

Investment in the Republic of Cyprus:

Advantages and Procedures



CYPRVS AETERNA





Nicosia, September 2017

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INTRODUCTION

Investment activity is undoubtedly a fundamental factor for economic growth and consequently for the wellbeing of citizens and society as a whole, as it allows for an increase in production and employment.

As it is widely known, the Republic of Cyprus offers unique and competitive advantages to foreign investors who choose to use Cyprus as a base for their business activities. Such advantages include its key geographical position, the highly educated workforce combined with a low labour cost, as well as a low corporate tax, a developed infrastructure etc.

Both public and private investments require the involvement of ministries and their departments and other institutions, providing guidance and services to investors and entrepreneurs located either in Cyprus or in other European Union (EU) member states who wish to implement their business plans in our country.

The Republic of Cyprus has simplified the required procedures and has introduced innovative legislation, in order to create a flexible and user-friendly system for all types of investment, aiming to attract foreign interest.

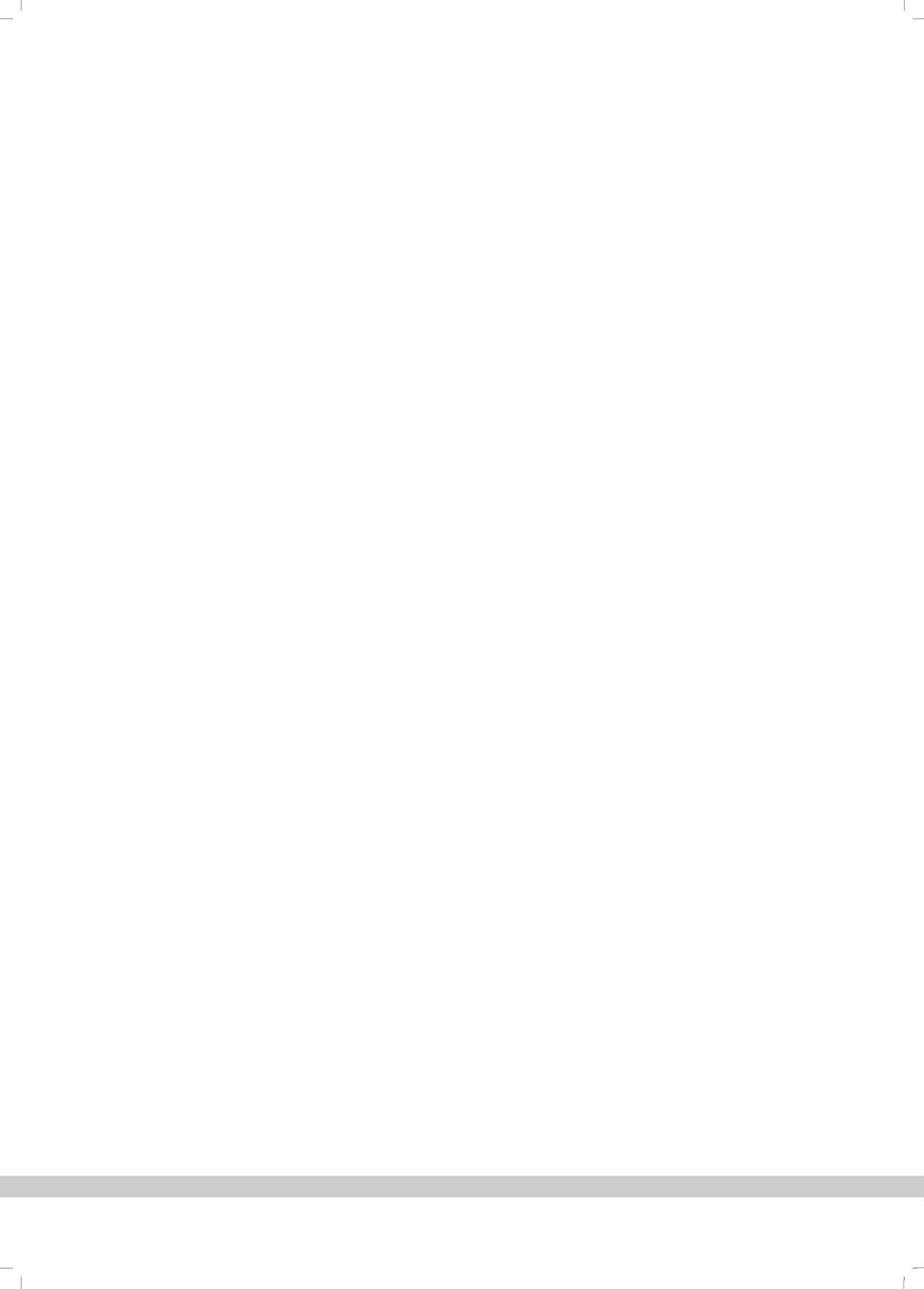
This manual includes information which primarily aims to advise interested parties about the investment potential that Cyprus offers and also to provide step-by-step guidance on procedures to be followed.

Note: Information included in this manual has been collected from online sources listed on page 42.



CHAPTERS I-X





MAIN REASONS TO INVEST IN THE REPUBLIC OF CYPRUS

Cyprus is the third largest island in the Mediterranean with an area of 9 251 km² and due to its key geopolitical position acts as a bridge between Europe, Africa and Asia. Additionally, it is an investment gateway for the European Union (EU). Cyprus is a modern EU member state with a unique history, civilisation and culture, art and gastronomy. The numerous hotels and tourist resorts, coupled with the Mediterranean climate and the Blue Flag beaches, attract millions of tourists annually. Hospitality and the warm welcoming of foreigners to our island are some of the best-known characteristics of Cypriots.

The people of Cyprus, according to recent statistics, hold one of the highest educational levels in the EU. This is due, inter alia, to the country's large amount of well-established higher education institutions. The English language is widely spoken on the island, particularly in the services sector, thus facilitating accessibility and communication for interested investors.

Cyprus gained full EU membership on 1st May 2004. On 1st January 2008, Cyprus entered the Eurozone and as a result the Cyprus Pound was replaced by the Euro. As an EU member state, Cyprus inspires safety and stability to potential investors and provides them with easy access to the European market. The island of Cyprus also maintains strong connecting bonds with nations outside the EU, such as the USA, Canada, Russia, Israel, China, India and the Middle East. It has also established a large number of intercountry relations and, as a result, the island's economy is steadily growing, laying on stable democratic foundations. Furthermore, Cyprus is part of the Commonwealth.

