



Cyprus: A place to relocate

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About Cyprus

Location

With a strategic geographical location in the middle of three continents, namely Asia, Europe and Africa, Cyprus is the third largest island in the Mediterranean Sea and the natural gateway to the Middle East.

With a size that is big enough to be called cosmopolitan, at the same time, small enough to be regarded as the ideal place to raise a family. An island which enjoys more than 300 days of sunshine yearly, with mild winters and the largest number of blue flag beaches per coastal line in the world!

A sovereign European country, Cyprus is a member of the European Union, with a cultural heritage so rich that is lost in the centuries, yet an island that patiently awaits to be explored and re-discovered, offering an unparalleled level of quality of life which is second to none.

Business

With more than 30 years of experience as an international business centre that is supported by an abundance of highly-skilled professionals and complemented by a modern and investor friendly EU compliant tax system, a solid, impartial and credible legal system that is based on common law principles and a welcoming attitude towards expatriates, Cyprus is naturally the ideal hub for business and trade.

Two international airports (Larnaca, Paphos) with daily flights to all major destinations within and outside the EU and two multipurpose deep seaports (Limassol, Larnaca) connect the island to the rest of the world.

Even though the small and agile Cypriot economy has faced challenges as a result of the global economic and banking crisis, it is now on the path of steady and sustainable recovery and it is recording positive growth rates quarter after quarter. Dynamic sectors of the economy such as energy, professional services, tourism, shipping, construction and real estate are enhancing this trend.

Family

Cyprus has a multicultural population and enjoys a high standard of living and a very low crime rate. It is a great place to live in, embracing security and safety for the whole family.

Cyprus is home to many private schools offering a high level of education and their basic teaching language is English. There is also a number of reputable state institutions and private universities of higher education, which have secured endorsement of their diplomas by UK and USA educational establishments or cater for external degree programs and professional examinations.

We at KPMG in Cyprus, hope that in the context of this brochure the reader can discover the endless opportunities and the many benefits that Cyprus has to offer to families and businesses alike and we look forward to meeting you in person when in Cyprus next!





Why to Invest in Cyprus

Positive economic outlook

- Robust GDP growth
- One of the fastest growing EU economies
- Consecutive upgrades by credit rating agencies
- Positive macroeconomic forecasts.

Access to talent

- The youngest population & workforce in the EU
- 55% of the workforce has a tertiary degree
- Businesses in Cyprus operate in English and 73% of Cypriots speak English
- Booming private education sector with English taught programmes
- Visa-free access to European talent
- Easy access to global talent.

Access to markets

- Full access to European markets
- Access to 40+ EU trade agreements
- A member of the Eurozone since 2008
- Geostrategic position
- Proximity & easy access to major markets.

Excellent regulatory structure

- The legal system is closely aligned to the English common law legal system
- Frequently updated to meet investors' changing needs
- Strong protection for investment & intellectual property (IP)
- Establishing a business is simple and fast.

Attractive tax regime

- One of the lowest corporate tax rates in the EU at 12,5%
- An attractive Double Tax Treaty network covering more than 60 countries
- Access to all EU Tax Directives
- Dividend income exemption based on relaxed conditions
- Capital gains tax exemption
- No withholding tax on outgoing dividend, interest or royalty payments
- Gains from trading in securities are tax exempt
- Notional interest deduction available for equity investment into Cypriot companies
- Foreign Exchange gains or losses are tax neutral
- An attractive personal tax regime for international professionals and non-domiciled individuals
- No succession or inheritance taxes
- No immovable property taxes
- A competitive Intellectual Property regime
- Tailor-made provisions for the investment funds industry
- Competitive Tonnage Tax for Shipping companies and an approved EU open registry
- Tax deductions for investment into startups.

Strong business support services

- Wide range of services make starting & running a business easy
- 700+ registered accounting firms including all major global firms

- 2,700+ registered lawyers and 160 law firms
- A range of serviced offices & co-working spaces
- High availability of modern and affordable office space in all cities.

Low cost of doing business

- Lower labour costs for technical and professional talents than in other major EU capitals
- Among the lowest office rental rates in Europe
- Highly affordable critical business support services

Quality of life

- One of the best climates worldwide
- Top 5 safest country in the world (Value Penguin 2015)
- Top 4 best retirement destination globally (Knight Frank 2016)
- Most blue flag beaches per capita in the EU (Eurostat)
- Best island economy 2017/2018 lifestyle & human capital (fDi magazine).

