



# Building Business Economic Relations in 2022

## NEW OPPORTUNITIES OF COLLABORATION

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## INTRODUCTION



**Andreas Pittakas**

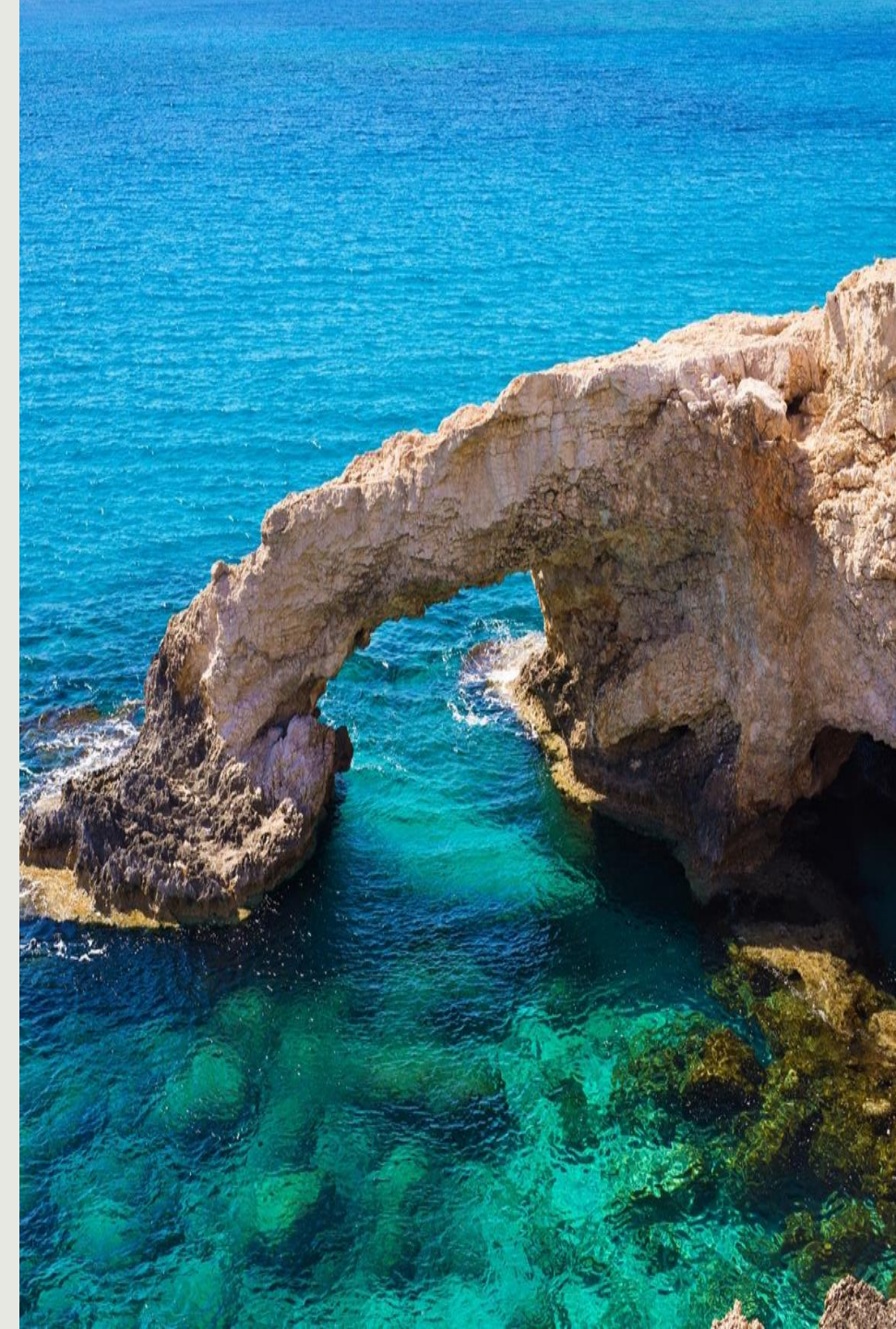
- President of the Cyprus – Bulgarian Business Association
- Partner at Baker Tilly South East Europe, a leading firm which offers audit, accounting and advisory services in Cyprus and Bulgaria, along with other Balkan countries (Greece, Romania, Moldova). Main responsibilities include:
  - Audit Partner at Baker Tilly in Cyprus
  - Executive Management Team member at Baker Tilly in Bulgaria