Cyprus has a favourable tax regime that is fully compliant with EU regulations and features one of the lowest corporate tax rates in the EU. In addition to existing EU Directives, there are over sixty (60) treaties currently in place for the avoidance of double taxation with third countries.

Cyprus has a modern and comprehensive system for the resolution of international commercial disputes. Given the island's strategic location and its high-quality professional services and infrastructure, Cyprus is well placed to emerge as an arbitration centre for Eastern Europe, the Middle East and North Africa. The International Commercial Arbitration Law of 1987 (101/1987), which adopted the UNCITRAL Model Law on International Commercial Arbitration, regulates international arbitration in commercial issues, including investment related disputes. The Law includes provisions which allow for an arbitration clause to be included in investment contracts for the settlement of disputes between parties. In addition, Part VIII of the International Commercial Arbitration Law (101/1987) incorporates the New York Convention of 1958, on the recognition and enforcement of foreign arbitral awards. Cyprus is a party thereof since December 1980.

Moreover, Cyprus has an advanced and evolved financial system with local and international banking institutions, while the oversight in the banking sector by the competent supervisory authorities is of high quality.

CHAPTER I

The Cyprus Stock Exchange (CSE) is a European stock exchange located in Nicosia. It allows private or public companies to import their bonds and public companies to list their shares in the Emerging Companies Market (ECM). In either case (listing of bonds or shares) the CSE will provide an ISIN code (International Securities Identification Number), so that prices are accessible through Bloomberg and Reuters terminals.

Although Cyprus offers a variety of economic and tax benefits to investors, it also applies a concrete plan with strict measures aimed to combat money laundering.

In the framework of Cyprus' Digital Strategy, a large number of services is now delivered online and efforts are being made to further improve and strengthen e-governance.

The highly-developed road network, the versatile port facilities in Larnaca and Limassol, as well as the two modern international airports in Larnaca and Paphos provide easy and efficient access, as well as unlimited opportunities to investors.

The discovery of significant natural gas reserves in the territorial waters of the Republic of Cyprus creates notable prospects and attracts great international interest from global energy providers while it is expected to generate a revenue of billions in the country's developing oil industry.

Cyprus enjoys all-year round sunshine, which not only attracts tourism, but also provides great opportunities for renewable energy investments, specifically in the utilisation of solar power. In addition, given the island's pleasant climate throughout the year and the high level of medical services, Cyprus is becoming increasingly popular in attracting medical tourism.

All of these qualities, along with a low crime rate, make Cyprus one of the safest countries in Europe and the world and an extremely attractive destination for fast, easy and safe investment in the Republic.

1. LEGAL AND TAX FRAMEWORK

The legal framework which has been in force since the establishment of the Republic of Cyprus retains the influence of the English Common Law system, well known as one of the most efficient legal systems in the world. Additionally, Cyprus' legal system is fully compliant with the EU Directives and Regulations. Following the Republic of Cyprus' accession to the Union in 2004, its Constitution has been amended to explicitly provide for the supremacy of EU Law over national law.

It is widely recognised that Cyprus maintains one of the most attractive corporate tax regimes in the EU. Interested parties are able to plan their investment in Cyprus and know its outcome and the exact taxation due, without being exposed to risks. On the international level Cyprus has signed numerous agreements on the avoidance of double taxation with many countries, following the model recommended by the Organisation for Economic Cooperation and Development (OECD).

Cyprus' tax framework further enhances its position as an attractive place to launch business activities and apart from the low corporate tax rate it applies it has also introduced a variety of incentives to investors.

The Republic of Cyprus has approved a significant package of tax incentives for entrepreneurs and startups that will boost entrepreneurship and innovation in the country. In other words, startup investors can enjoy a deduction of their investment of up to 50% from their taxable income with a deduction limit of €150.000 per year.

Investors can also benefit from other tax measures that have been introduced to improve and simplify Cyprus' tax system. One such measure is the newly introduced 'non-domicile' status that allows tax residents in Cyprus who fall under the 'non-domicile' category to be exempted from paying the Special Contribution for Defence. This means that corporate executives and high net worth individuals with non-domicile status are no longer subject to the aforementioned tax which was previously imposed on earnings from rents, interests and dividends, if certain conditions are met. Moreover, foreign entrepreneurs who hold shares in Cypriot companies -in addition to enjoying the multiple tax advantages of a company established in Cyprus, such as the low corporate tax- can now receive their dividends from the company's profits without any tax obligation. In this way foreign entrepreneurs are given a strong incentive to settle in Cyprus, choosing it as their tax residence.

2. SHIPPING

Cyprus' strategic geographical location plays a decisive role in its success as an international maritime centre and as one of the largest ship management centres in the world. Cyprus is a fully developed and prestigious shipping hub with a high prestige and credibility flag, which offers a significant number of advantages to ship-owners who register their ships under the Cyprus flag. Additionally, the island's maritime sector is renowned for its excellent quality services, as well as its high security levels.

Cyprus has the tenth largest merchant fleet in the world and the third largest in the EU. There are over sixty (60) ship-management companies operating in Cyprus, many of which are leading names in the global shipping industry. In addition, the basic comparative advantages of Cyprus' shipping sector are mainly its competitive ship registration fees, the competitive annual tonnage taxes and the privileged tax regime for ship-management companies and other international businesses. Other important advantages are its competent domestic workforce and low construction and operating costs.

Additional advantages that Cyprus offers through its strategic geographical location and high-quality maritime services include:

- No restrictions on crew/officer nationalities.
- The existence of twenty-eight (28) bilateral merchant shipping agreements.
- The signature and effective implementation of all international maritime treaties on safety, security and pollution prevention.
- Full protection for financiers and mortgagees.
- The Cyprus flag is on the White List of the Paris and Tokyo Memorandums of Understanding. Cyprus thus holds a quality flag that reflects its high standards based on records of ship inspections, detentions and other factors.

Gathered from the above, it is all the more evident that the plethora of benefits that Cyprus offers, along with the generally favourable investment framework it provides, give endless possibilities and opportunities to all those interested in getting involved in the Cyprus maritime sector.



