



REINVENTING CYPRUS:

- ***POPULAR INTERNATIONAL BUSINESS HUB***
- ***INVESTMENT PROSPECTS***
- ***LIFESTYLE CHANGE***

By NAIRY MERHEJE

Cyprus has since the beginning of historic records been the crossroads of civilizations and empires. The island seems to attract people of all races, religions, nationalities and backgrounds.

A peace loving, friendly and welcoming country which thrives on diversity, we have recently become the hub of investment, development and innovation.

With a highly educated workforce, excellent infrastructure and a legal system based on relatively business friendly English Law, accessible and understandable to most businessmen the investment opportunities are being seen as of the most attractive for those families which are seeking to relocate to safe, geographically strategic accessible and socioeconomically stable environment.

SUMMARY OF TAXATION DEVELOPMENTS IN THE LAST 12 MONTHS RELATED TO INTER NATIONAL BUSINESS COMPANIES IN CYPRUS

2

1. Transfer pricing has been introduced

- Intercompany loans originating from borrowed funds are closely scrutinized now and
- Arm's length remuneration test is applied with the standard set by remuneration that would have been agreed under comparable conditions in the open market
- Process of identification must be transparent, systematic and verifiable
- Need for transfer pricing study/analysis has been introduced by the Tax Department with only exception being purely intermediary companies where risks associated with the transactions are very low

- Substance is now absolutely necessary for such companies with requirement for physical presence and employees
- If not satisfied, Cyprus Tax Authorities now have the right to apply a different interest rate and levy additional taxes and penalties

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3

2. New Double Tax Treaties (DTT)

New Countries

Latvia, Georgia, Bahrain, India, Barbados, Iran, Jersey, Ethiopia

Renegotiated DTT

United Kingdom

Main Points :

- Beneficial owner of income must be identified and only then will benefits of the DTT be applied
- Tax residency determination is now subject to far stricter criteria and there should not be a risk of improper use of Convention or inappropriate implementation of domestic law of either State
- Limitations of Benefits: usual principal purpose test has been applied having regard to all facts and circumstances of each case
- Commercial/Business reasoning must be sound

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4

3. Substance /Tax Residency

- Substance rules have been tightened in order to ensure treaty benefits are not denied. Physical substance with offices, employees, bank accounts in Cyprus Banks and websites operated from Cyprus is the new normal in Cyprus now. These criteria are in addition to those already in place up until now such as:
 - Majority of Directors must be tax residents of Cyprus
 - All basic strategic decisions taken by the Board of Directors in Cyprus
 - All accounting records maintained in Cyprus
 - Banking should be conducted in Cyprus

Furthermore:

- The Directors must be suitably qualified and cannot be Directors in tens of companies
- There is zero tolerance by the Tax Authorities as well as the Banks for brass plate and/or shell companies which are now almost eliminated, liquidated and disappeared
- Office space in Cyprus has become very hard to find as the new incentives providing a cost efficient, safe and high calibre lifestyle for high level management, beneficial owners and their families has given rise to many companies moving their physical offices to Cyprus!

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5

Cyprus is no longer simply providing a base for holding companies but has radically transformed into an international business center with thousands of multinationals having relocated to Cyprus with fully fledged offices and hundreds of employees including high level management being moved to settle with their families in Cyprus.

NON-DOM REGIME

6

- Businessmen setting up a business base in Cyprus usually end up bringing their families after experiencing the relaxed, safe and culturally rich lifestyle in Cyprus as well as the high standard schooling with colleges and universities with international accreditation
- Foreign nationals deciding to relocate to Cyprus whether investing in Cyprus or not are entitled to 17 years of reduced taxes on any worldwide sourced income subject to strict criteria. Income from employment in Cyprus is subject to specially reduced income tax provided Managers live and work from Cyprus
- The government has approved all such incentives based on actual presence and substance criteria

TAX RESIDENCE

7

1. Resident individual

An individual is considered as resident in Cyprus for income tax purposes if he/she stays physically in Cyprus for a period or periods exceeding 183 days in aggregate during a tax year.