Main Sectors of Economy

Tourism

- Record-breaking years in tourist arrivals
- Infrastructure revolution
- Numerous prestigious awards
- One of the best climates worldwide
- Most Blue Flags per capita in the EU
- Bathing water quality ranked "excellent"
- Casino resort project.

Real Estate

- Increase in sale contracts and building permits
- Increase in properties sold to international investors
- Attractive Incentives - "Cyprus Investment Programme"
- Hotels' renovations/acquisitions
- Booming construction activity
- Landmark residential and commercial projects.

Shipping

- One of the largest maritime clusters worldwide
- Competitive EU-approved Tonnage Tax system
- European "Open Registry"
- 3rd largest merchant fleet in the EU and among the largest merchant fleets worldwide
- Advanced maritime infrastructure
- Autonomous Shipping Deputy Ministry to the President.

Financial Services & Investment Funds

- Flexible structures: UCITS and AIFs

- Passporting to any EU member state
- Low set-up and operation costs
- High quality business support services
- Tax benefits for investors and fund managers
- Transparency and investor protection.

Energy

- World-class natural gas discoveries
- E&P contracts granted to ExxonMobil, Shell, Total, ENI, Noble Energy, Delek, KOGAS and Qatar Petroleum
- Regional cooperation and synergies for gas exploitation and export
- Multi-billion infrastructure projects: EASTMED Pipeline and EuroAsia Interconnector
- Ideal regional base for serving Eastern Mediterranean region - a rising fuel hub
- New opportunities in the renewable energy utilisation.

ICT, Startups and Innovation

- Strong ICT and innovation ecosystem
- Vast pool of quality intellectual capital
- Tax incentives for investment into innovative companies and startups
- Low costs of launching and running a business
- Startup Visa for 3rd country nationals
- Strong protection for IP.

Education

- High-quality institutions and distinguished academics
- Multidisciplinary offering of English-taught programmes
- Close cooperation with universities from the UK/Germany and the US
- State support and EU funding opportunities
- Advanced research and state-of-the-art infrastructure
- Multicultural environment and a large international community.

Filming

- Tax incentives
- 300+ days of sunshine
- Large variety of captivating sceneries
- Harmonious blend of centuries of art and culture
- Short internal distances
- Short distances from major neighbouring countries.




The Corporate Tax System at a Glance

Main Features:

- Taxation is based on Residency status
- 12,5% corporate tax on corporate trading profits
- Notional Interest Deduction (NID) available for new capital introduced
- Intangible Property (IP) Regime in line with OECD's "nexus" principle
- Corporate tax on sale of securities: 100% exemption
- No withholding tax on outgoing payments (dividends-interest-royalties)
- Dividend income is exempt (subject to relaxed conditions)
- Applicability of all EU directives
- Foreign exchange differences are tax neutral
- Group relief availability (for 75% holdings)
- Tax exempt re-organisations
- Advanced tax ruling practice offers safety and predictability for investments
- Attractive and constantly expanding Double Tax Treaty network.





Tax Residency rules for Individuals

The 183 days rule

Cyprus has adopted a residency-based system of taxation, whereby physical presence in Cyprus exceeding 183 days in a tax year (1st January to 31st December) will constitute tax residency for individuals. Therefore, if an individual is physically present in Cyprus for more than 183 days in a tax year, s/he will be considered a tax resident of Cyprus in that tax year. Consequently, if the individual is physically present in Cyprus for less than 183 days in a tax year, s/he will be considered to be a non-Cyprus tax resident in that tax year.

The 60 days rule

As of 1st January 2017, the above tax residency rules have been amended to also provide that, an individual who does not stay in any other country, for one or more periods exceeding in aggregate 183 days in the same tax year and is not tax resident in any other country for the same year, is deemed as a resident in Cyprus in that tax year, if all of the following conditions are met:

- (i) the individual stays in Cyprus for at least 60 days in the tax year,
- (ii) exercises a business and/or is employed in Cyprus and/or holds an office with a Cyprus tax resident company at any time during the tax year,
- (iii) maintains (by owning or leasing) a permanent home in Cyprus.

