

CHRISTYS & CO LLC
ADVOCATES AND LEGAL CONSULTANTS

Why Invest In Cyprus



Introduction

For global entrepreneurs, investing in a foreign country can be an important yet difficult decision. Investment is able to set the path for opportunity, growth and development, and allow investors to enjoy business benefits, whilst living in ideal conditions. In our view, investing in Cyprus makes the decision-process a lot easier.

Cyprus is located in the Mediterranean, a small yet promising island which offers a combination of a great quality of life and the right business environment. Below, we list various factors demonstrating the wonders of investing in Cyprus.



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1. Financial Advantages



Corporation tax

Cyprus has one of the lowest corporation tax rates in Europe. With a flat tax rate of 12.5%, (in contrast to the 23% rate in Israel), the corporation tax rate in Cyprus is beneficial for many businesses. It allows potential investors to manage their tax obligations successfully and enjoy the benefits of the taxation system of the island.

To add to its benefits, non-tax-resident Cyprus Companies are under no corporate tax, provided that their directors do not reside in Cyprus, and that the companies do not conduct any business with natural or legal persons residing in Cyprus.

Even in the case of tax resident Cyprus companies who pay corporate tax on their taxable income, the income from dividends, appreciation of shares and bonds and the purchase and sale of the aforementioned or from the sales of participations is not taxable.

Advantageous fund industry:

There are various reasons to set up funds in Cyprus.

At a European level, Cyprus was the first to transpose and coherently follow all related EU Directives related to the funds industry and Cyprus has become a leading investment funds center in the European Union.

Furthermore, the geographical location of the island acts as a sword between Europe, the Middle East, African markets as well as Asian economies. The most common examples of fund forms in Cyprus are the so-called Alternative Investment Fund (AIF). More details on setting up funds in Cyprus can be found on pages 6-7.

Withholding tax:

In Cyprus, no amount of withholding tax is imposed on payments of dividends and interest to foreign investors and on royalties for use abroad.

Income tax:

Below is an overview of income tax rates in Cyprus:

Notional Interest Deduction (NID):

A notional interest deduction (NID) can be deducted from Cyprus tax resident companies on their taxable income, upon new funds in the form of paid up share capital/share premium. This can in effect reduce the effective tax rate to as low as 2.5%.

Actual Interest Deduction:

Companies in Cyprus can deduct interest expenses earned for attained assets in the business, and shares in wholly owned subsidiaries.

Buying Real estate:

The growth of real estate is vast and strong, especially in coastal regions and large cities. Cities like Limassol and Nicosia bloom with modern and commercial residential buildings, whilst complexes with cutting-edge amenities are frequently offered to investors or those looking to reside in Cyprus.

When buying real estate in Cyprus, both EU and non-EU citizens can benefit from many advantages. For EU citizens, buying land and/or property poses no restrictions and requires no permission.

As for non-EU citizens, investment in real estate offers an accelerated procedure for obtaining a Permanent Residence Permit, provided they meet certain criteria in terms of property value and administrative requirements. More information on real estate and the procedure of a Permanent Residence Permit can be found on pages 9-11.

Taxable Income Band	National Income Tax Rates
€ to €19,500	0%
€19,501 to €28,000	20%
€28,001 to €36,300	25%
€36,301 to €60,000	30%
€60,000+	35%

2. Setting up Alternative Investment Funds (AIFs) in Cyprus

Introduction:

An AIF is a fully regulated collective investments scheme which raises capital from investors in order to invest it according to a predefined investment policy. AIFs can invest in almost any type of assets including real estate, commodities and transferable securities.

Although an AIF may take various legal forms including the form of a partnership or a common fund, the most commonly used vehicle is a variable capital investment company (VCIC). In a VCIC AIF, investors deposit cash or other assets in the AIF in return for investor shares/units in the AIF and the manager (if the AIF is not self-managed) is investing them according to a pre-defined investment policy. Shares/Units are redeemed or repurchased directly or indirectly by the AIF's assets. Investors participate in profits and losses according to their contribution to the Fund.

An AIF may consist of more than one investment compartment (umbrella AIF) with each department having a separate investment policy and hence offering diverse investment options for investors.

