



# Cyprus

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# Chrysostomides

DR. K. CHRYSOSTOMIDES & CO LLC  
ADVOCATES AND LEGAL CONSULTANTS

## DOING BUSINESS IN CYPRUS

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2018

**A LexMundi Member**

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## I. The Country At A Glance

### A. *What languages are spoken?*

The official languages of the Republic of Cyprus are Greek and Turkish. English is widely spoken and predominantly used in business, industry and administration. Other European languages are also spoken, to a lesser extent.

### B. *What is the exchange rate for the U.S. dollar, the Euro?*

1 Euro : 1.17 USD

### C. *Describe your country's geography, proximity to other countries and climate.*

Cyprus is the third largest island in the Mediterranean, after Sicily and Sardinia, with an area of 9,251 sq. km (3,572 sq. miles). It is situated in the eastern corner of the Mediterranean Sea, at the crossroads of Europe, Asia and Africa. It lies 300 km north of Egypt, 90 km west of Syria and 60 km south of Turkey. Greece lies 360 km to the north-west (Rhodes-Karpathos).

The climate is typically Mediterranean: hot, dry summers from June to September, and mild, wet winters from November to March, separated by short autumn and spring seasons, with rapid changing weather patterns. Sunshine is abundant during most of the year, particularly from April to September when the daily average exceeds 11 hours.

### D. *Are there cultural influences or prohibitions on the way business is conducted?*

No.

### E. *Are there religious influences or prohibitions on the way business is conducted?*

No.

### F. *Explain your country's infrastructure. Be sure to explain which cities have airports, railroad systems, ports, and public transportation.*

Cyprus has developed a modern road network, which serves the transportation needs of the public, industry, agriculture, trade and tourism. Highways link the country's major cities – Nicosia, Larnaka, Limassol and Pafos, in addition to providing a route to the new Larnaka Airport.

There are two international airports on the island – in Larnaka and Pafos – offering frequent air connections to many international destinations. The new Larnaka airport began its operation in November 2009.

Cyprus benefits greatly from being strategically positioned at the crossroads of three continents (Europe, Asia and Africa). Thus, the two multi-purpose commercial ports in Limassol and Larnaka serve containerised bulk and cargo for both Cypriot-origin and transit trades, and at the same time attract many cruise ships. Cyprus is, in fact, connected to a significant number of overseas ports and is included in the itineraries of more than fifty international shipping lines. There are also some oil and mineral terminals.

There is a public bus network, especially in the urban and tourist areas. There are no railroad systems.

## **G. Explain the communication system.**

The standard of modern telecommunications is high, and the prices are very competitive. Since the liberalisation of the sector, a number of private telecommunication companies compete with the state-owned Cyprus Telecommunications Authority, for the provision of both fixed and mobile networks, with a full range of voice and data services, as well as for the provision of high-speed internet and cable television services. Audiotex, video conferencing, videotext, electronic mail, message handling system and voice mail services are also available.

## **H. Describe the public services – i.e. water, electricity, gas. Are they publicly or privately owned?**

Modern electricity and water services are provided by public organisations. There is no system of gas supply. The Electricity Authority of Cyprus (EAC) was established in 1952 as an independent, partly state-owned organisation to exercise and perform functions related to the generation, transmission and distribution of electrical energy in Cyprus, and it is the sole retail distributor of electricity supply on the island. Any private sector operators sell any electricity that they may produce, such as electricity from renewable resources, to EAC, which then further distributes the electricity to consumers. The EAC is governed by a Board of Directors, the members of which are appointed by the Council of Ministers. In 2004, amendments were made to the legislation, allowing the Authority to enter into new business areas, such as telecommunications, desalination and consultancy services.

The Cyprus Water Department comes under the Ministry of Agriculture, Natural Resources and Environment, and is responsible for implementing the Ministry's policies – the main one being the rational development and management of the water resources.

## **II. General Considerations**

### **A. Investment policies**

1. Does the country generally welcome investment? Are there governmental or private agencies devoted to the promotion of investment?

The attraction of foreign direct investment, including the promotion of joint ventures between Cypriot and foreign enterprises, has always been a major long-standing objective of government policy, with a view of facilitating the transfer of advanced technology and expertise. Taking into consideration the numerous challenges arising from ever-increasing

competition, globalisation and the recent financial crisis, the Government is implementing and promoting a number of measures to further establish the country as an attractive investment destination.

The Cyprus Investment Promotion Agency (CIPA) is a registered non-for-profit company, limited by guarantee, established and fully funded by the Government. Its aims are to promote Cyprus as an attractive, international investment centre and to campaign for reforms towards the improvement of the business environment.

The Cyprus Chamber of Commerce and Industry (CCCI) is a union of Cypriot businesses, promoting investment through its 8,000 or so members, by submitting their views on business issues to the Government and Parliament. At the same time, through its participation in tripartite bodies and committees, it conveys and promotes the views of the business community. The CCCI is a private corporate body that functions under a special law and is financially independent, free of any influence from the state.

2. What is the rate of inflation?

The rate of inflation for the year 2016 was -1.22% and the forecast for year 2017 is 1.5%, pursuant to International Monetary Fund estimates.

3. Explain any sector exceptions, incentives or restrictions on foreign investment?

In general, investment policies are fairly liberal and allow full foreign participation in most sectors of the economy – not only for EU citizens, but also for investors from other countries. As of January 2000, all restrictions concerning the maximum percentage of foreign participation and minimum level of foreign investment have been lifted for EU citizens. Since October 2004, the same applies for non-EU citizens, unless otherwise stated in a separate law or regulations, such as the limitations on the acquisition of immovable property which remain in effect for non-resident EU nationals, by way of a permitted derogation from the acquis. Specific requirements regarding foreign investment are imposed in regulated sectors (i.e., banking, insurance, financial services, investment services, telecommunications and media).

Foreigners must always secure the relevant permits (and consent) from the Council of Ministers in relation to the acquisition (or leasing) of immovable property, under the Immovable Property Acquisition (Aliens) Law, Cap. 109, as amended. Pursuant to the said Law, “foreigner” means a person who is not a citizen of the Republic, including companies controlled by foreigners, foreign companies controlled by foreigners, and trusts with foreign beneficiaries, but does not include non-citizens born in Cyprus when their father or both parents were habitually resident in Cyprus, foreign spouses of such persons, foreign spouses of citizens of the Republic, EU/EEA citizens, or legal persons incorporated in an EU/EEA Member-State with a statutory seat, central administration or main operations in an EU/EEA Member-State. In particular, leasing of immovable property for more than 33 years or acquisition of immovable property by “foreigners”, as defined above, requires a licence from the Council of Ministers, following a written application.

Further, if the acquisition or leasing for more than 10 years of immovable property larger than 2,675.60 m<sup>2</sup> exceeds what is absolutely necessary for the construction of a house or professional facilities, a licence from the Council of Ministers is required. This will be subject to conditions, restrictions, requirements and criteria defined by Regulations issued by the Council of Ministers, and approved by the House of Representatives. Currently, Regulation 3 of the pertinent 1990 Regulations, Regulatory Administrative Act 374/90, as amended by Regulatory Administrative Act 78/97, stipulates that such licences are granted only for the purposes of (a) owner-occupancy of a flat or house/villa either under construction or already built or to be built within reasonable time from the day of granting of the licence, on land smaller than 4,013.40 m<sup>2</sup>, (b) professional or commercial facility, or (c) industry considered by the Council of Ministers as beneficial to the economy, provided that it is related to the



promotion of products or industries that require the use of new technologies and/or know-how. If such conditions are not met by the licensee, and if, in case of a construction, the deadline set by the Council of Ministers is not met, the licence will expire, unless renewed. Other Regulations, in connection with all such licences, relate to the minimum size to which a "foreigner" may divide his/her property for the purpose of selling the property further on.

It is noted that no permit is required and no limitations exist as regards investment in land for companies when third country nationals own less than 50% of the shares, less than 50% of the voting rights of such company and have less than 50% of the seats on the board.

The Government of Cyprus has established a "Scheme for Naturalization of non- Cypriot Investors by Exception" on the basis of subsection (2) of section 111A of the Civil Registry Laws of 2002-2015, with specific incentives, terms and conditions and control procedures in order to prevent abuse.

The scheme was recently revised by way of the Council of Ministers decision dated 13.09.2016, becoming more attractive to potential investors as the minimum amount required has been revised downwards and the criteria simplified.

Under the scheme, there are various accepted categories that the investor can choose from, all of which require the investment of at least Euro 2,000,000, namely:

1. Investment in real estate, land development and infrastructure projects, or
2. Purchase or Establishment or Participation in Cypriot Companies or Businesses, or
3. Investment in Alternative Investment Funds or financial assets of Cypriot companies, or
4. Cypriot organizations that are licensed by CySec, or
5. Combination of the aforementioned investments.

In addition to the investment capital, the investor must purchase a permanent residence in Cyprus of at least Euro 500,000, (exclusive of VAT applicable in new buildings which is currently fixed at 19%, transfer fees, where applicable, Stamp Duty, etc.). This does not apply in the case where the investment consists solely of residential immovable property, inclusive of the permanent residence valued at least Euro 500,000, so that the total investment plus the residence does not exceed Euro 2,000,000.

It should be noted that the applicant should have made the necessary investments during the three years preceding the date of the application and must retain the said investments for a period of at least three years from the date of naturalization. In the case where, following a periodic inspection, it has been established that a criterion, term or condition of the Scheme has been breached, the granted naturalization may be revoked. The applicant should however retain possession of the permanent residence for life, or exchange this with property of equal or greater value.

Applicants must have a clean criminal record and are required to have held a valid residency permit for at least six months. In case they do not hold such a permit then an immigration permit may be applied for upon applying for citizenship. The applicants will thus have to wait for a total of six months from the issue of the permit before the naturalisation process can be completed. It should be clarified that this does not entail actual stay in Cyprus for six months however, the applicant should be in Cyprus when applying for the immigration permit in order to have his/her biometric data taken.

The investment covers the spouse and adult children of the investor up the age of 28 provided that the children are students. The parents of the investor are also covered

provided that there has been an additional investment of Euro 500,000 towards their permanent residence. Children under the age of 18 are registered as Cypriots under other provisions of the Civil Registry Laws.

In addition to the above Naturalisation process, the Republic of Cyprus also has in place a scheme for granting an immigration permit to eligible third-country nationals based on investment criteria. (see Chapter XVI, Section B)

4. Describe de facto restrictions on investment, if any, such as bureaucratic discretion.

Bureaucracy and the hesitant exercise of discretion in the issuance of administrative acts can lead to delays. However, there exists a well-developed and effective system of judicial review of administrative acts, omissions and decisions which can quash administrative actions.

In cases where the interests of a person (the term includes companies as well) are directly violated by any act/decision/omission taken by a public authority, the person affected may institute proceedings challenging such act/decision/omission. Before applying to the Court, there is, in most cases, the option to file a hierarchical recourse to the Head of the Administrative Department or the competent Minister of the Ministry or Department from which the decision has been issued, challenging such act/decision/omission. Hierarchical recourse is not normally a compulsory intermediate step before filing a recourse to the Administrative Court. It ensures, however, that the interested person can have his/her application or enforcement notice served upon him/her reviewed by the body supervising the public authority which took the initial decision. However, in certain cases, such as tax imposition, the filing of an objection with the relevant authority is obligatory, before applying to the Court. If the outcome of the hierarchical recourse/objection is not to the applicant's satisfaction, the latter has the right to file a recourse to the Administrative Court.

Recourse to the Administrative Court can be filed against an act/decision/omission of the public authority. The recourse must be filed within the absolute deadline of 75 days from the date on which the act/decision/omission came to the knowledge of the complainant, or was published in the Official Gazette. The Administrative Court has exclusive jurisdiction to adjudicate on any recourse filed against an act/decision/omission of any organ, authority or person exercising any executive or administrative authority, on the ground that it violates the provisions of the Constitution or any Law or it is in excess or in abuse of any power vested in such organ, authority or person (Article 146 of The Constitution of the Republic of Cyprus). The judgment of the Administrative Court may be further appealed to the Supreme Court.

Further to the above, anyone whose interests are violated by any act/decision/omission of public administrative authorities can submit a written complaint to the Ombudsman. The Ombudsman is an Independent Officer of the Republic who exercises control over actions or omissions of public administrative authorities and has jurisdiction over several administrative authorities, including all public bodies established for the promotion of the public interest. The Ombudsman cannot undertake the investigation of any matter/action, against which court procedures or appeals have commenced or are pending before the competent authority or tribunal.

5. What are the sizes of the different markets?

Gross domestic product by activity, 1995-2015 at current market prices (Estimates published by the Department of Statistics in December 2016).

	(€m)												
Activity (NACE Rev. 2)	1995	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 <sup>(a)</sup>
Agriculture, forestry and fishing	366,7	386,4	405,9	364,2	354,4	397,9	371,4	406,1	431,5	385,6	364,9	320,9	353,0
Mining and quarrying	19,1	28,2	44,4	46,1	50,7	63,5	47,8	47,6	36,6	18,2	18,2	9,8	10,1
Manufacturing	732,3	863,4	1.008,3	981,0	1.005,7	1.040,9	1.004,4	986,9	913,0	807,9	697,3	718,1	738,2
Electricity, gas, steam and air conditioning supply	98,3	129,9	167,1	170,9	202,9	181,7	236,3	255,3	229,7	290,2	295,9	231,4	214,7
Water supply, sewerage, waste management and remediation activities	30,7	56,9	91,6	108,0	116,6	101,4	107,0	136,9	117,7	130,2	135,3	131,1	119,7
Construction	659,9	795,5	1.340,5	1.546,9	1.810,7	2.014,7	1.584,1	1.414,0	1.209,8	970,0	668,5	561,5	555,8
Wholesale and retail trade; repair of motor vehicles and motorcycles	896,2	1.193,6	1.530,2	1.661,2	1.810,9	1.959,3	1.878,1	1.939,0	1.941,9	1.927,0	1.715,8	1.680,3	1.697,1
Transport and storage	711,2	870,6	883,7	943,5	974,9	1.056,4	1.151,7	1.214,0	1.296,6	1.280,3	1.331,0	1.176,3	1.193,4
Accommodation and food service activities	570,4	810,2	803,5	869,7	932,1	942,2	872,3	906,9	1.005,8	1.038,7	973,6	993,9	1.017,8
Information and communication	176,5	384,7	504,8	472,0	523,0	556,8	556,9	607,1	620,0	600,6	671,3	731,4	773,8
Financial and insurance activities	367,8	656,3	925,1	1.090,9	1.261,5	1.303,2	1.420,5	1.494,1	1.683,3	1.832,6	1.902,3	1.888,0	1.895,6
Real estate activities	430,6	610,8	1.019,7	1.137,1	1.245,9	1.366,5	1.521,0	1.607,8	1.763,9	1.728,7	1.615,6	1.613,2	1.590,2
Professional, scientific and technical activities	399,1	599,8	832,1	894,3	989,2	1.137,6	1.131,0	1.270,2	1.361,3	1.396,4	1.299,2	1.224,3	1.253,2
Administrative and support service activities	84,3	148,8	190,4	216,3	238,1	251,0	250,0	263,0	270,4	262,2	243,1	256,2	271,6
Public administration and defence, compulsory social security	658,0	921,6	1.445,4	1.544,7	1.601,2	1.741,8	1.858,5	1.862,6	1.977,7	1.959,3	1.728,2	1.470,0	1.456,7
Education	336,1	518,9	767,1	814,9	855,8	972,0	1.052,6	1.108,9	1.121,9	1.119,8	1.082,2	1.069,2	1.058,5
Human health and social work activities	217,4	325,2	466,3	490,1	514,3	585,0	618,8	658,9	687,4	698,3	669,1	648,2	640,4
Arts, entertainment and recreation	74,4	114,5	177,1	192,4	216,0	232,9	246,1	292,5	340,7	336,3	264,7	255,6	259,4
Other service activities	154,4	191,5	249,8	266,8	279,6	347,0	322,4	316,9	281,9	264,7	251,4	257,1	256,1
Activities of households as employers	24,4	47,1	96,7	125,1	132,8	164,9	188,8	210,8	230,7	218,5	184,3	172,9	165,6
<b>Total Gross Value Added</b>	<b>7.007,6</b>	<b>9.653,7</b>	<b>12.949,8</b>	<b>13.935,9</b>	<b>15.116,0</b>	<b>16.416,5</b>	<b>16.419,5</b>	<b>16.999,4</b>	<b>17.522,0</b>	<b>17.265,5</b>	<b>16.111,7</b>	<b>15.409,4</b>	<b>15.520,7</b>
Plus: Taxes on Products	735,1	1.075,2	1.971,5	2.145,3	2.464,7	2.664,1	2.293,9	2.368,4	2.300,0	2.301,0	2.104,8	2.238,8	2.194,0
Less: Subsidies on Products	64,4	133,9	98,9	81,1	69,2	74,5	39,9	68,3	91,1	99,6	98,2	80,7	77,6
<b>Gross Domestic Product</b>	<b>7.678,4</b>	<b>10.594,9</b>	<b>14.822,3</b>	<b>15.999,9</b>	<b>17.511,6</b>	<b>19.006,0</b>	<b>18.673,5</b>	<b>19.299,5</b>	<b>19.731,1</b>	<b>19.467,0</b>	<b>18.118,2</b>	<b>17.567,4</b>	<b>17.637,2</b>

6. What types of businesses are conducted in the country?

Cyprus has developed trade services, professional and financial services, tourism, shipping and construction.

