



CYPRUS

The South Eastern outpost
of the European Union



CYPRUS
CHAMBER OF
COMMERCE AND
INDUSTRY

A HANDBOOK OF THE CYPRUS CHAMBER
OF COMMERCE AND INDUSTRY
FOR OVERSEAS ENTREPRENEURS



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CYPRUS: A BRIDGE LINKING THREE CONTINENTS

Cyprus is today the **South-eastern outpost of the European Union**, situated in the Eastern Mediterranean at the crossroads of three continents and close to the busy trade routes linking Western Europe with the Arab World and the Far East. Cyprus has established itself since the ancient times as a European business centre promoting trade and co-operation with the broader region. The geographical position of the country and the entrepreneurial spirit of Cypriots contributed significantly to this end. Throughout the centuries, the people of Cyprus exhibited co-operative attitudes towards overseas people and managed to establish their country as a hub of trade and sea communications. Cyprus reached high levels of growth in the recent decades as a result of its use by both local and overseas businesspeople as a base for activity or as a springboard for expansion in the broader East Mediterranean.

The country prides itself today as having developed into a **major, modern and flexible business and services centre** in the Mediterranean and South-east Europe and this is largely due to the co-operation between the public and the private sector. The fact that over 45,000 international business companies use Cyprus as a base for their operations more than evidences this and at the same time it is solid proof of the conducive business climate that exists in the country.





This role of Cyprus has now been reaffirmed to the highest possible degree following its **accession to the European Union** in the enlargement of 2004. E.U. membership has consolidated the position of Cyprus as the bridge linking Europe with the Middle East and North Africa and beyond. There are indeed great prospects in this direction and many of the efforts of both the Government of Cyprus but also the Cyprus Chamber of Commerce and Industry aim at reinforcing this role of the country.

At the same time, Cyprus aims to constitute the **main axis in the triangle European Union, East European countries and the Middle East** and is fastly working towards the materialisation of this aim, with the Cyprus Chamber of Commerce and Industry contributing significantly to these efforts. This is facilitated by the excellent relations that Cyprus has with key countries in each area such as Russia in Eastern Europe and the Arab countries and Israel in the Middle East.

Overseas businesspeople are urged to consider all these very carefully and are invited to grasp the opportunities that are presented for their enterprises either by using Cyprus as a base for their business activities or as a gateway for expanding their relevant activities further.



THE CYPRUS ECONOMY

Throughout the years, the economic structure of Cyprus has changed from an economy based on agriculture to an economy based on services and the opportunities provided to E.U. but also other partners are now broadened. Its services sector has recorded spectacular growth opening up new fields of activity to local and overseas businesspeople. Today the sector of services accounts for 77% of the Gross Domestic Product of the country, with tourism, shipping, finance, insurance, business and professional services being the main contributors.

The Cyprus economy is healthy and growing. The growth rate ranges around 4% well above the E.U. average. The GDP per capita is fastly approaching 20.000 Euros. This corresponds to nearly 85% of the corresponding E.U. average. With the decision of the Government of Cyprus to join the European and Monetary Union and adopt the Euro on 1 January 2008, the country is following economic policies of convergence with the relevant criteria. Inflation is around 2,5% with the high crude oil prices limiting further reduction. Registered unemployment is also low and ranges at 3,7%. The fiscal deficit and public debt are following decreasing trends too. The fiscal deficit is well below 3% of G.D.P. while the public debt is on the way to meeting the



relevant convergence criterion (less than 60% of G.D.P.). It is aimed that by the end of 2007, Cyprus will be meeting comfortably all the Maastricht criteria and will join the Eurozone with a strong economy and in a healthy financial situation. E.U. confirmation of the recorded progress was the inclusion of the Cyprus pound in the Exchange Rate Mechanism II, in May 2005, which has been greeted as entry into the antechamber of the E.M.U.





The admission of Cyprus into the Eurozone and consequently the substitution of the Cyprus pound with the Euro, opens up additional possibilities for businesspeople and creates an extremely favourable environment for business activity particularly with the rest of the countries that belong to the Eurozone and account for most of the economic activity in Europe.

The small size of the local market makes penetration in foreign markets imperative and of vital importance to the economy of Cyprus. The entry into the Eurozone will undoubtedly create additional prospects in this direction. Exports represent more than 8% of the country's GDP while re-exports are a significant share of total exports, approaching 65%. Cyprus' main export categories are potatoes, dairy products, citrus fruit, wines, pharmaceutical products, cigarettes, cement, clothing, paper and plastic products, furniture and light machinery. As far as imports are concerned, total imports represent about 37% of the country's GDP. Intermediate goods, raw materials, consumer and capital goods, transport equipment and fuel constitute the country's main import categories.

The E.U. constitutes Cyprus' main trading partner accounting for more than 60% of the country's trade. Furthermore, more than



75% of tourists visiting the island originate from E.U. member-states.

The stability of the economy has attracted higher investments in recent years boosting the growth potential of the country further.

