



Growth Sectors of the Cyprus Economy

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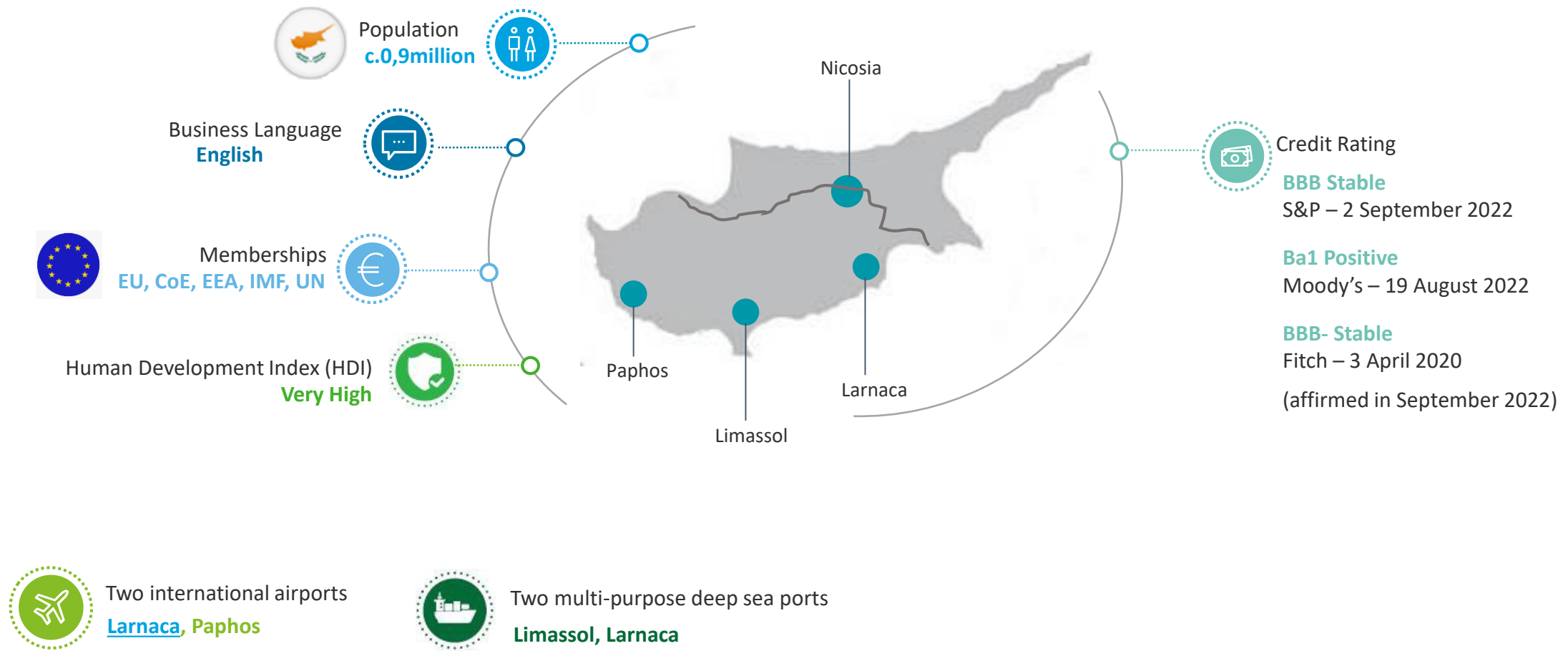
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Quick facts

