

Invest in Cyprus  Invest in Us

Cyprus,
an international business hub
since antiquity.



Cyprus' copper talanton, 1600-1100 BC,
representing one of the most ancient forms of a common currency.
Dimensions: 72cm x 35cm, weight: approx. 39kg



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A GLIMPSE OF CYPRUS

CYPRUS, STRATEGICALLY LOCATED AT THE CROSSROADS OF EUROPE, ASIA AND AFRICA, HAS BEEN AN IMPORTANT CENTRE OF TRADE SINCE ANTIQUITY.

Cyprus, a Member State of the European Union since 2004 has developed into an ideal hub, swiftly becoming the international destination of choice for doing business.

This small but dynamic country has a long established reputation as a “centre of excellence” for international business activities and retains unique clusters of expertise and service capability to support key growth sectors of the economy.

Cyprus is a diversified, open-market economy, with a highly-educated workforce and a commitment to facilitate business in a cost-effective manner. Moreover, it offers **ease of doing business** in an investor-friendly environment, which is connected to an efficient business infrastructure and a rich and sophisticated business culture, while pristine beaches and enviable weather perfectly blend a superb quality of life with maximum business benefits.

The island, which is famous for its warm, hospitable and welcoming people, has transformed itself into one of the most attractive FDI destinations in the region, where, among other advantages, market access to more than 500 million EU citizens is readily available.

CYPRUS facts:

Location: 35° N and 33° E

Time Zone: GMT+2

Area: 9,251 km²

Population: 862,000 (2011 census)

Currency: Euro

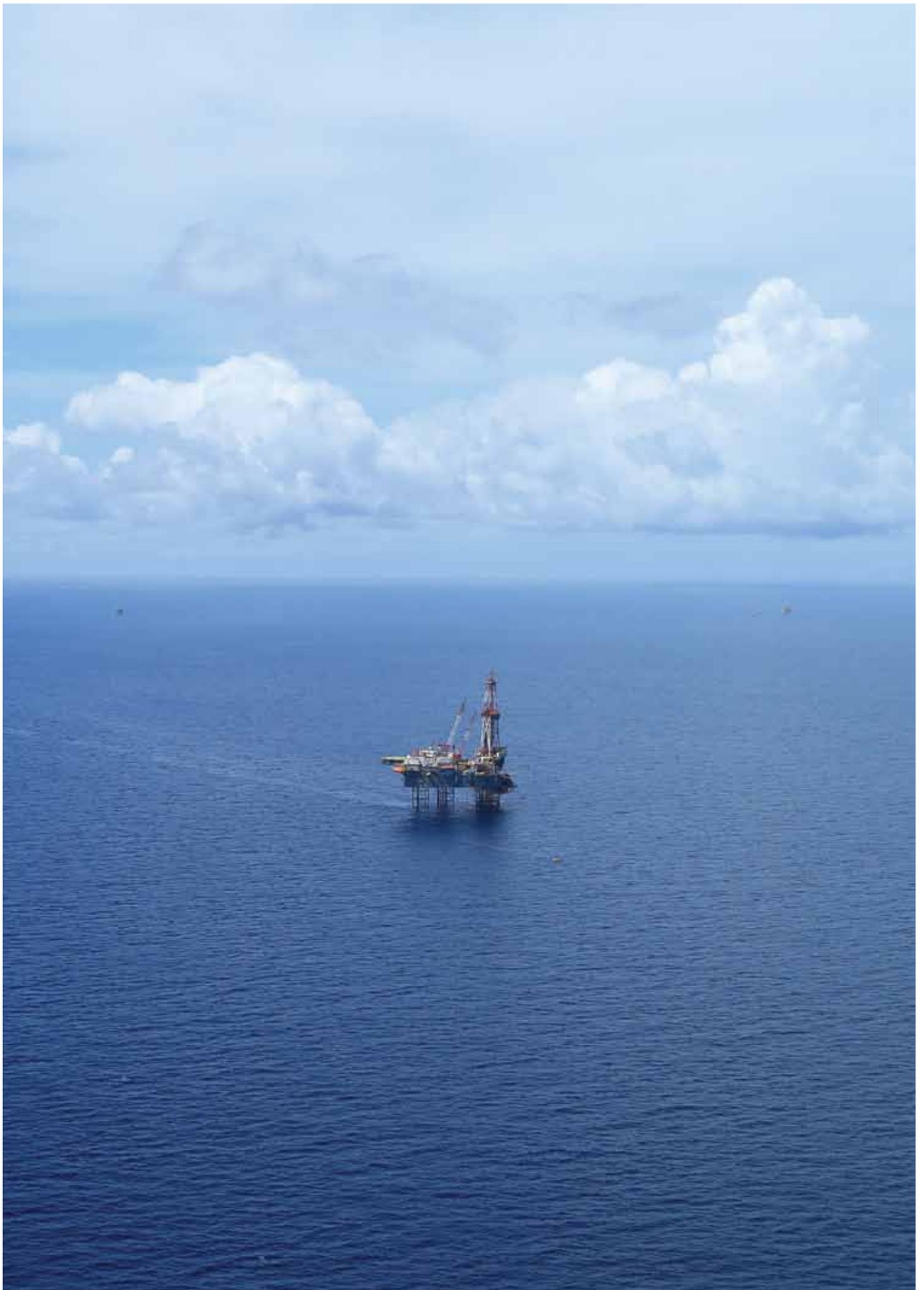
Capital: Nicosia

Official languages: Greek & Turkish; English is the business language

Political system: Presidential Democratic Republic

International memberships

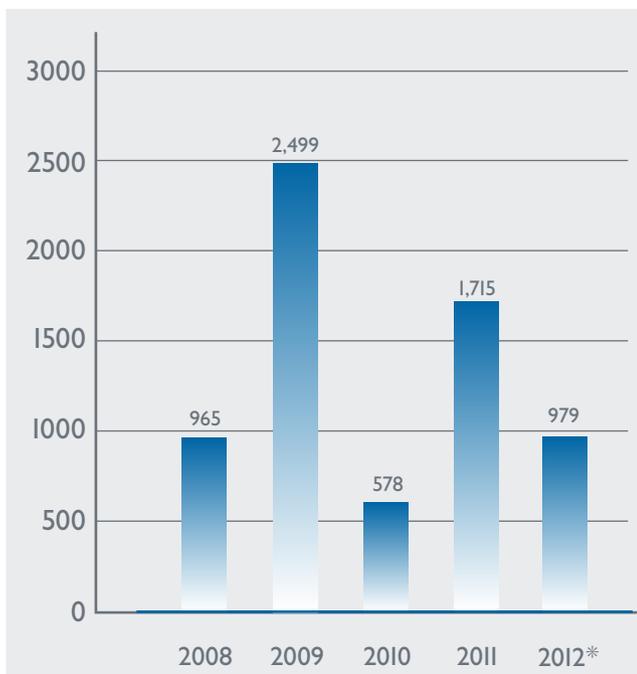
- United Nations (1960)
- The Commonwealth (1961)
- The Council of Europe (1961)
- The International Monetary Fund (IMF) (1962)
- The World Bank (1962)
- The World Trade Organization (1995)
- European Union (2004) and eurozone (2008)





FOREIGN DIRECT INVESTMENT

Inward Direct Investment Flows (EUR mln)



*estimated forecast

Source: Statistics Department, Central Bank of Cyprus

FDI into Cyprus reached its peak at €2.5 billion in 2009, followed by a decrease during 2010, which was mainly due to the global economic crisis. Inward FDI recorded another rise in 2011 with an estimated decrease in 2012. It is cautiously anticipated that the discovery of natural gas reserves in Cyprus' Exclusive Economic Zone (EEZ) will have a significant impact on future foreign direct investments into Cyprus.