An individual who does not remain in any other state for one or more periods which altogether exceed 183 days in the same tax year and who is not tax resident in any other state for the same tax year, may also be considered as tax resident of Cyprus for income tax purposes, provided that the following conditions are cumulatively met:

- he/she remains in Cyprus for at least 60 days during the tax year
- he/she pursues any business in Cyprus and/or he/ she works in Cyprus and/or he/she is a director in a company tax resident in Cyprus at any time during the tax year
- he/she maintains a permanent residence in Cyprus, which can be either owned or rented by him

TAX RESIDENCE

8

2. Exemptions from employment income subject to tax:

- 50% exemption applies on remuneration exceeding €100.000 (one hundred thousand euros) per annum from any office or employment exercised in Cyprus by an individual who was tax resident outside Cyprus prior to the commencement of employment. This exemption applies for the first ten years of employment. The 50% exemption is not available to an individual whose employment commenced on or after 1 January 2015, if such an individual was: tax resident of Cyprus for a period of three out of five years preceding the year of employment; or tax resident of Cyprus in the year preceding the year of commencement of employment
- 20% exemption applies on remuneration from any office or employment exercised in Cyprus by an individual who was resident outside Cyprus before the commencement of his employment. This exemption applies for a period of five years commencing from 1 January following the year of commencement of employment (provided the employment started during or after 2012). This exemption applies for tax years up to 2020. In case the 50% exemption is claimed, the 20% exemption does not apply
- 90 days rule. The remuneration from salaried services rendered outside Cyprus for more than 90 days in a tax year of assessment to a non-Cypriot tax resident employer or to a foreign permanent establishment of a Cypriot resident employer is exempt from income tax in Cyprus

INVESTMENT IN CYPRUS LEADING TO CITIZENSHIP APPLICATION

9

Main Points:

- Minimum investment € 2,000,000.00 (two million euros)
- Time frame 4-6 months
- Non-Dom regime covers foreign businessmen relocating their business headquarters and families to Cyprus taxes worldwide income at very reduced rates in accordance with EU approved guidelines

INVESTMENT IN CYPRUS LEADING TO CITIZENSHIP APPLICATION

10

- Strict due diligence and compliance/Know Your Client (KYC) regulatory framework which ensures thorough investigation of applicants background including internal governmental searches in all possible search engines
- Dual citizenship is permitted
- Full EU citizenship is obtained with rights of residence, work, study and business establishment but the successful applicant is closely monitored and if any of the conditions for citizenship are breached, then this can be revoked
- Visa free travel to over 150 countries worldwide