## B. Diplomatic Relations

1. Explain any established diplomatic relations your country may have.

Cyprus has well established diplomatic relations with almost all recognized states, and is a member of, or participates in, a number of international and regional organisations, such as the United Nations, the European Union (EU), the Council of Europe, the OSCE, the WTO and the Commonwealth. As an EU member, Cyprus collaborates closely with the other 27 member states, on various levels.

2. Give addresses, and contact information for the embassies or consulates in your country.

Details of Foreign Diplomatic Missions in Cyprus may be found on the relevant page on the website of the Ministry of Foreign Affairs:

[Foreign Diplomatic Missions in Cyprus](#)

3. Are there prohibitions or restrictions on certain business dealings with the country?

There are no specific prohibitions or restrictions on business dealings with Cyprus, with the exception, of course, of illegal transactions such as arms and explosives trade, and illegal gambling. The legislative framework also exists for the prevention of money laundering, and a series of amendments to the domestic legislation have taken place, which include the actions that banks and other financial institutions or professional bodies must follow to combat money laundering (covering all aspects of customer identification and due diligence).

4. Explain any travel restrictions to or within the country?

There are generally no travel restrictions, although citizens of certain countries are required to obtain a visa before traveling to Cyprus. The Government strictly refuses admission to holders of “passports” issued illegally by the so-called “Turkish Republic of Northern Cyprus”.

There are certain travel restrictions within Cyprus as regards the movement of persons, vehicles and goods from the areas which are controlled by the lawful government of the Republic of Cyprus, to the areas which are occupied by the Turkish occupation forces, and vice versa.

## C. Government

1. Explain your country's election system and schedule. Is there an anticipated change in the present government?

Cyprus is an independent sovereign Republic with a presidential system of government. The President is both the Head of State and Head of Government. Executive power is vested in the President, and exercised through a council of Ministers, appointed by the President. The President has the right of final veto on decisions of the Council of Ministers, in addition to laws or decisions of the House of Representatives concerning foreign affairs, defence or security. The election of the President is direct, by universal suffrage and secret ballot for a five year term of office. Every citizen over the age of 18 has the right to vote. The current President Nicos Anastasiades was elected in February 2013 and his term runs until February 2018.

2. Is the present government stable? Briefly explain your country's political history in the last decade.

The present Government is stable. Past Presidents of the Republic and their respective governments, have with various ministry reshuffles, invariably completed their full five-year term during the last couple of decades. Perhaps the most important political developments in the last two decades are Cyprus' accession to the EU in 2004 and the Eurozone in 2008, and the initiation of UN-sponsored direct talks between the leaders of the Greek Cypriot and Turkish Cypriot communities, in an attempt to reach an agreement to reunite the divided island. In an April 2004 referendum, the Greek Cypriots rejected the settlement plan proposed by the UN Secretary-General (Annan Plan V) by a clear majority (75.8%). Since then, direct talks between the two sides have taken place in an attempt to reach a viable and acceptable solution. The latest round of talks ended in June 2017.

3. Explain your country's judicial system.

The judicial system is separate, independent and impartial and is based upon and governed by the provisions of the Constitution of 1960 which established the Republic of Cyprus as an independent state, the Courts of Justice Law of 1960 (14/60), the Administration of Justice (Various Provisions) Law of 1964 (33/1964), as well as a number of other statutes pertinent to specific courts. Under the 1960 Constitution and other national legislation currently in force, the following judicial institutions have been established:

The Supreme Court of the Republic; the Assize Courts; the District Courts; the Industrial Disputes Tribunal; the Rent Control Courts; the Family Courts; and the Administrative Court.

### The Supreme Court

The Supreme Court is composed of thirteen judges, one of whom is the President of the Court. It is the final Appellate Court in the Republic, and has jurisdiction to hear and determine appeals in civil and criminal cases from all inferior courts. It can therefore uphold,

vary or set aside a judgment issued by an inferior court or order the retrial of a case, as it deems fit.

Apart from being vested with appellate jurisdiction, the Supreme Court also exercises original jurisdiction as a Court of Admiralty and an Electoral Court. In its original jurisdiction, the Supreme Court also deals, exclusively, with proceedings for the issuance of the prerogative orders habeas corpus, mandamus, prohibition, quo warranto and certiorari. The Supreme Court also adjudicates on all matters of constitutionality of legislation referred to it by the President of the Republic, including complaints that any law or decision of the House of Representatives or the budget is discriminatory; it may also adjudicate on matters of conflict or contest of power or competence between state organs and interpret the Constitution in cases of alleged ambiguity.

## Administrative Court

The Administrative Court has revisional jurisdiction in connection with administrative or executive acts, decisions or omissions, and the relevant remedy offered is the annulment of the act, decision or omission complained of.

## Assize Courts

The Assize Courts have competence to deal with any crime, regardless of its gravity and have no limitations as to sentencing (they can impose any sentence up to the maximum sentence provided by the law for the crime which the accused is convicted for). Furthermore, they have extraterritorial jurisdiction in relation to certain offences committed by Cypriot nationals abroad.

## District Courts

There are six District Courts (for each of the six geographical districts in Cyprus – although since the Turkish invasion and continued occupation, the jurisdiction of the Kyrenia and Famagusta District Courts has now been assumed by the Nicosia and Larnaka Courts, respectively). The District Courts exercise original criminal and civil jurisdiction, including jurisdiction in certain admiralty cases referred to them by the Supreme Court. The extent of the jurisdiction varies according to the composition of the Bench, i.e., depending on whether a case is allocated to a District Judge, a Senior District Judge or a President.

Whether a dispute must be resolved within Cyprus or not, ultimately depends on whether the relevant Court in Cyprus assumes jurisdiction over a particular case. In this regard, the Court would apply the law of Cyprus relating to Private International Law, which is modeled on the English Law on the subject.

Alternative methods of dispute resolution, such as arbitration and mediation, are both permitted and available within the Republic pursuant to the relevant national legislation.

The exact time for resolving disputes by litigation cannot be estimated and significant delays can occur in the administration of justice. Depending on the factual and legal complexity as well as the number of interlocutory applications filed, litigation proceedings are usually expected to take between 2 to 4 years to be completed.

Foreign judicial judgments may be registered and enforced in the Republic of Cyprus pursuant to the relevant EC Regulations (which are directly applicable and effective given that Cyprus is a member of the EU), the International Conventions (Lugano and Hague) on jurisdiction, recognition and enforcement of foreign judgments which Cyprus has duly ratified as well as national legislation on the issue. There is also no restriction on the enforcement of Cyprus Courts' judgments abroad.

There are separate tribunals competent to deal with the following subject matters:

**Industrial Disputes:** The Industrial Disputes Tribuna sits in Nicosia, Limassol, Larnaka and Pafos, depending on the place of employment and at any given hearing it is composed of a President (professional judge) and two lay persons whose role is of a purely consultative nature. It is vested with exclusive jurisdiction to hear and determine matters arising from employment relations regulated by private law, such as, the termination of employment (except where the amount claimed exceeds the equivalent of 2 years' salary and/or where the employment has been continuous for less than 26 weeks and/or where the employment relationship is based on a fixed-term contract of less than 30 months), compensation arising out of redundancy, discriminatory or harassing treatment in the workplace etc.

**Rent Control:** The Rent Control Tribunal sits in Nicosia, Limassol, Larnaka and Pafos, depending on the location of the property. Similar to the Industrial Disputes Tribunal, the Rent Control Tribunal is composed at any given hearing of a President (professional judge) and two lay persons with a purely consultative role. It has jurisdiction to determine matters regarding the recovery of possession of controlled rented property, the determination of fair rent and all other incidental matters.

**Family Courts:** The Family Courts have exclusive jurisdiction to determine issues of divorce, child custody, maintenance, as well as, all property disputes between spouses. All cases are heard by a single Judge, apart from divorce petitions which are determined by a three member Bench.

There is only one legal system within Cyprus, since it is a unitary State.

It is generally possible for a foreign investor to choose whether to be subject to Cyprus' jurisdiction or not, by inserting the relevant choice of law and jurisdiction clauses in the relevant contracts. For certain matters pertaining to the status, capacity, civil or criminal liability for acts performed within Cyprus, it is generally not possible for a foreign investor to choose not to be subject to Cyprus' jurisdiction.

4. Explain your country's legislative system.

Legislative authority is exercised by the House of Representatives for all matters. The term of office of the House of Representatives is five years.

At the time of its establishment, the House consisted of 50 members, 35 of whom were to be Greek Cypriots and 15 Turkish Cypriots. Following a constitutional amendment in 1985, the House of Representatives now has 80 seats - 56 for Greek Cypriot and 24 for Turkish Cypriots. MPs are elected by universal suffrage of adults over the age of 18 through direct and secret ballots held on the same day for both communities. Since 1964, however, Turkish Cypriot MPs have not attended the House, and no elections have been held among the Turkish Cypriot community in accordance with the Constitution. Despite this, the House has kept vacant the seats allocated to the Turkish Cypriot community which remain at the disposal of Turkish Cypriot MPs, should they be elected according to the constitutional provisions.

The Maronite, Armenian and Latin communities, who vote as part of the Greek Cypriot community, elect one additional representative each from their ranks, who participates in the parliamentary meetings but does not have a vote in the House.

## ***D. Environmental Considerations***

1. What is the public/government attitude toward environmental regulation?

The protection of the environment forms an indispensable part of economic and social policy. The Environment Service of the Ministry of Agriculture, Rural Development and Environment implements the environmental policy and law enforcement, and is in charge of the coordination of EU environmental matters and legislation. The Service advises on issues of environmental policy and chairs the Committee for the Assessment of the Environmental Impacts from Projects. It also enforces the laws controlling the pollution of waters, waste management and nature protection and management.

The Environmental Service is responsible for education related to the environment and its protection, and works towards a sustainable development strategy in the following areas:

- Climate change and clean energy;
- Sustainable transport;
- Sustainable consumption and production;
- Conservation and management of natural resources;
- Public health;
- Social inclusion, demography and migration;
- Urban development and sustainable tourism;
- Research, technological development and innovation.

## 2. Explain any environmental regulations.

### Aarhus Convention

Cyprus has signed and ratified the Aarhus Convention on access to environmental information, public participation in decision-making and access to justice in environmental matters. The Law on Public Access to Environmental Information (119(1)/2004) has been in force since 2004.

### Environmental Liability

The Law on Environmental Liability regarding the Prevention and Remedying of Environmental Damage (189(1)/2007) came into force in 2007. Its basic objective is the prevention and remediation of environmental damage, through the implementation of the “polluter pays” principle.

### Green Public Procurement

The bulk of the public procurement law, including (a) the Regulation of Public Procurement and Related Matters Law of 2016 (73(I)/2016), (b) the Regulation of Procedures of Award of Concession Contracts and Related Matters Law of 2017 (11(I)/2017), (c) the Regulation of Public Procurement by Entities Operating in the Water, Energy, Transport and Postal Services Sectors and Related Matters Law of 2016 (140(I)/2016), and (d) the Coordination of Procedures for the Award of Certain Works Contracts, Supply Contracts and Service Contracts by Contracting Authorities or Entities in the Fields of Defence and Security and Related Matters Law of 2011 (173(I)/2011), which harmonises the Cyprus legislation with the relevant European directives, provides for the inclusion of environmental parameters, considerations and standards during public procurement procedures

## ***E. Intellectual Property***

### Trade Marks

The applicable law is the Cyprus Trade Marks Law Cap 268 (as amended) and pertinent Regulations.

A trade mark can be protected either by its registration on the Cyprus Trade Marks Register as a national trade mark, or by its registration as a European Trade Mark with the EUIPO or by its registration as an International Trade Mark designating Cyprus or the EU.

Unregistered trade mark rights are also afforded protection under the civil wrong of passing-off (unfair competition) and common law principles.

An application for the registration of a national trade mark must be submitted by a Cyprus attorney before the Registrar of Trade Marks and for that purpose the following shall be required:

- i) An Authorization of Agent duly executed by the Applicants. There is no need for this Authorization to be certified in any way, but simply signed. The duly signed Authorization of Agent must be filed in the Registry in its original.
- ii) The representation of each proposed trade mark in electronic form (preferably in PDF format).
- iii) A detailed description of the goods or services to be covered by the proposed trade mark and their class.
- iv) If a priority date is claimed, a duly certified copy of the prior trade mark application, together with a duly certified English translation thereof (if this is not in English).

Multiple class applications are not available and separate trade mark applications need to be filed for each individual class for which a trade mark is sought to be registered.

A national trade mark registration is valid for seven years from filing but can be renewed indefinitely every 14 years.

Any sign capable of being represented graphically (in particular words, including personal names, designs, letters, numerals or the shape of goods or their packaging, or any combination thereof) which is capable of inherently distinguishing goods or services of one undertaking from those of other undertakings, provided the said mark is being used or is intended to be used for such distinction purposes, may be registered as a trade mark.

Sound marks and smell marks are, in theory, registrable in Cyprus.

The Cyprus Trade Marks Law also provides for a procedure for the registration and protection of certification and collective marks.

## Patents

The applicable law: is the Cyprus Patent Law, No. 16(1)/1988 (as amended) and pertinent Regulations.

A patent can be protected in Cyprus either by means of its registration as a national patent on the Cyprus Patent Register, or by means of validation in Cyprus of a granted European patent designating Cyprus.

An application for the filing of a national patent must be accompanied by the following:

- i) An Authorization of Agent.
- ii) A request for the grant of a patent.
- iii) A part which, on the face of it, appears to be a description of the invention for which a patent is applied for.
- iv) A part which, on the face of it, appears to be a claim or claims.



- v) Any drawings referred to in the description or the claims.
- vi) An abstract.

An application for the validation of a European Patent designating Cyprus must be accompanied by the following documents:

- i) A copy of the granted European Patent (B1) designating Cyprus.
- ii) A translation into Greek of the granted European Patent. The translation must be filed in the Patent Registry within 3 months from the date of publication of the notice of grant of the European Patent or of the decision to maintain it in an amended form following the hearing of an opposition in the European Patent Bulletin.
- iii) A copy of the drawings as these appear in the specification sheet of the European patent notwithstanding that no words are contained therein for translation as well as a copy of the abstract of the invention duly translated into Greek.
- iv) An Authorization of Agent

## Copyright

The applicable Law is the Cyprus Copyright Law of 1976 (as amended).

In accordance with current legislation, there is no copyright registration in Cyprus. Likewise, there is no notice requirement although such notice is certainly advisable.

Different terms of protection are given to different categories of works. Thus, for example, scientific, literary, (including computer programs), musical, artistic, (including photographs) and original databases, are protected during the author's life plus seventy years after his death. Films are protected during the author's life plus seventy years after the death of the last survivor among the following people, regardless of whether the following have been appointed, either by virtue of a contract or under provision of the law, as co-authors: (a) producer, (b) primary director, (c) script writer, (d) screenplay writer, and (e) music composer whose music was specifically composed for the film. Sound recordings are protected for fifty years commencing from the date on which the recording was completed, without prejudice to the fact that if during this period a lawful publication or a lawful presentation of the recording is made to the public, the rights expire fifty years after the date of such first recording or such first presentation to the public, depending on which took place first. Broadcasts are protected for fifty years from the date the broadcasts took place, whether this is transmitted by wire or wireless means, including cable or satellite transmission.