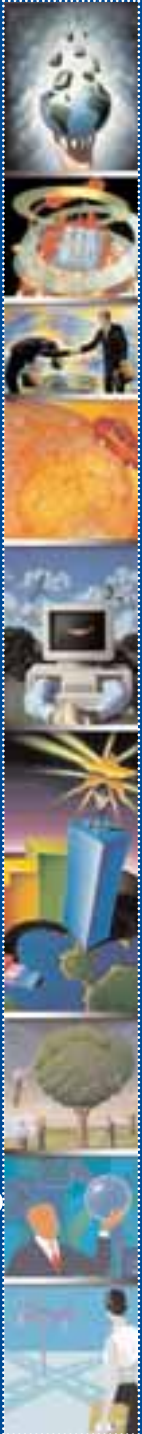
THE ADVANTAGES OF CYPRUS IN BRIEF

There is however a range of other important reasons that make Cyprus an ideal place for investment and the conduct of business activity:

- It is the only member of the European Union in our part of the world and as already said it is strategically situated at the crossroads of three continents, serving as Europe's south-eastern outpost.
- It has already developed into a major business and services centre in the region, while its small size provides it with the necessary flexibility.
- It possesses a highly conducive tax system with a corporate tax rate of only 10%, the lowest in the European Union and one of the lowest internationally.
- It has signed double tax treaties with over 35 countries.
- It has a liberal foreign direct investment regime allowing up to 100% foreign participation in most sectors of the economy from both E.U. and non-E.U. nationals.
- It has bilateral investment agreements with 17 countries.
- It is a democracy with a fully fledged market economy.
- It has simplified administrative procedures for acquiring the



- necessary permits.
- Set-up and operating costs are low.
- It possesses a highly qualified, well-educated and bilingual labour force (Cyprus ranks among the first countries in the world in terms of university degree holders in relation to the population) while Cypriots are renowned for their entrepreneurial spirit.
- There is freedom of movement of foreign currency, while its own currency (presently the Cyprus pound) is expected to be substituted by the Euro on 01/01/2008.



- There is a highly developed infrastructure with excellent telecommunications, ports, airports and road networks.
- It possesses a good organisational structure.
- It offers Freezones Bonded factories.
- It has modern and efficient legal, accounting, banking, financial and insurance services.
- It has a European standard of living.
- There is an abundance of foreign schools.
- It has a pleasant climate and agreeable topography.
- It possesses political stability and commitment to the rule of law.
- It secures protection of real and intellectual property.
- It has one of the lowest crime rates in Europe.

In short, Cyprus offers to entrepreneurs and investors a unique basket of advantages for the conduct of their business affairs worldwide.



THE INVESTMENT FRAMEWORK

What needs to be stressed in particular, is that in order to attract foreign investments and ensure economic prosperity in Cyprus, the Government has liberalised the Foreign Direct Investment (FDI) policy for both E.U. and non-E.U. nationals. Administrative procedures have been simplified, bureaucratic intervention has been reduced and no limitations apply in most sectors of the economy concerning the minimum level of investment and the foreigners' participation percentage. Consequently, foreign companies now have the opportunity of investing and establishing business in Cyprus on equal terms with local investors. **Virtually no distinction is made between foreign and Cypriot companies.**

Overseas investors have the opportunity of participating in most sectors of the economy with an equity participation of up to 100% in any Cypriot enterprise without a minimum level of capital investment. Foreigners considering of registering companies, acquiring shares of existing companies or setting-up business activities in Cyprus, no longer need approval from the Central Bank of Cyprus.





As from 1 October 2004, **overseas investors can register a company directly with the Registrar of Companies.** Initially an application for the approval of the name of the company is submitted (this can also be done online) and once the name is approved, the relevant documents for the company's registration (Memorandum of Understanding, Articles of Association, e.t.c.) are submitted through a lawyer. In the case of a partnership registration, the involvement of a lawyer is not mandatory. Registration is completed within one month under normal procedure and within one week under the accelerated procedure with a small additional fee. Shares or participation must be registered under the investor's name at the Registrar of Companies according to the respective Company or Partnership Law.

Moreover, overseas investors can obtain any licence, if needed, from the appropriate authority according to the nature of the investment.

Two extremely important developments that took place in 2006, concern the possibility for the re-domiciliation of foreign companies and the registration of a European Company (SE) in Cyprus. The company thus registered, is considered as a legal person duly incorporated according to the laws of Cyprus and has the same liabilities but also powers that every company registered in Cyprus has. This makes it easier for overseas



entrepreneurs to register or transfer their companies to Cyprus, availing themselves in this way of the favourable tax regime of the country that includes a corporate tax rate of only 10%, the lowest in the European Union.

Trading of shares by foreigners on the Cyprus Stock Exchange (CSE) is as easy as on any modern stock market.

Foreign investors are subject to the same rules and regulations of the CSE as Cypriots or other E.U. nationals, regarding capital distribution. Provided that the investment is in line with the CSE's laws and procedures, overseas investors may invest without any restrictions (in the same manner as Cypriot investors can) except for specific sectors, such as the banking sector.