NOTABLE INVESTMENTS IN CYPRUS

The Republic of Cyprus provides many advantages, privileges and opportunities regarding investment and, as a result, there has been a renewed interest in large investment projects.

In early 2017 and following an open tender procedure, the port of Limassol, which is the largest in Cyprus, has been privatised and is now operated by foreign investors from Dubai and Germany.

In the same year a contract has been signed by a consortium of investors from the USA, Hong Kong and Cyprus to build the largest and most luxurious casino in Europe.

A large Egyptian investment group with Cypriot partners has already begun construction of a modern marina in Ayia Napa, based on the same model as the Limassol Marina, with a project value of around €220 million.

Furthermore, Cyprus Airways began to operate again in 2017 as a subsidiary of a large Russian private airline.

A large foreign investment from South Africa was recently realised in the pharmaceutical sector, a major export industry of the Cyprus economy.

There have been many notable investment projects in the tourism sector as well. A Russian businessman has acquired an 80% stake in “Le Meridien” hotel in Limassol worth over €130 million. Other examples include Russian investors acquiring 50% of the “Amathus” hotel in Limassol and full acquisition of the hotel “Alexander the Great” in Paphos.

In the banking sector there have been investments in the Bank of Cyprus, the Hellenic Bank and the Cyprus Development Bank. It is well known that the American entrepreneur Wilbur Ross has invested hundreds of millions (out of a total investment exceeding €1 billion) in the Bank of Cyprus. Capital by Russian investors has also been injected into the same bank institution. “Wargaming”, the international game developer comprised of shareholders from various countries and headquartered in Cyprus, has invested millions in the Hellenic Bank. The American company “Third Point” also owns an equally large share in the Hellenic Bank. The Cyprus Development Bank has benefited from foreign capital investment, mainly by Russian private investors.

Significant investments have also been made in the retail, services and real estate sectors.

CHAPTER III



BODIES OFFERING INVESTMENT INFORMATION AND ADVICE

1. POINT OF SINGLE CONTACT CYPRUS (PSC CYPRUS)

The PSC Cyprus operates under the Ministry of Energy, Commerce, Industry and Tourism and offers information to businesses, small and medium sized enterprises and also to entrepreneurs based in Cyprus or other EU member states wishing to realize their business plans in the island. PSC also provides information relating to the Cyprus tax system, the economic and business environment, guidance on financial support and other general information on Cyprus.

PSC Cyprus Contact Details:

Address: 13-15 Andreas Araouzos Street, 1421 Nicosia

Telephone: (+357) 22 409318

Fax: (+357) 22 409432

E-mail: pscopyrus@mcit.gov.cy

Website: www.businessincyprus.gov.cy

2. CYPRUS INVESTMENT PROMOTION AGENCY (CIPA)

CIPA is a non-profit organisation governed under private-law and acts as a central contact point for the investors. Its purpose is to promote Cyprus as an international investment centre in the core areas of development and to provide support to investors through various services.

CIPA Contact Details:

Address: 9 Makarios III Avenue, Severis Building, 4th floor, 1065 Nicosia

Telephone: (+357) 22 441133

Fax: (+357) 22 441134

E-mail: info@investcyprus.org.cy

Website: www.investcyprus.org.cy

CHAPTER III



3. CYPRUS INVESTMENT FUNDS ASSOCIATION (CIFA)

CIFA is an organised body comprised of professionals, businesses and organisations that are involved and provide services in the field of investment funds in Cyprus. Closely working with CIPA, CIFA aims to promote Cyprus as a competitive investment funds market.

CIFA Contact Details:

Address: 9 Makarios III Avenue, Severis Building, 4th floor, 1065 Nicosia

Telephone: (+357) 22 441133

Fax: (+357) 22 441134

E-mail: info@cifacyprus.org

Website: www.cifacyprus.org

4. CYPRUS CHAMBER OF COMMERCE AND INDUSTRY (CCCI)

The CCCI is an independent organisation functioning as a legal entity, independent from any state or other financial support. The CCCI provides a plethora of services, including consultation and information on commerce, manufacturing and services, promotion of exports, support for small and medium size enterprises, organisation of trade missions abroad for the promotion of investments in Cyprus, reception of foreign trade missions in Cyprus, organisation of educational programmes and seminars, all aiming to promote investments in the island. Moreover, in its efforts to promote Cyprus as an international business, services and education centre, the CCCI has formed and placed under its auspices twenty-eight (28) bilateral business associations between Cyprus and other countries, aiming to promote, expand and encourage financial, commercial and business partnerships between Cyprus and these countries.

CCCI Contact Details:

Address: 38 Grivas Dhigenis Avenue & 3 Dheligiorgis Street, 1509 Nicosia

Telephone: (+357) 22 889800

Fax: (+357) 22 669048

E-mail: chamber@ccci.org.cy

Website: www.ccci.org.cy

CHAPTER III



5. CYPRUS EMPLOYERS AND INDUSTRIALISTS FEDERATION (OEB)

OEB is a Pancyprian independent organisation which consists of fifty-three (53) major professional/sectoral associations and hundreds of companies involved in the industry, trade, services, construction and agriculture sectors. Its main objective is to promote Cyprus as a regional service centre and as a valued centre for business development. OEB provides valuable support to investors' business activities in Cyprus.

OEB Contact Details:

Address: 2 Acropoleos Avenue & Glafkou Street, 2000 Nicosia

Telephone: (+357) 22 665102

Fax: (+357) 22 669459

E-mail: info@oeb.org.cy

Website: www.oeb.org.cy



CHAPTER IV

1. CYPRIOT CITIZENSHIP FOR FOREIGN INVESTORS (Scheme for Naturalisation of Non-Cypriot Entrepreneurs/ Investors by Exception)

An entrepreneur/investor wishing to acquire Cypriot citizenship must meet one of the following economic criteria, as well as all the terms and conditions set out below:

