000 vessels with 21 million gross tonnage are registered under the Cyprus flag
- More than 130 ship owning, ship management and shipping related companies maintain offices in and conduct international activities from Cyprus collectively controlling a fleet of 2,300 ships with 46 million gross tonnage

Supervisory/Regulatory Framework

As a member of the European Union (EU), Cyprus has a regulatory framework that is harmonized with EU requirements pertaining to the Acquis Communautaire. Legislation relating to the shipping sector includes:

- The Merchant Shipping (Registration of Ships, Sales and Mortgages) Law of 1963
- The Merchant Shipping (Fees and Taxing Provisions) Law of 2010
- The Merchant Shipping (Masters and Seamen) Law of 1963

New Tonnage Tax System (TTS)

The new TTS has been introduced with the Merchant Shipping Law in 2010 and covers the three main "maritime transport" activities of the international shipping today, namely, ship-owning, ship-management (crew and technical management) and chartering, and it maintains the competitive Tonnage Tax rates that were previously applied in

"Unicom Management Services (Cyprus) Limited was incorporated in 1991 to take advantage of the well educated local workforce and the tax efficient schemes available to shipping companies in Cyprus. Whilst accession to the European Union has brought some challenges and a relative increase in the cost of living, Cyprus' Tonnage Tax system and its continued advantages as regards to labour and communications, still make it the location of choice."

Mr. Robert Thompson,
First Deputy Managing Director
SCF Unicom Management Services (Cyprus) Ltd.





«Columbia's growth and expansion over the years is attributed to the uniqueness of Cyprus; being the island's strategic position at the crossroads of three continents, its comprehensive legal framework, double tax treaties regime, communication system, banking system, infrastructure in general and last but not least its highly educated labor force.»

Captain Dirk Fry,
Managing Director Columbia Ship Management Ltd.

certain cases under the old TT Law.

Under the new "TTS", no tax is imposed on:

- Profits from Shipping Operations
- Dividends paid directly or indirectly out of such profits from the sale of a ship
- Interest earned on funds used as working capital or for the financing, operation or maintenance of the ship
- Profits from sale of a ship or the ship-owner company shares
- Wages or other benefits derived from the employment of the seafarers on Cyprus flag vessels

[Source: Department of Merchant Shipping (www.dms.mcw.gov.cy), Cyprus Shipping Chamber (www.csc-cy.org)]

Competent Authority

The Department of Merchant Shipping, under the Ministry of Communications and Works, is responsible for the effective implementation of the merchant shipping laws and the international mari-

time conventions to which Cyprus is a contracting party.

Trade Association

- The Cyprus Shipping Chamber is the trade association of the Shipping Industry in Cyprus, (www.csc-cy.org) promoting the interests of Cyprus shipping and furthering the reputation of the Cyprus flag, among other priorities.

Advantages/Opportunities

- Excellent geographical position at the crossroads of Europe, Africa and the Middle East
- **The only EU approved** "Open Registry" allowing non-Cypriot citizens to register ships under the Cypriot flag
- Advanced maritime infrastructure **and a high quality maritime cluster**
- Sound international relations
- Classification of Cyprus flag in the "White List" of the Paris and Tokyo MOUs
- Efficient and quality provision of services
- Favourable taxation regime and other benefits for ship-owners and crew members
- **Low** and **competitive** ship registration fees
- No income tax, estate duty or capital gains tax for Cyprus-registered ships
- No stamp duty on documents or mortgage deeds
- Anonymity of beneficial owners through nominee or trustee shareholders
- Recognition of Competence Certificates from many countries
- Easy deletion from the Cyprus Shipping Register





Robust technologies are at the forefront for the ease of doing business

Information and Communication Technologies

ICT is an important driver of productivity, growth and economic performance crossing horizontally all sectors. Cyprus welcomes and has the know-how to support Foreign Direct Investment for expansion and/or 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.