INVESTMENT CRITERIA

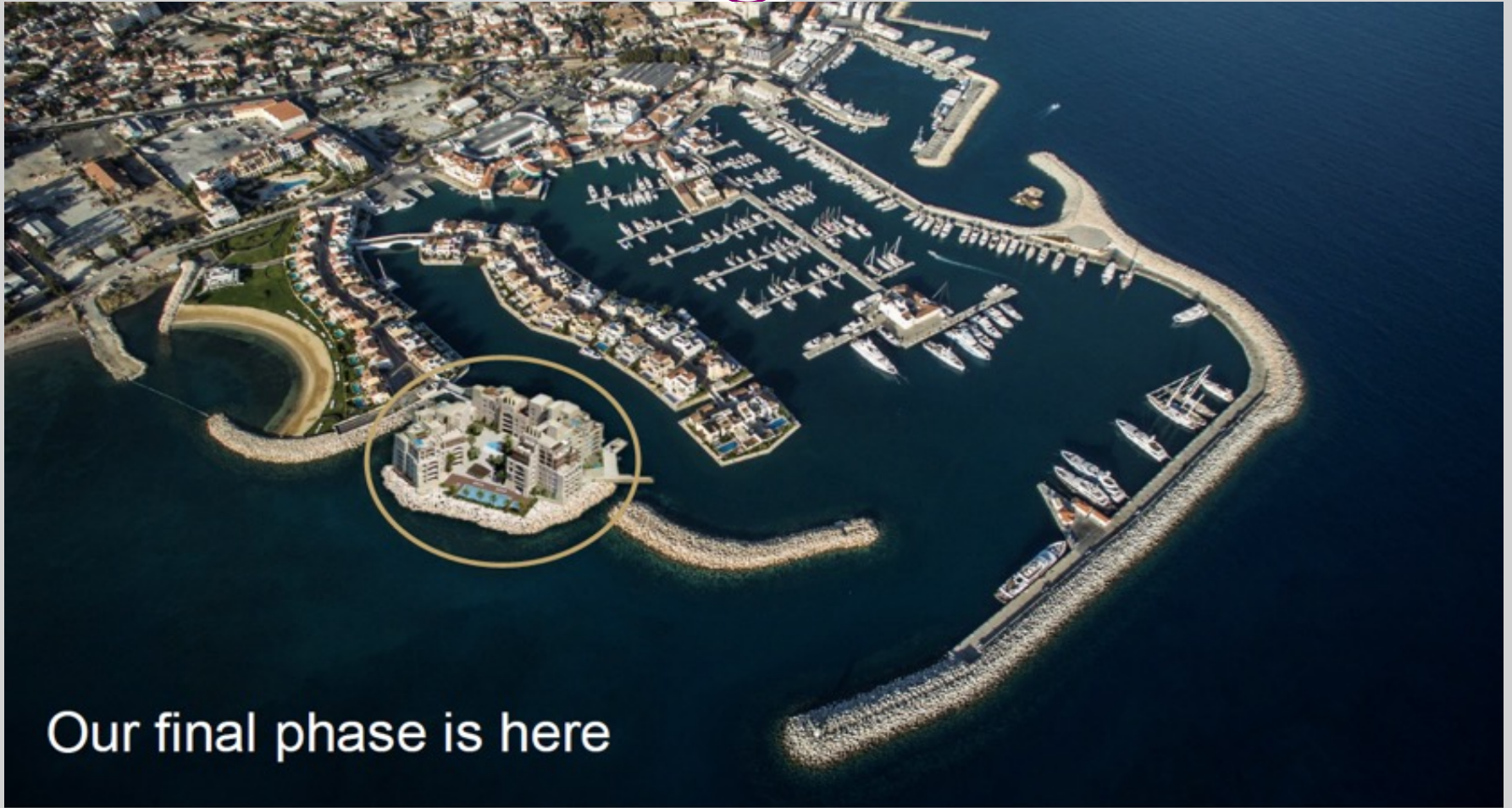
11

- Minimum investment required: € 2,000,000.00 (two million euros) plus a private residence of a value € 500,000.00 (five hundred thousand euros)
- Investment in residential property only, then minimum investment acceptable is € 2,000,000.00 (two million euros)
- Investments must be held for a minimum of 3 years
- Applicant investor's family is also eligible including any dependents over the age of 28 provided an additional investment of € 500,000.00 (five hundred thousand euros) is made for dependents over 28 years of age

SOME OF THE MAJOR REAL ESTATE DEVELOPMENTS ON THE ISLAND WHICH ARE SELLING OUT ON THE PLANS

12





Our final phase is here

AND LAST BUT NOT LEAST, SUPPORTING TESTIMONY

14

“We chose to invest in Cyprus due to the high level of connectivity between Cyprus and other European countries and the easy flow of goods, services, capital, personnel and information. The hospitality, enthusiasm and professionalism of Cypriots and the country’s safety are supporting our Group to develop. Our vision is to be a Chinese partner with a new business philosophy and an excellent fighting spirit. We conduct our industrial presence in Cyprus with the mindset of Chinese people and commit ourselves to establishing a full-range industrial ecosystem integrating education, tourism and golden key butler service focusing on the hotel, villa and apartment industry”

Vicky Zheng

Chairman-Jim Chang Group



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