



# Life & Work in Cyprus

“REASONS WHY LIFE IS BETTER ON ISLAND”

Pelecanos & Pelecanou LLC

---

# WHY LIVING IN CYPRUS IS A GREAT OPPORTUNITY



Cyprus is a long-loved place to relax and rest. It is an island with a great climate, good infrastructure, a decent selection of private schools and universities. It is a place where one can find high quality and relatively inexpensive products, beautiful beaches as well as numerous multi-lingual communities that attract people from all over the world. The majority of people coming to visit Cyprus, decide to settle on the island and buy property here which is one of the main requirements for obtaining a residence permit in Cyprus. The island is considered as the 5<sup>th</sup> best relocation destination according to Knight Frank Global Lifestyle Review 2013. A combination of business-friendly environment and high quality of life – the island gives the opportunity of enjoying the best of both worlds. Low stress life, art, culture, gastronomy and hospitality are some of its features that can make anyone adore this small heaven. A jewel in the East Mediterranean with a host of opportunities and prospects for both economic growth, prosperity and an enviable lifestyle. Life is meant to be enjoyed in Cyprus.

## WEATHER

Cyprus is an island in the sun, offering 340 sunny days per year. The average temperatures during winter range around +23°C and during summer around +34°C. Furthermore, winters are short, summers are long, and you can expect to see the sun with a reasonable degree of certainty about 89% of the time. It has been scientifically proven that sunshine is good for lifting our spirits and making us feel happier. Take as example the simple fact that only 20 minutes in the sun gives our skin the boost it needs to rejuvenate itself.

## EDUCATION

The Republic boasts an extremely high standard of education. In fact, many Cypriot children have the opportunity to attend one of the many International schools on the island. Compared to other more popular 'Study-Abroad' Destinations around the world,

Cyprus has a lower number of international students which makes studying much more interactive between students and instructors. With international students from over 25 countries including India, Nigeria, Russia, China and many others, students are guaranteed to have a multi-cultural experience. It should be pointed out, that schools and universities in Cyprus have an extensive variety of subjects as well as extracurricular activities. Our educational system is working in a proper manner for many years and provides high-quality knowledge from UK and USA. It is no coincidence that Cyprus holds the 4<sup>th</sup> place out of 144 countries for 'Higher Education and Training' according to the World Economic Forum Report 2015-2016.





## LOW CRIME LEVEL

The Republic of Cyprus has one of the lowest crime rates in Europe. This alone has been enough to convince many young families that moving to Cyprus is a great idea. According to ValuePenguin Safest Countries in the World Study 2015, Cyprus is ranked as the 1<sup>st</sup> most safe country among smaller Countries and 5<sup>th</sup> worldwide.

## DECREASED POLLUTION

The clean air on the island, largely owed to the absence of heavy industry on its shores, is an often-overlooked factor by those considering relocation here. The level air of pollutants is actually very low. Additionally, Cyprus' immaculate beaches have been named the cleanest in Europe for the 11<sup>th</sup> consecutive year, with a total of 57 local coastlines receiving the Blue Flag certification.

## ACCESSIBILITY

Cyprus excellent transport and telecommunication facilities make it one of the most attractive destinations in the European Union for both living and doing business. The island has two international airports and two ports offering variety of travelling options. Approximately 35 international airlines operate on a regular basis. Furthermore, commutes are minimal between cities which make internal travelling enjoyable.

## HARD-WORKING PEOPLE WITH ACADEMIC TALENT



Collaboration with highly qualified professionals with high education in legal, accounting, business administration, legal proceeding, trustee, investment, brokerage and banking services. In fact, around 81,7% of the

country's economy is based on these services thanks to its dynamic, diverse and skilled workforce of tertiary education. This also can be evidenced from the 34<sup>th</sup> place that Cyprus strongly maintains for 'Labour Market Efficiency' according again to the World Economic Forum Report 2015-2016.

## CULTURALLY RICH

The Island harmoniously blends influences from numerous nations due to its historical background. Cultural influences have come from all directions, with many civilizations leaving their mark on the island, contributing to the development of a rich and diverse cultural heritage. Its landscape is dotted with the fascinating remains of history that one can easily visit all-round-year. Peaceful – picturesque villages are hidden on the stunning mountains. Local – international festivals, exhibitions, concerts taking place at both modern and ancient venues as well as flourishing museum nights are some of the events that one can attend to throughout the whole year.