Inward FDI by economic activity (Latest figures as of 2011)

- Wholesale and Retail Trade €420mln (42.6%)
- Professional, Scientific & Technical Activities €359mln (36.4%)
- Financial & Insurance Activities €254mln (25.7%)

A BRIGHT FUTURE

BUILDING ON ITS UNIQUE ADVANTAGES AND FOCUSING ON QUALITY AND HIGH STANDARDS WILL ENSURE A BRIGHTER FUTURE.

Cyprus has approached the recent global, but also its own, economic challenges as an opportunity to reassess, recalibrate and refocus on core and emerging strengths. In this respect, cyprus is not only taking measures to retain its unique advantages as a quality and high standard international business centre, but is also looking to capitalise on opportunities developing around the region and within the country.

In this effort, the country counts on its most valuable and distinctive asset: its people. Our skilled, well-educated and internationally experienced people, who ensure the country's competitive advantages are maintained, are using their resourcefulness, entrepreneurship and professionalism to develop existing and new sectors such as the audiovisual industry, R&D, education, health and sports tourism and, of course, energy. This is reflected in the cluster of services and activities which Cyprus supports, providing an important, value-added infrastructure.

Cyprus is actively developing the potential of significant natural gas deposits discovered in its Exclusive Economic Zone (EEZ). These reserves have made Cyprus' geographic location gain further strategic importance, as it is located in the very centre of the Eastern Mediterranean's Natural Gas reserves. Developing the natural gas industry, as well as other related ones, constitutes a key move in terms of the country's economic diversification and opens up great prospects for the economy as a whole, while also providing excellent opportunities to foreign investors.

Other aspects of the economy and the overall investment environment are also being developed further and driving the country's competitiveness in doing business. Operating expenses, as well as labour costs, have been reduced significantly, leading to a visibly more competitive cost structure of doing business.

At the same time, an additional welcome development is the fact that government institutions are themselves being overhauled and reformed. Various mechanisms and procedures, as well as legislation where needed, are being reviewed and revised in many respects, allowing for significantly smoother and more efficient business environment. Cyprus is, therefore, not only becoming more competitive on a cost basis, but also significantly more efficient, attractive and friendly towards FDI in general.

Furthermore, the Government has already introduced a series of incentives, offering a large variety of benefits to drive employment, support existing businesses, while also boosting new investments.

It comes as no surprise that recent developments and the positive prospects of the economy have led to a surge in investment interest, as well as in actual investments in a number of sectors, including leisure & tourism, land development and energy, while further projects, such as the establishment of an integrated resort casino, a technological park and others, are expected to proceed within 2014.

Data collected by the Cyprus Investment Promotion Agency show a surge in investor interest by 12% in 2012 and a further estimated 21% in 2013.



WHY CYPRUS?

IN TODAY'S GLOBALIZED ECONOMY, COMPANIES ARE SEARCHING FOR THAT CRUCIAL COMPETITIVE EDGE THAT WILL ALLOW THEM TO DEVELOP AND GROW INTO BETTER AND BIGGER ORGANISATIONS. CYPRUS PROVIDES THE **COMPLETE VALUE PROPOSITION** THAT WILL MEET THE DEMAND OF COMPANIES, AS WELL AS CLIENT EXPECTATIONS.

Strategic Location

Cyprus is Europe's eastern outpost at the crossroads of three continents - Europe, Africa and Asia – providing a gateway to and from each one of them. The country's geographical location has been considered of strategic importance in global trade for thousands of years. Recently, the discovery of natural gas resources and possibly oil has further upgraded the strategic importance of the island, which is also considered to be a stabilising factor in the region's political developments.

EU Member State & Member of the European Monetary Union

The Republic of Cyprus became a full member of the EU on May 1st 2004. Accession to the EU was a natural choice for Cyprus, driven by its culture, civilization and history, as well as its unwavering commitment to the values of democracy, freedom and justice. Cyprus successfully assumed the EU Presidency from July to December 2012.

At the start of 2008, Cyprus joined the European Monetary Union, leveraging a robust economic performance recorded by key economic indicators. Joining the eurozone meant that investors could take advantage of the opportunity to freely access the 500 million EU market, while also benefiting from fewer risks, lower costs and increased price transparency across the eurozone.

Accession to the EU and the eurozone launched a new era of commitment to quality and growth in Cyprus. Furthermore, the country continues to encourage Foreign Direct Investment opportunities in priority economic growth sectors, including amongst others:

- Professional Services
- Banking & Financial Services
- Investment Funds
- Shipping

- Real Estate & Large Scale Development Projects
- Information Communication Technologies
- Research & Development and Innovation
- Education
- Oil & Gas
- Renewable Energy and Environmental Technologies
- Medical & Wellness Tourism

Today, Cyprus actively participates in EU programmes, focusing on strengthening growth in various economic sectors, as well as entrepreneurship and innovation across sectors and processes.

Regulatory Framework

Cyprus has a comprehensive, modern and forward-looking legal and regulatory framework based on English Common Law principles. The country's legal framework is widely recognized as a business-friendly and effective system, that allows for reliable and transparent business practices.

The Cyprus Investment Promotion Agency has a leading role in constantly developing and modernizing the country's legal framework by promoting new and improved legislation in a number of areas, always aiming at further improving the overall investment environment.

Naturally, being a European Union member state Cyprus' legal framework is aligned with EU laws and regulations (the "acquis communautaire").