Based on the Innovation Union Scoreboard 2010, Cyprus ranks 4th among the EU27 member states in the "Innovators" dimension and 6th in the "Linkages and Entrepreneurship" dimension, while its overall innovation performance is almost the same with the EU27 average. Cyprus is classified into the same group with France, Ireland, Luxembourg and the UK in innovation performance. The country is also above the EU27 average (ranked 9th) in the "Firm Investments" dimension which indicates the Business Research and Development (R&D) expenditures as a percentage of GDP.

The Government of Cyprus Strategic Development Plan (2007-2013) emphasizes ICT as one of the country's priority growth sectors. Electronic Com-

munication Services are well regulated by the Office of the Commissioner of Electronic Communications (ICT) and Postal Regulation (www.ocecpr.org.cy) based on the "Regulation of Electronic Communications and Postal Services" Law of 2004. The fundamental principles governing the Office's relations with the electronic communications market are transparency, equal treatment, non-discrimination and good faith.

Main Advantages and Opportunities of the Cyprus ICT sector

- **ICT Services:** Major multinational firms in the ICT industry, including ICT consulting firms, operate regional headquarters in Cyprus using the country as a regional base/two way gateway (into and out of the EU), for corporate functions such as sales and marketing, project management, systems integration, testing services, training and development, and joint R&D between countries in the region.
- **Software:** As an EU member state, Cyprus attracts EU research funds in Industry-University partnerships. The Cyprus Investment Promotion Agency acts as a catalyst, for the provision of



advanced R&D infrastructures and Cyprus talent to foreign companies, who wish to establish industry-University partnerships with the Cyprus network of Universities and Research Centres.

- **Communications:** An excellent continuously expanding network infrastructure connects Cyprus to the rest of the world including an extensive submarine fibre optic cable network in the Eastern Mediterranean basin. The country's infrastructure also includes Wireless Access System Networks.
- **ICT Ecosystem:** 18 companies are licensed to operate a broad array of Electronic Communications infrastructures, such as satellite, terrestrial, wireless, and digital TV networks, which are available to 70 service providers. There are also 6 internet service providers and more than 70 software development and web design companies.
- **Academic Talent:** Excellent education level of the workforce in Cyprus with over 1,000 graduates in the fields of mathematics, engineering and computing every year.
- **Governmental Support:** Government commitment to further expand the sector.



Professional Services



Cyprus is recognized as an international centre of excellence for the provision of professional services including accounting and legal.

Accounting Services

- There are more than 2,700 active members of the Institute of Certified Public Accountants of Cyprus
- Cyprus offers a wide range of professional accounting, auditing, management consultancy, taxation, financial advisory and other administrative service to both the private and public sectors
- There are more than 120 limited companies and 40 partnerships operating in Cyprus
- Top international accounting firms are established in Cyprus providing services to international investors
- Cyprus follows the International Financial Reporting Standards (IFRS)

Accounting Supervisory/Regulatory Framework

- The Institute of Certified Public Accountants of Cyprus (ICPAC), registered in 1961, is the authorized body that regulates and supervises the accountancy profession in Cyprus
- The right to join ICPAC is conferred to members who meet UK professional standards or equivalent
- The Institute of Chartered Accountants in England and Wales and the Chartered Institute of Management Accountants (CIMA) have chosen Cyprus as the first country in the world to train UK Chartered and CIMA accountants outside the UK as well as the training of UK Certified Accountants on the island

Further information: Institute of Certified Public Accountants of Cyprus (www.icpac.org.cy)

Legal Services

Cyprus legal system is based on UK Common Law principles. In addition, as a member of the European Union, Cyprus has harmonized its legislation with the European Union Legal Order.