The law is further amended to clarify that an individual that cumulatively meets all the above conditions shall not be treated as a Cyprus tax resident in the tax year, if during that year the exercise of any kind of business in Cyprus and/or employment in Cyprus and/or holding of an office with a tax resident person in Cyprus, is terminated.

Days spent in Cyprus should be calculated as follows:

- a) The day of departure from the Republic is deemed to be a day outside of the Republic
- b) The day of arrival in the Republic is deemed to be a day in the Republic
- c) The arrival in the Republic and the departure from the Republic in the same day is deemed to be a day in the Republic
- d) The departure from the Republic and the arrival in the Republic in the same day is deemed to be a day outside the Republic.

Non-Domicile rules for Individuals

According to the provisions of the Cyprus tax laws, an individual who is a tax resident of Cyprus under the provisions of the Income Tax Law (either under the 183 days rule or the 60 days rule) but is “non-domiciled” in the Republic of Cyprus, will be exempt from Special Defence Contribution (SDC).

As per the SDC law, dividends and interest income earned by individuals who are tax residents and domiciled in Cyprus, are subject to tax at the rate of 17% and 30% respectively, regardless of the source of the income (i.e. from Cyprus or from abroad). Rental income is also subject to tax at the rate of 3% on 75% of the gross amount. Therefore, tax residents but non-domiciled individuals will enjoy dividend, interest and rental income free from SDC tax in Cyprus.

The new provisions define domicile in accordance with the rules of the Wills and Succession Law:

- A domicile of origin (i.e. the domicile received by an individual at birth); and,
- A domicile of choice (i.e. the domicile acquired by an individual by establishing a home with the intention of a permanent or indefinite stay).

A person who has a domicile of origin in Cyprus will be treated as “domiciled in Cyprus” for SCD purposes with the exception of:

- An individual who has obtained and maintained a domicile of choice outside Cyprus under the provisions of the Wills and Succession Law, provided that this individual was not a Cyprus tax resident for a period of at least 20 consecutive years prior to the tax year in question; or
- An individual who was not a Cyprus tax resident for a period of at least 20 consecutive years immediately prior to the entry into force of the introduced provisions (i.e. prior to 16/07/2015).

Irrespective of his/her domicile of origin, an individual who remains a tax resident of Cyprus for a period of at least 17 years out of the last 20 years prior to the tax year in question, shall be deemed as domiciled in Cyprus for SDC purposes.

Domiciled tax resident individual

Type of Income	Income Tax	SDC
Dividends	Exempt	Taxable -17%
Interest	Exempt	Taxable -30%
Rental Income	Taxable (Normal rates)	Taxable at 3% on 75% of gross income

Non Domiciled tax resident individual

Type of Income	Income Tax	SDC
Dividends	Exempt	Exempt
Interest	Exempt	Exempt
Rental Income	Taxable (Normal rates)	Exempt

Income Tax Rates

A Cyprus tax resident individual will be subject to income tax in Cyprus under the following personal income tax rates:

Personal Income Tax rates

Chargeable income (€)	Tax rates (%)
0-19.500	0
19.501-28.000	20
28.001-36.300	25
36.301-60.000	30
Over 60.000	35

Concessions available to Expatriates

Exemptions regarding employment income

Individuals who were based overseas and who were not Cyprus tax-residents before the commencement of their employment in Cyprus, may be entitled to one (but not both simultaneously) of the following exemptions:

The 50% exemption rule

- Individuals who take up employment in Cyprus with an annual income in excess of €100.000 will be eligible for an exemption from taxation of 50% of their income for a period of 10 years, commencing from the year of employment

Note: The exemption is not given to an employee who was a tax resident in any three out of the five years preceding the year of employment and to an employee who was resident in the year preceding the year of commencement of employment.

The 20% exemption rule

- Individuals who take up employment in Cyprus and were not tax resident in Cyprus prior to commencing such employment, will be eligible for an exemption from taxation of 20% of their income or €8.550 (whichever is lower) from any employment which is exercised in Cyprus

Note: This exemption applies for a period of five (5) years commencing from 1st January of the year following the year of commencement of such employment and notwithstanding this, it is applied up to and including the year 2020.

Overseas Pensions

- Overseas pensions are exempt from tax up to €3.420 and taxed at 5% thereafter. The taxpayer may opt to be taxed in the normal way, where this special mode of taxation of income results to a higher tax liability (this selection can be made from year to year).