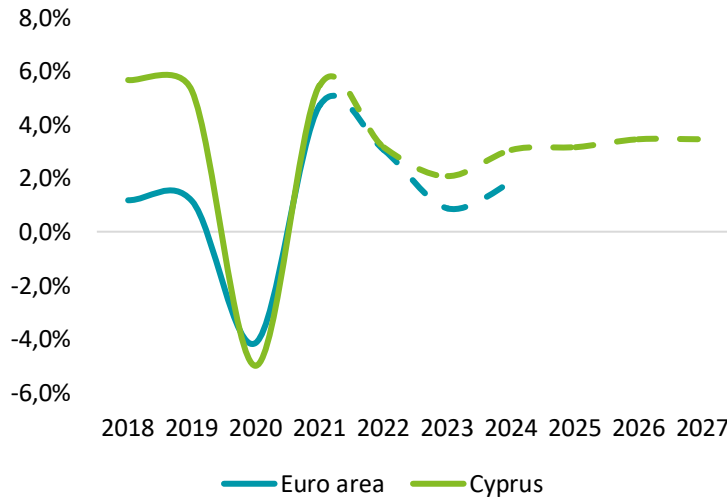


Overview of the Cyprus Economy

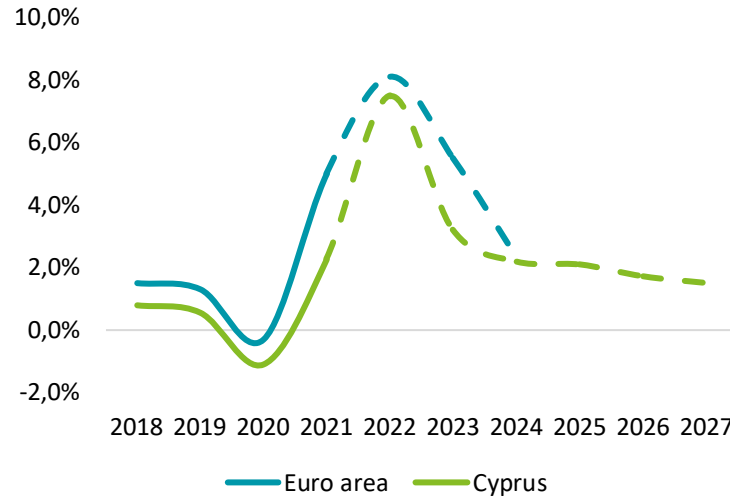
Cyprus Economic Overview

Key economic indicators

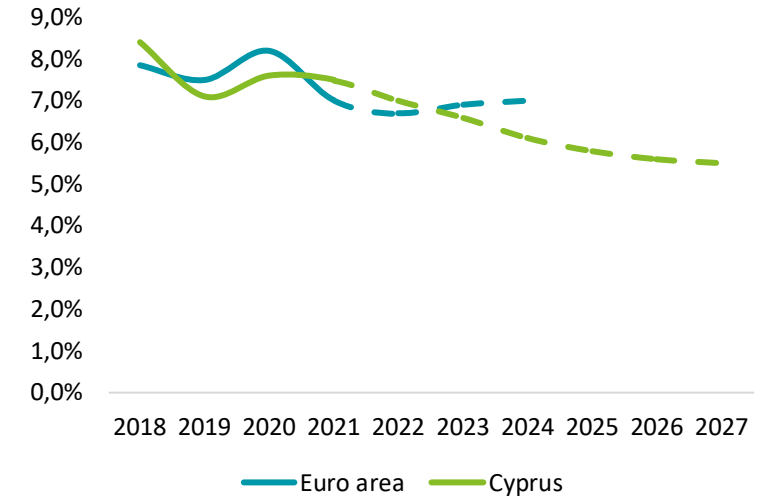
Real GDP Growth Rate (%)



Inflation Rate (%)



Unemployment Rate (%)



- **Real GDP growth** is estimated to have slowed to **3,2% in 2022** (from 5,5% in 2021) due to the **economic fallout** of the war in Ukraine and Western sanctions on Russia.
- **Deceleration to 2,1% is expected in 2023**, with growth rates then normalising to an **average of 3,3% in 2024-27**.
- Over the **medium-term**, growth will be supported by the **EU recovery and resilience investment plan**, under which Cyprus is set to receive €1bn in grants and €200m in loans in 2021-26 – and potentially an additional €1,1bn in private investment.
- Cyprus' harmonised index of **consumer prices grew by 9,6% y-o-y in August**, mainly reflecting **high global energy costs and supply-chain issues**, exacerbated by Russia's invasion of Ukraine.
- **Inflation** (EU harmonised) is estimated at an **average of 7,5% in full-year 2022** and is forecasted to ease to a still-high **3,2% in 2023** before slowing to an annual average of **1,9% in 2024-27**.