As far as the **banking sector** is concerned, no person, either resident or non-resident, may own directly or indirectly 10% or more of a banking corporation's share capital or voting stock without the Central Bank's approval. Banking corporations are also required to obtain the Central Bank's approval before registering more than 50% of their share capital in the name of non-residents.

The acquisition of **real estate** is also largely liberalised particularly for E.U. nationals and E.U. registered enterprises. In fact, no restrictions are imposed on E.U. nationals and E.U. registered enterprises in relation to the acquisition of primary residence and Foreign Direct Investment, or the acquisition of real estate by E.U. real estate agents and land developers. The acquisition of residence for secondary use is for the time being prohibited without prior authorisation by the Council of Ministers, to E.U. nationals not permanently residing in Cyprus and E.U. registered companies not having their registered office, central administration or principal place of business in Cyprus. This prohibition is for a period of 5 years from the date of accession of Cyprus to the European Union (01/05/2004).

As regards non - E.U. nationals, legal entities registered in non-E.U. member-states and legal entities registered in Cyprus with share capital controlled by non-E.U. nationals, real estate may be acquired subject to the approval of the Council of Ministers. In



case the real estate concerned exceeds 2 donums, approval may be granted only for the purposes of primary or secondary residence not exceeding an area of 3 donums, professional or commercial premises and industrial sectors deemed beneficial for the Cypriot economy.

It is also noted that as of the date of Cyprus' accession to the E.U. on 1 May 2004, the **Exchange Control Law has been abolished** and hence, residents and non-residents may hold and manage assets and liabilities in any foreign currency and in any foreign country, including freely convertible and transferable balances with banks on the island.



It needs to be underlined however, that the liberalisation of the FDI policy should not be interpreted as conferring the right to the third country (i.e. non-E.U.) companies' foreign shareholders, principals / directors or employees' representatives to secure residence and/or work permits. Residence or work permits are handled by the Ministry of Interior and the Ministry of Labour and Social Insurance. In the case of international business companies, arrangements have been made whereby the Ministry of Interior may issue and renew the temporary residence – employment permits of expatriate executives. Apart from a preference to the nationals of countries under accession to the E.U. (i.e. Bulgaria and Romania), no other distinction is made between nationalities on granting working and residence permits. The decision lies upon the availability of E.U. nationals for the specific job, on scientific and academic qualifications and on the probability of the investment to be made by the applicant. However, labour legislation applies equally to E.U. nationals and foreign employees.

The liberalisation of the FDI policy should neither be interpreted as prejudicing the stance of other governmental departments, organisations or authorities regarding the issue of any other permits or consents which may be required under separate laws or regulations.



Examples of such regulations include:

- Private tertiary education institutions can be founded and operated only by E.U. nationals.
- Regulations of fishing boat licences provide for 51% participation by E.U. nationals and 50% of the management staff originating from the European Union.
- Based on the registration framework of certain medical professions, only Cypriots or other E.U. nationals are allowed to exercise their profession in Cyprus. Such professions include but are not limited to: Dentists, Dental Technicians, Psychologists, Opticians, Chemists, Dieticians, Physiotherapists and Psychiatrists.



- Non-E.U. nationals can obtain up to 5% of the total share capital of broadcasting corporations (television and radio stations)

Since Cyprus' accession to the E.U., **the European Union's legislation framework regarding labour relations has been adopted.** Hence the rights of workers in Cyprus are adequately protected in a wide range of areas including health and safety, equal treatment, maternity, working time, posting of workers, transfer of enterprises e.t.c.

Furthermore, the Cyprus labour market has a tradition of social dialogue and a well-developed institution of free collective bargaining. Collective agreements regulate employment conditions such as remuneration, working hours, health and safety, annual holidays and provident funds.

Labour costs are lower than E.U. average as well as social insurance employers' contributions. Employers must contribute 6,3%, employees an additional 6,3% and the Government 4% summing up the total social insurance contribution to 16,6% of the gross salary. In the case of self-employed individuals, 11,6% is contributed by the self-employed and 4% by the Government, summing up to a total contribution of 15.6%. The participation to the social insurance scheme is mandatory for all employees. The



scheme provides for several benefits, such as the maternity allowance, sickness allowance, unemployment allowance, pension, widow's pension, orphan's allowance, allowances for industrial accidents and occupational diseases. Other employer contributions include 1,2% to the Redundancy Fund, 0,5% to the Human Resources Development Fund and 2% to the Social Cohesion Fund excluding shipping / ship management companies in relation to the emoluments of their foreign employees.

In addition, legislation provides for minimum wages in six service occupations (sales staff, clerical workers, auxiliary healthcare staff and auxiliary staff in nursery schools, crèches and schools).

THE TAX REGIME

It is common knowledge however, that the above advantages and investment framework are not sufficient enough on their own to attract overseas investments. It is almost impossible to attract overseas enterprises without having in place an attractive tax regime. Cyprus has moved decisively in this direction and has significantly improved its tax framework in a serious and responsible manner, abiding at the same time by all relevant E.U. directives. Cyprus prides itself today in possessing a modern and flexible tax system that is utilised by many overseas enterprises.