## CYPRUS

### KEY FACTS

- Located in the Eastern Mediterranean Sea, at the crossroads of Europe, the Middle East and Africa, Cyprus has been a major business center throughout its history.
- Covering an area of 9.251 square kilometres and being the home to approximately 850.000 people.
- Capital: Nicosia
- Official language: Greek
- Widely spoken / Business language: English
- Currency: EURO
- Time zone: GMT+2
- A full member of the EU (2004) and the Eurozone (2008).
- Full FATF compliant, with memberships in UN, Council of Europe, OSCE, WTO, World Bank and IBRD.



## CYPRUS

### ECONOMY

#### Q3 2021 GDP Real

Cyprus 5.6%

EU 4.1%

Eurozone 3.9%

#### 2022-2024

Economic Recovery

GDP average growth rate at  
3.7%

Reduction in Unemployment  
rates from 7.2% (2021) to  
5.6% (2024)

Cyprus stable outlook by  
International Credit Rating  
Agencies

# CYPRUS

## WHY CYPRUS?

### Strategic location



Lying at the crossroads of three continents; Europe, Asia and Africa. The strategic location of Cyprus has contributed in making the country a major trading post in the east Mediterranean.

### Highly skilled labor



The Cypriot workforce is one of the island's most valuable resources, by providing high standards of productivity, technical expertise and professional excellence at a reasonable cost.

### Strong legal system



Cyprus has a strong legal system which is heavily based on English Law. As Cyprus joined the European Union ("EU") in 2004, European Law has supremacy over the Constitution and National Legislation.

### Pro-business government and easy access to markets and decision makers



Cyprus has been a member of the EU since 2004 and joined the Eurozone in 2008. Therefore, Cypriot companies have full access to the European markets.

Government and authority officials are easily available and strongly support investments and international business activity.

### Cost effective jurisdiction



Cyprus is a cost effective jurisdiction for multinational enterprises and foreign investors, in terms of both the administrative and operational costs that need to be incurred.

### Safe and cosmopolitan lifestyle



Considered as the jewel of the Mediterranean, Cyprus is a place of great beauty, offering both visitors and residents not only exciting scenery and nature at its best but also a stress free, yet cosmopolitan lifestyle. Low crime rate, outstanding infrastructure, access to high quality medical facilities and excellent public and private international schools make Cyprus the ideal destination for both business and living.

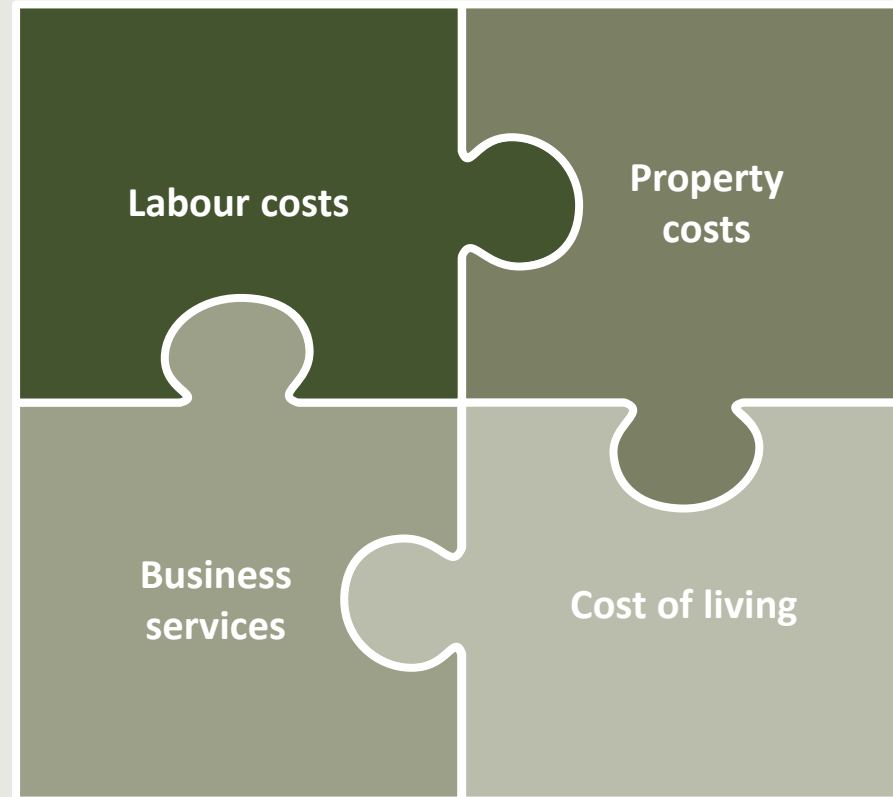


## CYPRUS

### LOW COST OF DOING BUSINESS

- Average hourly rate are below EU average

- Highly affordable critical business support services of the highest quality



- Among the lowest office rental rates in Europe
- Competitive residential property prices