AIFs may be internally managed or appoint a regulated external manager, depending on the AIF type.

As such, funds are commonly used as an alternative method to bank financing and to finance real estate, shipping and other large scale investments. From the point of view of Venture Capitalists, funds are also a means of investment which may require additional funding.

Broadly speaking, getting involved in the set up of funds in Cyprus has numerous advantages and plenty of fund options to choose from. These are further explained below.

What types of AIFs exist?

• AIF with unlimited number of persons (AIFUNP).

Can take the form of:

- Variable Capital Investment Company (VCIC)
- Fixed Capital Investment Company (FCIC)
- Limited Partnership (LP)
- Common Fund (only in the case of externally-managed AIFUNP)

An AIFUNP

- May be marketed to retail, or well-informed and/or professional investors.
- Can be internally- managed if FCIC/VCIC or LP with legal personality. In all other cases it must be externally managed.
- No minimum share capital requirement for externally-managed AIFUNP. For self-managed AIFUNP, there is a minimum share capital requirement of €125.000.
- No restrictions imposed by the law on the transfer of investor shares.
- Within 12 months from its licensing, must have minimum assets under management €500.000 through capital raising from investors (can apply to CySEC for a 12-month extension).

• AIF with limited number of persons (AIFLNP)

Can take the form of:

- Variable Capital Investment Company (VCIC)
- Fixed Capital Investment Company (FCIC)
- Limited Partnership (LP)

An AIFLNP

- Is often chosen by family offices and high-net-worth individuals as an alternative to a group holding company.
- Maximum number of investors is 50.
- An AIFLNP cannot be listed in an Exchange.
- Can be internally- managed if FCIC/VCIC or LP with legal personality. In all other cases it must be externally managed.
- May be marketed only to well-informed and/or professional investors
- No restrictions on the transfer of investor shares provided that their transfer does not result in the AIFLNP having more than 50 investors.
- No minimum share capital requirement for externally managed AIFLNPs. For self-managed AIFLNP, the minimum share capital is €50,000.
- Within 12 months from its licensing, must have minimum assets under management €250.000 through capital raising from investors (can apply to CySEC for a 12-month extension).

• Registered AIF (RAIF)

Can take the form of:

- Variable Capital Investment Company (VCIC)
- Fixed Capital Investment Company (FCIC)
- Limited Partnership (LP)
- Common Fund

A RAIF:

- Can only be targeted to professional investors and/or well-informed investors.
- Must be externally managed.
- No minimum capital requirements.
- No restrictions imposed by the law on the transfer of investor shares.
- Within 12 months from its licensing, must have minimum assets under management €500.000 through capital raising from investors (can apply to CySEC for a 12-month extension).





i. Registered AIFs

Registered Alternative Investment Funds (RAIFs) are AIFs with registration in Cyprus by an authorized Alternative Investment Fund Manager (AIFM). A RAIF requires no authorisation by the regulator (CySEC) and is indirectly subject to regulatory oversight through its external manager. here is a minimal timeframe and significantly minimal costs to set it up thus making it a cost-effective vehicle while achieving the same legal structure as with a licensed AIF.

The external manager of a RAIF can be licensed anywhere in the EU, according to the EU passporting framework. Subject to certain passporting rights under relevant EU rules, third country managers may also be appointed managers of RAIFs . In addition, custodians may also be appointed by AIFMs, namely EU-based credit institutions or an appropriate investment firm.

Umbrella Funds

All AIFs (including RAIFs) may be created with, or may have the right to create in the future, unlimited investment compartments (sub-funds) each with separate investment strategies and asset pools.

Umbrella funds have the advantage of offering investors, through their separate compartments, different investment options and flexibility to switch investment strategies. Nevertheless, although each compartment is treated as a separate investment fund in law, all compartments constitute a single legal entity and hence no separate fund rules or instruments of incorporation are drawn up.

Rights of unitholders in a compartment (sub-fund) arise solely from assets of that compartment and each compartment is independently liable for the obligations arising from its constitution, operation or dissolution. Assets of an investment compartment are exclusively available to satisfy the rights of unitholders. Nevertheless, all compartments constitute a single legal entity and hence no separate fund rules or instruments of incorporation are drawn up.