1.1. ECONOMIC CRITERIA

- **Investment in real estate, land development and infrastructure projects:** The applicant must have made an investment of at least €2 million for the purchase or construction of buildings or other land development projects, such as residential or commercial developments, developments in the tourism sector or other infrastructure projects. In addition, the applicant is allowed to invest in land that is currently under development, provided that an investment plan is included in the application.
- **Purchase, establishment or participation in Cypriot companies or businesses:** The applicant must have invested at least €2 million in purchasing, incorporating or participating in Cypriot companies with a physical presence and activity in the Republic of Cyprus. The said invested funds must be channelled towards the financing of the investment objectives of these companies exclusively in Cyprus, based on a specific investment plan.
- **Investment in Alternative Investment Funds (AIF) or financial assets of Cypriot companies or Cypriot organisations that are licensed by the Cyprus Securities Exchange Commission:** The applicant should have bought units of at least €2 million from Alternative Investment Funds (AIF) established in the Republic of Cyprus, licensed and supervised by the Cyprus Securities and Exchange Commission (CySEC) and whose investments are made exclusively in the Republic of Cyprus. Investments should also meet the criteria of this scheme or be in areas approved by the Minister of Finance.
- **Combination of the aforementioned investments:** The applicant can make a combination of the above investments, provided that the total investment will amount to at least €2 million. The applicant may also purchase special government bonds of the Republic of Cyprus, up to €500.000, on condition that these bonds will be retained for at least a three-year period.



CHAPTER IV

1.2. TERMS AND CONDITIONS

- The applicant must have a clean criminal record.
- The applicant must possess a permanent privately-owned residence in the Republic of Cyprus, the purchase price of which must be at least €500.000 plus VAT.
- The applicant, prior to his/her naturalisation as a Cypriot citizen, must hold a residence permit in Cyprus. If the applicant does not already hold a residence permit, he/she may apply for an immigration permit on the basis of Regulation 6(2) of the Aliens and Immigration Law (Cap. 105), simultaneously with the application for naturalisation.

1.3. SUBMISSION OF DOCUMENTS

For the evaluation of applications, applicants must submit the relevant form, as well as the following documents:

- Certificate of Clean Criminal Record from the country of origin and the country of usual residence (if different).
- Proof of possession of a permanent privately-owned residence in the Republic of Cyprus: Contract of sale, title deeds or proof of registration of the contract with the Lands and Surveys Department, which falls under the Ministry of Interior, proof of payment of the agreed purchase price, copy of the wire transfer to a Cypriot commercial banking institution in the name of the seller or the seller's company, evaluation certificate from an independent registered land surveyor, if required by the Ministry of Interior or the Ministry of Finance.

It is important to note that, depending on the type of investment (real estate, companies, alternative investment funds etc.), the applicant is required to submit specific documents as proof of compliance with the above-mentioned criteria.

2. INVESTOR'S FAMILY MEMBERS

Apart from the investor, Cypriot citizenship can also be granted to the spouse or partner of the investor, his/her parents, as well as to his/her financially dependent adult children. The same right to Cypriot citizenship applies to the investor's minor children, according to Article 110(3) of the Civil Registry Laws 2002 [L.141(I)/2002].



CHAPTER IV

The adult family members of the investor prior to their naturalisation as Cypriot citizens must hold a residence permit in Cyprus. If the applicant does not already hold a residence permit, he/she may apply for an immigration permit on the basis of Regulation 6(2) of the Aliens and Immigration Law (Cap. 105), simultaneously with the application for naturalisation. In the case of application for acquiring an immigration permit, solely for the purposes of acquiring the Cypriot citizenship, there are no other conditions to be met other than those stated in the Scheme, the details of which are explained below.

Spouse/Partner:

The investor's spouse or partner may acquire Cypriot citizenship. The spouse's or partner's application for the acquisition of Cypriot citizenship may be submitted simultaneously with the investor's application.

Applications must be submitted to the Minister of Interior.

Minor children under eighteen (18) years of age:

The application may be submitted after the investor has acquired the Cypriot citizenship and provided that the other parent gives his/her consent thereto.

Applications must be filed at the Civil Registry and Migration Department (CRMD).

Adult children over eighteen (18) years of age:

The right to apply for citizenship may also be granted only to the investor's financially dependent adult children. The application may be submitted by the investor after he/she has acquired Cypriot citizenship. As financially dependent adult children are considered the following:

- Students up to the age of twenty-eight (28), attending a higher education institution with studying as the children's main activity.
- Persons with severe physical or mental disability that renders them unable to work, irrespective of age.

Applications are submitted to the Ministry of Interior.



CHAPTER IV

Investor's Parents:

The investor's parents may apply for citizenship after the investor has acquired Cypriot citizenship. In order for investor's parents to be able to apply for citizenship, they need to hold a permanent privately-owned residence in the Republic of Cyprus, the purchase price of which must be at least €500.000 (plus VAT). The investor and his/her parents may jointly buy a residence, provided that the total value of this home-property is at least €1.000.000 (plus VAT).

Applications are submitted to the Ministry of Interior.

Note: The Scheme for naturalisation of entrepreneurs/investors by exception is available in both the Greek and English language. Information on the application procedure, the required documents and the application's examination process can be found on the Web Portal of the Republic of Cyprus (www.cyprus.gov.cy) and the website of the Ministry of Interior (www.moi.gov.cy).

Civil Registry and Migration Department (CRMD)

(Ministry of Interior) Contact Details:

Address: P.O. Box 25196, 1307 Nicosia

Telephone: (+357) 22 804456, 22 804482

Fax for Policy Registry: (+357) 22 804507

Fax for Applications and Letters Registry: (+357) 22 804507, 22 403964

E-mail: migration@crmd.moi.gov.cy



1. TYPES OF BUSINESS INCORPORATION & INVESTMENT

An investor can set up a public or private company. There are two types of companies: a company limited by shares, where the liability of the shareholders is limited to the amount of the shares they own, or a company limited by guarantee, where the liability of its shareholders is limited to the agreed upon a memorandum to be contributed in case the company goes into liquidation. Additionally, an investor may also set up a partnership, a business/trade name, a European company and branch of an overseas company.

2. BODIES COMPETENT FOR THE ESTABLISHMENT OF LEGAL ENTITIES

2.1. THE REGISTRAR OF COMPANIES AND OFFICIAL RECEIVER

The Department of the Registrar of Companies and Official Receiver is the body responsible for the registration of companies and other relevant procedures in Cyprus. The Department is responsible for keeping the register of companies, partnerships, business names, trademarks, patents, industrial designs etc. The aim of the Department is to provide the public with fast and high-quality services. Its aim and activities are divided into three sections: Companies Section, Bankruptcies and Liquidations Section, Intellectual and Industrial Property Section.