- Lower cost of living compared to EU average



## CYPRUS

### TAX INCENTIVES

Having succeeded in differentiating from other financial service centres, Cyprus provides various tax incentives for multinational enterprises that are involved with international trade and activities and has a strong network of Double Tax Treaties.

#### **Tax incentives include:**

- OECD Whitelist Jurisdiction
- EU & OECD Compliant/Access to EU directives Dividend participation exemption
- Favourable Corporation Tax of 12.5%
- 50% tax relief on employment income for employees relocating to Cyprus – subject to conditions
- Full exemption of dividends received from abroad by Cyprus resident companies, from both corporation tax and special defence contribution – subject to conditions
- No withholding taxes on dividend income received from an EU resident company, as mandated by the EU Parent-Subsidiary directive – subject to conditions



## CYPRUS

### TAX INCENTIVES / CONT.

- No withholding taxes on dividends or interest paid by a Cyprus resident company to non-resident shareholders
- No withholding taxes on royalties paid from Cyprus, when the intellectual property is utilized outside Cyprus
- Cyprus IP Box Regime - 80% of the profits qualifying for the regime are exempt from tax. Among the lowest corporation tax on IP income in Europe (i.e. effective rate as low as 2.5%)
- Notional interest deduction (NID) on new equity invested in business assets based on a reference interest rate plus 5%. Total exemption up to 80% of taxable profit – subject to conditions
- Wide Network of Double Tax Treaties (over 65 DTT)
- No tax on profits from disposal of securities and no tax on capital gains under conditions.
- Tax on overseas pensions with one of the lowest rate - 5%.
- Group tax relief (i.e., losses of one group company are netted off with profits of another group company as per the provisions of the income tax legislation)



## CYPRUS

### QUALITY OF LIFE & SAFETY

- Top 5 safest country in the world (Value Penguin)
- Safest country for young people (Guardian)
- Top 4 best retirement destinations globally (Knight Frank)
- Best island economy lifestyle & human capital (fDimagazine)
- Most blue flag beaches per capita in the EU (Eurostat)
- 2<sup>nd</sup> best climate in the world (InterNations)
- 21/169 healthiest country in the world (Bloomberg Healthiest country index)