Taxation

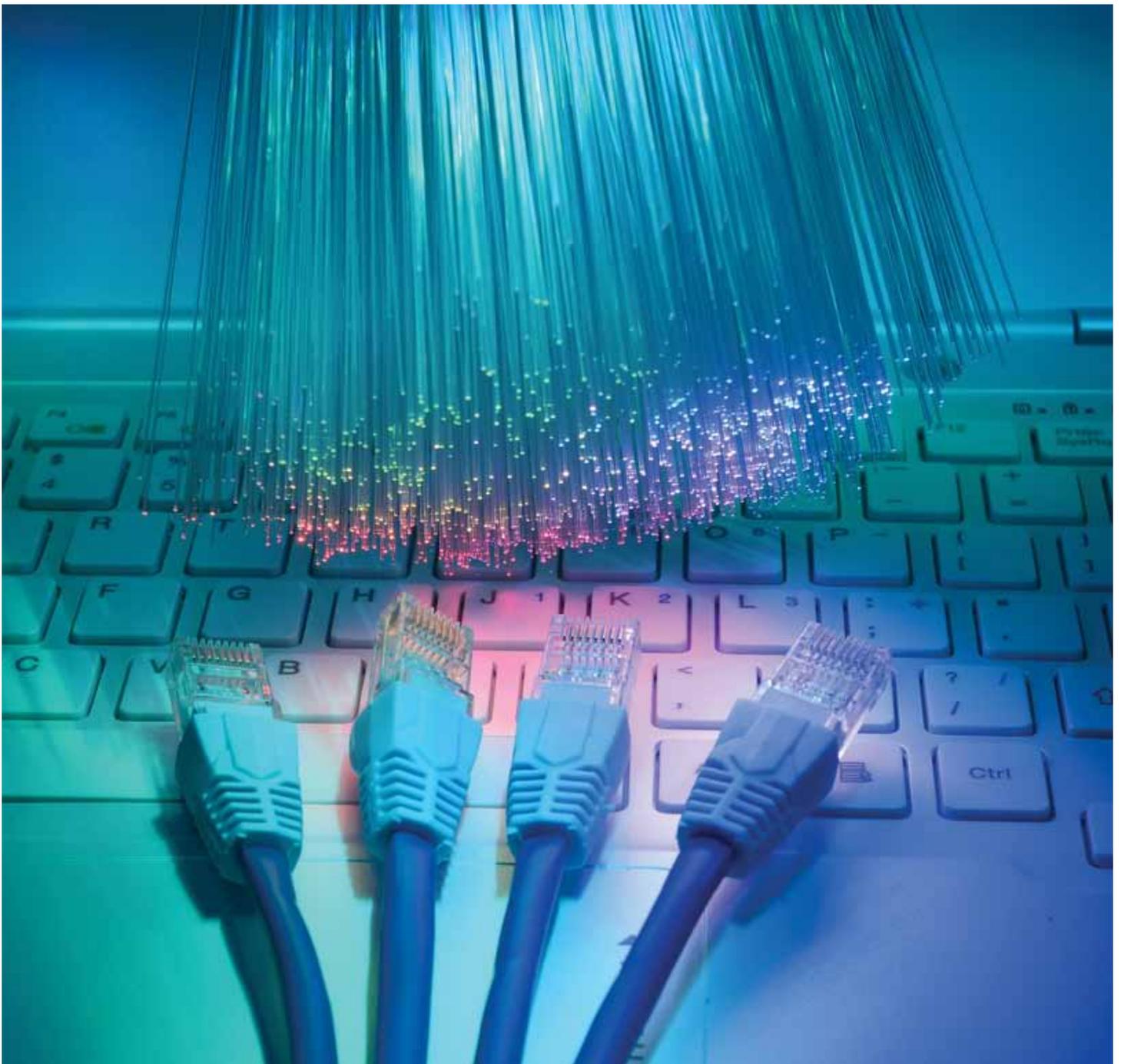
Cyprus offers possibly the most attractive tax system in Europe as well as one of the most appealing and simple systems in the world. The country provides an effective and transparent tax regime that is fully compliant with EU laws and regulations. In addition, the Organisation for Economic Cooperation and Development (OECD) includes Cyprus on its "white list" as one of the 45 countries that have introduced and implemented the highest of internationally agreed standards on harmful tax practices.

A brief outline of Cyprus' tax framework:

Corporation tax: flat rate of 12.5%

Exemptions from tax for companies:

- Complete exemption on dividend income in almost all instances;
- On trading profits of foreign branches of Cypriot companies;
- Unconditional capital gains exemption on gains /



profits from the disposal of shares regardless of holding period or shareholding percentage as well as bonds and debentures and many other securities;

- No tax on capital gains from the sale of immovable property outside Cyprus;
- Deemed deduction of 80% on the net income derived from intellectual property (see relevant section further below).

No withholding tax at all times on:

- Dividends paid to non-resident shareholders;
- Interest and most royalties paid from Cyprus;
- Capital gains and income on the disposal of either the shares of the subsidiary's share capital or the share of the Cypriot holding company;
- No exit taxes on the liquidation or capital reductions of a Cypriot holding company.

In line with its efforts to continuously improve the investment environment and make it even more attractive, the Government of the Republic of Cyprus has recently announced a series of additional taxation **incentives** aiming at promoting growth:

- The provision for an increased 25% discount on taxable income payable by employers for each additional employee hired;
- 100% tax deduction until 2016 on capital expenditure related to innovation, research, information, communications and renewable energy;
- The extension until 2016 of the increased tax deduction, with a minimum 20%, on capital expenditure on other assets.



Double Taxation Treaties

In addition to the above, Cyprus has an extensive and constantly growing network of attractive Double Taxation Treaties (DTTs), which supports the overall tax system and forms a significant part of the overall system's attractiveness. The objective of the DTTs is to ensure that the same income is not taxed in more than one country, which provides for reduced or nil withholding taxes on dividends, interest and royalty flows between the countries. Furthermore, these agreements allow the tax payable in the other country involved to be treated as credit against tax payable in Cyprus. Therefore, the item of income is charged to tax only once or/is not subject to taxation twice. At the moment the ratified treaties in place are 46 while a number of others are under negotiation.

DTTs:

Armenia, Austria, Belarus, Belgium, Bulgaria, Canada, China, Czech Republic, Denmark, Egypt, Finland*, France, Germany, Greece, Hungary, India, Ireland, Italy, Kuwait, Kyrgyzstan, Lebanon, Malta, Mauritius, Moldova, Montenegro, Norway, Poland, Portugal*, Qatar, Romania, Russia, San Marino, Serbia, Seychelles, Singapore, Slovakia, Slovenia, South Africa, Sweden, Syria, Tajikistan, Thailand, Ukraine, U.A.E., United Kingdom and the United States of America.

* Effective January 1st, 2014

The updated list of DTTs can be found at www.investcyprus.org.cy

Income Tax of Individuals

Cyprus offers one of the lowest income tax regimes in Europe with taxation of individuals ranging from 5% to a maximum of 35%. An individual tax resident of Cyprus is an individual who resides in the republic for more than 183 days in a calendar year. Cyprus tax residents are taxed on income earned both in Cyprus and abroad, whereas non-tax residents are taxed on certain income earned from Cyprus sources only.