### QUICK FACTS ABOUT CYPURS

- The currency of Cyprus is Euro, since its EU membership back in 2004.
- The principal cities of Cyprus are Nicosia (the capital), Limassol, Larnaca and Paphos.
- Cyprus has a subtropical climate, with an average annual temperature of 24°C during the day and 14°C at night. Average daily sunshine ranges from 9.8 hours in December to 14.5 hours in June.
- To date, Cyprus has signed over 55 double tax treaties with other countries.
- Greek is the official language, whereas English the principal business language.
- Cyprus is home to people that also speak Russian, German, French and other languages.





---

# RESIDENCE PERMIT. WHICH ONE COULD BE YOURS?

## CATEGORY A

For persons who would like to open as self-employed in agriculture, cattle breeding, bird breeding or fish culture in the Republic, provided that they have in their possession adequate land or a permit to acquire same, they have fully and freely at their disposal capital of approximately €430,000 and such an employment should not negatively affect the general economy of the Republic.

## CATEGORY B

Persons who intend to work as self-employed in mining enterprises in the Republic, provided that they have in their possession a relative permit, they have fully and freely at their disposal capital of approximately €350,000 and such an employment should not negatively affect the general economy of the Republic.

## CATEGORY C

Persons who intend to work as self-employed in a trade or profession in the Republic, provided that they have in their possession a relative permit, they have fully and freely at their disposal capital of approximately €260,000 and such an employment should not affect negatively the general economy of the Republic.

## CATEGORY D

Persons who intend to work as self-employed in a profession or science in the Republic, provided that they have academic or professional qualifications, for which there is demand in Cyprus. Possession of adequate funds is also necessary.

## CATEGORY E

Persons who have been offered permanent employment in the Republic, which will not create undue local competition.

## CATEGORY F

Persons who possess and have fully and freely at their disposal a secured annual income, high enough to give them a decent living in Cyprus, without having to engage in any business, trade or profession. The annual income required should be at least €9568,17 for a single applicant and moreover at least €4613,22 for every dependent person, but the Immigration Control Board may demand additional amounts as necessary. Most applicants come under this Category, the majority of them being pensioners or retired persons.

## REAL ESTATE MARKET INCENTIVES

The Government periodically tries to provide investors around the world various incentives. An example is the law amendment according to which the profit made upon the sale in the future, of properties acquired by 31<sup>st</sup> December 2016, will not be subject to capital gains tax. According to the latter, no transfer fees will be applied for property purchases subject to VAT, while for other purchases, transfer fees will be reduced to 50%, as estimated based on the provisions of the current legislation. Furthermore, the long-standing problem of

the Land Registry's delay in issuing title deeds in due time (in the names of the purchasers who have paid all the outstanding amount to land developers) is being tackled by the implementation of a recent legislation. Purchases of land, plots and second-hand buildings are not subject to VAT. New-purchased property is subject to 19% VAT except in case where it will be used for a permanent residence. In that case only 5% VAT applies irrespective of the size of the residence.

---

## TAX BENEFITS

Generally speaking, the tax system in Cyprus is fully harmonized with EU Directives and Code of Conduct of business, and is extremely competitive in the field of international taxation. Our taxation system has variety of features, such as a flat corporate tax rate of 12.5% (which makes Cyprus' tax rate the lowest in European Union). There are no withholding taxes on dividends, royalties and interest; no exit charges as well as no capital gains on overseas investments. The plethora of all these existing advantages, makes Cyprus a prominent choice for many investors around the world.



### CORPORATE TAX RATE

Cyprus has a corporate income tax rate of 12.5%. This is the lowest corporate tax rate in the European Union. Cyprus is considered to be a low tax jurisdiction as opposed to a tax haven jurisdiction.

### EXEMPTION FROM TAX ON DIVIDEND INCOME

Dividend income is exempt from tax irrespective of its source provided that the company paying the dividend either engages directly or indirectly in more than 50% of activities that give rise to non-investment income or the tax burden on the dividend paying company's income is not lower than 5%. In view of the new tax legislation 50% of interest received by corporation is tax exempt, excluding interest received from the recipient's ordinary course of business or closely connected with the recipient's ordinary business. Dividends received from abroad are now totally exempt from corporation tax by virtue of the new tax legislation. Furthermore, they are also exempt from the 15% defense contribution provided that the direct holding is at least 1% of the share capital of the overseas company.