3. Buying Real Estate in Cyprus

Buying property:

Non-EU citizens are entitled to freehold ownership of properties. Offshore entities may also buy premises for their business or as a residence for their foreign employees. Permission to buy property must be sought from the Council of Ministers by written application, submitted by the purchaser after the agreement is signed. This permission is granted more or less to all bona fide purchasers. Nonetheless in the meantime, purchasers may take possession of their property without restriction. The application to the Council of Ministers to acquire immovable property in Cyprus can be made within a reasonable amount of time after signing the contract of sale.

Permanent Residence Permit:

Why?

- Efficient and Straightforward scheme: takes approximately two to six months following the submission
- Lifetime Residency: The only European residency scheme that is indefinite without renewals needed.
- Low Minimum Stay Requirements: Applicants only have to come to Cyprus once every 2 years
- Ability to Live in Cyprus: One of the safest countries in the world, Cyprus boasts a large international community, excellent education, health, infrastructure, and over 300 days of sunshine a year.
- Resident Benefits: If applicants and their family do decide to reside in Cyprus, they have the ability to apply for access to free public services such as excellent healthcare and high-level education.
- Residency for the whole family: The Cyprus Immigration permit for Investors is granted to the investor and also their family members including their spouse/civil partner and children.
- Path to EU Citizenship: If holders reside in Cyprus for 5 years, they have the ability to apply for Cyprus (EU) Citizenship. Once they receive the citizenship, their children under the age of 18 will also be eligible to obtain the citizenship. As EU citizens there are multiple benefits such as the ability to live, work and study anywhere in the EU and travel to over 170 countries visa free!

Application eligibility:

- Be a non-EU national, non-EEA and non-Swiss
- Be over 18 years old
- Have a clear criminal record from their country of residence and from country of origin
- Possess a secure annual income of at least €50,000. This increases by €15,000 for their spouse and by €10,000 for each additional dependent person. This income needs to be derived from abroad, apart from in specific circumstances. In calculating the total amount of income, the spouse's income may also be taken into account.

No education requirement / No work skills requirement / No language requirement

Who is eligible to apply under the same application as the main investor?

- Spouse
- Children under the age of 18
- Children between the age of 18 to 25 provided they are financially dependent, not married and who are students abroad. For children who are students in Cyprus they are eligible to file such an application following the completion of their studies in Cyprus (irrespective of their age) provided their parents are in a position to prove an additional annual income of €10,000 for each such child *.

* Once the children obtain the residency permit, this permit is valid indefinitely even if they exceeded the age of 25 years old and even if they do not remain unmarried and/or students and/or financially dependent on their parents. The future spouses or underage children of these persons cannot be included in the future under this type of permit.

* Financially independent adult children, who also want to apply, do not have to make a separate investment, provided that the investment attributed to each financially independent child is at least of €300,000 (excluding VAT) i.e., if the applicant has 2 financially independent adult children the investment must be valued at €900,000.

Investment Criteria:

The applicant has to invest at least €300,000 in either of the below alternative categories:

(A) Investment in a house or apartment

Purchase of a house or apartment of at least €300,000 (plus VAT). The applicant may purchase up to two units (apartments or houses). These must be purchased as a first-time sale directly from a Developer

(B) Investment in real estate (excluding houses/apartments)

Purchase of other types of real estate such as offices, shops, hotels or related estate developments or a combination of these with a total value of €300,000 either new or resale).

(C) Investment in a Cyprus Company's share capital

Investment worth €300,000 in the share capital of a company registered in the Republic of Cyprus. The company needs to be based and operating in Cyprus with a proven physical presence and with at least five (5) employees.

(D) Investment in units of a Cyprus Investment Organization of Collective Investments (such as AIF, AIFLNP, RAIF)

Investment worth €300,000 in units of Cyprus Investment Organization of Collective Investments. If the applicant chooses to invest in B, C or D above, the secure annual income of at least €50,000 mentioned in the prerequisite criteria, or part of this secure annual income, can also come from sources coming from these activities within Cyprus.