The main aims of the new tax reform (that took place in 2002) were to conform to E.U. and OECD requirements as well as the maintenance and enhancement of the competitiveness of Cyprus as an international business centre. The main elements of the new tax regime of Cyprus are:

- **Low corporation tax:** All companies are subject to a uniform tax rate of 10% except for public law organisations which are taxed at 25%. The 10% tax is the lowest corporate tax rate in the European Union and one of the lowest in the world. A company is tax resident in Cyprus when its management and control is exercised in the Republic. Its taxable income includes



both income earned in Cyprus and abroad. A non-Cyprus tax resident is taxed only on income earned in Cyprus.

- **Tax on dividends:** Cyprus tax-resident companies are exempt in respect of dividends received from other Cyprus resident companies. The exemption is extended, subject to conditions, to dividends from non-resident companies. Resident companies are required to have distributed at least 70% of their after-tax profits in the form of dividends at the end of the two-

year period since the end of the respective accounting year. In the case that the distribution does not take place within the time limits mentioned above, 70% of the profit will be considered as distributed (deemed distribution). In this way, tax avoidance, though the accumulation of profits and the creation of companies by individuals as a means of lowering their tax burden, is prevented. These mandatory distribution provisions do not apply to profits accruing to non-resident shareholders.

- **Tax on interest:** Interest income arising from, or closely connected to, the ordinary activities of the company is taxed at the corporate tax rate of 10%. Moreover, 50% of all other interest income is exempt from income tax and is subject to special defence contribution at 10%.
- **Tax treatment of losses:** Tax losses can be carried forward and set off against future profits indefinitely. In addition, the loss of a Cyprus tax resident company can be set off against the profit of another company in case they belong to the same group of companies. Companies belong to a group when one company holds ordinary voting shares of at least 75% of another company. Losses from a permanent establishment abroad can be set off against profits earned by a company in Cyprus.



- **Profits of permanent establishments abroad:** The profits of permanent establishments abroad are not subject to tax in Cyprus. The exemption is not available if the permanent establishment directly or indirectly is engaged more than 50% in activities which result in investment income and the foreign tax suffered is significantly lower than the tax payable in Cyprus.



- **Reorganisations:** Transfers of assets and liabilities between companies in the course of reorganisations, such as mergers, demergers, transfer of activities in exchange of shares, are not subject to tax.
- **Disposal of securities:** Profits gained from the sale of securities are exempt from tax for all companies.
- **Double tax treaties:** As already mentioned, Cyprus has over 35 double tax treaties
- **Foreign tax credit:** Tax paid abroad on income that is subject to tax in Cyprus is credited against Cyprus tax payable on the same income.
- **Personal income tax:** Individual tax resident of Cyprus is an individual who stays in the Republic for 183 days in the year of assessment. Cyprus tax residents are taxed on income earned both in Cyprus and abroad. On the contrary, non-tax residents are taxed on income earned only from Cyprus sources. 20% exemption of emoluments or CY£5.000 whichever is the lowest, is granted in the case of non-residents starting employment in the Republic for a period of 3 years after the 1st of January following the year of commencement of the employment. The tax rates are among the lowest in Europe with the higher rate



being 30% for taxable income over CY£20.000. Dividends are exempt from income tax and are subject to a special defence contribution at the rate of 15%, applicable only to tax residents. Likewise, interest income is exempt from income tax and is subject to a special contribution for defence at the rate of 10% in the case where the individual is tax resident in Cyprus. Interest income from saving bonds, development bonds, deposits with the Housing Finance Corporation and interest income earned by provident funds is subject to a special contribution for defence which is at the lower rate of 3%. Salary



earned abroad for services rendered to a non-Cyprus resident employer or foreign permanent establishment of a Cyprus resident employer, for a period of more than 90 days in a tax year, is not subject to tax. Finally, income received in the form of retirement gratuity, compensation for death or injuries, provident fund, pension fund, or other approved funds, is exempt from tax.

- Value Added Tax:** The VAT rate is set at 15%, the lowest permitted rate in the E.U. Cyprus also has two reduced rates. The reduced rate of 8% applies for hotel accommodation, restaurants and catering services. It also applies for domestic transport of passengers and their accompanied baggage by taxi, by tourist, excursion and intercity buses. A reduced rate of 5% is imposed on a variety of other products and services such as books, magazines, newspapers, liquid gas, the delivery of non-bottled water, the transport of passengers and their baggages by urban and rural buses, certain foodstuffs excluded from the zero rate, fertilisers, animal foodstuffs, seeds, live animals etc. Zero-rated goods and services include exports, food for human consumption and medicines. Exempt from VAT are inter-alia land for building purposes (until 2007), healthcare, education, insurance and financial services, postal services e.t.c.



A number of years after the implementation of the tax reform, it can be said that it has contributed decisively to the efforts of establishing Cyprus as an internationally renowned business centre. Many overseas enterprises show an increased interest to use Cyprus as a base for their operations and take advantage, among other things, of its favourable tax environment.