### NO WITHHOLDING TAXES

Dividends paid to non-resident shareholders are exempt from withholding tax in Cyprus. Also, no withholding tax is imposed on interest paid from Cyprus as well as on royalties paid from Cyprus in respect of intellectual property exploited outside Cyprus. Also the ability to pull profits from the country of the subsidiary with no or very low withholding tax, provided a DTT is in existence.

### GAINS ON SHARES AND CAPITAL GAINS TAX

Profits from buying and selling shares are exempt from tax. Furthermore, there is no capital gains tax except for the 20% capital gains tax applying on gains accruing from disposal of immovable property held in Cyprus and shares in non-listed companies, which own immovable property in Cyprus.



## UNILATERAL TAX CREDIT RELIEF

Relief for taxes paid abroad is in the form of a tax credit if the respective income is subject to tax in Cyprus. The relief is given unilaterally irrespective of the existence of a double tax treaty.

## CAPITAL GAINS AND INCOME TAX EXEMPTION FOR REAL ESTATE

Cyprus companies can be used to hold real estate or other assets outside Cyprus with no Cypriot capital gains tax implications on disposal of the assets.

## TAX EXEMPTION FOR PEOPLE RELOCATED AND EMPLOYED IN CYPRUS

For any foreigner that is employed in Cyprus less than 183 days, is not subject to defence contribution tax for any passive income. Furthermore, any foreign resident who is employed in Cyprus is obliged to pay tax only for income accruing or arising only from sources within the Republic.

## INCOME GENERATED FROM INTELLECTUAL PROPERTY RIGHTS

Cyprus' new tax regime provides for favorable tax treatment in relation to income generated from intellectual property rights. 80% of "Royalty Profit" generated from such intellectual property rights will be exempt from corporation tax. The remaining 20% will be subject to the normal corporation tax rate of 12.5%.



## NET OF DOUBLE TAX TREATIES

Cyprus combines a low-tax regime with a network of double tax treaties. It has concluded the highest number of double tax treaties compared to any other offshore jurisdiction, particularly with Central and Eastern European Countries and a number of Middle Eastern countries. Most of the Treaties follow the OECD model and all of them have the impact of reducing or eliminating the normal withholding taxes imposed by the Contracting states on dividends, interest and royalty payments. The bottom line is that by having a company in a country which has a treaty with the investment recipient country, allows for a reduction and in some cases elimination of the withholding taxes. More specifically in the case of Cyprus, this is beneficial for trade with certain Eastern European Countries and Russia because foreign investors investing in Eastern Europe have the opportunity to channel their investments through Cyprus.

---

# CYPRUS ECONOMY

## TIME-ZONE

Investors are offered the ability to operate via Cyprus their subsidiary in the East during morning times and report back to another branch in the West in the afternoon.

## COMPLIANCE

The finance sector legislation of the island is up-to-date and in compliance with the latest regulatory framework of various organisations such as European Union, Organisation for Economic Co-operation and Development (OECD), Foreign Account Tax Compliance Act (FATCA), Financial Action Task Force (FATF), Financial Stability Forum (FSF) etc. Its investment-fund environment successfully combines



efficiency, quality and transparency with low costs. Additionally, substance and transparency have a prominent role in the new era of international investments and business operations. Cyprus has not just fully adjusted to these developments but is one of the countries that lead the way to the modern international business world.



## GATEWAY TO EUROPE

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. Moreover, Cyprus is a highly reputable international shipping centre, ranking in the top 3 leading maritime nations in the EU and top 10 in the world.