The following tax provisions apply to individuals:

- 50% of salaried income from first employment in Cyprus in the first five years if annual remuneration exceeds €100,000;
- Alternatively, 20% of salaried income from first employment in Cyprus in the first three years with a maximum deduction of €8,550;
- No tax on profits of a permanent establishment abroad and on salary earned abroad (90-day rule), under certain conditions;
- No tax on profits gained from the sale of securities such as shares, bonds, debentures etc.;
- Lump sums received in the form of retirement gratuity, compensation for death or injuries, provident fund, pension fund or other approved funds are exempt from tax;
- No inheritance tax.

International Trusts

Cyprus international trusts are widely used as a vehicle for international tax planning, offering the following tax advantages:

- Income and gains of a Cyprus international trust are exempt from any Cyprus taxes;
- Dividends, interest or other income received by a Cyprus international trust are also not subject to any Cyprus taxes;
- No capital gains tax is charged on the disposal of assets of a Cyprus international trust;
- No withholding tax on distributions made by a Cyprus international trust to beneficiaries or indeed any other parties;
- Exemption from taxation in the case of an alien who creates an international trust in Cyprus and retires in Cyprus under certain conditions.

Intellectual Property Tax

Cyprus seeks to promote Research, Development and Innovation, in line with EU strategy.

Tax law provisions introduced in 2012 provide for generous exemptions from tax of income related to IP under certain conditions. More specifically:

- 80% of any income generated from IP owned by Cyprus resident companies (net of any direct expenses) is exempt from income tax,

- 80% of profit generated from disposals of IP owned by Cyprus resident companies (net of any direct expenses) is exempt from income tax, and,
- any expenditure of a capital nature for the acquisition or development of IP may be claimed as a deduction in the tax year in which it was incurred and the immediate four following years.

Consequently, the Cyprus effective tax rate on IP related incomes and gains is below 2.5%.

Infrastructure

One of Cyprus' biggest and most important competitive advantages is its well advanced infrastructure, which is further enforced and supported by its compact size. Cyprus has a robust telecommunication system, two newly-built international airports (Larnaca, Paphos) and two multi-purpose deep sea ports (Limassol, Larnaca).

Larnaca and Paphos are the third and fourth largest cities situated on the south-east and south-west coasts respectively. More than 35 international airlines operate scheduled flights from and to Larnaca International Airport (5 km from Larnaca's town centre) and Paphos International Airport (15 km east of Paphos town). Paphos Airport was inaugurated in 2008 with passenger traffic of more than 2.2 million in 2012. The new airport in Larnaca opened in 2009 and handled more than 5.2 million passengers in 2012.





Halloumi cheese: originated in Cyprus in the Medieval Byzantine period (AD 395 – 1191).

Furthermore, all cities in the country are connected with motorways, which means that the longest drive from city to city does not exceed 1 hour and 20 minutes!

Easy connectivity to various Wi-Fi networks is widely available as well as 100% mobile coverage throughout the country.

Ease of Doing Business

Cyprus has developed into an international quality business centre that offers specialized services and rewarding business opportunities. The country caters to the diverse needs of international investors by enhancing the “ease of doing business”.

- The World Bank’s Doing Business Report 2013 ranked Cyprus 36th out of 185 countries for the “Ease of Doing Business”.
- Forbes Magazine’s 2012, Best Countries for Doing Business report ranked Cyprus 25th out of 144 countries.
- Bloomberg’s 2012 Best Countries for Doing Business Report ranked Cyprus 32nd out of 161 countries.

Value for Money

Cyprus is a dynamic business centre that offers top level financial, legal, technical and management services at competitive rates, making it a uniquely attractive destination for foreign investors. This competitive advantage is clearly not unrelated to the population’s inherent culture towards service, education and international engagement. A vast number of experts in numerous fields such as accounting, auditing, legal, banking, architecture & design, business administration, etc. have a combined background of international education with international work experience. At the same time, the cost of doing business in Cyprus has been declining over the past 12 months and is expected to become even more competitive over the coming years.

Human Talent

Human talent is probably Cyprus’ most compelling competitive advantage since it forms part of the people’s culture and history. Cypriots are highly educated, qualified and almost all are bilingual, if not multilingual. Most importantly, however, business is still done with a personal touch.

- 2011 statistics by EUROSTAT reveal that more than 35% of Cypriots in the 25-64 year age bracket have attained tertiary education, significantly higher than the EU-27 average of 26.8%.
- Moreover, 2011 statistics by EUROSTAT reveal that more than 50% of Cypriots in the 30-34 year age bracket have attained tertiary education, which places Cyprus’ highly educated young workforce significantly higher than the EU-27 average of 34.6%.

Cyprus ranks amongst the top countries in Europe for tertiary education per capita!



Cyprus is actively supporting various projects that augment the island's learning and innovative capacity and status as a knowledge economy.

Quality of Life

Cyprus offers an enviable lifestyle in a clean and healthy environment with a high standard of living. Living and working in Cyprus are directly related to fabulous weather, beautiful nature, art and culture, safety, security, and above all, hospitable and warm people. It is the combination of all these factors that makes the experience of living on the island extremely desirable and attractive. The balance between work and family part of everyday life, which is unique and truly difficult to match.

Cyprus combines an international competitive business environment with a pleasurable and balanced way of life.

- The UNDP Human Development Index Report 2013 ranked Cyprus 31st out of 187 countries for the quality of life.

Arts and culture have a long tradition in Cyprus, with historical monuments dating back to 10,000 BC. The capital of Nicosia has over seventeen museums, showcasing a broad array of archaeological collections, Byzantine icons, coinage, paintings and other cultural treasures. Cyprus hosts several artists and painters, while the gallery community

has grown steadily in the last few years. The performing arts are flourishing. Throughout the year, local and international festivals, concerts by renowned performers and other events take place in ancient and modern open-air amphitheatres, including international independent film festivals, annual classical music festivals and an opera festival at the end of the summer season.

Gastronomy and wine have a long tradition in Cyprus. Local cuisine, based on the Mediterranean diet, offers many culinary treasures ranging from healthy salads, vegetable appetizers and the famous halloumi cheese, to main courses which include spit-roast lamb, pork marinated in wine, and scrumptious honey-dipped deserts and preserved fruits using recipes dating back hundreds of years.

Crime rates are very low and the sense of general safety and security is evident across the country.

Commutes are minimal. The island has a well-developed network of highways linking all main destinations.

With pleasant weather throughout the year, sports enthusiasts can ski in February, swim and kitesurf until October, while biking, tennis and golf are enjoyable all year around!