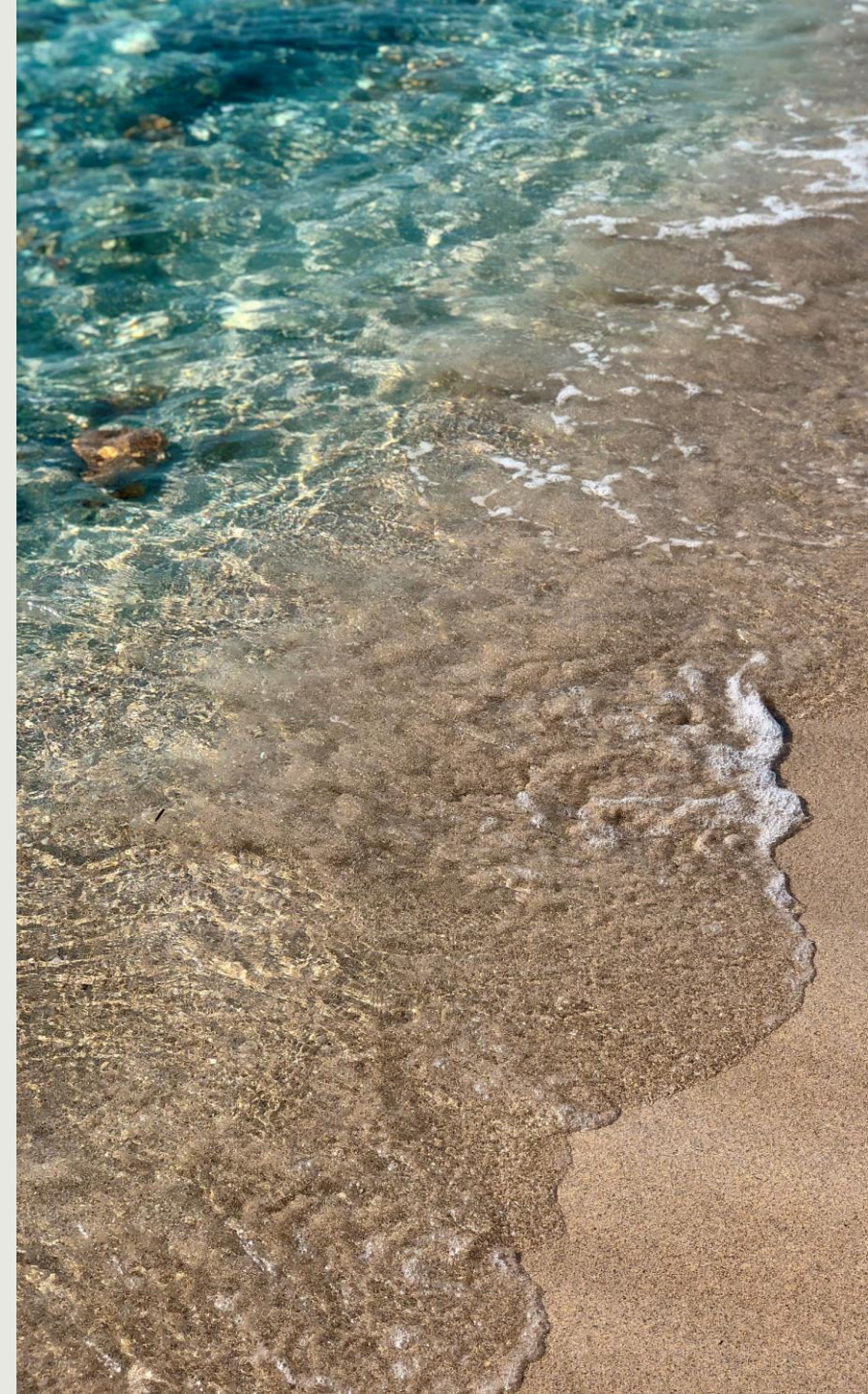


## CYPRUS

### INVESTING OPPORTUNITIES IN CYPRUS

Cyprus is a booming business hub, with a range of investment opportunities in key sectors of the economy, such as:

- Tourism & Hospitality
- Shipping
- Professional services
- Investment funds
- Energy sector







## CYPRUS

### INVESTING OPPORTUNITIES IN CYPRUS – TOURISM & HOSPITALITY

- The tourism and hospitality sector always played a vital role in Cyprus economy, with a GDP contribution close to 15%.
- The tourism market has experienced extensive growth over the past years with breaking records in both arrivals and revenues, steadily increasing in winter months (Nov-April).
- National Tourism Strategy 2030 - the vision of the new Cyprus Tourism Strategy is to improve seasonality, with the objective of reaching 39% of overnights during November-April and quadrupling overnight stays in the rural areas from 100,000 in 2018 to 400,000 by 2030.
- The Tourism Strategy also aims at diversifying into other local and cultural experiences while attracting multi-million investment into large-scale infrastructure projects.
- Efforts are focusing on diversifying, enriching and improving the quality of the touristic product.



## CYPRUS

### INVESTING OPPORTUNITIES IN CYPRUS – SHIPPING

- Shipping is historically one of the most successful industries in Cyprus.
- Cyprus shipping industry has continued to stay focused and strong during the unprecedented challenges due to the Coronavirus pandemic.
- Cyprus maritime industry contributes more than €1 billion to the economy annually, which equates to over 7% of GDP, a far higher figure than in other countries engaged in merchant shipping. Of this figure, ship management alone accounts for almost 5%.
- Cyprus has the third largest merchant fleet in Europe and the 11th largest in the world, the country is also the EU's largest third-party ship management centre and amongst the top three in the world.
- In 2018 the Shipping Deputy Ministry was established, aiming to upgrade Cyprus' status as one of the most strong maritime centres worldwide.
- The arrival of new shipping companies and businesses offering shipping related services in the recent years proves that Cyprus' shipping sector is constantly flourishing.
- Cyprus has bilateral cooperation agreements with 27 countries, among them leading suppliers of labour and is signatory to all major international maritime conventions.