- There are more than 2,100 registered advocates and 160 limited liability law firms providing a wide range of legal services in Cyprus
- Over half of lawyers hold UK legal qualifications
- High quality legal services are offered in specialist areas such as international law, corporate administration, and management services
- Cyprus-based Law Offices collaborate with international Law Firms

Legal Supervisory/Regulatory Framework

- The Cyprus Bar Association, established under the Advocates Law Cap.2 in 1960, is the professional legal body
- Under the Advocates Law, the Cyprus Bar Association, the Disciplinary Board and the Legal Council are the bodies regulating the legal profession in Cyprus
- Legal professionals are expected to adhere to the highest professional and ethical standards

Opportunities

Many opportunities exist for the establishment of new offices or branches in Cyprus, taking advantage of its geographical position, its membership of the European Union, as well as its good relations with Middle Eastern, Central European and Eastern European countries.

Further information: Cyprus Bar Association (www.cyprusbarassociation.org)



*Highly educated professionals
combine robust skills
with international experience*

Education

Cyprus has a young, well-educated talent pool. Since 2005, Cyprus is in the top fifteen countries within the EU with the lowest pupil per teacher ratio (11 pupils per teacher). In 2009, 47.5% of Cypriots in the 25-34 bracket age have tertiary education and 52% of University students studied abroad, mostly in the UK and the United States in fields such as business administration, accounting, law, science and engineering. Cypriot educational institutes actively participate in EU programs, like the Eurydice Network and the ERASMUS program.

(Sources: Eurostat, Cyprus Statistical Service)

Cyprus provides great opportunity and encourages further growth in the establishment of new Universities, colleges and research institutes.

Cyprus is committed to further strengthening education and is focusing on reforms to achieve sustainable growth.

Synopsis

Education infrastructure:

- There are 3 public Universities, including one Open University, and 4 private Universities
- There are 43 tertiary educational institutions, 34 private and 9 public
- There are 343 public and 28 private primary schools
- There are 127 public and 38 private secondary schools.

Cyprus offers international and English-speaking schools that cater to the needs of the families of investors.

Opportunities

With an average annual increase of 10.5% in the total number of students with tertiary education in the last 5 years, and with almost a third of all tertiary students studying in Cyprus coming from abroad, there is a great opportunity for new Universities, colleges and research institutes to be initiated in Cyprus.





Health Services

The Government of Cyprus aims to differentiate and enrich the tourism sector by focusing on the promotion of health tourism which is a developing industry that combines medical treatment with recovery and vacation. Health services address the needs of patients seeking medical attention, by providing medico-pharmaceutical care and stay in hospitals and recuperation centres.

Synopsis

- More than 2,100 doctors, 700 dentists, 2,800 nursing personnel (public sector) and 950 para-medical staff
- The Cyprus University of Technology offers courses in "Health Services"
- A Medical School at the University of Cyprus will begin offering degrees by 2013

Currently, there are five public hospitals and 78 private hospitals operating in Cyprus, some of them offering fourth level of treatment.

Opportunities

Cyprus welcomes interested investors and medical professionals to expand and internationalize their activities in the health services sector. Cyprus is an ideal place to attract people from neighbouring countries and from European countries seeking high quality health services at competitive rates.





Cyprus offers a wonderful environment for a very comfortable standard of living

An Envable Lifestyle

Indicatively, the Human Development Index which is a measure of the standard of living of a country ranks Cyprus among the top 35 countries to live in out of 169 countries.

Arts and culture have a long tradition in Cyprus with historical monuments dating back to 10,000 BC. In the capital of Nicosia there are over seventeen museums showcasing a broad array of archaeological collections, byzantine icons, coinage, paintings, and other cultural treasures. Cyprus boasts several artists and painters and the gallery community has grown steadily in the last few years. The performing arts are flourishing. Throughout the year, local and international festivals, concerts of renowned performers and events take place in ancient open air amphitheatres, including international film festivals, annual classical music festivals and an opera festival at the end of summer.

In the recent years a burgeoning fashion milieu has grown from numerous young, creative and entrepreneurial fashion designers, many of whom have trained in the world's renowned art and design institutions and fashion capitals.