FOCUS SECTORS

CYPRUS IS NOT ONLY ONE OF THE BEST PLACES TO LIVE AND WORK, IT ALSO OFFERS NUMEROUS STRUCTURAL ADVANTAGES FOR INVESTORS, WHILE DEVELOPING ATTRACTIVE INVESTMENT OPPORTUNITIES IN A VARIETY OF KEY GROWTH SECTORS, SUCH AS PROFESSIONAL SERVICES, BANKING & FINANCE, INVESTMENT FUNDS, TRUSTS, SHIPPING, HEALTH TOURISM, SPORTS TOURISM, LARGE SCALE DEVELOPMENT PROJECTS, ICT, EDUCATION, R&D AND INNOVATION.

In addition, the Energy Sector is expected to play a catalytic role in the future development of the country and its economy as a whole. Significant hydrocarbon reserves, recently discovered in the country's Exclusive Economic Zone (EEZ), offer tremendous opportunities for the mid- and long-term prosperity of the country.

Strategically, Cyprus is likely to play a key role with respect to regional and European energy policy and strategy, as it is expected to evolve into an Eastern Mediterranean Energy Hub.

In addition, the development of renewable energy, where Cyprus is also blessed due to its geographical location, is expected to offer attractive investment opportunities.

Professional Services

Cyprus is recognized as an international centre of excellence for the provision of professional services, including accounting and legal. Notably, the Institute of Chartered Accountants in England and Wales and the Chartered Institute of Management Accountants have chosen Cyprus as the first country in the world to train UK Chartered and CIMA accountants outside the United Kingdom, as well as to organize the training of UK Certified Accountants on the island.

Accounting Services

Cyprus offers a wide range of professional accounting, auditing, management consultancy, taxation, financial advisory and other administrative services to both the private and public sectors.

- There are 3,699 active, English-speaking, registered accountants in Cyprus (Sept. 2013);
- There are more than 120 limited accounting firms and 40 partnerships operating in Cyprus;
- Top international accounting firms are established in Cyprus providing services to local as well as international investors;
- Cyprus follows the International Financial Reporting Standards (IFRS).

Legal Services

Cyprus' legal system is based on English Common Law principles. As a member of the European Union, Cyprus has incorporated the body of laws and regulations of the EU known as the *acquis communautaire*.

The industry provides quality legal services in areas such as international law, corporate administration and management services, while most large law firms are affiliated or collaborate with international law firms.

- There are over 2,500 registered advocates and 160 limited liability law firms providing a wide range of legal services in Cyprus;
- Most of the practising lawyers in Cyprus studied and/or qualified in England.

Banking & Finance

The Cyprus financial services sector is diverse, comprising domestic banks, International Banking Units (IBUs), insurance companies, and other companies that offer financial intermediation services. Many foreign banks from the Middle East, Europe and Asia operate subsidiaries, branches or representative offices in Cyprus.

Cyprus banking & financial services sector legislation is in line with international best practices and has a simplified, effective and transparent tax system, which is fully EU, OECD, FATF and FSF compliant. Commercial banking arrangements and practices follow the British model, all banks maintain correspondent networks around the world and are able to carry out both traditional and specialised financial transactions.

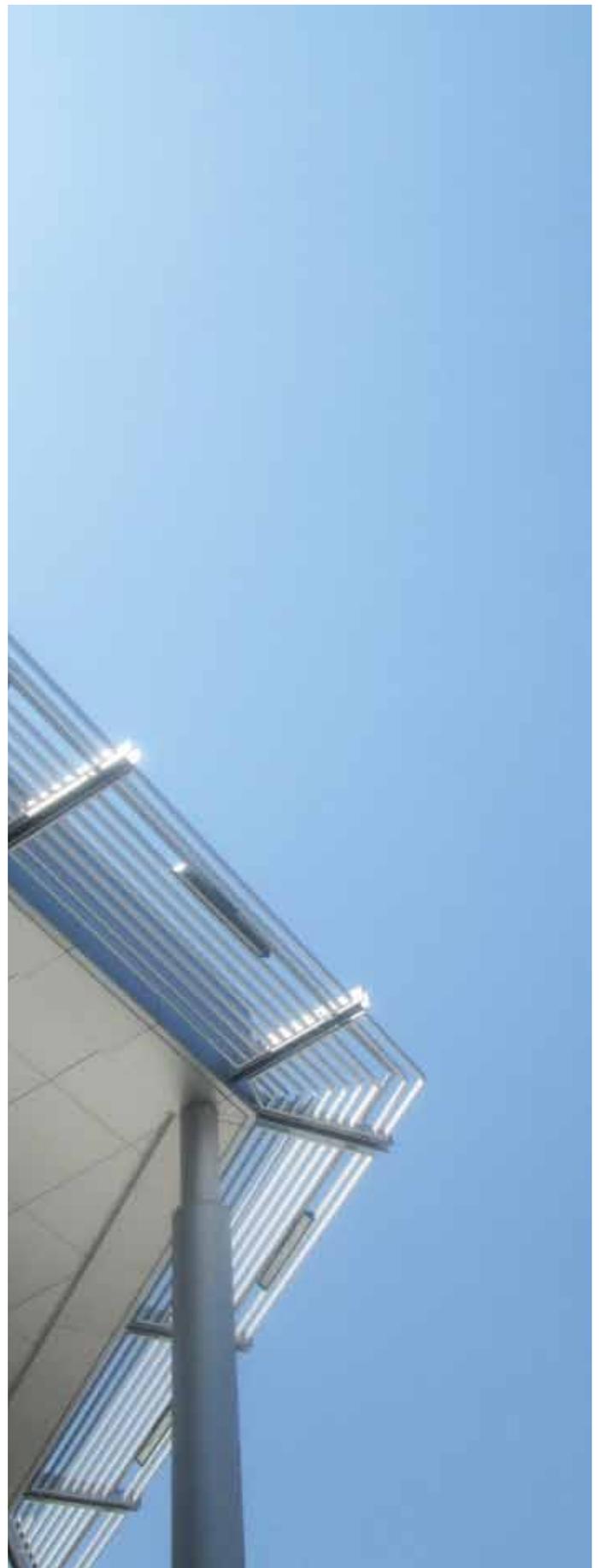
Banks located in Cyprus offer an array of services ranging from asset management, private banking, international, corporate and investment banking, retail banking, syndicated loans, custodian services and more. In line with business changes, Cyprus' banking infrastructure has rapidly evolved and adopted the use of advanced technology systems, implemented measures to reduce risk management along with the acquisition of highly-trained personnel.

Cyprus has a business-friendly tax system, which provides specific exemptions and incentives for investment. Even after the Eurogroup's decision (March 2013), Cyprus retains its competitive advantage as a financial centre.

Investment Funds

With the new EU regulatory framework changing in the funds industry, Cyprus is emerging as an attractive investment funds jurisdiction, providing solutions for the establishment of private and public investment funds (Alternative Investment Funds and UCITS), as well as fund managers.