Sources: Economist Intelligence Unit, ECB Statistics and Projections

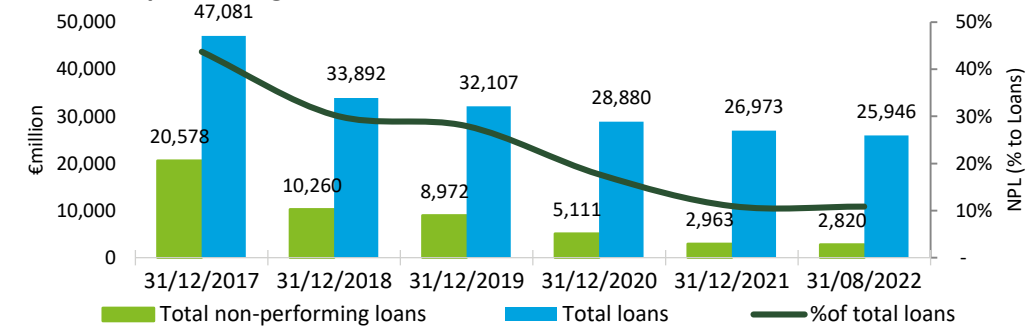
Cyprus Economic Overview

Other key developments

- **Budget deficit** is expected to **diminish gradually in 2023-24** as EU recovery fund disbursements begin and the government scales back spending as a share of GDP. **Budget surplus** is expected to average **0,6% of GDP per year in 2025-27**.

- Since the 2013 financial crisis in Cyprus, banks have **reduced foreign exposure**; **prudential oversight** has been strengthened; and a **new legal framework** for private-debt restructuring has been implemented, helping to **reduce the banks' NPL levels**, as shown below.

Total non-performing loans 31/12/2017 to 31/08/2022



- The **public debt/GDP ratio** is expected to continue its **downward trajectory** from the peak of 115% at end-2020, estimated to reach **99,2% of GDP in 2022** and gradually further decline to **c.78% of GDP at end-2027**.

Source: Economist Intelligence Unit, Central Bank of Cyprus

The Cyprus Tax & Legal System

The Cyprus Tax and Legal System

General



EU Member, enjoying access to benefits arising from EU Directives



Extensive Tax treaty network with more than 60 countries



Robust legal framework, based on English common law



Business friendly tax environment, compliant with EU and OECD standards



Low company incorporation costs, speedy incorporation process

The Cyprus Tax and Legal System

Tax framework

Corporate Income Tax rate of 12.5% is one of the lowest in the EU

Effective Tax Rate (ETR) of 2.5% may be achieved by enjoying certain tax incentives

Tax Exempt income: Dividends, Profit on disposal of shares and bonds, overseas branch profits

No withholding taxes (WHT) on dividends, interest and royalties* payable to non-residents

*for use outside Cyprus.

The Cyprus Tax and Legal System

Tax framework

FX gains/losses are tax neutral



Arm's length principle applies to related party transactions (based on OECD TP Guidance)



Group relief provisions and carry forward of tax losses for 5 years



No Capital Gains Tax on sale of non-Cypriot real estate



The Cyprus Tax and Legal System

Cyprus Holding Company - Tax benefits



Tax benefits ([Link to Cyprus Tax Highlights](#))

Dividend income is in general tax exempt

Nil or reduced WHT upon the payments of dividends to Cyprus (tax treaty network and EU PSD).

Gains arising from the disposal of shares and other qualifying financial instruments are tax exempt

No WHT* on dividend payments made from Cyprus

*except for certain payments made to companies based in jurisdictions included in the EU black list (link [here](#))

The Cyprus Tax and Legal System

Cyprus IP Company - Tax benefits



Tax benefits

Royalty income is taxable @ 12,5% but effective taxation can be reduced to 2,5%, via [NID](#) or [IP regime](#)

Nil or reduced WHT upon the payments of royalties to Cyprus (tax treaty network and EU IRD)

Gains from the disposal of shares and/or of IP (as long as capital nature disposal) are tax exempt

No WHT* on royalty payments (for use of IP outside Cyprus) from Cyprus

*except for certain payments made to companies based in jurisdictions included in the EU black list (link [here](#))

The Cyprus Tax and Legal System

Personal Tax - The Cyprus Tax residency and “non-dom.” status



Cyprus Tax residency

Cyprus tax resident if:

- Spends > 183 days in Cyprus during a tax year (1 Jan – 31 Dec), or
- Spends at least 60 days in Cyprus and
 - does not spend > 183 days in any other country;
 - is not a tax resident of any other country
 - maintains a permanent home in Cyprus that is either owned or rented;
 - carries on a business in Cyprus / is employed in Cyprus / holds an office in Cyprus at any time during the tax year.