The Law protects (a) works by a Cypriot author, an author with a habitual residence in Cyprus or citizens of other EU member States, or a company incorporated in Cyprus or a company incorporated in another EU Member State (on condition that such EU company is really and uninterruptedly connected to the economy of the EU member state on the basis of the laws of which it has acquired the status of a legal entity) and (b) works first published in Cyprus. In addition, section 6 extends protection to works of non-Cypriot origin that would be eligible for protection by virtue of international treaties or international conventions binding on the Republic, such as for example, the Berne Convention.

In order for a "work" to qualify for protection under the Copyright Law, (a) it must be reduced to writing, be audio recorded, recorded in any way by electronic or other means or have otherwise been reduced to some material form and (b) it must be original.

## Industrial Designs and Models

The applicable Law is "The Legal protection of Industrial Designs and Models Law", Law No. 4(I)/2002 (as amended).

“Design” or “model” means the appearance of the whole or part of a product which results from its features and in particular, the line, contours, colours, shape, texture and/or materials of the product itself and/or its ornamentation.

“Product” means any industrial or handicraft item including, inter alia, parts intended to be assembled into a complex product, the packaging, the get-up, graphic symbols and typographical typefaces, but excluding computer programs.

To be registrable, a design must be new and have an individual character. A design has an individual character if the overall impression it produces on the informed user differs from the overall impression produced on such user by any design which has been made available to the public before the date of filing of the application for registration or, if priority is claimed, the date of priority. In assessing individual character, the degree of freedom of the designer in developing the design shall be taken into consideration.

A design is considered to have been made available to the public before the relevant date if it has been published (whether following registration or otherwise), exhibited, used in trade or otherwise disclosed before that date.

The following individuals may apply for registration: (a) the designer, (b) the person by whom the design was commissioned or (c) the employer of the designer, where the design is created in the course of employment. The right to apply may be transferred by assignment or transmission on death.

Applications can be filed by nationals of EU member states, or individuals domiciled in Cyprus or EU member states, companies with real or effective commercial establishment in Cyprus or one of the EU member states.

Protection is afforded for an initial period of five years which is renewable every five years up to a maximum duration of twenty-five years.

An application for a registered design must contain: (a) a request for registration; (b) information identifying the applicant (full name or full company name, nationality, domicile or registered office); (c) a graphical or photographic representation of the design suitable for reproduction; (d) a description explaining the design or the specimen; (e) an indication of the item or items, in which the design is intended to be incorporated; (f) an indication of the products in which the design is intended to be incorporated or to which it is intended to be applied; (g) the classification of the products in which the design is intended to be incorporated or to which it is intended to be applied according to the Locarno International Classification of Industrial Designs of 1968; (h) the citation of the designer or of the team of designers or a statement under the Applicant’s responsibility that the designer or the team of designers has waived the right to be cited; (i) priority claim which must be accompanied by a declaration of priority (date and country of first filing); (j) a request for publication of the representation, (k) a request for deferment of publication of the application for the registration (the publication may be deferred for a period of 12 months from the date of filing the application); (l) a statement that the design has been disclosed at an exhibition including evidence of the date on which the exhibition took place; and (m) information identifying the representative of the applicant and a statement for the acceptance of the Cyprus Courts jurisdiction

#### Trade secrets and know-how

There is currently no specific legislation for the protection of trade secrets and know how. Such rights are, however, protected in Cyprus under common law principles.

Directive (EU) 2016/943 of the European Parliament (EP) and of the Council on the protection of undisclosed know-how and business information (trade secrets) against their

unlawful acquisition, use and disclosure must be transposed into national law by 9 June 2018.

## International Treaties

Cyprus is a party to the following intellectual property law treaties:

- The Berne Convention for the International Protection of Literary and Artistic Works;
- The Universal Copyright Convention;
- The Rome Convention for the protection of Performers, Producers of Phonograms and Broadcasting Organizations;
- The Geneva Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of their Phonograms;
- The Trade Mark Law Treaty;
- The Uruguay Round (TRIPS);
- The International Convention of Paris for the Protection of Industrial Property;
- The European Convention relating to Questions on Copyright Law and Neighboring Rights in the Framework of Transfrontier Broadcasting by Satellite;
- The European Patent Convention;
- The Patent Co-operation Treaty;
- The Madrid Agreement Concerning the International Registration of Marks and the Protocol Relating to the Madrid Agreement;
- The Treaty of the World Intellectual Property Organization on the Copyright and Agreed Statements;
- The Convention which establishes the World Intellectual Property Organization;
- The European Agreement concerning Program Exchanges by Means of Television films;
- The European Agreement for the Prevention of Broadcasts Transmitted from Stations Outside National Territories;
- The WIPO Copyright Treaty;
- The WIPO Performances and Phonograms Treaty;
- The Nairobi Treaty for the Protection for the Olympic Symbol.

## Notarization requirements

Documents to be submitted in the Cyprus Trade Marks/Patents Registry in IP matters (eg. official certificates issued by foreign authorities, extracts from foreign Registers, assignment / merger agreements, name change documents, etc) need to be filed either in their original or in the form of duly certified or notarized copies thereof. Authorisations of Agent do not need to be notarized.

## Licences

The terms of Licence Agreements are generally left up to the parties to decide upon and there is no prescribed statutory form of such Licences.

There is no procedure for the registration of copyright or patent licence or sub-licence Agreements, with any other government department or other body in Cyprus.

An exclusive copyright licence Agreement must be in writing and the exclusive licensor is expressly recognized as “rightholder” entitled to institute infringement proceedings against unauthorized use of the copyright protected work.

A trade mark licence Agreement (but not a sub-licence Agreement) involving a registered Cyprus trade mark registration may be registered upon the Cyprus Trade Mark Registration. A registered user may be entitled to institute legal proceedings against infringement, if he notifies accordingly the proprietor of the mark who fails to take action.

There are no specific exceptions or requirements relating to particular products.

There is no limit as to the amount of royalties to be paid by the licensee.

Being a member of the EU, EU competition rules have direct effect in Cyprus and IP licensing Agreements should not violate such rules. In many cases, however, such Agreements are able to benefit from specific “block exemptions” expressly provided in the EU and national Competition Rules.

Assignment

Deeds of Assignment must be in writing and must be duly signed by both the Assignor and Assignee.

The parties are generally free to decide upon the commercial terms of the Assignment Agreement and such Agreements are not subject to prior approvals by any government body in Cyprus.

With the exception of the assignment of Copyright, Agreements for the assignment of national trade marks, patents or industrial designs must be recorded on the respective Registers. For that purpose, the duly executed Agreements need to be filed either in their original or in the form of duly certified or notarized copies thereof. Authorizations of Agent duly signed by the Assignees are also required.

### **III. Investment Incentives**

#### **A. Explain any export incentives or guarantees.**

The Export Credit Insurance Service (E.C.I.S.) is a scheme run by the Ministry of Commerce, Industry and Tourism. The scheme is intended to provide insurance cover to Cypriot exporters of certain manufactured goods against losses outside their own control arising from any of the following causes:

- i) The insolvency of the buyer;
- ii) The failure of the buyer to pay for the goods delivered and accepted;
- iii) The failure of the buyer to accept goods which have been dispatched;
- iv) Political events, economic difficulties, government action, revolution, riot, earthquake, etc., outside Cyprus which prevent performance of the contract, payment or transfer;
- v) General moratorium decreed by the government of the buyer’s country;
- vi) Repudiation of the contract by a state buyer.

In addition to the above, various tax incentives are provided for different agricultural and other local products (wine, beer). These incentives would be addressed to any investor, both Cypriot resident as well as foreign resident.

#### **B. Explain any grants, subsidies or funds your country offers foreign investors.**

Grants and subsidies are offered by various government departments and EU institutions regarding, inter alia, the following areas:

- i) Technology Incubation Programs;
- ii) Research & Development;
- iii) Testing and Laboratories for Quality Assurance;
- iv) Quality Control Standards;
- v) Market Research Studies on Foreign Markets;
- vi) Energy Conservation and the Promotion of Renewable Energy Sources Utilization;
- vii) Upgrading of the Manufacturing Sector;
- viii) Encouragement, Strengthening and Reinforcement of Entrepreneurship.

Grants and subsidies are generally focused on specific types of activity.

The normal process for obtaining approval for these grants or subsidies is an application to the relevant government or EU department, together with a detailed analysis of the suggested project or activity. The time required to receive approval for a grant or subsidy depends on the complexity of the suggested project.

It might be possible for an investor to obtain a loan from the government or from government agencies, depending on the industry or field.

In certain cases, the grants and subsidies may be restricted to Cypriot or EU nationals and companies. In other cases, non-Cypriot applicants may be required to form a limited liability company registered in Cyprus in order to be able to compete for or receive a grant or subsidy.

### **C. Explain any national tax incentives for foreign investors.**

There is a low corporation tax rate of 12,50% for all companies registered in Cyprus, without any geographic limitation on the exercise of the company's activities. Its income may derive from any source, including a Cypriot-based source. In order for a company to benefit from the 12,50% corporation tax rate on its worldwide income, its management and control should be exercised in Cyprus. The Income Tax Law does not define "management and control" but it usually means where the decisions of the board of directors are taken. If the majority of the directors reside in Cyprus where the decisions are taken, the management and control test will be satisfied.

Moreover, while a 17% special defence contribution tax is levied on the dividend income of a Cypriot resident person, there is general exemption regarding non-residents of Cyprus. Non-residents of Cyprus are therefore not subject to special defence contribution, and dividends payable by a Cypriot resident company to a foreign shareholder (company or individual) do not attract any withholding taxes in Cyprus.

The uniform tax rate of 12,50% applies to any company registered and having its management and control in Cyprus, irrespective of the type or the duration of the company's activities. However, the type and the duration of the company's activities might be factors relevant to establishing whether the company is managed and controlled in Cyprus and is, therefore, a Cyprus tax resident.

### **D. Explain any regional tax incentives open to foreign investors.**

There are no regional tax incentives open to foreign investors.

## IV. Financial Facilities

### A. *Banking/Financial Facilities*

The financial institutions existing in Cyprus include Authorized Credit Institutions (either Cyprus incorporated or subsidiaries or branches of foreign Credit Institutions); Investment Firms; Insurance Companies (life sector or general sector); Co-operative Societies; Undertakings for Collective Investment in Transferable Securities; Payment Institutions and Electronic Money Institutions.

There is no legal obligation imposed on a foreign investor (or a Cypriot company controlled by a foreign investor) to maintain a bank account in Cyprus.

The main requirement for the opening of a bank account is the provision of detailed background and identity information and documents about the account holder (or where this is a company, any intermediate companies and the ultimate individual beneficial owners thereof) for compliance with the current anti-money laundering legislation. Provided that the account is not used for any illegal activities, there are no restrictions regarding the investor's use of the account.

The financial system is competitive and liberal, while it is regulated and supervised by independent regulatory authorities in both Cyprus (including the Central Bank of Cyprus (CBC), the Cyprus Securities and Exchange Commission (CySEC) and the Superintendent of Insurance) and, as regards significant credit institutions, the European Central Bank in close cooperation with the CBC, under EU compliant legislation and regulations.

The banking system is dominated by local Authorized Credit Institutions, while the subsidiaries and branches of foreign Authorized Credit Institutions as well as the Co-operative Societies also hold a sizeable share of the market.

The Cyprus Stock Exchange (CSE) ([www.cse.com.cy](http://www.cse.com.cy)) is the local stock market and is regulated, supervised and controlled by the Council of the CSE and the CySEC ([www.cysec.gov.cy](http://www.cysec.gov.cy)).

A foreign investor can obtain loans from Authorized Credit Institutions and other financial institutions existing in Cyprus.

## V. Exchange Controls

### A. *Business Transactions with Nationals, Residents or Non-Residents*

The Population Records Law (141(I)/2002) defines nationals of Cyprus as citizens whose parent or parents are of Cypriot origin, and non-residents as individuals who are not citizens of the Republic of Cyprus.

For tax purposes, according to the Income Tax Law (118(I)/2002), a resident is an individual who stays in the Republic for one or more periods exceeding the total of 183 days in a tax year. A corporate entity, is resident in Cyprus when its control is exercised and its address is, in the Republic. This Law further enables individuals who have not fulfilled the above requirement of 183 days to still be considered residents, provided (i) they stay in the Republic for at least 60 days in a tax year (ii) exercise any business and/or are employed in the

Republic and/or hold a position with a Cyprus tax resident and (iii) maintain a permanent residence in the Republic which they own or rent.

According to section 4 of the Capital Movement law 115(I)/2003 (which has been enacted in harmonisation with Articles 43, 46, 49, 56, 57, 58, 59, 60, 119 and 120 of the Treaty establishing the European Community) the movement of capital and payments between residents of the Republic of Cyprus and residents of member states and between residents of the Republic and residents of third countries can be effected without any restriction subject to the provisions of sections 5 and 6 (dealing with the movement of capital from third countries for direct investments, including immovable property acquisition and the provision of financial services).

“Resident of Cyprus”, for the purposes of section 4 of the Capital Movement law 115(I)/2003, means (a) any natural person, irrespective of his nationality, residing or having the intention to reside in the Republic for at least one year; (b) a citizen of the Republic serving abroad in an embassy, consulate or other service of the Republic; (c) a citizen of the Republic who is studying or receiving medical care abroad, irrespective of the duration of studies or medical care; (d) a citizen of the Republic working on a ship or aircraft or other means of transport, operating either wholly or partly outside the Republic; (e) a department or service of the government, a local authority, a semi-governmental organization, or a public corporation; (f) any organization or undertaking of any legal form, registered and having natural presence in the Republic; (g) any branch, agency or any form of agency of a non-resident legal person operating in the Republic.

Other than the reporting requirement mentioned below, there are no reporting requirements regarding exchange controls. A foreign investor, subject to European Union and UN sanctions, may receive loans from nationals, residents and non-residents, physical persons or institutions.

## **B. Investment Controls**

There are no restrictions regarding direct investment by EU nationals. The direct investment by non-EU nationals in Cyprus is also unrestricted in practice, but in principle it is subject to the policies of the Council of Ministers from time to time. The Government has liberalized the foreign direct investment policy for both EU and non-EU nationals. Administrative procedures have been simplified, while bureaucratic intervention has been reduced. Foreign investors have the opportunity to participate in most sectors of the economy, with equity participation of up to 100% in any Cypriot enterprise, without a minimum level of capital investment. Moreover, foreign companies now have the opportunity of investing and establishing business in Cyprus on equal terms with local investors and no distinction is being made between foreign and Cypriot companies.

Generally, there are no restrictions in relation to indirect investments in Cyprus.

There is no general obligation for a foreign investor to declare the nature of his/her investment, although this may be required for the purpose of compliance with particular pieces of legislation (e.g., in relation to the purchase of shares in a company or the purchase of real estate).

## **C. Money Transfer**

Since 1 January 2008, Cyprus joined the Euro zone and adopted the Euro as its currency and therefore the exchange rate of its currency is freely determined in the international markets.

There are no restrictions on the transfer of money into or out of Cyprus or the remittance of profits abroad.

According to section 4 of the Control of Cash Entering or Leaving the Community and the Exercising of Intra - Community Cash Controls Law 53(I)/2009:

Any natural person who enters into or leaves the Republic of Cyprus and transfers cash or gold worth at least ten thousand (10,000) Euro is obliged to state in writing this amount or gold, to a competent officer of the Customs Department upon entry or exit.

According to section 2 of the same law the definition of 'cash' is the following:

- a) bearer-negotiable instruments including monetary instruments in bearer form such as traveller's cheques, negotiable instruments (including cheques, promissory notes and money orders) that are either in bearer form, endorsed without restriction, made out to a fictitious payee, or otherwise in such form that title thereto passes upon delivery and incomplete instruments (including cheques, promissory notes and money orders) signed, but with the payee's name omitted;
- b) Currency (banknotes and coins that are in circulation as a medium of exchange).