THE BASIC INFRASTRUCTURE

Starting with the **telecommunications** sector, it must be stressed that this is one of the most modern sectors of the economy of Cyprus utilising state-of-the-art technology. More specifically, the Cyprus telecommunications sector provides a variety of advanced telecommunication services covering the whole spectrum of customer needs for voice and data communications, both fixed and mobile. In addition, there is an extensive fibre optic cable network complemented by an equally impressive satellite telecommunications network. Internet, WAP and mobile telephony services are widely available, while special emphasis is placed on the provision of value added services such as various Internet – based multimedia services which promise to be a dominant business activity in the years to come. As a result, the island may claim, in this respect, to be among the most developed countries in the world.

As far as **air transportation** is concerned, Cyprus is rapidly becoming a major international transit station for commercial air transportation with excellent connections within the entire region. A wide network of air routes connects Cyprus with all the major destinations in Europe, the Middle East, Africa, the Gulf, the Far



East and Australia. The island is served by two international airports, one in Larnaca and one in Paphos which handle well over 1.100 scheduled flights per week served by 32 international airlines as well as flights operated by 41 chartered airlines.

Due to its strategic location and favourable policies, Cyprus is also an attractive base for **shipping** companies.

All the island's port facilities are under the jurisdiction of the Cyprus Ports Authority which owns, manages, markets and



develops all the ports in Cyprus. Seaborne traffic is secured by a fully renewed port system comprising the multi-purpose ports of Limassol and Larnaca, the industrial port of Vassiliko and the 3 specialised oil terminals of Larnaca, Dhekelia and Moni. About 70 shipping lines include Cyprus in their regular schedules to and from the 5 continents and 4.800 ships totalling 20 million net registered tonnes call at Cypriot ports each year. Limassol and Larnaca ports are the island's main sea gateways handling over 3,5 million tonnes of international seaborne cargo including the entire traffic in transit. Experienced clearing, forwarding and logistics companies are available to assist entrepreneurs to deal speedily with the procedures relating to the import and export of goods.

Cyprus has also developed into an international shipping centre for the conduct of maritime activities and the rendering of shipping services worldwide. The Cypriot commercial fleet is among the 10 biggest worldwide, ranking third in the European Union with a percentage of 16% of the total fleet of the 25 member-states of the E.U. There are about 1.800 ships of a total gross tonnage of over 21 million registered under the Cypriot flag. This development is attributed to the comparative advantages of Cyprus as well as the excellent services offered to the sector. However, Cyprus cannot be regarded as an opportunity flag state. The government of the Republic of Cyprus



has ratified major international conventions on maritime safety, the prevention of sea pollution, the training, certification and watch-keeping of seafarers and the limitation of ship-owners' civil liability in case of oil pollution damage, as well as conventions on maritime labour. Over the last few years, the legislation ruling merchant shipping has been significantly modernised, particularly through the ratification of all major international maritime conventions and the adoption of the *Acquis Communautaire*. Cyprus has also set up a network of inspectors of Cyprus' ships which is expanding constantly, in its efforts to continuously keep improving the safety conditions of Cypriot ships.

Cyprus is also an important **transit trade** centre. The share of re-exports in total exports is continuously increasing and as already mentioned, today it accounts for almost 65% of the total. Transit cargoes enjoy special treatment at Cyprus ports including minimal customs formalities, free trade facilities, the extension of berthing priority to their carriers, long-term storage, e.t.c.

As a result, private and general bonded warehouses are widely available to companies wishing to import and store goods without having to pay import duty. The main advantage of these warehouses is that they enable traders to clear goods from customs in stages, thus responding to market demand. These warehouses can also be used for breaking bulk and repackaging goods in transit, an important activity given the island's strategic location and its role in transit trade. The rates for storing goods are very competitive.

The island is of course an internationally renowned **tourist destination** as well, offering some of the best hotel facilities in the world. Annual tourist arrivals are around 2,5 million, showing an increasing trend, while it is expected that the rising trend will continue in the coming years. The revenue from tourism exceeds CY£1 billion per year also showing an increasing trend. The contribution of tourism to GDP is quite significant and accounts for about 15% of the country's Gross Domestic Product. Services of the highest international standard are provided by travel



agents who offer inclusive packages to incoming and outgoing tourists. The majority of tourists visits the island during the long summer season which begins in late April and extends to the beginning of November. However, an increasing number of tourists are taking advantage of the island's mild winter and Cyprus is fastly becoming a "winter destination" as well, offering to the overseas visitors many possibilities, ranging from simple relaxation, to swimming and even skiing on the Troodos mountains. All related services such as restaurants, car-rentals, sight-seeing tours, leisure and entertainment facilities are present on the island and are offered to the highest possible standard. Sports tourism, primarily supported by an infrastructure of football pitches and golf courses, cultural tourism and agrotourism are gaining ground, while the implementation of the

Strategic Tourism Development Plan is expected to contribute significantly / result in sustainable tourism development, the repositioning of Cyprus as a tourist destination and the differentiation and qualitative development of our tourist product.