#### **Cyprus Tonnage tax system**

- Cyprus has an EU-approved regime with a very wide and legally endorsed TT system introduced in 2010 under the Merchant Shipping Law and has been extended for 10 years starting from 1 January 2020.
- Owners of Cyprus Flag ships fall automatically under the tonnage tax regime.
- In 2021, the gross tonnage exceeded 25 million, the highest ever since Cyprus joined the EU.

## CYPRUS

### INVESTING OPPORTUNITIES IN CYPRUS – PROFESSIONAL SERVICES

- The human talent is undoubtedly one of Cyprus advantages. The well-educated workforce in Cyprus can provide high quality services in order to support the operations of multinational enterprises.
  - Highest tertiary education percentage within the EU
  - Multilingual workforce with International business experience
- Cyprus has a strong track record in cross-border finance and investment, which has significantly expanded in recent years.
- Moving beyond banking and corporate formation, the island is today positioning itself as a home for investment fund managers, crowdfunding platforms and fintech entrepreneurs.
- The island has worked hard to regain the investor trust which was damaged during its 2013 banking crisis. Regulatory reform, coupled with economic restructuring and the identification of new growth drivers, has radically transformed Cyprus' financial market.
- Corporate formation remains one of Cyprus' areas of specialisation. Blue-chip corporations and corporate planners continue to establish holding, trading and investment companies on the island to channel investments into key markets worldwide.



## CYPRUS

### INVESTING OPPORTUNITIES IN CYPRUS – INVESTMENT FUNDS

- Being one of the first EU member states to adapt the Alternative Investment Fund Managers Directive into national legislation and together with the modernization of the Cyprus Alternative Investment Funds Law, Cyprus has transformed in an attractive and competitive environment for the evolvement of the national alternative investments industry.
- Cyprus is regarded to be in a considerable advantage compared to other countries for offering a complete package of investment fund services ranging from licensing to ongoing administration.
- 2021 has been another successful year for the Investment Funds sector in Cyprus. The data published by the Cyprus Securities and Exchange Commission (“CySEC”) prove the significant and steady increase in the size of the sector.



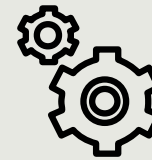
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Total Assets Under  
Management (AUM)



298

Management Companies and  
Undertakings of Collective  
Investments (UCIs)



111

Management Companies



## CYPRUS

### INVESTING OPPORTUNITIES IN CYPRUS – ENERGY SECTOR

#### Renewable Energy

- Being located in the Mediterranean, Cyprus enjoys more than 300 days of sunshine throughout the year.
- Cyprus currently generates roughly 11% of its electricity from renewable energy sources, rising by an average of 1% annually since 2014. While Cyprus is still largely dependent on fossil fuels for energy production, a challenge the government hopes to overcome by 2030, there is a new interest to put the Cyprus natural landscape to better use at the same time as foreign investment projects pour into the country.
- Cyprus has emerged on the world stage as an attractive renewable energy destination with the ability to harness solar energy and wind energy for electricity generation. New interest in sustainable energy production means that many other industries can see large gains from investment development in Cyprus renewable energy.
- Promoted RES technologies include:
  - Solar energy in the form of solar thermal systems and photovoltaic grid systems
  - Wind energy in the form of wind turbines for both water pumping and electricity generation
  - Biomass in the form of energy generation derived from organic animal waste treatment
  - Small hydro mills up to 30KW rated power

## CYPRUS

### INVESTING OPPORTUNITIES IN CYPRUS – ENERGY SECTOR

#### Oil & Gas

- Cyprus' strategic location, at the southeast tip of the European Union and close to the Suez Canal, make it ideally not only as an important energy hub and headquartering location, but also as an energy interconnection node, connecting the electricity grids of the Eastern Mediterranean and North Africa to those of Europe.
- Natural gas discoveries in both the Exclusive Economic Zone (EEZ) of Cyprus and its immediate neighbourhood over the last decade have spurred on a new industry in Cyprus providing a new opportunity for business and foreign investment.
- To date, Cyprus has completed three successful offshore licensing rounds, awarding the majority of its offshore blocks to some of the world's top international oil companies.





# Thank you

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