Registrar of Companies and Official Receiver Contact Details:

Address: Corner of Archbishop Makarios III Avenue and Karpenisiou Street,
'Xenios' Building, 1427 Nicosia
Telephone: (+357) 22 404400
E-mail: deptcomp@drcor.mcit.gov.cy
Website: www.mcit.gov.cy

2.2. ONE STOP SHOP - POINT OF SINGLE CONTACT

The Department of One Stop Shop is under the Ministry of Energy, Commerce, Industry and Tourism and constitutes a modern and innovative institution which aims to accelerate and simplify the process of setting up a business in Cyprus. The Department provides general guidance to both Cypriot and foreign investors and also undertakes registration of companies in Cyprus, registration of companies with the VAT Register, the Income Tax, the Social

Insurance Services, the Employer's Register, as well as application for residence and employment permits in Cyprus.

One Stop Shop - Point of Single Contact Details:

Address: 13-15 Andreas Araouzos Street, 1421 Nicosia

Telephone: (+357) 22 409328, 22 409345

Fax: (+357) 22 409432

Email: onestopshop@mcit.gov.cy

3. SETTING UP A COMPANY [The Companies Law (Cap. 113)]

3.1. PRIVATE OR PUBLIC COMPANY

The Companies Law (Cap. 113) provides for two categories of companies: the private company and the public company. A private company is one which, by its articles, restricts the right to transfer its shares and limits the number of its members to fifty (50). It also prohibits any invitation to the public to subscribe for any shares or debentures of the company. On the other hand, a public company is a company that trades on the stock exchange through the issuance of public shares and does not impose any restrictions on the number of its members.

3.2. STEPS FOR REGISTERING A COMPANY

The procedure for registering a company in Cyprus is clear and straightforward for both private and public companies. Main steps are as follows:

- **Appointment of a lawyer:** In order to incorporate a company in Cyprus, an investor may seek legal advice by appointing a lawyer who is practising law in Cyprus and is licenced as required by the Advocates Law (Cap. 2). On behalf of his/her client, the lawyer will draft the necessary documents required for registering the company, such as the Memorandum and Articles of Association. The Cyprus Bar Association is the official professional body of lawyers in Cyprus (www.cyprusbarassociation.org).
- **Company name registration:** The applicant may submit an application for a company name approval through the Registrar's website or through his/her lawyer. The processing time of a company name registration takes about one month whereas the accelerated processing time takes around two to five working days.



- **Required documentation:** The Registrar of Companies and Official Receiver requires the submission of the following documents:
 - Declaration form (HE1 form) for which an affidavit-sworn-statement of the lawyer and signature from the Registrar of the District Court is required.
 - Form concerning the registered office address (HE2 form).
 - Details regarding the directors and secretaries (HE3 form).
 - List of persons who consent to act as directors of the public company (HE5 form) in the case of a public company.
 - Original Memorandum and Articles of Association of the company.
- **Fees:** A fee of €105, plus a 0,6% subscription tax on the nominal capital, plus an amount of €60 for submitting the accompanying documents, plus an optional amount of €100 to expedite the process (payable in cash, by cheque or bank transfer).
- **Certificate of Incorporation:** Upon the completion of the registration process, the Registrar of Companies and Official Receiver issues the “Certificate of Incorporation”. The registration of a company usually takes one month or, in the case of the accelerated procedure, two to five working days. In the case of an electronic submission of the required documents, the process usually takes three working days.
- **Appointment of an accountant:** The applicant is required to seek accounting services from a certified accounting firm in Cyprus in order to maintain the proper accounting books and records of the business, conduct the annual audit of the financial statements of the company and submit the relevant tax (VAT) returns. The Institute of Certified Public Accountants of Cyprus (ICPAC) is the only state-recognised body that regulates and supervises the accountancy profession in Cyprus (www.icpac.org.cy).
- **VAT Registration:** According to the VAT Law of 2000, every natural or legal person established in the Republic of Cyprus carrying out taxable transactions, such as supply of goods or provision of services in the Republic of Cyprus is liable to register with the VAT Register in the following cases:
 - By the end of any given month, provided that the annual turnover of VAT taxable goods and services supplied in the previous twelve (12) months has exceeded the amount of €15.600.
 - At any time, if there are reasonable grounds for believing that the annual turnover of the VAT taxable goods and services supplied will exceed €15.600 within the next thirty (30) days.

Additionally, natural or legal persons that are not permanently established in Cyprus are subject to registration with the VAT Register if the value of the taxable transactions carried out in the Republic of Cyprus exceeds the amount of €15.600.

The Tax Department functions under the Ministry of Finance and the application to the VAT Register may be submitted, either through the PSC Cyprus or in person or via post, to the One Stop Shop/Point of Single Contact or the various Tax Department District Offices. Once the procedure is completed, a VAT number is issued within one to two days.

- **Registration of Income Tax:** According to the Income Tax Law of 2002, natural persons are liable to register with the Tax Department if their gross annual income resulting from carrying out activities inside and outside the Republic of Cyprus exceeds the amount of €19.500. Additionally, all legal persons registered in the Republic of Cyprus are obliged to register with the Tax Department and are subject to corporate tax at a rate of 12,5%.

Natural persons who reside in the Republic of Cyprus for tax purposes for one hundred eighty-three (183) days or more in the same tax year are subject to tax liability in respect of income they receive anywhere in the world. The same applies to legal persons residing in the Republic of Cyprus for tax purposes.

Tax Department Contact Details:

For Tax Department District Offices, contact details can be found at the Ministry of Finance website under Ministry-Departments-Tax Department (www.mof.gov.cy).

- **Social Insurance Scheme registration:** Each employed or self-employed person in the Republic of Cyprus is insured under the Social Insurance Scheme, which compulsorily covers all persons pursuing a profession in the Republic of Cyprus. Every employer is obliged to register with the Employer's Register of the Social Insurance Services.

The Social Insurance Services operate under the Ministry of Labour, Welfare and Social Insurance. The application form for registration of employees, self-employed persons or employers can be submitted, either through the PSC Cyprus or in person or via post, to a District Social Insurance Office or Citizens' Service Centre (CSC). The CSC acts as the single point of contact between the public services and the citizens.