Other than that, there are no reporting requirements regarding money transfers, while hard currency may be taken out of Cyprus.

## **VI. Import/Export Regulations**

### **A. Customs Regulations**

Cyprus has been a member of General Agreement of Tariffs and Trade (GATT) since 15 July 1963, and a member of the WTO since 30 July 1995. Cyprus has been a member of the EU since 1 May 2004 and has adopted the Euro as from 1 January 2008.

Cyprus is not a party to any other regional free trade agreement.

The Department of Customs and Excise applies Article VII of GATT, in order to value imported goods for customs purposes. The customs value may be determined using one of six methods of valuation known as "Methods". The primary basis for customs value under GATT is the "transaction value", as defined in Article 1, i.e. the price that is actually paid or payable for the goods when these are sold for export to the importing country. In some instances certain adjustments are made to the price actually paid or payable, where certain specific elements which are considered to form a part of the value for customs purposes are incurred by the buyer but are not included in the price actually paid or payable for the imported goods.

A form must be completed to provide Customs with information about the value of the goods declared on the customs entry. Such a form can be signed by any person who has the necessary information required to fill-in the forms, i.e., the actual importer. The person who signs a declaration of value is responsible for its proper completion and accuracy. The declaration of value must be presented together with the customs entry unless Customs allow it to be presented within 14 days.

Harmonized System



The Harmonized Commodity Description and Coding System or simply the Harmonized System was created by the World Customs Organization and it is intended to have many uses. It consists of about 5,000 groups of commodities each one of which is classified under a six-digit number. The commodities are arranged in a rational structure and precise rules help in them being classified in an identical manner. The Harmonized System is used by 177 countries and economic unions as the basis of their tariffs and for the collection of trade statistics. More than 98% of goods moving worldwide are classified on the basis of the Harmonized System.

## **B. Exports**

The term exportation includes re-exportation and transit of goods. Exportation of the following goods is prohibited:

- All items the importation of which is prohibited (refer to section D below).
- Goods included in the Defense (Exportation of Goods) Order of 2005.

According to the applicable legal framework, the exportation of certain goods is prohibited or restricted. Restrictions usually refer to the need to secure the authority from or inspection by the appropriate government department. The aim of prohibitions and restrictions is the protection of society and the perpetuation of a safe environment. More specifically, such prohibitions and restrictions are essential for the safeguard of social ethics, order and security, the protection of public health or the health of animals or of plant-life, the protection of industrial and commercial property, archaeological treasures, cultural artifacts and others. Depending on the item in question, the authority or permit is granted by the pertinent authority such as the Police, the competent Ministry, or other government service.

Dual use products within the scope of EU Regulation No. 428/2009 cannot be exported from Cyprus into third countries without prior approval from the competent authority, which is the Ministry of Commerce, Industry and Tourism (The Defense Regulation of the Export, Transportation and Transit of Dual-Use Goods Order of 2009).

There are no export duties.

## **C. Foreign Trade Regulations**

Please refer to Chapter VI, Section A.

## **D. Imports**

The importation of certain goods is prohibited or restricted. Restrictions usually refer to the need for securing the authority from or inspection by the appropriate government department. More specifically, such prohibitions and restrictions are essential for the safeguard of social ethics, order and security, the protection of public health or the health of animals or plant-life, the protection of industrial and commercial property, archaeological treasures, cultural artifacts and others. Depending on the item in question, the authority or permit is granted by the pertinent authority such as the Police, the competent Ministry, or other government service.

The Excise Duties Law of 2004, Law No. 91(I)/2004 entered into force as from 1 May 2004. The rates of excise duties appear in the schedules to this law (Schedules 1 - 4), which is harmonized with the EU acquis.

There are no import quotas as such, there are however tariff quotas, autonomous or preferential.

The following import prohibitions apply:

- narcotic drugs, psychotropic substances and other controlled pharmaceuticals;
- obscene matters and objects,
- flick and double edged knives;
- counterfeit and pirated goods;
- nuclear, chemical, toxic, biological weapons and similar substances;
- goods used for illegal hunting of game;
- counterfeit bank notes;
- firearms and other weapons, as listed in the First Annex to the "Firearms and other Weapons Law" No. 113(I) of 2004, as amended (to include, for example, military explosive devices and projectile launchers, automatic firearms, ammunition etc);
- goods or materials which do not conform with a certain Cyprus standard;
- goods shipped or originating from countries under an embargo of the United Nations Security Council and the European Union, such as Iraq, Liberia, Sierra Leone, Somalia and Sudan;
- lottery tickets (other than those imported under license granted by the Minister of Finance);
- gambling machines, such as poker machines, etc;
- automatic tobacco vending machines (cigarettes, cigars, etc);
- consumer goods which are imitation foodstuffs.

The Department of Customs and Excise also has extensive powers to detain and confiscate goods infringing intellectual property rights.

## ***E. Manufacturing Requirements***

In general, there are no manufacturing requirements. The manufacturing of certain types of products such as pharmaceutical products for human use, require prior licensing from the competent authority (Drugs Council - Pharmaceutical Services Department of the Ministry of Health).

## ***F. Product Labeling***

Cyprus has implemented into national law all European Union labeling requirements, as prescribed in various EU directives.

The CE Mark, is necessary to be affixed upon a wide range of products, following relevant approval thereof from the competent authorities. The CE Mark, is a self certified mark that is put on certain products to certify that they conform to European consumer safety/health/environmental standards (usually called "essential requirements"). The display of the CE mark on a product indicates compliance with all the relevant legislation meaning it is allowed to be sold legally within the European Union.

Pursuant to the Weights and Measures Law, No. 19/74 (as amended), the following information must be affixed on the packaging of a product:

- i) The identity of the product (unless it is packed in a transparent box or its packaging contains a precise representation of the product)
- ii) The net quantity of products contained in the packaging

- iii) The full name and full address of the manufacturer or packer or importer.

Furthermore, pursuant to the General Safety of Products Laws of 2004 to 2010, the following information must be affixed on the product or the packaging thereof:

- i) The name and address of the manufacturer
- ii) The product reference details or, where applicable, the product badge (unless the non-inscription of such information is justifiable)

In addition, safety warnings regarding the risks which are likely to occur must be provided.

Specific labeling and packaging requirements also exist in relation to specific classes of products, such as tobacco products, foodstuffs and hazardous products.

In relation to tobacco products, the Protection of Health (Control of Smoking) Law No. 24(1)/2017 is fully harmonized with EU anti-tobacco legislation and requires that pictures and warnings as to the harmful effects of smoking appear on packages of tobacco products.

Labeling, presentation and advertising requirements also apply to foodstuffs under the Cyprus Labelling, Presentation and Advertising of Foodstuffs Regulations, as well as Regulation (EU) No 1169/2011 on the provision of food information to consumers.

Pursuant to the Chemical Substances Law 78(I) of 2010 and pertinent Regulations, products containing chemical substances which are classified under the law as hazardous must be packaged and labelled accordingly.

## **VII. Structures For Doing Business**

### **A. Governmental Participation**

Generally the government will not seek to participate in the ownership or operation of an entity but historically, the government controlled and in some cases still retains control (in varying degrees) over the ownership and management of certain business organizations in “sensitive” sectors of the economy (described further down) which are considered vital for the public interest, public safety and public health.

However, it is not envisaged that the government will seek to be involved in the ownership and/or operation of a business entity which is directly or indirectly owned by foreign investors and is not involved in a “sensitive” sector.

The aforementioned “sensitive” sectors include water, ports, airports, road transport, television and radio broadcasting but the government’s involvement in these sectors does not exclude the participation of private enterprises. For example, the government has awarded concessions in relation to the operation of the international airports and some ports.

An investor will not normally be under any liability towards his partners, other investors and any third parties other than as regards obligations he has undertaken, including his liability to pay up the share capital for which he has subscribed (in the case of a company set up in Cyprus). An investor who is also the director of a company may be liable to the company for breaches of his duties as a director. An investor may also be liable to his partners or to third parties in cases, for example, of fraud, negligence and misrepresentation.

There are generally no restrictions on the capitalization of a private company, i.e. there is no minimum capital requirement or capital adequacy ratio imposed on a private limited liability

company with the exception of companies in certain regulated sectors, such as banking and insurance. It should be noted that registration fees are payable on the basis of the Company's share capital. A public company, however, needs to have a minimum authorized capital of Euro 25,650.

As to the tax consequences on the investor in his capacity as a shareholder of the Cyprus incorporated company, please refer to Chapter XII. Any additional income which the investor may derive will be subject to the taxation applicable to the investor's tax residency jurisdiction.

## **B. Joint Ventures**

Joint ventures are permitted and are a usual vehicle for doing business in or through Cyprus, in cases where the joint participation of two or more parties is envisaged.

There is no specialized or specific legal framework governing joint ventures. Therefore, no registration or incorporation procedure exists for joint ventures per se. The regulation of a joint venture is an internal matter for the parties to it and depends on the parties' contractual arrangements. However, such an agreement may be reflected in the Articles of Association of the joint venture company, incorporated.

In the absence of any specific regulations for joint venture companies, their registration procedure is similar to the incorporation of any other limited liability company. It usually takes one to three business days to obtain approval of a proposed name from the Registrar of Companies and, thereafter, it usually takes between two to five business days (from the date of submission of all requisite incorporation documents) to incorporate the company.

On a practical level, the formation of a joint venture company is likely to take longer than the incorporation of any other limited liability company, not in terms of its registration procedure, but as additional time is usually required to tailor the Memorandum and Articles of Association to reflect the terms of any joint venture agreement.

Please refer to Chapter VII, Section C, as regards the fees for the setting up of limited liability companies. In terms of fees one would expect higher fees than those normally charged for the incorporation of a limited liability company because of the time required to go through the joint venture agreement to ensure its compatibility with Cyprus law provisions and to incorporate all relevant provisions in the Articles of Association of the Cyprus joint venture company. To this extent, the legal fees will depend on the volume and complexity of the joint venture agreement.

There is no requirement that a Cyprus or an EEC national participates as a shareholder, manager or director of a joint venture company established in Cyprus. However, for a company to benefit from the corporation tax rate of 12.5% on its worldwide income, its management and control should be exercised in Cyprus. In order to demonstrate that the company's management and control is indeed being exercised in Cyprus, it is advisable, inter alia, to have a majority of local resident directors and/or hold board meetings in Cyprus.

The investor's potential liability in its capacity as a shareholder of the Cyprus joint venture company will be limited to its capital contribution to the company (as is the case with any shareholder of a limited liability company). Nevertheless, the shareholder may, depending on the terms of the joint venture agreement, have contractual liability, vis-a-vis the other joint venture parties.

There are no restrictions on the capitalization of a limited liability joint venture company unless the joint venture agreement specified otherwise or it is a company in a specialized sector such as, for example, insurance or banking. It should be noted that registration fees are payable on the basis of the company's authorized share capital.

As to the tax consequences on the investor in his capacity as a shareholder of the Cyprus incorporated joint venture company, please refer to Chapter XII. Any additional income which the investor may derive through the joint venture agreement will be subject to the taxation applicable in the investor's jurisdiction of tax residency.

## **C. Limited Liability Companies**

The limited liability company is permitted and is in fact the predominant structure for doing business in or through Cyprus. The legislation regulating limited liability companies is the Companies Law, Cap. 113 (as amended).

In order to incorporate a limited liability company, the following information and documents must be provided to the Registrar of Companies by the lawyer responsible for the formation of the company:

- The company's proposed name (which must first be approved by the Registrar of Companies);
- The Memorandum of Association, which includes the objects of the company;
- The Articles of Association of the company;
- The shareholders of the company;
- The directors of the company;
- The secretary of the company;
- The company's registered address; and
- The company's share capital.

It usually takes two to five business days for a limited liability company to be registered and for the relevant incorporation documents to be issued (from the date of submission of all requisite incorporation documents). This estimate does not include the time required to receive approval for the company's proposed name.

It should be noted that the period can be shortened by selecting a name which has already received approval or acquiring a shelf company (although in the case of a joint venture company, the shelf company's Memorandum and Articles of Association may require amendment so as to reflect the provisions of any joint venture agreement).

The fees payable to the Registrar of Companies for the registration of a private limited liability company vary depending on the amount of the authorized share capital. There is a minimum payment of Euro 105, plus an additional charge comprising 0.6% of the authorized share capital. Further fees are payable, including in relation to the forms which are submitted, the issue of various official corporate certificates, acceleration fees to expedite incorporation and the opening of a translations file (where translations of the various corporate documents in English are recorded). Indicatively, the fees payable to the Registrar of Companies for the incorporation of a limited liability company with an authorized share capital of Euro 2,000 and the issue of the basic corporate certificates would be around Euro 650.

Professional fees for the incorporation of a Cyprus limited liability company vary amongst professional firms and service providers but an indicative range would be Euro 1,000 – 2,000 (exclusive of VAT and disbursements).

There is no legal requirement that any of the shareholders, directors or secretary of the limited liability company is a national or resident of Cyprus. However, the following practical advice should be borne in mind:

- It is convenient for the secretary or at least an assistant secretary of the company to be based in Cyprus so that he/she/it can deal with all the filing requirements of the company with the Registrar of Companies and other governmental agencies;

- For a company to benefit from the corporation tax rate of 12.5% on its worldwide income, its management and control should be exercised in Cyprus. In order to demonstrate that the company's management and control is indeed being exercised in Cyprus, it is advisable, inter alia, to have a majority of local resident directors and/or hold board meetings in Cyprus.

There are no restrictions on the capitalization of a limited liability company unless it is a company in a specialized sector, such as, for example, insurance or banking. It should be noted that registration fees are payable on the basis of a company's authorized share capital.

As to the tax consequences on the investor in his capacity as a shareholder of the Cyprus incorporated company, please refer to Chapter XII.

#### ***D. Liability Companies, Unlimited***

There are no unlimited liability companies in Cyprus.

#### ***E. Partnerships, General or Limited***

Partnerships are recognized and permitted and there are two forms of partnership, limited and general.

There is no requirement that a national of Cyprus or an EEC state be a partner of the partnership.

The fees payable to the Registrar of Companies for the registration of a general or limited partnership are approximately Euro 200 (and additional fees will be payable for the issue of various official certificates). Professional fees would vary depending on the complexity of the partnership provisions to be reflected in any partnership agreement. A rough estimate would be Euro 1,000 to 2,000.

Under general partnerships, every partner is liable jointly with the other partners for all the debts and obligations of the partnership incurred while he/she is a partner.

A limited partnership must consist of one or more general partners, who are liable for all debts and obligations of the partnership, and one or more limited partners, who at the time of entering into the partnership contribute a sum as capital or property valued at a stated amount. The limited partners are not liable for the debts and/or obligations of the partnership beyond the amount contributed by the relevant limited partner.

The partnership per se is not liable for any tax. A partner who is a tax resident of Cyprus is subject to personal income tax in Cyprus with respect to the income he/she derives from the operations of the partnership.

#### ***F. Partnerships, Undisclosed***

There are no undisclosed partnerships in Cyprus.

## **G. Sole Proprietorships**

An investor can be a sole proprietor.

If a sole proprietor elects not to utilize the legal form of a limited liability company or another legal entity, he/she can trade as a sole proprietor/practitioner and in such a case, he/she will not be required to register the sole proprietorship.

Alternatively, as a sole proprietor he/she may elect to register a limited liability company with only a sole shareholder. In this case, the registration process, costs and fees involved are the same as described in Chapter VII, Section C.

However, if the proposed activity of the sole proprietor is a regulated profession or industry (for example, the provision of legal services, fiduciary services, medical services, estate agent services), he/she will be required to register in the relevant special Register and where necessary, obtain a licence to carry on his/her profession or business from the competent regulating authority.

It is not necessary to register a sole proprietorship unless registration with a professional body or other regulatory authority is required (see preceding paragraph), in which case the time required will depend on the procedures of the applicable licensing or regulatory body.

There will only be costs, if the sole proprietorship will operate in a regulated activity which requires registration in any registry (please refer to the previous two paragraphs).

A sole proprietor not using a limited liability vehicle, undertakes full personal responsibility/liability.

Since sole proprietorships are not registered, there are no capital restrictions which would apply.

The investor's tax consequences will depend on the nature of the "remuneration" he/she receives through the carrying on of his/her profession or trade and the rules of the jurisdiction in which he/she is tax resident.

