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Country Profile: Cyprus

The Facts

Location	Middle East, island in the Mediterranean Sea, south of Turkey
Languages	Official – Greek, Turkish Spoken – English
Nationality	Cypriot
Religions	Greek Orthodox – 78% Muslim – 18% Others – 4%
Government	Republic
Head of Government	President
Legislature	Unicameral
Constitutional Document	Constitution of the Republic of Cyprus
Economy	Cyprus has a high-income and advanced economy. The economy is opened, free-market and service-based. Cyprus has the lowest corporate tax rate in EU, with exemption from tax on dividend income, profit from overseas permanent establishment and dividends, etc. Cyprus is also known as a reputable international shipping center, one of the 10 leading maritime countries in the world.
Currency	Euro (EUR)
GDP (2011)	Total – EUR 17.76 billion Per capita – EUR 20,600 Real GDP growth – +0.5%
Population	1,138,100 (approx.)
Percentage of population	Greek – 77% Turkish – 18% Others – 5%
Area	9,251 km ²
Time zone	EET (UTC +2) EEST (UTC +3)
Public Holidays	National holidays – 13
Climate	Temperate

Sources: CIPA, Central Intelligence Agency, International Monetary Fund



Cyprus

Cyprus is an island country situated in the northeastern side of the Mediterranean Sea. The country is strategically located at the crossroads of Asia, Africa and Europe. The strategic location enables a business in Cyprus to stay conveniently connected with the major business hubs of the world. Cyprus has a liberal market economy, which makes it easy to start a business in the country. Being a member state of the European Union (EU), Cyprus benefits foreign nationals from EU countries with several tax incentives and other facilities. Doing business in Cyprus has already proven successful for many foreign companies, such as Amdocs, ASBISc Enterprises PLC, Columbia Ship Management Ltd, and FBME Bank Ltd. Here is a look at some major reasons why foreign investors should invest in Cyprus.

The Cyprus Business Climate

There are several reasons to invest in Cyprus:

- **Growing economy:** According to the World Economic Forum's 2012-2013 Competitiveness Index, Cyprus ranks 58th out of 144 economies in the world. This showed that the country's economy is improving steadily. The country's ranking for 2011-2012 was 47 out of 142 economies. The per capita GDP of the country is at \$28,381, which is more than the average of per capita GDP of the EU, according to IMF estimates.
- **High FDI potential:** According to United Nations Conference on Trade and Development (UNCTAD), Cyprus ranked 47th in the world in terms of potential to attract FDI. Cyprus also ranked as one of the 'High Potential- High Performers for FDI growth' for 2007-2010, according to UNCTAD. The country saw significant increase in FDI inflows during this period. Foreign direct investment to the country increased from 1,626 million Euros in 2007 to 2,499 million Euros in 2009. However, due to global financial crisis, FDI to Cyprus dropped under 800 million during 2010-2011. Despite this dip, experts believe that the country is expected to see huge increase in FDI inflows in the coming years.
- **Favorable government policies:** In October, 2004, the government of Cyprus revised the country's FDI policy in order to attract more foreign investment to Cyprus. Earlier, the country's investment policy was favorable to the members of the EU only. After the revision, the country's FDI policy became equally attractive to the non-members of EU. The new policy made Cyprus one of the freest economies in the world. According to 2012 Index of Economic Freedom, an annual guide released by the Wall Street Journal and the Heritage Foundation, Cyprus is the 20th freest economy in the world.
- **Young, energetic and qualified workforce:** According to statistics from Cyprus Investment Promotion Agency, a non-profit organization funded by the Government of Cyprus, around 6 percent of the country's GDP is spent on education. As of 2011, there were around 368 primary schools and 166 secondary schools in the country. Thus, foreign investors can easily find qualified workers in the country. Around 33.6 percent of the country's population aged between 15 and 64 has at least a bachelor's degree, as of 2011. Moreover, a significant portion of the country's workforce has exposure to foreign education. More interestingly, around a major of the country's student population speaks English, while there are others who can speak French and other languages. Simply put, Cyprus benefits foreign investors with young, energetic, and qualified workforce.



- **High-tech infrastructure and telecommunication facilities:** The transport system of Cyprus is on par with international standards. Larnaca International Airport and Pafos International Airport are the two main international airports connecting the country with almost all main cities of the world. Cyprus is at one hour distance from cities like Athens, Egypt and Israel, and at four hours distance from cities like Dubai, London, and Moscow. More importantly, the government of Cyprus keeps renovating these airports to meet with changing requirements of passengers. The country is also equipped with highly advanced roadways, and shipping networks. When it comes to telecommunication facilities, the country benefits a business with high-speed internet, reliable telephone service, and latest telecomm services. There are many advanced technology submarine cables in the country.
- **Ship management center:** Cyprus is one of the leading shipping centers in the world. More than 140 shipping companies mark their official presence in Cyprus. Conveniently located in the crossroads of three continents, Cyprus has considered as a major ship management center in the world. Be it shipping raw materials or finished products, a business can easily transport goods to and from Cyprus.