In recent months, the Cypriot regulatory authorities have worked diligently to bring the funds framework in Cyprus up to par with other international jurisdictions. These efforts include the transposition of the Undertakings for Collective Investment in Transferable Securities (UCITS) IV Directive in 2012 and the Alternative Investment Funds Managers Directive (AIFMD) in 2013. Through the laws transposing these two directives, Cyprus offers a European passport to the fund management industry and outstanding possibilities for cross-border and global fund distribution.



From Ancient Kourion in the 2nd century A.D. to the new Cyprus Theatre Organisation building (2012), Cyprus has maintained its rich theatrical culture throughout the ages.

Moreover, Cyprus combines a strong banking infrastructure with low costs while complying with EU fund regulations and international best practices. Experienced and recognized service providers are capable of servicing a wide range of funds and providing operational support and reporting solutions for all EU and non-EU distribution countries at competitive rates. Service providers support funds throughout their entire life cycle: regulatory approval, administration, custody, annual audit, listing on the Cyprus Stock Exchange (if applicable), order routing, registration, clearing and settlement.

The alternative investment funds industry in Cyprus has experienced exponential growth in the last few years, with more than 50% of recognized ICIS (International Collective Investment Schemes) having been established over the last three years. Significant interest has also been expressed in the establishment of both UCITS Management Companies and UCITS funds during 2013. These trends are widely expected to continue considering all the recent and upcoming developments taking place which will modernize the legal framework and put Cyprus firmly on the map of competitive funds jurisdictions.

Shipping

Cyprus is an internationally renowned shipping centre, home to some of the world's leading names of the global shipping industry. The country's accession to the European Union, in 2004, further boosted the reputation and overall image of the Cyprus flag and the infrastructure of Cyprus' shipping in general.

The country's unique geographical location at the crossroads of three continents, its advanced infrastructure and services, as well as the very competitive shipping taxation and other strategic advantages, make Cyprus the ideal location for ship owning, ship management, ship chartering and ancillary shipping-related services.

Facts about Cyprus' shipping sector

More than 140 ship owning, ship management and shipping related companies controlling a merchant fleet of 2,200 vessels, with 50 million Gross Tonnage.

- 10th largest merchant fleet in the world
- 3rd largest merchant fleet in the EU
- 2nd largest Ship Management Centre in the world
- Largest third party Ship Management Centre in the EU

Cyprus has the only EU-approved "Open Registry" Regime with a very wide and legally endorsed Tonnage Tax System (TTS), which was introduced with the Merchant Shipping Law in 2010 and covers the three main "maritime transport" activities: ship owning, ship management (crew and technical management), and chartering.

In summary, advantages of the Cyprus TTS include:

- No tax on shipping activities other than "Tonnage Tax"
- No tax on shipping profits including profits from the sale of ships
- No tax on dividends paid from shipping profits

- No estate duty or capital gains tax
- No income tax for seafarers on Cyprus-flagged ships
- No stamp duties on documents or mortgage deeds

In addition to tax incentives and the country's excellent geographical location, Cyprus maintains its competitive advantages through a high quality maritime cluster, offering efficient and quality services, as well as:

- Competitive ship registration fees
- Recognition of Competence Certificates from many countries
- Bilateral agreements of cooperation in merchant shipping with 23 countries
- Classification of the Cyprus flag on the "White List" of the Paris and Tokyo MoUs
- Beneficial owners' protection through nominee or trustee shareholders

Cyprus has adopted a maritime safety policy, which focuses on the effective control of ships and the improvement of the quality of the country's merchant fleet. Cyprus' Maritime Offices are located in Limassol (Cyprus), as well as Hamburg (Germany), New York (USA), London (UK), Athens (Greece), Rotterdam (Netherlands) and Brussels (Belgium).

Tourism

Tourism has been an important growth sector of the Cyprus economy and continues to offer untapped potential from investments in specialised sectors such as luxury, health and lifestyle.

Thanks to its outstanding Mediterranean climate, the island offers natural landscapes, beautiful beaches and fascinating history - the perfect location to explore a variety of different investment opportunities.

Cyprus, famous for its numerous beaches and crystal clear waters, is the:

- No. 1 tourism location with the cleanest sea waters in Europe
- No. 1 country in the world with the most "Blue Flag" beaches

Furthermore, Cyprus was compared against 140 countries in the World Economic Forum's, "Travel & Tourism Competitiveness Report 2013" and came:

- 21st best Travel & Tourism business environment & infrastructure
- 22nd best Travel & Tourism regulatory framework

Health & Wellness Tourism

Medical tourism is a fast-developing industry that combines medical & wellness treatment with a vacation. Cyprus offers all the prerequisites to further develop into a well-recognized international Health & Wellness



«Strange, I can see it here, the light of the sun, the gold net where things are quivering like the fishes, which a great angel draws together with the nets of the fishermen...»

*From the poem “Ayia Napa” by George Seferis
Nobel Prize Laureate - 1963 – Literature*

Tourism destination. The country already fulfills a number of important criteria, such as strategic location, mild Mediterranean climate, existing network of high standard hospitals and clinics, luxury hotels and existing tourism infrastructure, ease of foreign languages, as well as the expertise of internationally educated doctors.

- The share of expenditure on health care as a percentage of GDP was almost 8% in 2012
- 60,000 health travelers visited Cyprus according to a Cyprus Tourism Organization Study in 2010
- There are 6 state general hospitals and approximately 80 private hospitals and clinics on the island

In October 2013, the EU Directive on Cross Border Healthcare is due to be implemented in all EU countries. The Directive will extend freedom of choice in healthcare to Europeans looking for alternative healthcare solutions and treatment abroad.

Large-Scale Development Projects

Cyprus is not only an attractive place to do business, but also a unique place to reside. Real Estate has been one of the key growth sectors for decades, representing a significant portion of the country's GDP.

Cyprus continues to offer a unique attractiveness for holiday homes. In addition, with 326 days of sunshine and its enviable lifestyle, the island is a popular destination for permanent residency. At the same time, a number of large-scale development projects, ranging from residential to commercial projects including marinas, golf courses and theme parks, are being developed. These projects, most of which are being promoted by CIPA, offer attractive options for investment in the land development industry.

Property Incentives – Residency, Citizenship, Freehold

The Council of Ministers of the Cyprus Government has introduced attractive schemes to encourage property investments in Cyprus for non-EU citizens.