## **H. Subsidiaries/Branches/Representative Offices**

The investor can elect to establish a branch of an overseas company or a subsidiary. The notion of a representative office is not generally regulated.

The incorporation of a subsidiary follow the same process as in the case of the incorporation of limited liability companies described in Chapter VII, Section C.

The registration of a branch of an overseas entity takes between one to three business days from the date when the documents required for the registration of the branch are filed with the Registrar of Companies. On a practical level, the registration of a branch is likely to take longer, not in terms of the time required for its registration procedure, but due to the requirement to translate the documents which need to be filed with the Registrar of Companies into Greek (essentially, the overseas company's constituent documents including its Memorandum and Articles of Association).

The fees payable to the Registrar of Companies for the registration of a branch of an overseas company are around Euro 700. A rough estimate for professional fees would be Euro 1,500-2,000. Since the constitutional documents of the overseas company will need to be translated into Greek there may be the added cost for translation services. Translation

services in Cyprus are usually charged by the page ranging from Euro 20 to Euro 35, per page.

In the case of incorporation of a subsidiary, the investor's liability will be limited as in the case of a limited liability company described above. In the case of a branch, it should be noted that the branch does not have separate legal personality so generally any potential liability will lie with the overseas entity.

There is no requirement that a Cyprus national be a participant, manager or director of a branch established in Cyprus. The only requirement is to notify the Registrar of Companies of the names of one or more persons residing in Cyprus who are authorised to accept service of legal documents and any notices which must be served upon the branch.

There are no restrictions on the capitalization of the branch unless the law of the jurisdiction of the overseas company establishing the branch in Cyprus requires the same or the branch intends to carry on business in a regulated sector and receive a regulatory license, for example, a financial services firm, in which case the capital adequacy of the overseas company could be reviewed in the process of licensing.

In the case of a branch, presumably the term "investor" would refer to the branch itself or the shareholders of the overseas company establishing the branch in Cyprus. To this extent, the Cyprus branch will be liable to pay corporation tax on that part of its income which is generated in Cyprus.

A Cyprus registered branch is subject to the same tax treatment as a Cyprus tax resident company and is obliged to prepare separate financial statements and file tax returns.

## ***I. Trusts and other Fiduciary Entities***

Trusts and other institutions which could be unofficially described as fiduciary entities are recognized.

Trusts are recognized pursuant to English equity principles and there is, therefore, no definition of a trust other than the definitions which have been given to it through English case law and English law textbooks.

However, Cyprus has also enacted the International Trusts Law, No. 69 of 1992 (as amended) which governs trusts created by non-Cypriot resident Settlers for non-Cypriot resident beneficiaries.

The foundations established under the Societies and Institutions Law, No. 57/1972 are defined as "the aggregate of property appropriated for a certain purpose".

The legal consequences of a transfer of assets to a trust are that the ownership of the assets is transferred from the settlor of the trust to the trustee. The trustee is the legal owner of the assets but only holds them for the purposes of the trust and for the benefit of the beneficiaries under the trust.

In the case of institutions, the founder transfers the property promised by him from the formation of the institution. Unless the will of the founder is to the contrary, rights transferable by simple assignment are transferred upon the formation of the institution.

The investor can be the grantor, the trustee and beneficiary or have any one or more of those capacities in the context of a trust. Depending on the purpose of the trust, however, there may not be much practical reason or benefit for the investor to have all three capacities as it will make no difference to him holding the property himself and not through the trust.



The provisions of the Cyprus Trustees Law applies in all cases in which the organs of management are entrusted with the administration of the property of the institution.

## **VIII. Requirements For The Establishment Of A Business**

### **A. Alien Business Law**

There is no Alien Business Law in Cyprus as such. However, there is an Aliens and Migrations Law, Cap 105.

The Aliens and Migration Law, Cap. 105 contains provisions for the special treatment of certain categories of third-country nationals involved in investment activities that intend to be employed in Cyprus and imposes obligations on the employing entity.

### **B. Antitrust Laws**

There are no specific antitrust law requirements for the exercise of business activities by foreigners in Cyprus given that local antitrust laws, which reflect the EU antitrust regulations to a large extent, apply equally to both nationals and non-nationals.

The Cyprus legislative regime, in the area of antitrust, comprises of the following laws:

- The Protection of Competition Law, (No. 13(I) of 2008); and
- The Control of Concentrations Between Undertakings, Law 83(I) of 2014.

Law 13(I) of 2008 regulates restrictive enterprise practices, as well as the abuse of a dominant position and relationships of economic dependence. In effect, the main provisions of Law No. 13(I) of 2008 reflect the provisions of Articles 101 and 102 of the Treaty on the Functioning of the European Union and the provisions of EC Regulation 1/2003. In addition, the said Law deals with issues pertaining to the composition, operation, powers and proceedings brought before the Cyprus Commission for the Protection of Competition (the 'CPC'), as well as with issues in relation to administrative fines and actions for damages.

Mergers are regulated by Law 83(I) of 2014, which basically brings Cyprus merger control law in line with the merger regime applicable in the European Union. By virtue of the said law, the CPC is provided with a regulatory framework by which it can control concentrations, whether mergers, acquisitions, joint ventures or otherwise, that are classified as being 'of major importance', thereby ensuring that no concentration between enterprises that have economic strength in Cyprus will create or strengthen their dominant position in the market affected.

Concentrations that meet the set of criteria set out in the relevant law of 2014 must be notified to the CPC for clearance purposes. Failure to notify a concentration, or putting it into effect without the prior approval of the CPC, attracts the imposition of fines, an issue which is also dealt with under the same Law

## **C. Environmental Regulations**

All legal and natural persons are subject to environmental laws and regulations, irrespective of their form or the nationality of their owners (where applicable).

Generally speaking, environmental regulation is not perceived as imposing substantial costs on businesses. However, in the case of undertakings which are involved in industries such as manufacturing, mining and water supply, added costs might be imposed and environmental audit requirements may be applicable.

## **D. Government Approvals**

Government or administrative approvals will only be required if the activity of the proposed enterprise is a regulated activity such as banking, finance or insurance.

If a regulatory permit is required, the time required for the grant of such permit depends upon the specific requirements of the law pursuant to which such licence is required and the established procedures and directives of the relevant licensing authority. In some cases, the law itself indicates the time within which the licensing authority must respond to an applicant.

The fees involved will depend on the licence which is required and the procedures involved.

## **E. Insurance**

The enterprised must carry the insurance listed below (where applicable).

An enterprise must carry compulsory insurance regarding the following matters (to the extent that they are applicable to its business):

- Employer's liability insurance;
- Insurance for liability against third persons resulting from the use of motor vehicles;
- Estate agent insurance;
- Insurance coverage for co-owned buildings covering damage caused by fire, earthquakes and lightning;
- Product liability insurance;
- Professional liability coverage for insurance intermediaries;
- Hospital care for foreign workers; and
- Lawyers' professional liability insurance.

The insurance market is free from any direct government participation or involvement and is quite competitive and liberal.

## **F. Licenses/Permits**

Whether any licence of permit is required will depend on what the proposed activity is. For example, it would apply in relation to the provisions of banking, financial and insurance services.

The procedure to be followed for the grant of a required licence, depends on what the proposed activity is, the relevant laws governing the same and the requirements of the relevant regulatory authority.

The time required to obtain any licence or permit depends on what the proposed activity is, the relevant laws governing the same and the requirements of the relevant regulatory authority.

## **IX. Operation Of The Business**

### **A. Advertising**

The Control of Misleading and Comparative Advertisements Law of 2000 (as amended) regulates advertisements which might be considered to be either misleading or unacceptable as comparative advertisements. The Law provides a two-tier mechanism of control. At the first stage, complaints are reviewed by the Director of the Competition and Consumer Protection Service of the Ministry of Commerce, Industry and Tourism. At the second stage, the Court may become involved and has the power to issue restraining or mandatory orders.

Other pieces of legislation (such as the Radio and Television Stations Law of 1998 and pertinent Regulations) provide certain requirements, restrictions or prohibitions on the advertising of particular goods or services or with respect to the advertising in particular types of media. The use of comparative advertisement is usually restricted, and sometimes prohibited, in relation to professional services.

The Protection of Health (Control of Smoking) Law of 2017 prohibits advertisements in a wide range of forms, that have the direct or indirect aim or the result of promoting a tobacco product. Cyprus anti-tobacco legislation is fully in line with EU anti-tobacco legislation.

### **B. Attorneys**

There is no legal requirement for a business to have a local attorney in order to operate its business. However, certain services, including the following, may only be lawfully provided in Cyprus by a local counsel who is a registered member of the Cyprus Bar Association (an "advocate"):

- appearing before any Court to conduct any proceedings on behalf of any person;
- preparing or perusing any document to be used in connection with any proceedings before any Court;
- the drafting, amendment and review of any memorandum or articles of association of any company or any application, report, affidavit or other document related to the registration, incorporation, reorganization or dissolution of any legal person.

Foreign clients may find local counsel through international listing publications, international legal associations such as Lex Mundi, recommendations from other professional firms or from the Cyprus Bar Association.

Major commercial firms charge on the basis of either a retainer fee or hourly rates, while there are prescribed fees with regard to litigation and certain specified out-of-court legal

services. Usually, there are agreements between clients and attorneys regarding the engagement of the latter.

### **C. Bookkeeping Requirements**

Limited liability companies are under an obligation to keep books of accounts which are necessary for the preparation of financial statements. The said books should present a true and fair view of the affairs of the company and an explanation of its transactions. The accounting (i.e. the bookkeeping) can be done either in Cyprus or in another country.

There is an obligation imposed on Cyprus companies to prepare financial statements in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). There is no express provision with respect to the language in which the accounts must be kept. The audited financial statements must be signed by an auditor who is licensed in Cyprus.

### **D. Business Ethics/Codes**

Special Codes of professional conduct and ethics apply to most of the professions, and must be followed by both foreign and local professionals, and investors.

### **E. Consumer Protection Laws**

Cyprus has a wide range of consumer protection laws, which are in line with European Union consumer protection legislation.

The Sale of Goods Law No. 10(I) of 1994 (as amended), consolidates the principles relating to the sale of goods and lays out the various rights that the consumer has *vis-a-vis* a seller or supplier of goods.

In addition to any rights that consumers might be entitled to pursuant to domestic contract or tort law, the Consumer Rights Law of 2013 (which is fully harmonized with Directive 2011/83/EU) regulates the rights and obligations of consumers, including their rights and obligations as parties to distant selling contracts.

Law No. 103(I) of 2007 on the Unfair Commercial Practices from Businesses to Consumers Law (as amended) provides further consumer protection by stipulating that certain commercial practices are prohibited.

The Consumer Credit Laws of 2010 to 2017 (which are fully harmonized with EU consumer credit legislation) regulate consumer credit and provide, amongst other matters, a list of mandatory pre-contractual information that needs to be given to consumers and certain practices to be followed by authorised credit institutions prior to entering into a consumer credit contract. Furthermore, there is specific legislation governing consumer credit agreements relating to residential immovable property, namely the Law on Credit Agreements for Consumers Relating to Residential Immovable Property, Law No. 41(1)/2017 which transposes Directive 2014/17/EE into national Law.

## **F. Construction**

The costs of construction depend on several factors and are generally perceived to be lower than the average for western European countries.

Permits are required for constructions as set out below.

The prior issuance of a permit (land division - construction) by the Department of Town Planning and Housing of the Ministry of Interior, pursuant to an application, is required for construction works to be authorized. A building permit can then be issued.

Upon completion of the works, an application may be submitted for the issue of the certificate of final approval. For this purpose the property will be surveyed to ensure compliance with the permits obtained. Thereafter, if all is in order, a certificate of final approval will be issued allowing the issue of a separate title deed for the property (for a flat) or for the appearance of a structure on the existing title deed (for a building/house). The setting-up a One-Stop-Shop is currently being contemplated to enable the issue a unified permit in place of the existing town planning and building permits, in an effort to save time and costs.

The period of time required for the issuance of a construction permit depends on the nature and size of the construction work and ranges from a few months to a couple of years. Certificates of final approval are issued after completion of the works and the period required for their issue range from two years in Nicosia to several years in rapidly developing coastal areas.

The fees to be paid in the course of construction will, inter alia, depend on the size of the relevant construction and other factors.

## **G. Contracts**

In accordance with the principle of freedom of contract, investors from other countries can freely negotiate and enter into local contracts. Having said this, certain types of contracts are subject to legislative restrictions with regard to their content. For instance, agency agreements and/or distribution agreements are subject to local and EU competition laws.

It is possible for the law of another country to govern contracts as long as the parties explicitly make provision to that effect in an appropriately drafted 'choice of law' clause in the contract between them.

## **H. Price Controls**

Prices are generally freely determined in the market. There are a few exceptions, where the Minister who is responsible for a particular industry may issue an order for the regulation of the price of certain products, such as petrol, gas, pharmaceuticals and milk, within prescribed margins.

## **I. Product Registration**

Registration requirements only exist in relation to certain categories of products, such as for example, medicinal products for human use.

This depends on the type of product. For example, human medicinal products should be registered in accordance with the Medicinal Products for Human Use (Control of Quality, Supply and Prices) Law No. 70(I)/2001 (as amended). Human medicinal products require the issue of a prior Marketing Authorisation. A national Marketing Authorisation can be obtained by submitting an application to the Pharmaceutical Services Section of the Ministry of Health, Drugs Council.

The time required for product registration will depend on the type of product. For example, an application for the grant of a national Marketing Authorisation for a medicinal product for human use is examined by the Drugs Council within a maximum of 210 days from submission thereof (assuming the application is duly completed and is accompanied by all required supporting documentation).

The fees payable for the registration of a product depend on the type of product. For example, the applicable fees for Marketing Authorizations of human medicinal products are available from the website of the Ministry of Health.

## **J. Reductions or Return on Capital**

A company limited by shares or a company limited by guarantee and having a share capital, if so authorized by its articles of association, may, subject to approval by the Court, reduce its share capital by special resolution. The reduction of capital (together with the requisite court order and the special resolution), must be filed with the Registrar of Companies and Official Receiver and published in accordance with the provisions of the Cyprus Companies Law, Cap. 113 (as amended).

A public company may acquire its own shares either directly or through a person acting in its own name, but on behalf of the company provided that this is authorised by its articles of association and as long as the conditions provided in the Cyprus Companies Law, Cap 113 (as amended) are met.

## **K. Sale of Goods**

There are restrictions regarding the times of operation of stores in Cyprus, as well as restrictions with regard to the place and manner of sale of certain categories of products, such as, for example, pharmaceuticals and tobacco products.

## **L. Trade Associations**

There are certain trade associations, such as the [Cyprus Chamber of Commerce](http://www.ccci.org.cy) (<http://www.ccci.org.cy>), local Chambers of Commerce, the Employers and Industrialists Federation ([www.oeb.org.cy](http://www.oeb.org.cy)), the Association of Land and Building Developers, which a foreign investor is permitted, but not obliged, to join.

There are usually yearly subscription fees to be paid.

Depending on the type of business the investor is involved in, the investor may need to register with certain associations and follow applicable trade practices. For example, building contractors must register with the Council for Registration and Control of Building and Civil Engineering while architects and engineers must be members of the Cyprus Scientific and Technical Chamber (ETEK). The same applies, for example, in relation to accounting firms,

law firms and doctors which must also register with their applicable associations/governing bodies.

If, however, the company in Cyprus will be a holding company, then no mandatory trade practices will be applicable.

## **X. Cessation Or Termination Of Business**

### **A. Termination**

There is no applicable exit tax or other tax implications on the dissolution of a company.

Costs vary depending on the steps which need to be taken to terminate a business. For example, this would be by dissolving a limited liability company (which is the most common form of investment vehicle) and clear all assets and liabilities. Generally speaking, costs to dissolve a limited liability company may include: i) legal fees; ii) audit fees in respect of bringing a company's financial statements up to date; iii) costs incurred in relation to the submission of the necessary tax filings and payments of taxes due to the tax authorities; iv) depending on the dissolution procedure to which the relevant company is subject, fees may also be payable to the Registrar of Companies or to the Court.