Social Insurance Services Contact Details:

Main Offices Address: 7 Vyronos Avenue, 1465 Nicosia

Telephone: (+357) 22 401600

Fax: (+357) 22 672984

Website: www.mlsi.gov.cy/sid

Citizens' Service Centre (CSC) Contact Details:

For all Citizens' Service Centre District Offices contact details can be found at the Ministry of Finance website under Public Administration and Personnel Department (www.mof.gov.cy).



- **Business costs:** The main business costs of a company registered and operating in Cyprus can be described as follows: premises rent which is valued at €10 to €18 per m² monthly, electricity and water costs, as well as telecommunication costs, which depends on the provider. Additional costs might also include building communal expenses and municipality fees.



CHAPTER VI

ALTERNATIVE INVESTMENT FUNDS (AIF) **[The Alternative Investment Funds Law of 2014 (L. 131(I)/2014)]**

An Alternative Investment Fund (AIF) might initiate an alternative investment, i.e. capital investments in the most important sectors of the Cypriot economy, such as shipping, transportation and health. Additionally, an investor who is interested in AIFs may also consider investing in private companies with favourable growth strategies. An AIF may also take the form of a mutual fund, an investment company, a partnership or be listed on any recognised European or third country stock exchange. The Cyprus Securities and Exchange Commission (CySEC) is the body responsible for regulating and monitoring Cyprus AIFs. Its mission is to ensure that the Cyprus securities market is safe, reliable and attractive for investment. Advice on the best way to set up a Fund can most appropriately be provided by audit and accounting firms established in Cyprus, within a wide spectrum of choice, which includes the most internationally recognised firms.

TRUSTS

[The Cyprus International Trusts Law of 1992 (L. 69(I)/1992)]

A trust is another type of investment which offers a number of benefits to the investor. In simple terms, a trust can be defined as the obligation placed upon a trustee by the settlor to manage the trust assets for the benefit of the beneficiary, i.e. the real owners in their absence and on their behalf, in accordance with the trust instrument. Moreover, a trust allows interested parties to enjoy a beneficial tax structure.

The Cyprus International Trust is considered an attractive investment tool which, following the amendment of the International Trusts Law in 2012, guarantees maximum protection and flexibility to investors.

According to the International Trusts Law of 2012, the settlor must not be resident in the Republic of Cyprus but there must be at least a trustee who is a tax resident in Cyprus. All assets subject to the trust must be located in jurisdictions outside the Republic of Cyprus and none of the beneficiaries must be a tax resident in Cyprus. Any income or profit received by a Cyprus International Trust is not taxable, provided that they come from sources outside Cyprus.

To set up a trust in Cyprus investors may consult audit and accounting firms or a lawyer.

CHAPTER VIII



REAL ESTATE

[The Immovable Property Acquisition (Aliens) Law (Cap. 109)]

Natural and legal persons who are citizens of the EU or of a state party of the European Economic Area (EEA) and have their registered office, central administration or principal place of business in the Republic of Cyprus may acquire immovable property in Cyprus without restrictions.

In regards to the acquisition of property by a third party national, including companies controlled by foreigners and trusts to foreign interests, it is necessary to acquire an authorisation permit from the District Administration, which falls under the Ministry of Interior. In such a case, the acquisition of immovable property should not exceed 2 676 m². If it exceeds the said number, then permission is granted for the following:

- Provision of accommodation for residential purposes and land not exceeding the size of 4 014 m².
- Professional or commercial property.
- Manufacturing in sectors deemed beneficial for the Cypriot economy, on the condition that the acquisition of immovable property is associated with the production of goods or industries that require the use of new technology or expertise.

After receiving a licence and having the property registered in the name of the buyer, the foreign owner may sell or dispose the property as he/she wishes.

District Administration Offices Contact Details:

For all District Administration Offices contact details can be found at the Ministry of Interior website under Departments-District Administrations (www.moi.gov.cy).

1. CRITERIA FOR GRANTING AN IMMIGRATION PERMIT BY EXPEDITED PROCEDURE TO APPLICANTS WHO ARE THIRD COUNTRY NATIONALS AND INVEST IN CYPRUS

Based on the provisions of Regulation 6(2) of the Aliens and Immigration Regulations, an immigration permit can be issued to third country nationals, provided that the following investment/economic criteria are met:

- The applicant must provide proof that he/she has deposited to a financial institution in Cyprus a minimum amount of €30.000, transferred from abroad. That amount must be pledged for at least three years.
- There must be proof that the applicant's annual income is at least €30.000. For every dependent person (spouse/children) the annual income must increase by €5.000. For every dependent parent or parent-in-law the annual income must increase by €8.000. This income may include salaries from employment, pensions, dividends from shares, fixed deposits, rents, etc. that is derived from abroad.
- The applicant should submit in addition to the application: a title deed or a sales contract of a real estate in his/her name and/or his/her spouse, registered with the Lands and Surveys Department, of a minimum value of €300.000 (VAT not included) and official payment receipts of at least €200.000 (VAT not included), irrespective of the date on which the property was handed to him/her. The rest of the property's value must be paid into an account in a Cypriot financial institution.

It is important to establish that the abovementioned amounts were transferred from abroad. A real estate purchase will be accepted even if it is made by a legal person where the applicant and/or his/her spouse are sole shareholders or final beneficiaries and this legal person is a permanent resident of the Republic of Cyprus or any other member-state of the EU or the EEA.

- For policy implementation purposes, the applicant may purchase up to two housing units (apartments/houses) or one housing unit and a shop (up to 100 m²) or a housing unit and an office (up to 250 m²), the total value of the purchase complying with the criteria mentioned above.

2. APPLICANT'S DEPENDENT PERSONS

- The immigration permit issued to an applicant covers his/her spouse and children under the age of eighteen (18).
- Unmarried children aged between eighteen (18) and twenty-five (25), who prove that they are students in an institution of tertiary education abroad with at least six (6) months of remaining study period from the date of the submission of the application and that they are financially dependent on the applicant, may submit a separate application to obtain an immigration permit, paying the relevant fee. In such a case the father or mother and/or both parents together must present an additional annual income of €5.000 for every such dependent child. The said permit will be valid even after holders have exceeded the age of twenty-five (25) years old and even if they do not remain unmarried and/or are not students and/or are not financially dependent on their parents. The aforementioned permit is not issued for their spouses and minor children.

