

# Cyprus: Investing in the future

Cyprus is once again showcasing an adaptable economy with long-term prospects, as it continues to maintain its status as a prime investment destination

**C**yprus, a member state of the EU since 2004, has developed into an ideal commercial hub, swiftly becoming an international destination of choice for doing business.

This small but dynamic country has a long established reputation as a centre for excellence for international business activities and retains unique clusters of expertise and service capability to support key growth sectors of the economy. Cyprus has approached the recent global economic challenges, as well as its own, as an opportunity to reassess, recalibrate and refocus on core and emerging strengths. In this respect, Cyprus is not only taking measures to retain its unique advantages as a quality and high standard international business centre, but is also looking to capitalise on opportunities developing around the region and within the country.

Most importantly, with Troika recently judging the country's evaluation programme positively, the government has initiated a series of measures to restructure



Larnaca Airport is a prime example Cyprus' recent investment strategy



the economy and has accelerated a series of reforms in order to create a more business friendly environment for foreign investors.

Furthermore, the discovery of natural offshore gas undoubtedly generates great prospects and tremendous opportunities regarding the economy of the island in general. To this end, the geostrategic and geoeconomic role of the Republic of Cyprus as an energy centre is definitely enhanced. Cyprus becomes a genuine future energy player with a great deal of potential. Consequently, new structures are being created in relation to the management of hydrocarbon reserves thereby generating the opportunities for the development of synergies with neighbouring countries.



in Europe with taxation ranging from five to a maximum of 35 per cent. Tax residents are taxed on income earned both in Cyprus and abroad, whereas non-tax residents are taxed on certain income earned from Cypriot sources only.

### **A rising financial centre**

Cyprus is also becoming one of the fastest growing investment fund centres in Europe through the prompt response to legislative and regulatory needs. The Alternative Investment Funds (AIF) law that was passed recently, along with the existing legislation of the Alternative Investment Fund Managers Directive (AIFMD) as well as the Undertakings in Collective Investment in Transferable Securities (UCITS IV) creates an attractive and competitive environment. Cyprus can now accommodate all types of funds, while offering several advantages to international asset managers and investors, such as EU passport administration, re-domiciliation and competitive costs as well as adequate protection for investors.

Cyprus' business environment has already attracted an increased number of companies and wealthy individuals from all over the world, who consider Cyprus not only an attractive place to do business, but also a special place to live.

A number of large-scale development projects, ranging from residential to commercial projects including marinas, golf courses and theme parks, are being developed, while the government has invested heavily in advanced infrastructure with a modern road network, two newly-built international airports and two multi-purpose deep sea ports, as well as a robust telecommunication system.

### **Cyprus: Meeting expectations**

In today's globalised economy, companies are searching for that crucial competitive edge that will allow them to develop and grow into better and bigger organisations. Cyprus provides the complete value proposition that will meet any business expectation and is prepared to service diverse and sophisticated client needs, as it offers numerous incentives targeting vital sectors, which are constantly being reviewed and enhanced in an effort to continuously improve the country's investment environment.

### **Economic cornerstones**

The extensive offering of business services continues to be a cornerstone of the Cypriot economy. The island has established itself as a leading provider of corporate structuring, international tax planning and other financial services.

The country's legal system is based on the principles of English Common Law, and services are provided in areas, such as international law, corporate administration and management services, while most large law firms are affiliated or collaborate with international law firms. The 2014 World Bank *Doing Business Report* ranked Cyprus 39th out of 189 economies and 16th out of the EU28 for ease of doing business. An

added convenience is that English is the business language and the host of internationally-trained service providers – mostly educated in the UK or the US – have created a global outlook in the local industry to best serve their clients worldwide.

With an EU and OECD-approved tax system and with one of the lowest corporate tax rates (12.5 per cent) in Europe, Cyprus has become one of the most competitive international business centres in the region. Other additional taxation incentives include an extensive and constantly growing network of attractive double taxation treaties (DTTs), with 52 ratified treaties in place and one of the lowest income tax regimes for individuals