The time-period to terminate a business, through dissolution of a limited liability company, will depend on which of the dissolution procedures prescribed by the Companies Law is followed as well as the complexity and volume of the assets and obligations to be cleared through the dissolution process. For example,

- i) In the case of a member's voluntary liquidation, the whole procedure takes approximately 6-8 months to complete (although it takes longer to receive the applicable certificate of dissolution).
- ii) For the strike off process, there are no given time-frames in the Companies Law and essentially, the time frame will depend on the speed with which the Registrar of Companies will process the relevant application. However, current practice at the office of the Registrar of Companies, indicates that it will take approximately 1-2 years for a company to be dissolved via a strike-off procedure.
- iii) The duration of a compulsory winding up by the Court will depend on the speed with which the Court deals with the application, the pace at which creditors' meetings take place and the time it takes for the company's assets – if any – to be distributed. This is likely to be the longest of all dissolution procedures.

As regards the termination of a business carried through a Cyprus company, it is noted that the company has a separate legal personality, carries its own rights and obligations and is except in very specified circumstances, distinct from its shareholder(s). In this sense, the business of the shareholder(s) will not be affected by the dissolution of the Cyprus company and the associated termination of the said company's business.

All voluntary dissolution options involve some form of review and approval by public bodies, notably, by the Registrar of Companies or Official Receiver.

Any third party claims against a company will, in the normal course of matters, be dealt with prior to the commencement of winding-up. Even where such obligations are not fully cleared prior to the commencement of the winding up, under any of the statutory procedures for having the company wound up, a number of notices and publications are made in the Official Gazette, thereby notifying any interested party of the forthcoming dissolution and allowing it to file any objections it may have.

Once a company is removed from the Register of Companies, it ceases to exist as a legal person and will not, therefore, carry on having any obligations towards any third person. However, even upon dissolution, any creditor, employee and other interested party, such as the tax authorities, may apply to the Court, within the prescribed deadlines, for the company to be reinstated.

Once dissolved and removed from the Register of Companies, the company will cease to bear any tax obligations or rights.

## **B. Insolvency/Bankruptcy**

On the basis of a company being a separate legal entity, it bears rights and obligations of its own which will not be shifted to its shareholders upon the company's dissolution. A shareholder will only lose (if applicable) its share capital paid into the company being dissolved.

Of course, if an investor was also a director of a company, he/she has obligations in relation to statutory offences antecedent to or in the course of winding up such as fraudulent trading pursuant to Section 311 of the Companies Law.

In addition, generally speaking, directors are personally liable to compensate the company in respect of any loss caused by a breach of their duties and directors may be liable for prosecution by the Inland Revenue or the Customs and Excise Department in relation to tax-related offences.

Possible options of restructuring the business which would be available to shareholders would be:

- i) transferring their shares to a third party or to another shareholder of the company. Should there be more than one shareholder in the company, the consent of the other shareholders to the shares being transferred to a third-person is usually required;
- ii) having the company dissolved through one of the voluntary dissolution procedures open to solvent companies or in the case of the company being insolvent, filing an application to Court for a compulsory winding-up by Court;
- iii) merging the company with another legal entity, whether this is Cypriot or foreign or the corporate shareholder themselves;
- iv) transferring the seat of the company outside Cyprus in accordance with the provisions of the Cyprus Companies Law.

## **XI. Labor Legislation, Relation, And Supply**

### **A. Employer/Employee Relations**

Cyprus labor law is based on both common law principles and statute law. Primarily, the employer/employee relations are regulated by ordinary contract law principles and supplemented by statutory rights and obligations. The main pieces of legislation governing the employer/employee relations are the following:

- Employees on Fixed Term Work (Prohibition of Unfavourable Treatment) Law 98(I)/2003;



- Termination of Employment Law 24/1967;
- Organisation of Working Time Law 63(I)/2002;
- Paid Annual Leave Law 8/1967;
- Social Insurance Law 59(I)/2010;
- Protection of Employees Rights in the Event of Insolvency of the Employer Law 25(I)/2001;
- Human Resource Development Law 125(I)/1999;
- Social Cohesion Fund Law 124(I)/2002;
- Protection of Maternity Law 100(I)/1997;
- Safeguarding and Protecting Employees Rights in the Event of a Transfer of Undertakings, Businesses or Parts Thereof Law 104(I)/2000;
- Trade Unions Law 71/1965;
- Safety and Health at Work Law 89(I)/1996;

Any other pertinent EU rules also apply.

According to the Regulations issued under the Safety and Health at Work Law 89(I)/1996, the employer is obliged to ensure that his employee receives proper and adequate training as regards safety and health at work.

## ***B. Employment Regulations***

Since 1 May 2004, EU citizens have the right to work in Cyprus under the same conditions and rules as Cypriot nationals. An employer is therefore free to hire either Cypriots or other EU citizens. With respect to third-country (non-EU) workers, the employer must apply for a permit which is issued by the Department of Labour of the Ministry of Welfare, Labour and Social Insurance, after it has been satisfied that there are no locals or other EU nationals registered with the pertinent District Labour Office as unemployed. A check for available labour is also conducted through the EURES EU portal by the Department of Labour of the Ministry of Welfare, Labour and Social Insurance.

The minimum wage is fixed directly by ministerial decree but only for a number of specific categories of workers, such as cleaners, guards, and salespersons. In a number of sectors, as for example the banking sector, there are collective agreements which fix the minimum wage, while for a big number of professions there is no fixed minimum wage.

Cyprus law applies the EU Working Time Directive which limits normal working time to 48 hours with overtime per week, although for office staff this is limited to 44 hours per week, and for retail salespersons to 38 hours per week.

For a five-day working week, the minimum annual leave is four weeks per year (twenty working days) while for a six-day working week the minimum annual leave is twenty four days. There is also an average of fifteen public holidays per year.

The employee is entitled to sickness benefit from the social insurance services after the first three consecutive days of absence due to illness. In most cases, payment for these three days is either regulated by collective bargaining agreements or by the relevant employment agreement. Where no such agreement exists, the employer is not obliged to pay the employee.

## ***C. Hiring and Firing Requirements***

Firstly, there is no restriction on the minimum number of people who must be employed by an investor/employer, or on the minimum number of nationals who must be employed by an investor/employer.

Secondly, it is not compulsory that nationals must hold certain positions in the company although the existence of local staff may be deemed as an advantage in any application by companies belonging to foreign interests to hire more staff from third countries.

Thirdly, pursuant to sections 4 – 6 of the Information of the Employee by the Employer of the Conditions Regulating the Contract or Relationship of Employment Law 100(I)/2000, the employer is obliged to notify the employee of the material terms of the contract or relationship of employment, in writing, by means of a written contract, appointment letter or any other document signed by the employee, within one month of the commencement of the employment the latest, which shall provide at least the following information:

- i) Identity of the parties;
- ii) Place of provision of employment and registered seat of the company or the address of the employer;
- iii) The position or specialisation of the employee, their rank, category of employment, as well as object of work;
- iv) Date of commencement of contract or relationship of employment and its foreseen duration, if is for a fixed term;
- v) The duration of the paid leave entitlement and the manner and time of its granting;
- vi) The deadlines that the employer and the employee must follow in case of termination;
- vii) Any entitlements of the employee and the periodicity of payment;
- viii) Duration of the regular daily or weekly employment; and
- ix) Reference to any collective agreements that may exist.

Furthermore, in case the employment is of an indefinite duration and there is no collective agreement regulating termination of employment, the provisions of the Termination of Employment Law (hereinafter, "Law 24/1967") apply. Dismissals that cannot be justified under any one of the grounds exhaustively listed in section 5 of Law 24/1967 are considered unlawful per se and the employee has the right to compensation, unless the employee has been employed for less than 26 weeks. The section 5 grounds are: (a) unsatisfactory performance (excluding temporary incapacitation due to illness, injury, and childbirth), (b) redundancy, (c) force majeure, act of war, civil commotion, or act of God, (d) termination at the end of a fixed period, (e) conduct rendering the employee subject to summary dismissal, and (f) conduct making it clear that the relationship between employer and employee cannot reasonably be expected to continue, commission of a serious disciplinary or criminal offence, indecent behaviour, or repeated violation or ignorance of employment rules.

Pursuant to Law 24/1967, the compensation to which the employee is entitled cannot exceed the equivalent of two years' wages and is payable by the employer insofar as it does not exceed the employee's annual wages and from the Redundancy Fund to the extent that such compensation exceeds the employee's annual wages. The employer is thus exposed to the payment of damages up to a maximum of one year's wages.

The compensation must in no case be less than what the employee would have received had he been declared redundant by the employer and was entitled to redundancy payment under Law 24/1967. According to Law 24/1967, the redundancy payment is calculated on a graduated scale on the basis of the employee's service and his/her last wages, up to a maximum of two years' salary.

The relevant periods of service and the respective compensation are set out in Table 4 of Law 24/1967, as follows:

- i) two weeks' wages for each year of service up to four years;

- ii) two-and-a-half weeks' wages for each year of service from five to 10 years;
- iii) three weeks' wages for each year of service from 11 to 15 years;
- iv) three-and-a-half weeks' wages for each year of service from 16 to 20 years;
- v) four weeks' wages for each year of service beyond 20 years.

Pursuant to Law 24/1967, the Minister for Labour, Welfare and Social Insurance can, by ministerial order, set a ceiling for the maximum compensation per week which is currently fixed at Euro 697.52 per week.

Furthermore, the following constitute grounds for dismissal due to redundancy under section 18 of Law 24/1967:

- i) the employer has ceased to carry on the business that employs the employee;
- ii) the employer has ceased to carry on the business at the place where the employee was employed – this is at the discretion of the court and depends on the distance the employee has to travel to the new place of work as well as on the personal circumstances of the employee; or
- iii) due to any of the following grounds relating to the operation of the business:
  - i. modernisation, automation or any other change in the methods of production or organisation which reduces the number of required employees;
  - ii. changes in the products or in the production methods or in the necessary expertise of the employees;
  - iii. abolition of departments;
  - iv. difficulties in placing products on the market or credit difficulties;
  - v. lack of orders or raw materials;
  - vi. shortage of means of production; or
  - vii. contraction of the volume of work or of the business.

If the termination due to redundancy is genuine, then the employee will receive payment according to his/her length of service (as mentioned above) from the state-administered Redundancy Fund to which all employers contribute, provided that such employee has completed 104 weeks' continuous employment with the same employer.

Under section 17 of Law 24/1967, in the case where the employee is simultaneously entitled to payment out of the Redundancy Fund and payment from the employer by reason of custom, law, collective agreement, contract or otherwise, he is paid the whole amount from the Redundancy Fund and from the employer any difference between the two payments, if the whole amount of payment payable from the employer is higher than the amount from the Fund.

In case the application for payment from the Redundancy Fund is rejected due to the fact that the grounds for redundancy were deemed not genuine, the employee has the right to take action against the Fund, as well as against the employer in the alternative, for unfair dismissal and seek damages.

It is also noted that a written notice of termination, outlining the grounds for the termination, must be given to the employee, unless the employee has been terminated on the basis of section 5 (e) or (f) grounds, with a notice period calculated on a graduated scale in accordance with section 9 of the Law 24/1967, as follows:

- i) 0 days for 26 continuous weeks' employment;
- ii) One week for 26 – 52 continuous weeks' employment;
- iii) Two weeks for 52 – 104 continuous weeks' employment;
- iv) Three weeks for 104 – 156 continuous weeks' employment;
- v) Five weeks for 156 – 208 continuous weeks' employment;
- vi) Six weeks for 208 – 259 continuous weeks' employment;
- vii) Seven weeks for 260 – 311 continuous weeks' employment;
- viii) Eight weeks for 312 continuous weeks' employment or more.

Otherwise, compensation for immediate termination can be paid in lieu of notice.

It is also noted that the employee must give notice of resignation according to his/her length of service, pursuant to section 10 of the Law 24/1967, as follows:

- i) 0 days for 26 continuous weeks' employment;
- ii) One week for 26 – 52 continuous weeks' employment;
- iii) Two weeks for 52 – 260 continuous weeks' employment; and
- iv) Three weeks for 260 or more continuous weeks' employment.

Of course, this provision is hard to enforce, and the court will rarely grant damages to an employer for the employee's failure to grant the requisite notice, due to the difficulty in proving loss to the employer.

The employers' obligations towards dismissed employees are the following:

- An employer is obliged to inform the Ministry of Labour, Welfare and Social Insurances about any proposed redundancies and is further obliged to re-hire redundant employees if a position becomes available within eight months following the redundancy.
- An employee, whose employment has been terminated for any reason, is entitled to request at the time of termination, a certificate from the employer showing the dates of employment and the kind of work performed. Nothing adverse should be contained in such a certificate.

## **D. Labor Availability**

Cyprus is generally considered to be a country with highly skilled, well-qualified and hard-working labor force. Cyprus ranks among the first countries in the world in terms of the percentage of university degree holders in the population, with 79% of secondary school graduates (in 2009), proceeding to tertiary education. With respect to unskilled labor, foreign workers, both from and outside the EU, are employed in industries where there is an insufficient number of available Cypriot employees, although the financial crisis has had an impact on the labor market leading to a freeze on workers from third-countries in several sectors of employment.

## **E. Labor Permits**

The examination of employers' applications for the employment of foreigners is mainly regulated by the criteria and procedures agreed between the social partners (i.e. employers represented through employers' organisations and employees represented through trade unions, and any other interested parties, such as farmers' unions) and approved by the Council of Ministers on 6 December 1991, as well as the strategy for the employment of foreigners approved by the Council of Ministers on 25 July 2007. The basic precondition for the granting of permits for the employment of foreign workers is the absence of prospects to meet the specific needs of the employer from the local labour force (Cypriot or European citizens). This will be ascertained following an investigation by the competent service of the Department of Labour of the Ministry of Welfare, Labour and Social Insurance.

Furthermore, the decisions of the relevant Ministerial Committee on matters of foreign workers are taken into account for the purpose of examining these applications. This Committee was established on the basis of the decision No. 49641 of the Council of Ministers, on 12 May 1999, and is comprised of the Ministers of Interior, Welfare, Labour

and Social Insurance, Justice and Public Order, and Energy, Commerce, Industry and Tourism.

Moreover, the main policy of the Labor Department is to safeguard the smooth operation of the labor market and the equal treatment between local and foreign workers according to Cyprus's international obligations.

In addition, employers who secure initial approval for the employment of a certain number of foreigners from the Department of Labour, can then submit an application to the Department of Civil Registry and Migration for the employment of specific foreigners.

Once approval to employ foreign workers is granted, the work visa/entry permit is issued allowing the entry into Cyprus. The foreign worker will then register as an alien and apply along with all required documentation to the Aliens Police for the relevant Temporary Residents and Employment Permit.

Finally, the permit allowing the entry into Cyprus can take several months depending on the case. The subsequent issue of the relevant work and residency permit can also take several months, but this would not prohibit the worker from taking up work after registering and submitting his application.

Fees are generally minimal; however, this does not include the costs for obtaining the necessary supporting documentation and medical tests.

## **F. Safety Standards**

The Safety and Health at Work Law 89(I)/1996, as amended, and regulations issued pursuant to the Law, safeguard the employees' right to safe and healthy working conditions. The said Law is in line with the provisions of the ILO Convention 55 of 1981 on Occupational Safety and Health, as well as the EU Directive 89/391/EEC (Framework Directive).

## **G. Unions**

Trade unions are recognised and regulated by the Trade Unions Law 71/1965. Employers have the obligation to inform and consult with unions/workers' representatives, where there are such representatives, in certain cases, such as those of collective dismissals.

Unions are organized both on the basis of political affiliations and particular industry interests. The following list of the major Trade Unions indicates the basis upon which they are organized:

- PEO (Pancyprian Federation of Labour) - left-wing;
- SEK (Cyprus Workers' Confederation) - centre-right;
- DEOK (Democratic Workers' Federation of Cyprus) – social democrat;
- PASYDY (Pancyprian Public Employees Trade Union) - public servants;
- POED (Pancyprian Federation of Greek Teachers) - primary school teachers;
- OELMEK (Organisation of Greek Teachers of Secondary Education) - secondary school teachers;
- OLTEK (Organisation of Greek Teachers of Technical Education) - technical education teachers;
- ETYK (Union of Banks' Employees of Cyprus) - banks' employees;

There is no obligation on the part of the employer to organise Trade Unions. Collective bargaining agreements exist in certain sectors, such as construction, retail, banking etc.