Banking, finance and insurance are amongst the most highly developed sectors of the Cypriot economy and compare very favourably with the most advanced financial sectors of the world. The broad financial sector of Cyprus is comprised of both local / domestic institutions as well as of international / multinational institutions. The regulation of financial institutions is fully in line and in accordance with the Acquis communautaire safeguarding the interests of depositors and assured. The financial institutions are instrumental in the facilitation of investments into productive activities. Furthermore, Cyprus possesses a modern Stock Exchange giving momentum to the stock market that is stimulated further by the island's sound economy.

In addition, the island possesses excellent **conference and exhibition facilities** using state of the art technologies and equipment, while conference activity is complemented by vacation and leisure activities, thus providing a relaxing break for conference participants.

Legal and accounting but also other professional services such as business consultancy, advertising, market research, data management, software production and web design, construction,



civil engineering and architectural services, transport services, personnel recruitment, design, film and PR communication, printing and publishing, surveying and town planning, engineering and electrical consulting e.t.c. are of the highest standard and are offered by experienced and highly qualified professionals, members of internationally renowned professional bodies. It is mentioned indicatively that most of the major international accounting firms are represented in Cyprus.

The **real estate** sector has been particularly strengthened as a result of the accession of Cyprus to the European Union. The





excellent climatic conditions prevailing on the island and the high standard of the related services are already attracting a lot of interest for acquiring property as well as for residence in Cyprus. The fact that every purchaser of property in Cyprus is protected by serious legal provisions that safeguard his/her legal rights is a major factor that has contributed to the development of the real estate sector

An abundance of schools and colleges (including a considerable number of English speaking institutions), a university and several others on the pipeline (both public and private) as well as a large number of clinics, hospitals and medical facilities complete the range of services that are available in Cyprus. The **education and health sectors** in particular, are considered as sectors with a high potential for the Cyprus economy and the policy of the Government is to develop Cyprus into an educational and healthcare centre of the highest quality in South eastern Europe and East Mediterranean.

Yet, there is something else which is equally important and cannot be ignored. Cyprus is part of Europe and as such its culture, way of life, educational level and standard of living are similar to those of Europe. All this, coupled with an excellent Mediterranean type of climate offering more than 330 days of sunshine per year and the traditional hospitality of the Cypriots, make Cyprus an ideal place to live and work.



THE INCENTIVES

In addition to all the above advantages presented by Cyprus, business enterprises that set up their operations on the island are also eligible to benefit themselves of a wide range of grant and subsidy schemes that are fully in line with the state aid law of the European Union.

These schemes include inter-alia the following:

- Creation of new high technology and innovative enterprises through business incubators.
- Establishment and operation of business incubators.
- Technological upgrading of the manufacturing sector in both urban and rural areas.
- Agrotourism activities.
- Encouragement of the improvement and development of the manufacturing and marketing of agricultural products.
- Energy conservation and encouragement of the use of renewable sources of energy.
- Environmental protection from industrial pollution.
- Provision of government guarantees for loans to small and medium size enterprises of the manufacturing sector.
- Strengthening of the laboratory infrastructure.
- Products' laboratory testing abroad.
- HACCP system for foodstuffs and beverages.



- Studies and specialised software development (adoption of standards, specialised software, foreign market penetration, consultancy services for industry, Internet utilisation).
- Participation of entrepreneurs / manufacturers of Cypriot products and services in trade fairs abroad and in Cyprus.
- Participation of entrepreneurs / manufacturers of Cypriot products and services in trade missions abroad.
- Exploration of export potential of industrial and services sector enterprises in foreign markets.
- Strengthening of female entrepreneurship.
- Strengthening of youth entrepreneurship.
- Revitalisation of the Nicosia green line.
- Various support schemes of the Research Promotion Foundation.
- Various training, consultancy, infrastructure building and employment schemes of the Human Resources Development Authority.

THE DEVELOPMENT PLANS

Furthermore, it should be pointed out that important structural reforms are in progress in order to further modernise and liberalise the country's market – oriented economy with a view to enhancing its competitiveness internationally but also within the E.U. Single Market. A National Programme for the Promotion of the Lisbon Strategy was prepared at the end of 2005 while a New Strategic Development Plan for the period 2007-2013 was prepared in 2006 following an extensive public dialogue. It is mentioned that the Cyprus Chamber of Commerce and Industry participated actively in the public dialogue and submitted detailed positions during the preparation of both the Lisbon Programme and the Strategic Plan many of which have been incorporated into the documents, adding significantly to the quality, relevance, practicability as well as to the developmental character of both documents. The two documents are interlinked since the new programming period is directly connected to the achievement of the aims of the revised Lisbon Strategy, the Broad Economic and Employment Policy Guidelines of the E.U. and the Community Strategic Guidelines, 2007-2013 that concern the Cohesion Policy in Support of Growth and Jobs in the E.U. The design of the



programmes that will be co-funded by the Structural Funds and the Cohesion Fund of the E.U. in the new programming period 2007-2013 will be based on the priorities of these Strategic Guidelines. The Strategic Development Plan of Cyprus takes seriously into consideration both the Guidelines and the National Programme for the Promotion of the Lisbon Strategy.

Both the National Lisbon Programme and the Strategic Development Plan additionally take into consideration the challenges faced by the Cypriot economy, the developmental priorities and targets of the country and the Convergence Programme of Cyprus in relation to its planned entry into the Economic and Monetary Union on 01/01/2008.