According to the provisions of the relevant legislation (EU Directive), if children study at an institution of tertiary education in the Republic, they have to submit an application for acquisition of a temporary residence permit in the Republic as students. After the completion of their studies in the Republic, these children, regardless of their age, will be able to submit their own application to obtain an immigration permit, as described above, with the sole condition that their parents present an additional annual income of €5.000 for every such child.

- An immigration permit may also be granted to the parents and parents-in-law of the applicant/holder of an immigration permit with the submission of an application and the payment of the relevant fee, provided that the applicant/holder of an immigration permit presents only an additional annual income of €8.000 for every such dependent parent. Every such dependent parent shall submit with his/her application all the documentation defined in the relevant list.
- Applicants who were granted an immigration permit without meeting the conditions of the acquisition of real estate in the Republic, the secured annual income and the deposit in a financial institution are not allowed to include in their permit their spouses, children or parents.

3. INCLUSION OF FINANCIALLY INDEPENDENT CHILDREN

An immigration permit may also be granted to children of the applicant over the age of eighteen (18) who are not financially dependent on the applicant, provided that the market value of the acquired real estate attributed to each such child is at least €300.000 (excluding VAT). In such an event, a payment confirmation for the 66% of the market value of the real estate must be submitted with the application.

4. QUALITATIVE CRITERIA

- The applicant and his/her spouse must submit a confirmation of a clean criminal record and should not be considered as a threat in any way to public order or public security.
- The applicant and his/her spouse shall confirm that they do not intend to undertake any sort of employment in Cyprus.
- The holder of an immigration permit, according to the provisions of Regulation 6(2) of the Aliens and Immigration Regulations, is obliged to acquire residence in Cyprus within one year from the date of the issuance of an immigration permit certificate. At the same time, the holder of such a permit as well as the dependent persons who are included in his/her permit are obliged to visit the Republic at least once every two years.

5. PROCEDURE FOR THE SUBMISSION AND EXAMINATION OF AN APPLICATION

Applications accompanied by the required documents must be submitted directly to the Civil Registry and Migration Department (CRMD) personally or through an authorised representative. A fee of €500 is payable with the submission of the application.

The application shall be processed by the CRMD and be submitted to the Minister of Interior through the Permanent Secretary of the Ministry of Interior.

6. TIMELINE FOR ISSUING AN IMMIGRATION PERMIT

The time schedule for issuing an immigration permit takes up to two months.



1. VISA INFORMATION FOR ENTERING THE REPUBLIC OF CYPRUS

Following the illegal Turkish invasion of 1974, it was recognised by the international community that the only sovereign and legitimate state on the island is the Republic of Cyprus, a member of the EU since 2004, as well as a member of the United Nations and other international organisations. As a result of the Turkish occupation, the Republic of Cyprus is not in a position to exercise effective control over the occupied areas of Cyprus. Travellers entering the Republic of Cyprus via the illegal/closed airports and ports of the occupied areas are in breach of the national law of the Republic of Cyprus. Therefore, their entry into the territory of the Republic of Cyprus is considered illegal.

Third country nationals must apply and obtain an airport transit visa or a visa for admission to the Republic of Cyprus for ninety (90) days or less for a period of six months as visitors for business or pleasure. The visa requirement for entering Cyprus is waived on the basis of EU relevant Regulations for citizens of certain countries.

Nationals of the following countries do not require a visa to visit Cyprus:

- a. 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.
- b. Holders of diplomatic passports of Albania, Bosnia-Herzegovina, Former Yugoslav Republic of Macedonia, Montenegro and Qatar.
- c. Holders of diplomatic and service passports of Armenia, China, Costa Rica, Georgia, Iran, Jordan, Kazakhstan, Mongolia, Moldova, the Russian Federation, Serbia, Seychelles and Ukraine.
- d. Holders of diplomatic, service and special passports of Egypt, Lebanon, Kuwait, Syria and the United Arab Emirates.
- e. Holders of diplomatic, official and service passports of Colombia, Cuba, India, Mexico and Panama.
- f. Holders of diplomatic or official passports of the Republic of Korea.
- g. Holders of biometric passports of Albania, Bosnia-Herzegovina, Former Yugoslav Republic of Macedonia, Montenegro, Serbia and Moldova.

Nationals of the following countries do not require a visa for a stay up to ninety (90) days for a period of six months provided they are bona fide visitors:

Albania*, Andorra, Antigua and Barbuda, Argentina, Australia, Austria, Bahamas, Barbados, Belgium, Bermuda, Bosnia-Herzegovina*, Brazil, Brunei Darussalam, Bulgaria, Canada, Chile, Colombia,

CHAPTER X



Costa Rica, Croatia, Czech Republic, Denmark, Dominica, Estonia, Finland, Former Yugoslav Republic of Macedonia*, France, Germany, Greece, Grenada, Guatemala, Holy See, Hong Kong SAR, Hungary, Iceland, Ireland, Israel, Italy, Japan, Kiribati, Latvia, Liechtenstein, Lithuania, Luxembourg, Macao SAR, Malaysia, Malta, Mauritius, Mexico, Micronesia, Moldova*, Monaco, Montenegro*, Netherlands, New Zealand, Nicaragua, Norway, Honduras, Palau, Panama, Paraguay, Peru, Poland, Portugal, Romania, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Salvador, Samoa, San Marino, Serbia*, Seychelles, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Timor-Leste, Trinidad and Tobago, Tonga, Tuvalu, United Arab Emirates, the United Kingdom, the United States of America, Uruguay, Vanuatu, Venezuela.