## ECONOMIC GROWTH

Cyprus has steadily built itself into a thriving business center and has much to offer. Its economy can be characterized as dynamic and flexible that has proven throughout the years to be able to adjust accordingly in fast-paced rhythm. Cyprus has moved up 13 places in the World Bank's 2016 Doing Business Report to rank 47<sup>th</sup> out of 189 economies. The island's prosperity is also confirmed by some of the most recognized bond credit rating providers such as Standard & Poor's rating of BB+, Fitch rating of BB- and Moody's rating of B1. Not to mention some of the International Rankings that Cyprus has: 32<sup>nd</sup> out of 75 countries for 'International Chamber of Commerce' according to Open Markets Index 2015, 34<sup>th</sup> out of 141 countries for 'INSEAD and the World Intellectual Property Organization' based on the Global Innovation Index 2015 and 45<sup>th</sup> out of 177 countries for 'Heritage Foundation' corresponding to findings of the Economic Freedom Index 2015.

Recent studies have shown that the property sector in Cyprus is rebounding, as 2016 was a great year having one of the largest increases of the decade (43%) in the total property sales contracts submitted at the Land Registry, with December 2016 exhibiting an increase of 121% compared to the last year's December. The interest of foreign investors in Cyprus' real estate market keeps growing, since over one quarter of the deeds of sale submitted in 2016 involve overseas buyers. New legislation is being often implemented and applied in order to enhance the credibility of the Cypriot real estate market.



Large-scale projects for the erection of hotel units as well as marinas have been planned to take place in 2017. This is due to the Cypriot Government's initiative by offering incentives regarding the urban planning permissions. Currently there are 30 applications for hotel expansion or renovation before the Cyprus Tourism Organisation for review. Over half a billion euro is being estimated to be invested for renovation of various hotels in Cyprus over the past few years.



## BRIGHT FUTURE

The world-class discovery of natural gas and potential oil deposits in Cyprus' Exclusive Economic Zone (EEZ) in the Mediterranean Sea has made Cyprus' energy sector one of the best opportunities for foreign investors and for economic growth. New up-market developments, increased foreign investment in hotels and major infrastructure projects springing-up, prove

that Cyprus' real estate and construction sector are evolving rapidly. The fall in property prices and recently introduced incentives also make this an opportune time to invest and buy real estate. Not to mention the development of a luxurious casino which is an exciting project in tendering and attracting investors worldwide. With large scale developments, major infrastructure projects in the pipeline, new privatization plans and with a restructured banking sector, many international investors are recognizing interesting opportunities on the island.

---

## OTHER BENEFITS

### REORGANIZATIONS

Cyprus has fully adopted the EC Merger Directive and therefore where a transaction is reorganization; it is exempt from corporate income tax, capital gains tax, stamp duties and property transfer fees. Reorganization include mergers, divisions, part-divisions, transfers of assets and exchange of shares involving companies which are resident in Cyprus and/or companies which are not resident in Cyprus.

### IMPLEMENTATION OF EU DIRECTIVES

The fact that a Cypriot company can benefit from the application of the provisions of the EU Parent-Subsidiary Directive, the EU Interest and Royalties Directive, and the EU Merger Directive.



### RE-DOMICILIATION OF COMPANIES

Cyprus legislation allows for re-domiciliation of foreign companies in Cyprus and Cyprus Companies to be re-domiciled abroad. This possibility provides flexibility to foreign holding companies which are currently using particular holding jurisdictions which are not suitable, to move their holding companies in Cyprus without disturbing their overall structure.

### SIMPLICITY

The incorporation of a Company is quite simple and straightforward. The only requirement is the availability of one Director, Shareholder and Secretary and there is no restriction on foreigners acting as such. Opening a bank account for this kind of Company is quick and efficient (in contrast to some other jurisdictions) without the directors of the company being present.

### DISCLAIMER

This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. You should contact us directly to obtain advice with respect to any particular query or issue. Use of this brochure do not create an attorney-client relationship between Pelecanos & Pelecanou LLC and the reader.

All the opinions, information and details contained and illustrated within the brochure are up-to-date only until the date of publication. Given the nature of and speed with which the Law constantly changes, we cannot guarantee that the information is accurate, complete or up-to-date at all times.

Since legal advice must be tailored to the specific circumstances of each case, and laws are amended at a really fast-paced momentum, nothing on this brochure should be used as a substitute for the advice of a competent legal counsel. We assume no responsibility to any person who relies on information contained on this brochure and disclaim all liability in respect to such information.

### CONTACT US

To request more details about how to acquire Cyprus residency and any other advice as to the aforementioned information do not hesitate to contact us at: [info@pelecanoslaw.com](mailto:info@pelecanoslaw.com)