Both Programmes/ Plans place emphasis on the following developmental priorities:

- Sustainability of public finances.
- Diversification of the economy towards higher value added activities, resulting in high value added products and services.
- Transition to the knowledge society through promotion of R&D and innovation and the facilitation of ICT diffusion.
- Enhancement of competition and competitiveness.
- Improvement of entrepreneurship and the overall business climate.
- Improvement of the efficiency and effectiveness of public





administration and upgrading of the quality of the services offered.

- Expansion and improvement / upgrading of the basic infrastructures.
- Environmental sustainability / protection / upgrading.
- Continuous development of human resources.
- Maintenance of high rates of increase of labour supply.
- Increase of the flexibility of the labour market.
- Further strengthening of social cohesion.
- Upgrade of the quality of life.
- Balanced rural and urban development.

The proper implementation of the above priorities will result in the further improvement of productivity and competitiveness, the attraction of more (foreign direct) investments, the creation of more and better jobs, the more effective distribution and utilisation of the country's productive resources, the securing of sustainable development and generally the upgrade of business enterprises in Cyprus. In other words, with the proper implementation of the programmes, Cyprus will not only maximise its contribution to the achievement of the Lisbon objectives but will also increase the competitiveness, growth and employment prospects of its economy.



THE CYPRUS CHAMBER OF COMMERCE AND INDUSTRY AND ITS SERVICES

The Cyprus Chamber of Commerce and Industry (CCCI) operates as a Federation of the local Chambers of Commerce and Industry of the five major towns of Cyprus i.e. Nicosia,

Limassol, Famagusta, Larnaca and Paphos which have jurisdiction in their respective towns and districts.

The Chamber's membership exceeds 8.000 enterprises from the whole business spectrum representing more than 95% of the business activity of the country. In addition, more than 135 Professional Associations from the sectors of commerce, industry and services are associated with it and operate under its auspices, availing themselves of a wide range of services.

The CCCI is an independent organisation (an NGO) operating as a private law corporate body. It is the leading representative of business enterprises in Cyprus and is a recognised social partner in the country. In this capacity, it takes an active part in the Social Dialogue at a national level, participating at the same time together with the trade unions and the Government in the various committees of tripartite co-operation that exist on the island and between them cover a wide range of economic and social issues.

The Cyprus Chamber of Commerce and Industry has always been proactive in its planning and activities to promote the business interests of its members. It offers a wide range of services to all business enterprises that operate in Cyprus and are registered with it. These services include, but are not restricted to:



- Indirect access to the decision-making centres through the Chamber's representation in a large number of tripartite and other committees but also through access to the Government and the House of Representatives.
- Complete provision of information and advice on trade (imports-exports), industry, services and labour relations issues as well as more general issues of an economic and entrepreneurial nature.
- Promotion of exports and assistance to SMEs.
- Timely, up-to-date and valid information and advice on European Union issues.

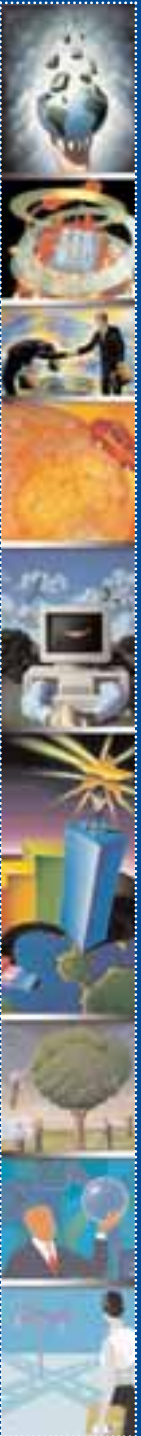


- Participation in foreign trade exhibitions and organisation of specialised trade exhibitions.
- Organisation of trade missions abroad and reception of foreign trade missions in Cyprus.
- Arrangement of business meetings.
- Assistance in the search for business partners in Cyprus and abroad.
- Assistance in the resolution of problems faced by businesspeople at an individual and sectoral level.
- Access to a substantial number of European Union Services operated by the Chambers in Cyprus (Euro Info Centre, Europe Direct, European Reference Centre, Sales Office for the Official Publications of the European Committees e.t.c.).
- Issue of Certificates of Origin and ATA-CARNETS and certification of invoices and other documents required for exports.
- Opportunity to participate in training programmes, seminars and lectures on a wide range of business – related subjects.
- Assistance in the conduct of negotiations with the trade unions.
- Regular dispatch of the Chamber’s newspaper and other CCCI publications and (electronic) circulars.
- Listing in the Chamber’s Business Directory (available in printed format, on CD-ROM and in the website of the CCCI on the Internet).
- Information on a regular basis concerning the various publications of international organisations and publishing



houses (EUR-OP, ICC, WTO, UN, Euroconfidentiel, WelcomEurope) that are represented in Cyprus by the CCCI.