Non-EU citizens who may benefit from a Permanent Residence Permit must submit an application, together with a title deed or contract of sale (submitted to the Department of Lands and Surveys) for a property purchased in Cyprus of a minimum value of €300,000 + VAT.

They must further prove that they have at their disposal a minimum annual income of €50,000 transferred from overseas and validated by a tax return from the country of tax residence. The amount requirement increases by €10,000 for each dependent child.

They must also submit:

- A report to Migration annually, for the maintenance of the minimum income, declared at the time of submission.
- Requested documents from their country of origin, required for controls against money laundering and for carrying out checks on the origin of funds invested in the Cyprus economy.
- A clean criminal certificate issued by the Authorities of country of origin and health insurance certificates annually.
- A statement confirming that the applicant, and spouse will not be working or be engaged in any form of business in Cyprus, other than as directors of the company in which they invest through the program.
- Visit Cyprus at least once every two years.

Provided that the criteria described above are fulfilled, the application shall be examined by the Minister of the Interior and the permit shall be granted within 2-3 months.

Next steps?

Applicants have the right to a lifetime of residency within Cyprus, provided they visit Cyprus at least one time every 2 years.

If an applicant resides in Cyprus, they also obtain the added benefit that after having resided in Cyprus for over 5 years of physical presence, they can apply for the Cyprus Citizenship. Cyprus citizenship is an EU citizenship, hence, multiple benefits arise, including but not limited, to the ability to live, work and study anywhere in the EU and travel to over 170 countries visa free. Additionally, after receiving the Cyprus citizenship, children under the age of 18 will also be eligible to obtain the citizenship.

4. Relocation of Companies in Cyprus

Low cost advantages:

Cyprus has a lower cost of doing business and living. By relocating your business to Cyprus, your business costs can be effectively reduced without sacrificing quality. A combination of the quality of life and the low taxes of Cyprus, can grow your business both in revenue and profits.

A regional tech hub:

Many companies have now relocated to Cyprus, since it is considered a regional tech hub. Cyprus has access to more than 500 million consumers, and is in close proximity to the MENA region. According to the European Commission's 2022 European Innovation Scoreboard, Cyprus has achieved the biggest improvement in innovation since 2015, ranked in 10th place.