## **XII. Tax On Corporations**

### **A. Allowances**

The major allowances are:

- i) Wear and tear allowance on plant and machinery
- ii) Industrial building allowance.

The major deductible items are:

- i) Expenses that are incurred wholly and exclusively in the production of taxable income.
- ii) Repairs of premises, plant, machinery and motor vehicle (except saloon cars) employed in producing income.
- iii) Actual bad debts written off.
- iv) Donations or contributions made for educational, cultural or charitable purposes to the Republic of Cyprus, a local authority or an approved charity.
- v) Interest on business assets (restricted on motor vehicles).
- vi) Entertainment expenses (the lower of 1% of turnover or Euro 17,000 or actual expenses).

The following expenses are excluded from deductibility:

- i) Traveling expenses between place of residence and place of work.
- ii) Cost of goods taken out of the business for private use.
- iii) Any expenses of a capital nature.
- iv) Entertainment expenses (please see above).
- v) Expenses of a private motor vehicle.
- vi) Donations to football clubs and political parties.
- vii) Rent not incurred for business purposes.
- viii) Payments of a voluntary nature.
- ix) Legal fees to acquire an asset.
- x) Fees to obtain financing.

### **B. Calculation of Taxes**

A company's profits chargeable to corporation tax (at 12,50% flat rate) are arrived at by aggregating its various sources of income less cost of sales, allowable expenses, losses brought forward, group loss relief and permanent establishment overseas profit.

### **C. Capital Gains**

There is one national capital gains tax rate of 20% on profit from the sale of immovable property, only when the immovable property is situated in Cyprus. The capital gains tax of 20% is applied also to the sale of shares in companies which hold immovable property situated in Cyprus.

## **D. Filing and Payment Requirements**

Every company which is tax resident in Cyprus must file its annual tax return at the latest, twelve months after the end of the year of assessment (i.e., 31 December every year). In addition to the annual tax return, a company must file two provisional tax returns on 31 July and 31 December of the year of assessment.

A company must pay its (estimated) taxes in two instalments when the provisional tax returns are filed. Any balance is payable when the annual tax return is filed by the end of the calendar year following the year of assessment.

## **E. Miscellaneous Taxes Due**

Tax on capital has been abolished as from 1 January 2017 and for all future years. There is business licence tax, either imposed by the government (on restaurants, cafes, bars, shops) or by professional organizations (law society, accountants society). As from 2011, all Cyprus registered companies must pay an annual licence fee to the Registrar of Companies of Euro 350 unless they qualify as dormant companies.

There is no apprenticeship tax/fee, other than an annual fee paid to the municipal authorities where the place of establishment is located. The fee varies between the various municipalities and the size of the office/warehouse/shop. Business licence fees and fees paid to the municipal authorities are paid on an annual basis.

## **F. Registration Duties**

Registration fees (capital duty) of Euro 102.52 plus 0.6% on the authorized share capital, calculated on its nominal value, but not on the premium are payable upon the incorporation of the company.

Capital duty of 0.6% is paid on any additional authorized and issued share capital in any further increases of share capital.

No registration duties are payable upon a transfer of shares.

There is no "registration duty" upon the transfer of corporate assets, other than stamp duty. According to the Stamp Duty Law No. 19 of 1963 (as amended), stamp duty would be payable on any agreement which concerns any property situated in the Republic of Cyprus or matters or things to be executed or done in the Republic of Cyprus irrespective of the place of execution of the document, at the following rates:

- i) 0% for any amounts up to Euro 5,000.00
- ii) 1.5% for any amounts between Euro 5,000.00 to 170,000.00
- iii) 2% for any amounts over Euro 170,000.00, with a maximum stamp duty of Euro 20,000.00.

## **G. Sales Tax or other Turnover Tax**

VAT is imposed on the provision of goods and services in Cyprus, as well as on the acquisition of goods from the European Union and the importation of goods into Cyprus.

Taxable persons charge VAT on their taxable supplies (output tax) and are charged with VAT on goods or services which they receive (input tax). If output tax in a VAT period exceeds total input tax, a payment has to be made to the state. If input tax exceeds output tax the excess input tax is carried forward as a credit and set off against future output VAT.

The legislation provides for the following four VAT rates:

- i) Zero rate (0%)
- ii) Reduced rate of 5%
- iii) Reduced rate of 9%
- iv) Standard rate of 19%

VAT returns must be submitted quarterly and the payment of the VAT must be made by the 10th day of the second month that follows the month on which the tax period ends.

## **H. Social Security and Welfare System Contributions**

Social security contributions for employees are payable on the gross income of the employee, at the rate of 7.8% payable by the employee and 7.8% payable by the employer. The contributions of self-employed persons are 14.6% of their income.

The social security contributions count toward the State Pension Scheme. In addition, the employer must make the following contributions based on the employee's emoluments:

- i) Social cohesion fund – 2.0%
- ii) Redundancy fund – 1.2%
- iii) Industrial training fund – 0.5%
- iv) Holiday fund – 8.0% (unless the employee receives paid leave from the employer).

Unemployment insurance contributions are paid through the redundancy fund contributions referred to above.

Social security contributions are filed and paid on a monthly basis.

## **I. Special Tax Schemes**

There are no special tax schemes in place.

## **J. Tax on Profits**

A company's profits chargeable to corporation tax (at 12,50% flat rate) are arrived at by aggregating its various sources of income less cost of sales, allowable expenses, losses brought forward, group loss relief and permanent establishment overseas profit.

## **K. Tax Treaties**



Cyprus has signed and ratified tax treaties for the avoidance of double taxation with nearly fifty countries. The URL below of the page of the Cyprus Inland Revenue provides the full list and text of these treaties.

[Double Tax Agreements and other Agreements](#)

No rules exist against international tax planning or “treaty-shopping”.

## **L. Territoriality Rules**

A company which is a tax resident of Cyprus, is subject to tax in Cyprus on its worldwide income. To be “tax resident” in Cyprus, the effective management and control of the company must take place in Cyprus, i.e., the majority of its Directors must be Cyprus tax residents, the board meetings must take place in Cyprus and important decisions must be taken in Cyprus.

When a company is not resident in Cyprus, it is subject to tax in Cyprus only on income generated in Cyprus.

## **M. Treatment of Tax Losses**

The tax loss incurred during a tax year, which cannot be set off against other income, is carried forward and set off against future profits of the next five years.

The current year loss of one company can be set off against the profit of another, provided both companies are Cyprus tax resident companies of a group. A group is defined as:

- i) One company holding at least 75% of the shares of the other company.
- ii) At least 75% of the voting shares of the companies are held by another company

A partnership or a sole trader transferring business into a company can carry forward tax losses into the company for future utilization.

Losses from a company's permanent establishment abroad (“PE”) can be set off against profits of the company in Cyprus. Future profits of the PE are taxable up to the amount of PE losses allowed in the previous years.

## **N. Wealth Tax**

There is no wealth tax applicable in Cyprus.

## **O. Withholding Taxes**

There is no withholding tax on dividend payments abroad.

There is no withholding tax on royalties’ payments abroad.

There is no withholding tax on interest payments abroad.

There is no withholding tax on such profits. If the foreign corporation has a permanent establishment (PE) in Cyprus, the profits of the PE will be taxed in Cyprus, subject to any contrary provision in an applicable double tax treaty.

## **XIII. Tax On Individuals**

### **A. Allowances**

Individuals are allowed the following deductions:

- i) Expenses of rented property: 20% of the rents;
- ii) Interest paid in respect of rented buildings: 100%;
- iii) Subscriptions to unions or professional associations: 100%;
- iv) Donations to approved charitable institutions, supported by receipts: 100%;
- v) Social insurance contributions, life insurance premiums and contributions to approved pension funds or medical funds: Up to 1/6 of taxable income before the deduction of these allowances.

The following types of an individual's income are exempted from tax, according to the corresponding percentage:

- i) Income from interest: 100% exempt from personal income tax, but it is subject to 30% special defense contribution tax.
- ii) Dividends: 100% exempt from personal income tax, but it is subject to 17% special defense contribution tax.
- iii) Remuneration from any office or employment exercised in Cyprus by an individual who was resident outside Cyprus before the commencement of his employment: 20% or Euro 8,550 (lower of). This exemption applies for a period of three years commencing from 1 January following the year of commencement of employment.
- iv) Profit from the sale of securities: 100%.
- v) Remuneration for the rendering outside Cyprus of salaried services for a total aggregate period in the year of assessment of more than 90 days to an employer not resident in Cyprus: 100%.
- vi) Lump sum payment on retirement or commutation of pension, or a gratuity on death: 100%.
- vii) Capital sums from life insurance or approved provident funds: 100%.
- viii) Income from scholarship or other education endowment: 100%.
- ix) Income of foreign officers of an institution exercising educational, cultural or scientific function: 100%.
- x) Emoluments of foreign diplomatic and consular representatives if not citizens of Cyprus: 100%.
- xi) Pensions and special grants under special legislation: 100%.
- xii) Widow's pensions: 100%.

### **B. Calculation of Taxes**

In the case of an individual who is tax resident in Cyprus, tax is levied on all income accruing or arising from sources both within and outside Cyprus (i.e. worldwide income), in respect of:

- Profits or other benefits from any business;

- Profits or other benefits from any office or employment;
- Dividends, interest or discount;
- Rents, royalties or other profits arising from property;

“Resident in Cyprus” means, with respect to an individual, (i) an individual who stays in Cyprus for a period or periods exceeding in aggregate 183 days in the year of assessment or (ii) an individual who stays in Cyprus for more than 60 days and at the same time he/she is not tax resident in another country.

In the case of an individual who is not tax resident in Cyprus, tax is levied on the income accruing or arising from sources in Cyprus only, in respect of:

- i) Profits or other benefits from a permanent establishment situated in Cyprus;
- ii) Profits or other benefits from any office or employment exercised in Cyprus;
- iii) Pensions derived from past employment exercised in Cyprus;
- iv) Rent from property situated in Cyprus;
- v) The gross income derived by an individual from the exercise in Cyprus of any profession or vocation, the remuneration of public entertainers, and the gross receipts of any theatrical, musical or other group of public entertainers.

“Permanent establishment” means a fixed place of business through which the business of an enterprise is wholly or partly carried on, and includes a place of management, branch, office, factory, workshop, mine, oil or gas well, quarry or any other place of extraction of natural resources.

## **C. Capital Gains Tax**

Capital gains tax is imposed on profits from the disposal of immovable property situated in Cyprus, or shares in companies, which own immovable property in Cyprus, and such shares are not listed in any Stock Exchange.

Capital gains tax is imposed on the net profit from the disposal at the rate of 20%.

The net profit is calculated as the disposal proceeds less the greater of the cost or market value on 1 January 1980 adjusted for inflation.

Profits from the following are exempted from capital gains tax:

- i) Gift by reason of death;
- ii) Gifts to relatives within the third degree of kindred;
- iii) Gift to a company of which the shareholders are and continue to be members of the disposer’s family for five years after such gift;
- iv) Gift by a company, of which all the shareholders are members of the same family, to any of its shareholders when the property gifted was also acquired by the company as a gift (the property must remain in the hands of the recipient of the gift for a period of at least three years);
- v) Gift to the Republic or to a local authority for educational or other charitable purposes or to approved charitable institutions;
- vi) Exchange of properties where the values of the immovable properties being exchanged are equal;
- vii) Gain on disposal of shares, which are listed on any Stock Exchange;
- viii) Gains from transfer of property or shares in case of reorganization of companies.

Moreover, the following lifetime exemptions apply for individuals:

- i) For sale of own residence - Euro 85,430

- ii) For sale of agricultural land by a farmer - Euro 25,629
- iii) For other sales - Euro 17,086.

## **D. Filing and Payment Requirements**

An individual must submit his/her Tax Return by 30 April of each year. A Temporary Tax Assessment for the current year must be submitted and the first installment of tax based on the Temporary Tax Assessment must be paid by 1 August. An individual must also pay the balance of tax for the previous year by 1 August. The second installment of tax, based on the Temporary Tax Assessment, is due by 30 September of each year.

An individual must submit a revised Temporary Tax Assessment for the current year, if considered necessary and pay the third installment of tax based on the Temporary Tax Assessment by 31 December. Any person who submits audited accounts must also submit his/her Tax Return, accounts and additional information by 31 December of each year.

## **E. Inheritance and Gift Tax**

Inheritance tax has been abolished in Cyprus since 1 January 2000, but it still applies for the administration of the estate of a person deceased prior to the above date.

The executor/administrator of the estate of the deceased is required by the Deceased Persons Estate Law No. 78 of 2000 to submit to the tax authorities a statement of assets and liabilities of the deceased within six months from the date of death.

## **F. Miscellaneous Taxes Due**

Special contribution to the defence tax is imposed on income accruing from sources in Cyprus received by an individual resident in Cyprus, according to the following rates:

- i) Interest: 30%;
- ii) Dividends received or deemed to be received from a company resident in Cyprus: 17%;
- iii) Dividends received from abroad: 17%
- iv) Interest from savings certificates and developments stocks issued by the Government: 3%;
- v) Rents: 3% (calculated on 75% of the rental income).

An individual whose annual income, including interest, does not exceed the amount of Euro 12,000, has the right to a refund of the tax withheld on interest in excess of the amount corresponding to 3%.

In case that foreign tax was paid on income subject to special contribution, this can be given as an allowance against the special contribution payable on the income, irrespective of the existence of a double taxation relief with the other country.

The payment of contribution to the Defence Fund on income for the first six months is due by 30 June of each year. The payment of contribution to the Defence Fund on income for the second six months is due by 31 December of each year.

The contribution to the Defence Fund withheld from dividends and interests is payable by the end of the next month.

There are also other taxes, such as Stamp Duty, Land Registry Office fees, Special Levy on Stock Exchange Transactions, etc.

## **G. Real Estate/Habitation Tax**

Real estate tax has been abolished since 1 January 2017.

## **H. Sales Tax**

VAT is paid by the sellers of certain goods and services (please refer to Chapter XII, Section G).

VAT is included in the price of the said goods and services and is paid by the individual purchaser indirectly (and not directly).

## **I. Social Security and Welfare System Contributions**

A self employed individual is liable to contribute to the Social Insurance Fund at a contribution rate of 14.6%. Other employees are liable to contribute to the Social Insurance Fund at a contribution rate of 7.8%. Social insurance is deducted from employees' emoluments by the end of the next month.

## **J. Stock Option, Profit Sharing and Savings Plans**

Any profits or proceeds from stock option plans, profit sharing plans and savings plans are taxable under personal income tax.

## **K. Taxation of Benefits in Kind**

The following are taxable as personal income at the rates provided in response to Section M below:

- i) Termination payments if paid under a contract of employment.
- ii) Annual leave fund – payments made to employees out of the annual leave fund.
- iii) Payments received by employees by reason of their employment, i.e., not ex gratia.
- iv) Cost of private use of an employer's saloon car.
- v) Accommodation and food provided by the employer.
- vi) Where a director receives an interest free loan, the benefit is taxable.

## **L. Taxes on Dividends**

Income from dividends, regardless of their form is 100% exempted from income tax. Special contribution to the defence tax is imposed on income accruing from dividends received by an individual resident in Cyprus, according to the following rates:

- Dividends received from a company resident in Cyprus → 17%
- Dividends received from abroad → 17%.

## M. Tax on Income

The tax rates for individuals, whether residents or non-residents in Cyprus, are calculated as follows:

Taxable Income (Euro)	Tax Rate (%)	Accumulated tax (Euro)
0 – 19,500	0	0
19,501 – 28,000	20	1.700
28,001 – 36,300	25	3.775
36,301 – 60,000	30	10.885
Over 60,001	35	

In the case of a person who is not tax resident in Cyprus, tax is levied on the income accruing or arising from sources in Cyprus only.