- Non-EU residents have the opportunity to acquire a permanent residency permit with the purchase of a private home of at least €300,000 and deposits of minimum €30,000 in a local bank for three years. The attractiveness of the scheme, however, goes further and offers two or three permanent residency permits for one family, with the purchase of a house at the corresponding price.
- Non-EU residents can acquire Cypriot nationality with: investment of a minimum €2 million through the purchase of shares and/or bonds of the National Investment Company and €500,000 investment in the Research and Technology Fund; or through direct investments of €5 million; or through bank deposits of €5 million in a local bank for a period of 3 years; or through payments of corporate tax or VAT of at least €500,000 annually during the last 3 years (before the application has been made).

Information and Communication Technologies

ICT is an important driver of productivity, growth and economic performance crossing horizontally all sectors of the economy. The government of Cyprus has identified ICT as one of the country's priority growth sectors and has developed a Digital Strategy and Action Plan for immediate implementation. Furthermore, in order to promote applied research, development, innovation, technology and entrepreneurship in Cyprus, the Government is looking to promote the establishment of a new large scale Science Technology Park (STP). It is a high impact project, that will host research centres, business incubators, spin-off innovative enterprises and other local and international knowledge based companies, with the aim of promoting new and more competitive knowledge-based products and services.

Main advantages and opportunities of the ICT sector

- ICT Ecosystem: Major multinational firms in the ICT industry, including ICT consulting firms, operate regional headquarters in Cyprus using the country as a regional base and gateway (into and out of the EU) for corporate services, such as sales and marketing, project management, systems integration, testing services, training and development, disaster recovery and business continuity, as well as joint R&D among countries of the region.
- Skills and Expertise: Existing knowledge base and available expertise of highly educated and experienced resources. Cyprus has a very high number of university level educated ICT professionals with international experience and expertise in various technologies and industry sectors.
- EU Research Funds: As an EU member state, Cyprus attracts EU research funds for Industry-University partnerships. The Cyprus Investment Promotion Agency acts as a catalyst for the provision of advanced R&D infrastructures and Cypriot talent to foreign companies, who wish to establish Industry-University partnerships with the Cyprus network of Universities and Research Centres.



Cyprus welcomes and has the know-how to support Foreign Direct Investment for expansion and development of projects on e-Government, e-Business, e-Learning, e-Inclusion, e-Health and overall ICT services. The country has aligned its ICT and innovation strategy with the flagship initiatives “Digital Agenda for Europe” and “Innovation Union” of the “Europe 2020” growth strategy of the EU.

Education

Cyprus has a young, well-educated talent pool. Since 2005, Cyprus has been in the top 15 countries in the EU with the lowest pupil per teacher ratio of 11 pupils per teacher. Cypriot educational institutes actively participate in EU programmes, like the Eurydice Network and the ERASMUS programme.

Cyprus is committed to further strengthening education and is focusing on reforms to achieve sustainable growth. The Ministry of Education and Culture is harmonizing the education system in line with the European Standards & Guidelines for Quality Assurance.

The Cyprus Council for the Recognition of Higher Education Qualifications (www.kysats.ac.cy) was established in 1996.

Infrastructure statistics:

- 3 public universities, including one open university
- 5 private universities
- 5 public institutions of higher education
- 25 private institutions of higher education
- 339 public and 29 private primary schools (2010/11)
- 127 public and 39 private secondary schools (2010/11)
- A large proportion of Cypriot tertiary students studied abroad (46.5% in 2011)

The majority of foreign students who select Cyprus for their tertiary education originate from India, Bangladesh, countries of the European Union and Russia.

Most public and private universities in Cyprus offer their courses in the English language. According to statistics of the Ministry of Education, a large number of Cypriot students study at universities abroad. Traditionally, many students prefer to study in Greece, the United Kingdom, Germany, France and the United States.

Energy

Cyprus is committed to ensuring the security of its energy supply, protecting the environment, fostering healthy competition in the energy sector and encouraging the development of renewable energy technologies and production. Cyprus also aims to positively contribute to the European energy security of supply.

Cyprus ranks first in the world in solar energy use for water heating in households, and has achieved significant progress in the production of energy from Renewable Energy Sources (RES). The most important projects relating to power generation from RES concern wind parks and photovoltaic parks.

The energy policy of Cyprus is harmonized with that of the European Union. The main aspects of the energy policy include:

- The liberalisation of the electricity and oil markets;
- The establishment and operation of a strategic oil stock terminal;
- The implementation of development programmes related to the use of energy conservation, technologies, the utilization of ingenious RES and the protection of the environment from industrial pollution;
- The RES target is to supply at least 13% of the country's energy by 2020;
- The promotion of oil products and other sources of environmentally-friendly energy, such as natural gas.

Oil & Gas Sector

The existence of world-class deepwater natural gas reserves in Cyprus Exclusive Economic Zone (EEZ) has attracted a lot of attention from potential international investors, while bringing new and exciting opportunities to the energy sector itself. With the energy developments in neighbouring countries, the prospects may be there for Cyprus to become an energy hub in the Eastern Mediterranean.

Presently, exploration licenses have been granted for 6 offshore blocks within Cyprus' EEZ to 3 internationally renowned oil & gas companies and their partners. The Government of Cyprus is continuing its negotiations concerning the infrastructure requirements necessary for bringing the natural gas onshore for local consumption, as well as liquefaction for export into Europe and other markets.

Petroleum Storage and Distribution Terminal

The construction of a private €300m storage and distribution terminal in Cyprus with a total capacity of 858,000 cubic metres is underway. It will connect the vibrant trading areas of South East Europe, Asia and North Africa. Phase one of the project is scheduled for completion in 2014.

Renewable Energy

Total electricity capacity from RES in Cyprus reached 181 MW in May 2013. The objective, as per the National Action Plan (NAP) issued by the Ministry of Energy, Industry, Commerce & Tourism, is to reach a minimum capacity of 584MW by 2020, which will be equal to 16% of the total electricity production in Cyprus and 3% higher than the target set by the EU.

In this respect, the production of energy from RES is expected to experience considerable growth in the years to come since significant investment is required in order for Cyprus to achieve the targeted capacity as per the NAP.



INCENTIVES

CYPRUS OFFERS NUMEROUS INCENTIVES TARGETING DIFFERENT SECTORS AND OFFERING A WIDE RANGE OF ADVANTAGES TO INVESTORS. IN AN EFFORT TO CONTINUOUSLY IMPROVE THE COUNTRY'S INVESTMENT ENVIRONMENT, THESE INCENTIVES ARE BEING CONSTANTLY ENRICHED AND UPDATED.

1| Human Resource Development Authority of Cyprus (HRDAC)

HRDAC provides funding in the form of grants to support a wide spectrum of training needs for any size company registered in Cyprus.

Among the most popular funding opportunities are:

- In-company training for developing and upgrading skills;
- Training provided by private training organisations in various fields.

For more information: www.hrdauth.org.cy

2| Research Promotion Foundation (RPF)

The Research Promotion Foundation (RPF) - an initiative of the Government of Cyprus - was established in order to promote the development of scientific and technological research in Cyprus. One of its main activities is the development of a national framework

programme for the financing of Research and Development and Innovation (R&D&I) projects.