Gastronomy and wine have a long tradition in Cyprus. Local cuisine based on the Mediterranean diet provides several culinary treasures ranging from healthy salads, the famous halloumi cheese and vegetable appetizers, to main courses which include goat meat on the spit, pork reduced in wine, and scrumptious honey dipped deserts and fruits preserved using recipes dating back hundreds of years.

Stress levels are low and business is still largely

done with a personal touch and slower pace of life. Crime rates are very low and the sense of safety and security is quite high across the country.

Commutes are minimal. The island has a developed network of four lane highways linking all major destinations. One can drive from the capital, Nicosia, to the beach in Larnaca, in about 30 minutes.

Cyprus combines the availability of internationally educated and experienced professionals along with a robust English-oriented educational system and a strong health services infrastructure, therefore, being able to allow investors to conduct business while at the same time having the necessary services catering to their families.

With a pleasant weather throughout the year, sports aficionados can ski in February, swim and kite surf until October, bike, play tennis and golf all year!





Cyprus Investment Promotion Agency (CIPA)

Established by a Council of Ministers decision in 2007, the **Cyprus Investment Promotion Agency (CIPA)** is a registered not-for-profit company limited by guarantee and fully funded by the Government of Cyprus. It has a Board of Directors appointed by the Government for an initial 4-year term.

Operating since January 2008, the **Cyprus Investment Promotion Agency (CIPA)** has a threefold mandate:

- To promote Cyprus as an attractive international investment centre in key priority growth sectors
- To advocate reform in Cyprus required to improve the regulatory and business environment and infrastructure
- To provide investor support with after care and further development services.

CIPA takes the lead in attracting foreign direct investment in conjunction and partnership with the private sector and related government organizations and agencies.

CIPA has established its membership with the World Association of Investment Promotion Agencies (WAIPA), ANIMA Investment Network, the Mediterranean countries' Investment Promotion Agencies Network. Memberships in these and oth-

er fora provide a platform for best practices sharing and learning in the area of FDI promotion and strategy implementation.

CIPA is actively involved in advocating key reforms to remove hurdles and improve the regulatory and business environment in Cyprus which is a fundamental requirement to attract and retain foreign direct investment, especially in an increasingly competitive global economic environment.

The CIPA team is dynamic and tightly knit with a broad array of expertise both locally and internationally.

CIPA encourages foreign businesses to explore opportunities for investment in Cyprus.



For information and guidance on investing in Cyprus, contact CIPA at:

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There's **more** to Cyprus than meets the eye



More than just a holiday destination with pristine white beaches and 300 days of sunshine, Cyprus can also cater to your business needs ranging from registering and setting up your company's operations to managing your EU, North African and Middle Eastern clients at a considerably lower cost.

As well as being an EU country and a member of the European Monetary Union since 2008, Cyprus enjoys the lowest corporate tax rate in the EU of 10%. Cyprus belongs to those jurisdictions on the OECD White List which have substantially implemented the internationally agreed tax standard.

In addition to this, Cyprus provides efficient business services, has a transparent legal and regulatory system and is committed to sustainable growth.

Cyprus welcomes both visitors and investors to work here, so, if you are searching for a new business base, consider Cyprus. It's more than just beaches and sun.

"Columbia's growth and expansion over the years is attributed to the uniqueness of Cyprus; being the island's strategic position at the crossroads of three continents, its comprehensive legal framework, double tax treaties regime, communication system, banking system, infrastructure in general and last but not least its highly educated labor force."

*Captain Dirk Fry, Managing Director
Columbia Ship Management Ltd*

"The favorable business climate, the excellent telecommunications infrastructure, the well educated and skilled human resources, the favorable tax rates and the proximity to the Middle East and Africa markets, were some of the key factors that enabled NCR to decide to move its regional offices to Cyprus in the 80's. Gradually, NCR managed to expand the office in Cyprus to cover also all the African Countries."

*Managing Director of NCR Cyprus,
Mr. George Flouros*

CYPRUS
INVEST WITH CONFIDENCE



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