Other Considerations

- 100% exemption on remuneration for salaried services rendered outside Cyprus for more than 90 days in a tax year to a non-Cyprus resident employer
- 100% exemption on lump sum repayments from life insurance schemes or from approved provident funds
- No inheritance and gift taxes
- No wealth taxes
- No immovable property taxes
- Capital gains from the sale of immovable property situated outside Cyprus is exempt from tax
- Capital gains tax is only imposed on the sale of immovable property situated in Cyprus as well as on the sale of shares directly or indirectly held in companies (other than listed shares) in which the underlying asset is immovable property situated in Cyprus
- VAT can be reduced to 5% for the first 200m² of residential property, provided that the purchaser uses the property as Primary Residence.

Transfer Fees Exemption:

- A 50% exemption from transfer fees under the Land and Surveys (Fees) Law will apply to all transfer applications
- According to existing law, in case where the property sale is subject to VAT, there is a 100% exemption from transfer fees.

Cyprus

Citizenship

Main Benefits

The Cyprus Government released, in March 2014, a revised set of criteria for granting the Cypriot citizenship by exception to foreign investors in an effort to promote foreign investment in Cyprus. The main benefits of granting the Cyprus citizenship include:

- A procedure that takes 6 months to be approved
- The investment is as low as €2,0 million
- The investor must retain the investment just for 3 years after which s/he is free to realise it
- Citizenship granted to the spouse of the investor and minor children, as well as to the financially dependent adult children up to the age of 28 who are full time students
- Citizenship can be granted to the parents of main applicant if they invest by themselves in residential property for €500.000
- No requirement to reside in Cyprus
- VISA-free travel to over 150 countries worldwide
- All the rights of an EU citizen protected by EU legislation and regulations: freedom to work, study, reside in any EU-member state, as well as Switzerland, Norway, Iceland and Liechtenstein
- No language proficiency tests
- Dual-citizenship permitted and the acquisition of citizenship in Cyprus is not reported to other countries
- Low government fees for the filing of the application
- Wide choice of investment options.

In a nutshell: Competitive advantages of the Cypriot Citizenship:

- Investments in a variety of sectors of the Cyprus economy.
- Combination of investments is available.
- Low risk of investments in the Cyprus economy with the potential of high returns.
- No donation to the Cyprus Government is required.
- The investments may be realized after 3 years have elapsed.
- The amount of investment required is reasonable (as low as EUR 2,0 million).
- Express procedure-EU Passport within 3 months.
- Residence in Cyprus is not required at any point in time.
- The Cyprus Citizenship may be granted with only one visit in Cyprus.
- The applicant must be the holder of a residency permit in Cyprus for at least six months.

Criteria for granting the Cyprus Citizenship by Investment

Real estate and land developing

The applicant should have a direct investment in Cyprus of at least €2,0 million for the acquisition or development of real estate projects (residential*, commercial, tourism sector or other infrastructure). It shall be noted that the acquisition of land is not considered to be a qualifying investment under this criterion.

OR

Purchase or participation in Cypriot businesses or companies

The applicant must have made an investment of at least €2,0 million in the purchase or participation in businesses or companies, that are based and operating in Cyprus. These businesses or companies should have a tangible presence and substantial activity in Cyprus, as well as employ at least five (5) Cypriot or EU citizens who have been legally residing in Cyprus for a continuous period of at least 5 years.

OR

Investment in AIFs or financial assets of Cypriot businesses or organisations

The applicant must have purchased financial assets of at least €2,0 million, i.e. units in Alternative Investments Funds, bonds, debentures, other securities, etc, registered and issued in the Republic of Cyprus, in companies or organisations with substantial economic activity in Cyprus which are regulated by the Cyprus Securities and Exchange Commission.

OR

Combination of investments

The applicant may choose to proceed with a combination of any of the above investments, with a total investment amount of at least €2,0 million.

Such combination may also include the acquisition of government bonds of the Republic of Cyprus for a maximum amount of €500.000.

Terms and conditions:

In addition to satisfying any one of the above criteria, the applicant must:

- a) Have a clean criminal record.
- b) Own a permanent residence in Cyprus of a market value of at least €500.000.

*If the investment is only in residential property there is no additional requirement to acquire a permanent residence in Cyprus of at least €500.000.