A large number of research projects and supporting activities are financed through RPF programme in five strategic areas:

- Strategic & Multi-thematic Research and Development;
- Growth of National Scientific & Research Human Capital;
- Applied Research Development and Enterprise Innovation;
- Research Infrastructure Development and Large Scale Investments;
- International Networking and Collaboration in the field of R&D&I.

For more information: <http://www.research.org.cy/EN/index.html/>

3| Business Start Up Financial Assistance by the Government of Cyprus

Industrial Development

The Industrial Development Service (IDS) of the Ministry of Energy, Commerce, Industry & Tourism, aims at accelerating the rate of growth in the manufacturing sector and enhancing its competitiveness under free market conditions. The IDS has introduced a framework of investment incentives, a brief description of which is provided below:

Technological Upgrading

The scheme aims at assisting the technological upgrading of existing and newly established manufacturing enterprises



through government grants. Any manufacturing enterprises, excluding those located in selected rural areas, investing in new machinery, new equipment and know-how within a period of three years, are eligible to apply.

Manufacturing in Rural Areas

The programme is co-financed by the European Regional Development Fund and aims to support, develop, and promote the manufacturing sector through grants for the expansion and modernisation of existing and/or creation of new viable small and medium-sized enterprises, (SMEs) which are located, or will be located in specified rural areas.

Relocation of Small Enterprises

The aim of this programme is to motivate the already existing small enterprises engaged in manufacturing activities, or specified service activities, to move from residential areas or those inappropriate for their activities to other authorized areas. Authorized areas are those where an enterprise can legally have its premises and engage in manufacturing or service activities, such as industrial areas, industrial zones, handicrafts zones or any other authorized area.

Government Guarantee for Loans Granted to SMEs

The aim of the scheme is to assist SMEs in the manufacturing sector, which do not have adequate collateral to obtain loans. Government guarantees may be granted for loans given by any commercial bank or financial institution, and will be utilized for:

- restructuring and/or expansion in the case of existing enterprises; and
- establishment of a new manufacturing unit preferably engaged in the production of new products and/or high technology products

Women / Youth Entrepreneurship

The program is offered under the De Minimis Rule, and aims to develop, support and encourage the entrepreneurship of women and young people in manufacturing sectors and/or in specific activities in commerce, services and tourism. Above all, it concentrates on the creation of new modern viable enterprises, the development of innovative projects,

new technologies and new products, as well as the support of services that enhance quality and the development of tourism.

Agricultural Products

The programme is included in the Agricultural Development Plan and is co-financed (50%) by the European Agricultural Guidance and Guarantee Fund. Among the programmes objectives is the provision of investment motivations for improving the quality of agricultural products, as well as trade and manufacturing procedures. In addition, the programme aims to direct production according to foreseen market trends or alternatively to encourage the adoption of new channels for the distribution of agricultural products.

Encouraging Exports

The Trade Service of the Ministry of Energy, Commerce, Industry & Tourism provides state grants aimed at enhancing the promotion of Cypriot products and services abroad, and at providing know-how to entrepreneurs regarding business tactics in foreign markets.

Promotion of Industrial Products

The state grant covers the following schemes:

- financial aid for exploring export potentials in foreign markets;
- schemes for entrepreneurs / manufacturers participating in trade fairs abroad, either at their own expense or at fairs organised by the Ministry of Energy, Commerce, Industry & Tourism;
- schemes for entrepreneurs / manufacturers participating in trade missions abroad organized by the Ministry of Energy, Commerce, Industry & Tourism.

Promotion of Services

The Section for the Promotion of Services, E-Commerce and Cyprus Trade Centres, operates three subsidy schemes, under the De Minimis Rule, through which financial assistance is granted as an incentive to Cypriot exporters of services to participate in specialized international services exhibitions.



The three schemes currently in operation under the De Minimis Rule provide financial assistance to:

- Cypriot exporters of services who participate in exhibitions abroad covering their own expenses;
- Cypriot land development companies which participate in exhibitions abroad covering their own expenses;
- Cypriot exporters of services, who participate in exhibitions abroad, which are organised by the Ministry of Energy, Commerce, Industry & Tourism.

Promotion of E-Commerce

The scheme for the promotion of e-commerce in Cyprus is offered under the De Minimis Rule, and aims to develop, support and encourage SMEs wishing to take advantage of the possibilities and opportunities that are offered by the Internet for the expansion of their business activities. Special emphasis is given to:

- training and familiarisation of staff with electronic and Internet technologies so as to take full advantage of the possibilities and opportunities that are offered by the Internet;
- provide the necessary infrastructure and support to SMEs for use of electronic commerce;
- support of the presence of SMEs on the Internet through their own websites;
- the promotion of e-commerce from SMEs, including the establishment of e-commerce activity to be used by both the public and business people for transactions and procedures through automated electronic means.

Quality Assurance

In the context of its efforts to contribute to the enhancement of product quality, the Government has introduced a number of schemes.

Testing of Products

The aim of the scheme is to assist existing or new SMEs in the manufacturing sector, to cover expenses for laboratory testing, product testing and/or analysis, calibration of measurement and testing instruments abroad. The scheme applies in the case where the above needs cannot be met by local laboratories.

Laboratory Infrastructure

The scheme's main objective is to strengthen the laboratory infrastructure through the provision of assistance to existing or new laboratories in order to meet their immediate needs for product testing equipment.

Energy and Environment

The Cyprus Institute of Energy provides financial incentives for the materialisation of investments in the field of energy conservation and the promotion of renewable energy sources. Overall, it aims to expand the usage of financially viable energy technologies and encourage investments that positively affect the environment.

Energy Conservation

Energy conservation investments are defined as investments in systems which can lead to at least 10% energy savings on total energy consumption, and investments in Combined Heat and Power and Cooling (CHP) systems. Investments under the energy conservation scheme include:

- Energy conservation in existing enterprises;
- Energy conservation in existing private households;
- Co-generation of electricity - heating / cooling.

RES Utilisation

Recognizing the importance of the utilisation of Renewable Energy Sources (RES), the Cyprus Institute of Energy has introduced the following programmes:

- wind systems for electricity generation;
- solar / photovoltaic / hydroelectric systems;
- biomass utilisation;
- desalination using RES.

Environmental Protection

In addition to the above, the Energy Service of the Ministry of Energy, Commerce, Industry & Tourism operates a scheme for the protection of the environment from industrial pollution. The scheme covers part of the initial investment cost incurred by enterprises for qualified projects in the industrial sectors of mining and quarrying, manufacturing, car maintenance, packaging, the processing of recycling of waste and the washing or dry cleaning of textiles.