* Only for holders of biometric passports

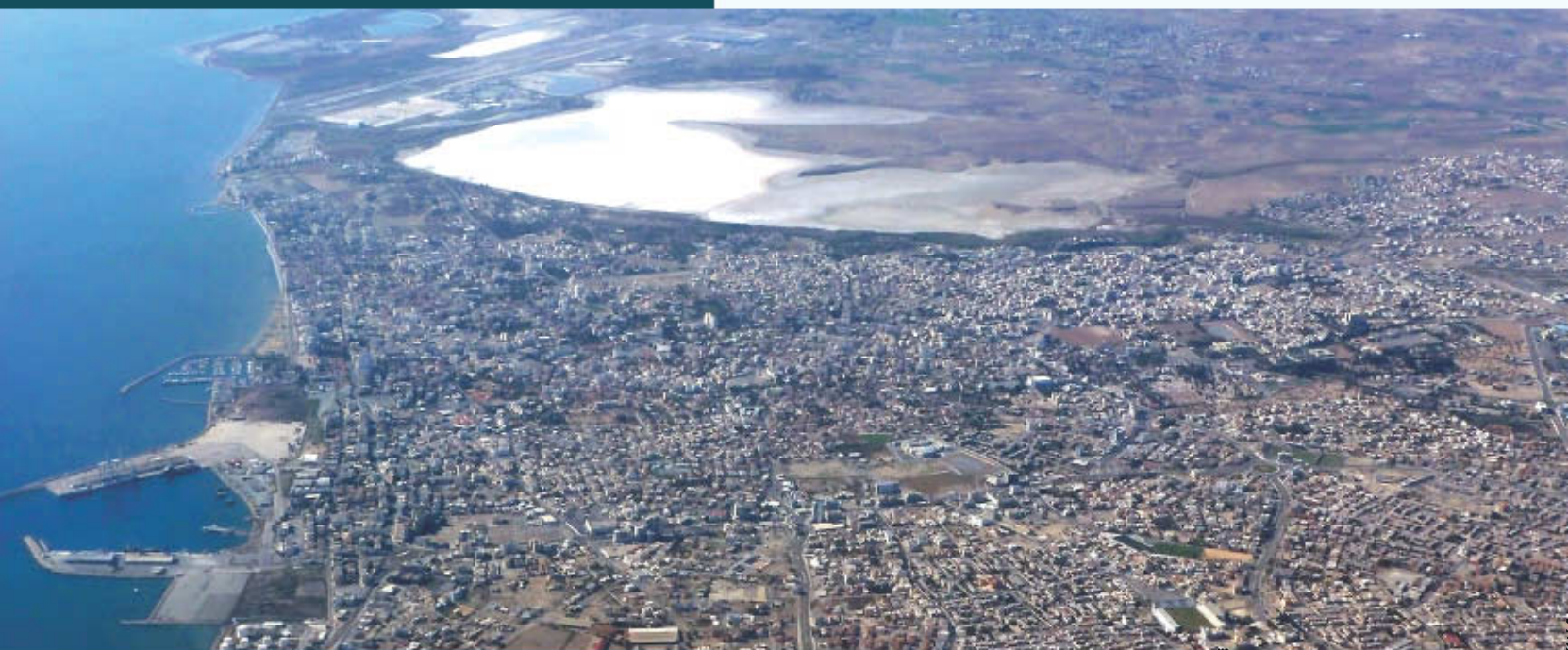
Where to obtain a visa:

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

2. RESIDENCE AND EMPLOYMENT PERMIT

Residence and employment permits in the Republic of Cyprus are granted mainly on a temporary basis and for a specified work position. In case of self-employed or legal persons, the CRMD is the competent authority for the first issue and subsequent renewal of residence and employment permits granted to all non-Cypriots employed by legal persons in Cyprus. EU citizens may enter the Republic without a work contract and search for work for a period of four months before applying for a registration certificate for EU citizens to the CRMD. Third country nationals and all companies of foreign interest wishing to register a company in Cyprus and employ third country nationals need to obtain a residence and employment permit by the CRMD.

ABBREVIATIONS ONLINE SOURCES





ABBREVIATIONS

| | |
|-------------------|--|
| AIF | Alternative Investment Fund |
| CCCI | Cyprus Chamber of Commerce and Industry |
| CIFA | Cyprus Investment Funds Association |
| CIPA | Cyprus Investment Promotion Agency |
| CRMD | Civil Registry and Migration Department |
| CSC | Citizen Service Centres |
| CSE | Cyprus Stock Exchange |
| CySEC | Cyprus Securities and Exchange Commission |
| ECM | Emerging Companies Market |
| EEA | European Economic Area |
| EU | European Union |
| ICPAC | Institute of Certified Public Accountants of Cyprus |
| ISIN | International Securities Identification Number |
| OEB | Cyprus Employers and Industrialists Federation |
| OECD | Organisation for Economic Co-operation and Development |
| PSC Cyprus | Point of Single Contact Cyprus |
| VAT | Value Added Tax |



ONLINE SOURCES

List of online sources for information included in this manual.

MINISTRIES OF THE REPUBLIC OF CYPRUS

- Ministry of Energy, Commerce, Industry and Tourism: www.mcit.gov.cy
- Ministry of Finance: www.mof.gov.cy
- Ministry of Foreign Affairs: www.mfa.gov.cy
- Ministry of Interior: www.moi.gov.cy
- Ministry of Labour, Welfare and Social Insurance: www.mlsi.gov.cy

DEPARTMENTS-SERVICES OF MINISTRIES OF THE REPUBLIC OF CYPRUS

- Citizen Service Centres: www.mof.gov.cy (Under: Ministry/Departments/Public Administration and Personnel Department)
- Civil Registry and Migration Department (CRMD): www.moi.gov.cy (Under: Departments/Civil Registry and Migration Department)
- District Administrations: www.moi.gov.cy (Under: Departments/District Administrations)
- One Stop Shop for Setting up a Business: www.mcit.gov.cy (Under: Industrial Development Service/ One Stop Shop for Setting up a Business)
- Social Insurance Services: www.mlsi.gov.cy (Under: Departments/Institutions/Units/ Social Insurance Services)
- Tax Department: www.mof.gov.cy (Under: Ministry/Departments/Tax Department)
- The Department of Lands and Surveys: portal.dls.moi.gov.cy
- The Department of Registrar of Companies and Official Receiver: www.mcit.gov.cy

OTHER BODIES

- Cyprus Bar Association: www.cyprusbarassociation.org
- Cyprus Chamber of Commerce and Industry (CCCI): www.ccci.org.cy
- Cyprus Employers and Industrialists Federation (OEB): www.oeb.org.cy
- Cyprus Investment Funds Association (CIFA): www.cifacyprus.org
- Cyprus Investment Promotion Agency (CIPA): www.investcyprus.org.cy
- Cyprus Securities and Exchange Commission: www.cysec.gov.cy
- Point of Single Contact (PSC): www.businessincyprus.gov.cy
- Web Portal of the Republic of Cyprus: www.cyprus.gov.cy







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