- c) Submit a permanent residence permit application simultaneously with the Cyprus citizenship application. The permanent residence permit is obtained almost immediately and the application procedure is straightforward.

Other useful notes:

- The investor is obliged to retain the investment for at least 3 years following the acquisition of the Cyprus citizenship but must retain possession of a permanent residence of at least €500.000 for life. If the investor chooses to dispose the permanent residence at any time this needs to be substituted with another property of an equal or higher value.
- The investor's parents are entitled to apply for the Cyprus citizenship provided they are owners of a permanent residence of at least €500.000. For this purpose the investor and his/her parents may consider acquiring a single co-owned residential property of a total value of at least €1,0 million.
- The investor's minor children, as well as his/her adult financially dependent children up to the age of 28, who are full time students, are entitled to apply for the Cyprus citizenship.

How can KPMG help?

Investments and Real Estate

- Market and financial feasibility studies – strategic market assessment and comprehensive financial analysis to assess potential investment returns for different projects in different target markets
- Project conceptualisation and investment planning – development of realistic and implementable concepts with short, medium and long term investment planning
- Project Management and Business plans – strategic direction for the realisation and delivery of project concepts, from financing to staffing and marketing and sales
- Business performance improvement – assessing existing facilities and providing approaches for cost savings whilst simultaneously enhancing market opportunities
- Valuation services – preparation of asset and business valuations for financing assessment
- Deal structuring – advice as to the efficient legal and tax structuring of a transaction
- Investor search – preparation of the information memorandum for the investment opportunity, as well as approach and selection of interested investors and assistance in the transactions process.

Compliance and Tax Planning

- Corporate Taxation (local and international)
- Global Tax Compliance Services
- Tax services – advice, including in relation to transfer of immovable property and property taxes
- International Executive Services and Personal Income Tax
- Capital Gains Tax
- Value Added Tax (VAT), including assisting in the procedure for claiming the reduced 5% VAT rate on the acquisition of residential property
- Stamp Duty Tax.

Immigration Services

- At the outset, we assist our clients by providing them with the relevant analysis of the investment criteria that the foreign investor may elect, depending on their personal circumstances
- Furthermore, we advise on the required documents that should accompany each investment criterion as well as an overview of the application process
- We examine each investor's circumstances and we advise accordingly in order for the individual to meet the terms and conditions, as well as the financial criteria, in the most effective and efficient way

- It is then up to the client to proceed with the most appropriate investment (e.g. acquisition of real estate, bank deposits, government bonds etc.) and provide us with the requested supportive documents for the application
- It should be noted that where the client decides to invest in Cyprus Government retail bonds, KPMG Cyprus can also assist with the process for acquiring the bonds from start to finish
- We proceed with the submission of the application form on behalf of the client, together with the supportive documentation and the payment of the relevant submission fee
- Our immigration team constantly monitors the status of the application in order to ensure that it is properly progressing without delays and that no further documentation/clarifications are required by the Cyprus Authorities
- The timeframe for the completion of the examination process is approximately 3 months
- Once approval is granted by the Ministry of Interior, we proceed with the relevant steps in order for the naturalisation certificate and a Cyprus passport to be issued. Once the investor's Cyprus passport has been issued, our team can assist the investor's dependents with their application in order to acquire Cyprus Citizenship as well

- Further to our citizenship services, KPMG in Cyprus can also assist 3rd country nationals intending to take up permanent residency in Cyprus, with their application for an Immigration Permit
- KPMG in Cyprus may also assist companies with their registration at the Civil Registry and Migration Department, as well as assisting in obtaining the relevant work and temporary residence permits for European Union and 3rd country national individuals and their dependents.

Corporate Services

Our Corporate Advisory Services provide corporate clients, both in Cyprus and internationally, with a range of advisory and company secretarial services, specially tailored to meet their needs, often in collaboration with our tax and other KPMG professionals, so that our clients enjoy the benefits of the breadth of commercial experience available to them. KPMG's Corporate Advisory Services include:

- Corporate and Commercial
- Investment Funds and Asset Management Services
- Company Secretarial Services
- Competition Law and EU Law
- Private Client Services - Family Offices
- Intellectual Property
- Real Estate – Due diligence, contracts review and monitoring the execution of transactions
- Employment Law
- Banking Units and Investment Firms licensing
- Capital Markets
- Trust Law.

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