Setting up a Business in Cyprus

According to 2012 Doing Business Report by the World Bank Group, Cyprus ranks 37 out of 185 economies in terms of ease of doing business. The country's ranking in terms of convenience of starting a business stands at 32 out of 185 countries. According to the report, it usually takes eight working days to set up a company in Cyprus. Following are some major steps to complete towards establishing a company in the country:

- **Getting an approved name of the proposed company:** The first step is to decide a proposed name of the company, and get it approved by the Registrar of Companies. Cost required for this is EUR 26, as of 2012. And it usually takes one or two business days to complete this procedure.
- **Preparing articles of association and the memorandum:** This step requires appointing a lawyer to get prepare Articles of Association and the Memorandum. Completing this step requires one or two working days, and paying a total cost of EUR 1000.
- **Submitting required documents to Companies Section of the Department of Registrar of Companies and Official Receiver:** Some necessary documents to submit include a registration form, the memorandum and Articles of Association, declaration by lawyer that the registration has been done compliance with law, and others. It usually takes two to three days to complete this process. Once completed, the company gets a Certificate of Incorporation, Certificate of Directors and Secretary, Certificate of Shareholders, and Certificate of Registered Office Address.

Forming a company in Cyprus also requires registering for VAT, tax, social contribution at respective departments of the Cyprus government.

Types of Business Structures in Cyprus

A foreign investor has many options when it comes to doing business in Cyprus. Investors should choose the best option considering their individual requirements and expectations. Let's take a close look at the five most popular ways to do business in the country:

- **Sole proprietorship:** Any individual or sole trader can setup a sole proprietorship company in Cyprus. The owner of the company has the sole right to take the profit earned from the business. At the same time, the owner gets exposed to unlimited risks and liabilities.
- **Establishing a Cyprus Company:** One way run a business in Cyprus is by setting up a Cyprus Company. Under the Companies Act, it is mandatory to complete all registration requirements in order to establish a company in the country. There can be three types of companies, namely, company limited by shares, company limited by guarantee, and unlimited liability company. As the term suggests, a company limited by shares has limited liability on their shareholders. To be more specific, liability of shareholders is limited to their shares in the capital. On the other hand, each member in a company limited by guarantee is subject to paying a stated amount in the event of winding up. Finally, members of an unlimited liability company are exposed to unlimited risks and liabilities.
- **Partnerships:** Foreign companies can either setup a general partnership company or a limited partnership company to run a partnership business in Cyprus.
- **Establishing branch of a foreign company:** A foreign company can also operate a business in Cyprus by setting up a branch, subsidiary, or representative office in the country. By law, a branch is considered as a separate legal entity, and is subject to paying corporate taxes like any separate business entity.
- **Cyprus International Trusts:** This form of business is used by many foreign companies as a vehicle for international tax planning. Using this vehicle provides investors with several tax benefits when doing business in Cyprus.

Taxation

Cyprus has one of the most investment friendly tax systems in the world. The country has the lowest corporate tax rate in the EU. The government offers several tax incentives to foreign companies doing business in Cyprus. Here is a look at some major features of the country's tax system:

- **Low corporate tax rate:** Foreign companies doing business in Cyprus requires paying only 10 percent corporate tax on the net profit.
- **No withholding tax:** Any corporation or individual doing business in Cyprus doesn't require paying withholding tax on income from dividends, and royalties and interests paid from the country.
- **No capital gain tax for income earned from the sale of securities:** Income earned by selling securities is exempted from capital gain tax in Cyprus. This applies to bonds, shares, debentures, and any other type of securities.

Moreover, Cyprus has double taxation treaties with more than around 45 countries. Foreign companies or investors from any of these 45 countries do not require paying tax in more than one country when doing business in Cyprus. The country also offers a range of benefits to shipping companies doing



Immigration and Visa Requirements

Foreign nationals from the USA, Australia, UK, Japan and several other EU countries do not require a visa for a stay of less than 90 days in Cyprus. However, foreigners from all other countries need to obtain a valid visa before entering the country. Depending upon requirements, one can choose to apply for a short stay visa, a long stay visa, a multiple entry visa, a transit visa, or a group visa. Those who require a visa also require having a passport valid for six months from the date of arrival. Some important documents required when applying for a visa include the following:

- A letter of intent, which should include information about the nature of the proposed business
- Two passport size photos of the applicant
- A passport, which should be valid for six months
- A document that proves that the applicant has enough funds for the intended duration of stay
- Required fees
- A duly filled up application form
- Proof of hotel reservation and return ticket

The government of Cyprus also grants immigration permits to foreigners upon verifying the cause and purpose of an application.

Banking Requirements

Opening a bank account in Cyprus is usually very simple and hassle free. Since Cyprus is a member of the EU, the country's banks usually facilitates their account holders with several benefits, such as internet banking facility and the ability to use MasterCard, debit card, and credit card. Depending upon individual requirements, users can open a personal account, a corporate account, or an offshore bank account in the country. In general, the following documents are required to open a corporate bank account in Cyprus:

- Original copy of the company's Certificate of Incorporation
- Document mentioning the status of the company
- Copy of passport
- An address proof
- Original copy of the statement of shareholders
- Original copy of the Board of Resolution for opening a bank account

Reference

CIPA	www.cipa.org.cy/invest-in-cyprus www.cipa.org.cy/top-reasons-invest-in-cyprus/lowest-EU-corporate-tax-rate www.cipa.org.cy/easyconsole.cfm/id/73
Cyprus Profile	www.cyprusprofile.com/en/operating-environment/corporate-structure
Central Intelligence Agency	www.cia.gov
International Monetary Fund	www.imf.org
Oobac	www.oobac.com/index.php?pid=cyprusbank&lan=en&id=oobac
Learn4Good	www.learn4good.com/travel/cyprus_visas.htm
The World Bank	www.doingbusiness.org/data/exploreeconomies/cyprus

Contact

Website: www.cmltrust.com

Email: inquire@cmltrust.com

Tel: +852 2162 7371