The following special tax rates apply:

- Foreign pensions of individuals who obtain the relevant immigration permit from the authorities:  
Up to Euro 3,420: 0%,  
Over Euro 3,420: 5%;
- Income of a qualified person from the rendering of ship management services, as specified in the Merchant Shipping (Fees and Taxing Provisions) Law of 2010 at his option tonnage tax may be imposed on the fleet under its management instead of Corporate Tax (in the case of an individual, no personal allowances, credits or exemptions are allowed);
- The gross amount of any royalty, premium, compensation or other income, derived from sources within Cyprus by any person not being resident in Cyprus, is subject to withholding tax of 10%;
- The gross amount of any rental in respect of the showing of cinematograph films in Cyprus, derived by any person not being resident in Cyprus, is subject to withholding tax of 5%;
- The gross income derived by an individual not resident in Cyprus, from the exercise in Cyprus of any profession or vocation or of public entertainers, including football clubs and other athletic missions, is subject to withholding tax of 10%.

There is no regional, state, municipal or local income tax for either residents or non-residents.

## N. Tax Treaties

Please refer to Chapter XII, Section K.  
No rules exist against international tax planning or “treaty-shopping”.

## O. Territoriality Rules

Please refer to Section B of this Chapter.

## **P. Wealth Tax**

There is no wealth tax in Cyprus.

## **Q. Withholding Tax**

Income tax and Social Insurance Fund Tax are withheld by the employer and paid to the state on a monthly basis, under the Pay-As-You-Earn system.

Residents and non-residents are subject to the same rules as far as personal income tax for salary earned in Cyprus. Non resident employees are exempt from the obligation to contribute to the Social Insurance Fund.

## **XIV. Tax On Other Legal Bodies**

### **A. Allowances**

Please refer to Chapter XII, Section A. Partnerships are considered by the Cyprus Tax Authorities as “see through entities” and, on this basis, the partners of the partnership are subject to tax for the profits of the partnership.

Additionally, the following types of a legal person’s income are exempted from tax, according to the corresponding percentage:

- Income of any religious, charitable or educational institution of a public character: 100%;
- Income of a co-operative society in respect of transactions with its members: 100%;
- Income of any local authority: 100%;
- Income of any approved pension or provident fund or any insurance fund: 100%;
- Income of any company formed exclusively for the purpose of promoting art, science or sport:100%.

### **B. Calculation of Taxes**

Please refer to Chapter XII, Section B.

### **C. Capital Gains**

Please refer to Chapter XII, Section C.

### **D. Filing and Payment Requirements**

Please refer to Chapter XII, Section D.

## ***E. Miscellaneous Taxes***

Please refer to Chapter XII, Section E.

## ***F. Registration Duties***

Please refer to Chapter XII, Section F.

## ***G. Sales Tax or other Turnover Tax***

Please refer to Chapter XII, Section G.

## ***H. Social Security and Welfare System Contributions***

Please refer to Chapter XII, Section H.

## ***I. Special Tax Themes***

Please refer to Chapter XII, Section I.

## ***J. Tax on Profits***

Please refer to Chapter XII, Section J.

## ***K. Tax Treaties***

Please refer to Chapter XII, Section K.

## ***L. Territoriality Rules***

Please refer to Chapter XII, Section L.

## ***M. Treatment of Tax Losses***

Please refer to Chapter XII, Section M.



## **N. Wealth Tax**

Please refer to Chapter XII, Section N.

## **O. Withholding Taxes**

Please refer to Chapter XII, Section O.

## **XV. General Tax Considerations**

### **A. Taxes Generally**

Local and international tax planning is permitted in Cyprus. Provided that a company is a tax resident in Cyprus (i.e., its effective management and control takes place in Cyprus), then all the local laws and double tax treaties apply.

The Cyprus Inland Revenue issues written advance tax rulings for a fee of Euro 1,000.00 for normal process or Euro 2,000.00 for fast track process.

There is no general anti-tax avoidance system in place.

This would not be applicable in Cyprus.

## **XVI. Immigration Requirements**

### **A. Immigration Controls**

There are no immigration quotas and no vaccinations are required to enter Cyprus. Medical tests for HIV, Hepatitis, TB and other contagious diseases are required for third-country (non-EU) nationals to be employed in Cyprus. This measure extends to their dependants in cases where they are allowed to join the employee in Cyprus.

Entry permits for work are required for all categories of workers and employees (see Chapter XI, Section E) with the exception of those employed in companies of foreign interests, in executive or managerial positions (please refer to Chapter XVII, Section J).

Exit permits are required for Cypriot males between the ages of 16 and 26, if they have not fulfilled their military conscription obligations.

In case employees in companies of foreign interests (please refer to Chapter XVII, Section J) are bound to be away on an official assignment for more than 3 months, (which results in the immediate cancellation of their residence permit), they will have to inform the authorities and complete the relevant formalities.

## **B. Immigration Requirements/Formalities**

### Immigration Permits

Immigration permits are in effect a form of permanent residency allowing the holders and their permissible dependants to freely enter Cyprus and reside. An immigration permit will be automatically cancelled if the interested person fails to acquire residence in Cyprus within one year from approval of the application, in case he/she is residing outside Cyprus. It will also be cancelled if the person acquires permanent residence abroad or is absent from Cyprus for a period of two years. The immigration permit is granted only under six specific categories of the Aliens and Immigration Regulations. The permit can cover dependants of the applicant such as the spouse and children up to the age of 18.

Categories A to D cover persons who intend to work as self-employed in various sectors of the economy such as agriculture, fishing, mining, or engage in any trade or profession or science, provided that such activity should not negatively affect the general economy of the Republic and provided that they have met the minimum investment required. Applicants under these categories will have to previously apply for the approval of the Labor Department in order to work in Cyprus, and to obtain the necessary permit from the migration authorities thereafter. Applications are dealt with under the procedures and criteria described in Chapter XI, Section E. In addition, such applications are copied to the appropriate bodies or organizations for their views on the proposed activity to see if there is demand for it, which is one of the main criteria for the success of such application. These categories appear to have fallen into disuse over the years due to changes in the economic activity carried out in Cyprus and the strict restrictions and requirements imposed.

Category E permits are issued to persons who have been offered permanent employment in the Republic, which will not create undue local competition. The granting of an immigration permit under Category E has been extended to holders of temporary work and residency permits granted to executive and managerial staff in certain companies of foreign interests, as described in Chapter XVII, Section J, such as shipping companies.

Category F permits are issued to 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 Euro 9,568.17 for a single applicant and at least Euro 4,613.22 for every dependent person, although the Immigration Control Board may demand additional amounts as necessary. Most applicants who come under this Category are pensioners or retired persons.

In February 2016, the Minister of the Interior announced the second revision of the scheme for granting Immigration Permits to applicants who are third-country nationals and intend to invest in the Republic of Cyprus. According to the provisions of Regulation 6(2) of the Aliens and Immigration Regulations, buyers of immovable property in Cyprus valued at least Euro 300,000 (sold for the first time by a Developer) may apply for an immigration permit provided that they meet all other additional requirements. The additional requirements include the applicants having at their disposal a secured minimum annual income of Euro 30,000, from sources other than employment in Cyprus and having deposited with a Cypriot Bank a minimum capital of Euro 30,000 derived from abroad in an account pledged for at least a three year period. The minimum income is incremented by Euro 5,000 for each additional family member covered by the permit which includes the spouse and children under 18 while an additional Euro 8,000 is required for each parent.

## **C. Visas**

Citizens of certain third-countries (non-EU nationals) will need to secure an entry visa from a Cyprus consulate or diplomatic mission before arriving in Cyprus. For those who do not require an advance visa, the immigration authorities at the points of entry have power to grant stay of up to three months.

No visa is required for travel within the areas of the country under the control of the government of the Republic of Cyprus. However, there are certain travel restrictions as regards the movement of persons, vehicles and goods from the areas which are controlled by the lawful government of the Republic, to the areas which are occupied by Turkish troops, and vice versa. These restrictions are imposed by the Turkish occupying military forces, while efforts are being undertaken by the government of the Republic and the EU institutions to minimize these restrictions.

Short-term visa and multiple entry visa.

A short term visa entitles aliens who seek to enter the territory of the Republic of Cyprus, for reasons other than immigration, to enter once or several times. The duration of each visit may not, however, exceed three months in any half year, starting from the date of first entry.

In the case of aliens who need to travel frequently to Cyprus, e.g., for business, short-stay visas may be issued for several visits, provided that the total length of these visits does not exceed three months in any half year. This multiple-entry visa may be valid for one year and, in exceptional cases, for more than a year, but for no more than five years for certain categories of persons

Visas are issued by all the Diplomatic Missions (Embassies and General Consulates) of the Republic of Cyprus, and by Honorary Consulates of the Republic of Cyprus abroad, if there is no Diplomatic Mission of the Republic of Cyprus close by. According to the type of visa, fees currently range from Euro 10.25 to Euro 34.17.

## **XVII. Expatriate Employees**

### **A. Cost of Living and Immigration**

The cost of living in Cyprus compares favorably with the average cost of living in other EU and “western” countries. The average annual rate of inflation for 2016 was -1.4%.

### **B. Drivers' Licenses**

A foreign driving license held by third country nationals must be converted into a local one within six months from the date of arrival.

### **C. Education**

Private English, French and Russian speaking schools exist in pre-primary, primary, secondary and tertiary levels (English-speaking only) of the education system. The school

fees compare favorably with the average cost of equivalent education in other EU and “western” countries. The requirements for enrollment depend on each institution. It is reasonable to expect that equivalent qualifications obtained abroad would be accepted in Cyprus as evidence of prior attendance.

There are no tax benefits available for a foreign investor's family education.

## ***D. Housing***

All types of housing are available to a foreign investor living in Cyprus. The investor can own immovable property in Cyprus, provided that he successfully applies to the pertinent District Administration office for permission to this effect.

There is no requirement that the investor must have housing before he enters Cyprus.

## ***E. Importing Personal Possessions***

A foreign investor can import his personal belongings either by air or sea. Several international and local companies provide the required services. An individual who transfers his normal residence from either another member state of the EU or from a country outside the EU may, under certain requirements, import all his/her personal belongings without paying any duties or taxes.

## ***F. Medical Care***

The quality of medical care available in Cyprus is relatively high, in both the public and private hospitals.

The National Health System provides medical care to all entitled persons. As a rule, Medical Identity Cards are issued to citizens of the Republic of Cyprus and EU citizens who reside permanently in Cyprus. Non-EU citizens working in Cyprus must be covered by an automatically renewable medical insurance, in order to obtain a work and residency permit.

## ***G. Moving Costs***

The usual moving costs incurred in cases that the foreign investor moves from another country to Cyprus should be expected. The investor may not receive any tax allowances with respect to moving costs.

## ***H. Tax Liability***

Kindly refer to Chapter XIII, Section B.

The provisions of the Double Taxation Treaties in which Cyprus is a party apply with respect to individuals working in Cyprus.

## **I. Work Contracts**

Please refer to the Section J below.

## **J. Work Permits**

EU nationals intending to live and work in Cyprus do not require any form of prior permission or work contract as such, although a written document containing the material terms of employment should be drafted, in accordance with the labour law. They are however required to register with the authorities in order to obtain the relevant permit by submitting the relevant form along with a lease/purchase agreement evidencing their intention to reside in the Republic and a registration certificate confirming registration with the Social Insurance. For all other nationals applying for work permits, appropriate contracts must be drafted according to the category of employment.

At present, companies registered in Cyprus (including branches of overseas companies) whose shareholding is majority-held by non-EU citizens as well as public companies quoted on any recognized Stock Exchange (known as companies of foreign interest) may employ expatriate staff from third countries (non-EU), as executive directors or middle-management staff and other key personnel without previously obtaining permission from the Ministry of Labor as is the case with all other employment categories.

Any intended employee in such companies may enter Cyprus on a normal visitor's visa for a maximum stay of up to ninety days. During the said period, the application for a temporary work and residency permit must be submitted.

The term "executive director" includes third country nationals registered as:

- i) Directors or Partners who are registered with the Registrar of Companies;
- ii) General Managers of branches and subsidiary foreign companies;
- iii) Departmental Managers.

Executive directors must earn at least Euro 3,872 per month and the permissible number is limited to five individuals.

The terms "key personnel or middle-management staff" refers to third-country nationals who are not executive directors and who may be employed in managerial, professional, administrative, technical or clerical positions in Cyprus. Such staff should earn not less than Euro 1,936 per month and the permissible number is limited to ten individuals.

For the issue of the first permit(s) to a company, the applications along with the company and employee documentation (including passports) must be lodged with the Civil Registry and Migration Department in Nicosia. Provided that all documentation is in order the permit can be issued in a matter of days. The fees for the submission of the application are Euro 270 for the employee however they do not include expenses for obtaining the supporting documentation and for the medical tests.

For a newly formed Company the following are required:

- Certificate of Incorporation;
- Certificate of Registered Office;
- Certificate of Directors;
- Certificate of Shareholders showing that the foreign participation in the share capital is more than 50% of the total. In case of shareholders that are foreign companies, the complete ownership chain must be provided (i.e. original certificates, etc.), up to the ultimate beneficial owners (UBO) who are natural persons;

- Memorandum and Articles of Association (all original copies, issued by the Registrar of Companies)
- Profile describing the nature of the company's business and details of its operations;
- Affidavit from the Company directors concerning the UBO;
- Passport copies of the UBO;
- List of Company's third country personnel per category;
- Deposited amount into a company bank account in Cyprus which can be proven by banking and other documents (e.g. swift transfer) that the direct foreign capital investment from the UBO amounts to at least Euro 170,860 and was brought to Cyprus legally from abroad;
- At the time of applying, a Company bank statement showing a remaining balance from the invested Euro 170,860 of at least Euro 41,006;
- Domicile deed title or lease agreement duly stamped by the Commissioner of Stamp Duty or contract of sale and purchase of the offices in Cyprus;
- Receipt for the Annual Company levy paid to the Registrar of Companies (where applicable).

#### For the Employee

- Copy of valid passport or other travel document with a validity of at least two (2) years from the date of the submission of the application;
- Copy of the passport's or other travel document's page showing the latest arrival in the Republic and visa (if applicable);
- Brief Curriculum Vitae (CV) (including copies of academic qualifications);
- Original letter of guarantee issued by a bank or cooperative institution in Cyprus with a validity of 10 years covering possible repatriation expenses. The amount depends on the country of origin;
- Original blood analysis results showing that the third country national does not bear/suffer from HIV, syphilis, hepatitis B and C and a chest x-rays for tuberculosis (TB) from a Government Hospital of the Republic or private clinic duly certified by a government Doctor;
- Original contract of employment duly signed and two (2) copies duly stamped;
- Title deed or rental agreement of a house/apartment duly stamped;
- Certificate of Health Insurance for medical care that covers inpatient and outpatient care and transportation of remains to the country of residence (Plan A);
- Employer's liability insurance with automatic renewal;
- Original Certificate of Criminal Record from the country of origin or residence;
- Authorisation for payment by bank transfer (FIMAS) in case of payments from the Republic.

Documents originating from abroad must be translated into Greek or English, and legalised by Apostille (exceptions exist).

A renewable temporary work and residency permit is issued for a period of up to two years. Absence from Cyprus for a continuous period of three months renders the permit void. There is no time limit on the residency duration for the above categories.

Executive directors and key personnel may be accompanied by their spouse and children under 18 years of age in Cyprus. The procedure and documentation is the same as for those applying for family re-unification, but without the obligation to have been in Cyprus for at least two years. The family members must hold passports with a validity of at least two years while the spouse must be over twenty-one and the marriage to have subsisted for at least a year. In case any of the said requirements are not met then a visitor's permit is issued until the requirements for family re-union are fulfilled. Marriage and birth certificates are required, inter alia, in addition to the standard documents for the investor. Fees for the submission of the application are EUR 200 plus EUR 70 for each dependant however they do not include expenses for obtaining the supporting documentation and for the medical tests.

Companies of foreign interests may, under the same procedure as Cyprus companies, employ third country nationals as supporting staff with a lesser salary than executives or key staff. Their employment would however depend on whether there is no local or EU labor available for the position, as per the procedure described in Chapter XI, Section E. Prior Labour Ministry consent is required which takes several months. Applicants must enter Cyprus on a previously obtained work/entry visa. A renewable temporary work and residency permit is issued valid for a period of up to one year. Family members cannot accompany supporting staff in Cyprus and their stay on the island is limited to four years. Due to the current situation on the labour market, there is a moratorium on the issue of permits for most categories of employees including office staff.