- Access to the CCCI’s databases (those operated by it and those with which it is connected) and trade library.
- Provision of confidential reports on foreign and Cypriot enterprises in co-operation with well known international providers of such reports.
- Arbitration services for the settlement of trade disputes.
- Access to the results of studies and surveys conducted by the CCCI.
- Representation in international fora and organisations such as



Eurochambers, ICC, ILO, UEAPME, Eurocommerce, ASCAME, ABC e.t.c.

- Organisation of seminars promoting Cyprus abroad.
- Secretarial and advisory services to the Professional Associations (more than 140) that are associated with it.
- Operation of a Bar-coding Service under the GS1 system.
- Operation of a mailing labels service.
- Organisation of professional examinations in a number of business related subjects.

These services are offered of course to overseas enterprises that set up operations in Cyprus and are registered with the Chamber but also to overseas business visitors who visit the island with a view to establishing and / or enhancing their co-operation with their Cypriot counterparts, or who want to establish themselves in the country and use Cyprus as a base for their operations, or generally examine the possibilities for investment and joint ventures. The doors of the Chamber are always open to the colleagues and friends from abroad who want to do business with, in or from Cyprus.

The Cyprus Chamber of Commerce and Industry also worked hard at the domestic level for preparing the Cypriot business community for harmonisation with the Acquis Communautaire and at the European level it defended and advanced Cyprus



interests in business, professional and other E.U. bodies. The CCCI continues to work hard for promoting the interests of the Cypriot business community in Cyprus and abroad but also for promoting Cyprus as an international business centre and a bridge between the European Union, the Middle East, North Africa, East Europe and beyond through the organisation for this purpose of seminars and business meetings in major centres in Europe and elsewhere.



SEEING IS BELIEVING

It is stressed once again, that in the globalised world of our times, Cyprus, being in the crossroads of three continents, and justifiably the leading business and services centre in this part of the world, offers to entrepreneurs unique advantages and opens its doors and potentialities to them. An open invitation is extended to the international business community with the certainty that if overseas entrepreneurs come to Cyprus for business they will engage in fruitful and lasting business activities.

Presented above, are the main advantages, incentives and investment framework that Cyprus offers to overseas enterprises. Also briefly presented is the assistance that the Cyprus Chamber of Commerce and Industry can provide. The conclusion is that Cyprus constitutes an attractive base for businesspeople. The advantages are numerous and the benefits are significant.

The Cyprus Chamber of Commerce and Industry through its intense activity within and outside Cyprus, can assist all overseas entrepreneurs who want to do business with Cyprus. It can provide an abundance of information and a wide range of services. The same applies to all overseas entrepreneurs who want to set-up operations in Cyprus. The Chamber would be very pleased if it was given the chance to prove all these in practice.



INFORMATION AND ASSISTANCE

For any (additional) information and assistance, interested parties are requested to contact the Cyprus Chamber of Commerce and Industry or the local Chambers of Commerce and Industry in Cyprus or the Cyprus Euro Info Centre (EIC CY-691) that is hosted at the CCCI at the following addresses:

CYPRUS CHAMBER OF COMMERCE AND INDUSTRY

P.O.BOX 21455, 1509 Nicosia
Tel. 22889800
Fax.22669048
e-mail: chamber@ccci.org.cy
Website: <http://www.ccci.org.cy>

NICOSIA CHAMBER OF COMMERCE AND INDUSTRY

P.O.BOX 21455, 1509 Nicosia
Tel. 22889600
Fax.22667433
e-mail: ncci@ccci.org.cy
Website: <http://www.ncci.org.cy>



LIMASSOL CHAMBER OF COMMERCE AND INDUSTRY

P.O.BOX 55699, 3781 Limassol
Tel. 25662556
Fax.25661655
e-mail: chamberl@cytanet.com.cy



FAMAGUSTA CHAMBER OF COMMERCE AND INDUSTRY

P.O.BOX 53124, 3300 Limassol
Tel. 25370165
Fax.25370291
e-mail: chamberf@cytanet.com.cy
Website: <http://www.fcci.org.cy>

LARNACA CHAMBER OF COMMERCE AND INDUSTRY

P.O.BOX 40287, 6302 Larnaca
Tel. 24823855
Fax.24628281
e-mail: lcci@spidernet.com.cy

PAPHOS CHAMBER OF COMMERCE AND INDUSTRY

P.O.BOX 60082, 8100 Paphos
Tel. 26818173
Fax.26944602
e-mail: evepafos@cytanet.com.cy



CYPRUS EURO INFO CENTRE (EIC CY-691)

P.O.BOX 21455, 1509 Nicosia
Tel. 22889752
Fax. 22661044
e-mail: stalo@ccci.org.cy
Website: <http://www.eiccyprus.com.cy>



CYPRUS



BUSINESS



CENTRE



PUBLISHER

Cyprus Chamber of Commerce and Industry

38, Grivas Digenis Ave. & 3, Deligiorgis Str.

P.O.BOX 21455, 1509 Nicosia

Tel. 22889800

Fax.22669048

e-mail: chamber@ccci.org.cy

Website: <http://www.ccci.org.cy>

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Leonidas Paschalides

Director Department of Education
and Development, Cyprus Chamber
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