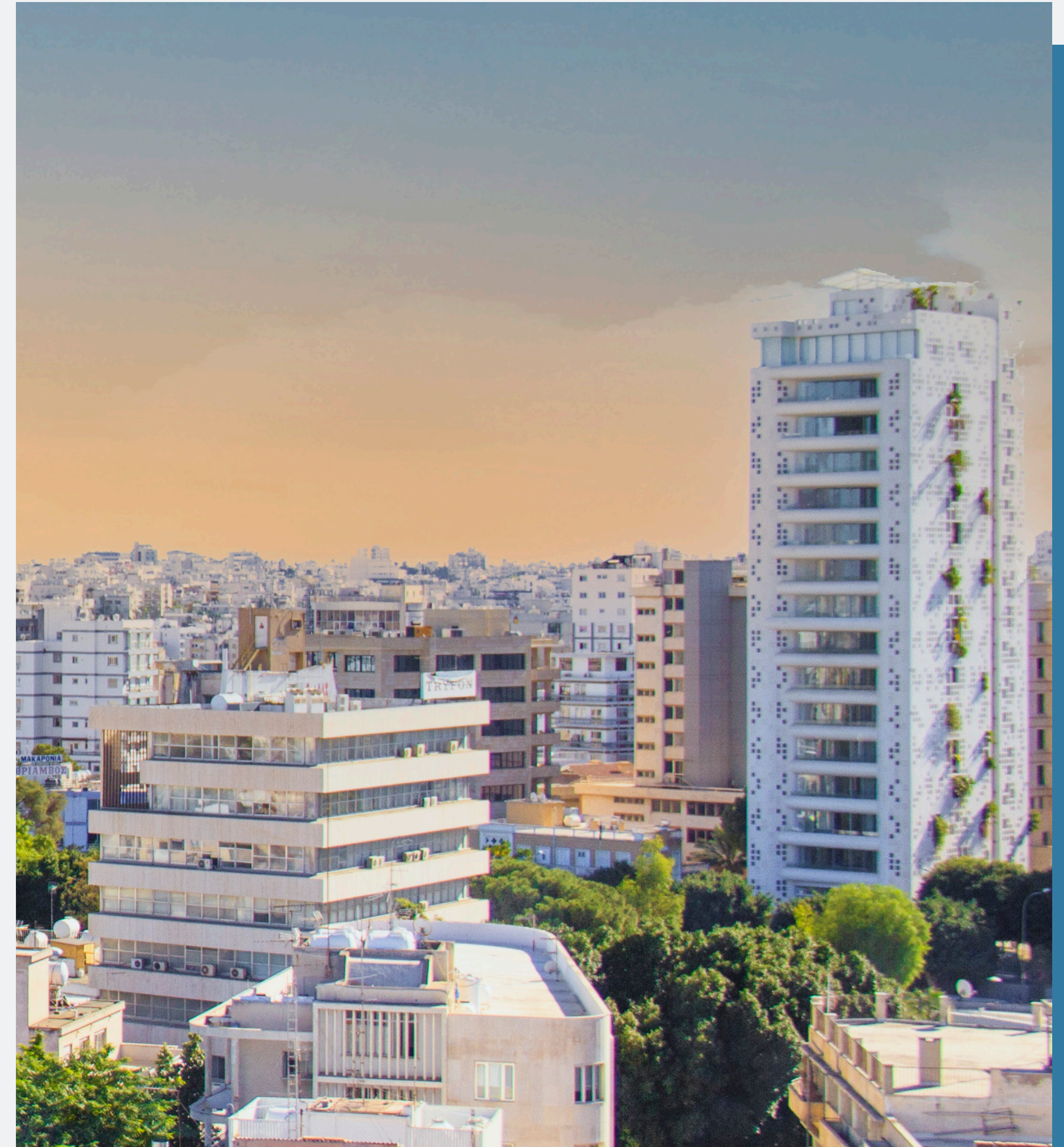
Starting & Running a Business is easy:

The needs of foreign investors are long embedded and emerged in Cyprus, turning it into one of the most rapidly growing corporate hubs in the EU.

The ease of corporate legal regulations on starting and running a business in Cyprus, is definitely apparent, since the registration process for a company takes less than ten days. In addition, corporate firms' fees (including the government fees) vary from €1,000 to €2,500, depending on the firm.

Intellectual Property safeguards:

Establishing or relocating a business in Cyprus benefits from intellectual property advantages and safeguards. The legal system protects intellectual property (IP) and secures property investments. In this way, global investment maximizes and the process of setting up a business becomes more comfortable.



5. High quality of life



Adaptable Lifestyle:

The high quality of life in Cyprus is one of the most acclaimed characteristics of the island. From its enriching culture, to its hospitality, to the pleasant weather paired with the blue coast, the lifestyle of the island makes Cyprus the ideal location.

Healthcare:

The healthcare system in Cyprus is open and accessible in both the public and the private sector. State care is available for EU citizens and permanent residents in Cyprus. In terms of non-EU citizens, private healthcare can be considered relatively affordable. Further, a general healthcare system has been recently adopted.

Family-friendly:

Cyprus is a highly family-friendly destination, offering not only reputable education in its English Speaking primary/secondary schools and international universities, but also accessible healthcare systems. It is further a European country with a significantly low crime rate.

Infrastructure:

Cyprus' booming, modern and contemporary infrastructure is evident throughout the whole island. Foreign investors and corporations are often impressed by the current enterprises, trade-based businesses, and commercial entities which are based on a solid infrastructure and placid connections. The strategic location of Cyprus further allows the local corporate world and real estate sector to grow exceedingly in the region.

Amiable Living and Working Environment:

A combination of Cyprus' climate, which ranges from 25°C during the day to 15°C at night, and the sunlight of 300 days annually, makes Cyprus a wonderful place to live and work. The island offers a strong section of art and entertainment, which extends this enjoyable lifestyle even more.

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