Non-Domicile (non-dom.) status

- A Cyprus tax resident who is not Cyprus-domiciled (“non-dom.”) is exempt from tax on dividend and interest income.
- An individual’s domicile is defined at birth as being that of his/her father’s, or that of his/her choice. Therefore, a Cyprus tax resident born to a non-Cypriot domiciled father, would generally be considered, for a limited period, as not having his/her domicile in Cyprus.
- Individuals who have been Cyprus tax residents for at least 17 out of the last 20 years prior to the relevant tax year, would be deemed to be domiciled in Cyprus.

The Cyprus Tax and Legal System

Personal Tax - Benefits for expatriates



Tax benefits

No tax on dividends and interest

A Cyprus tax residents who is also a “non-dom.” is exempt from tax on dividends and interest.

No tax on gains arising from the disposal of investments

Any gains arising from the disposal of shares, bonds and other similar financial instruments are exempt from tax.

No tax on sale of non-Cyprus real estate

Gains arising from the disposal of non-Cyprus real estate are exempt from CGT.

No estate duty, wealth tax, gift tax and inheritance tax

There is no estate duty, wealth tax, gift tax or inheritance tax in Cyprus.

The Cyprus Tax and Legal System

Personal Tax - Benefits for expatriates



Tax benefits

50% exemption from employment income for 17 years

of employees taking first employment in Cyprus. Terms and conditions apply including that the remuneration should exceed €55,000 per annum and the employees should not have been Cyprus tax residents for at least 10 consecutive years immediately before the commencement of their employment in Cyprus.

20% exemption from employment income for 7 years

of employees taking first employment in Cyprus for a period of 7 years. Terms and conditions apply.

Full exemption for income earned from overseas employment

Employment income earned from the provision of services outside of Cyprus to a non-resident employer or to an overseas PE of a resident employer for more than 90 days in a tax year is exempt from income tax

No tax on retirement gratuity and special tax regime on foreign pension income

Any lump sum received as a retirement gratuity is exempt from tax.

Pension income received for services rendered abroad may be taxed at a flat rate of 5%, on amounts > €3,420 p.a.

The Cyprus Tax and Legal System

Formation of a Cyprus Company

Private company

- Can be established by one or more persons who cooperate for any legal purpose and form a limited liability company
- Must comply with the provisions of the Cyprus Companies Law.



Constitutional documents

- Memorandum
- Articles of Association

Characteristics of Cyprus Companies



Share capital

- No minimum required issued and paid-up capital for a private company
- Common to have share capital of at least €1,000.

[Link to Deloitte Business Process Solution Services website](#)

The Cyprus Tax and Legal System

Formation of a Company - Costs

Considerably less expensive to set-up substance in Cyprus, than other traditional European jurisdictions.



Set up and maintenance cost

- Set up / formation fee: €3.000 (one-off)
- Various registration fees: €1.500 (one-off)
- Annual maintenance fee: €10.000 per annum



Rental cost of office space

- 13 square meters (1 work station): approximately €3.000 per annum
- 20 square meters (2 work stations): approximately €5.000 per annum



Other

- Flights from/to Cypriot airports, making it easier to attend board meetings

Note: Fees are indicative estimates and are exclusive of VAT.

Growth Sectors of the Economy

Growth Sectors of the Economy

Healthcare sector

Overview

- Cyprus has a multi-payer health care system that consists of a **public and private sector**.
- The public sector includes the **Cyprus National Health Insurance System (NHIS)**, which was implemented between 2019-2020 in two phases.
- The **Cyprus National Health Insurance System (NHIS)** is an insurance fund, in which contributions will be collected aiming to ensure the provision of health care to the citizens / beneficiaries.
- The **Health Insurance Organisation (HIO)** will have the full responsibility for the administration of the System. It was established in 2001.

Provider's Participation Statistics in NHIS



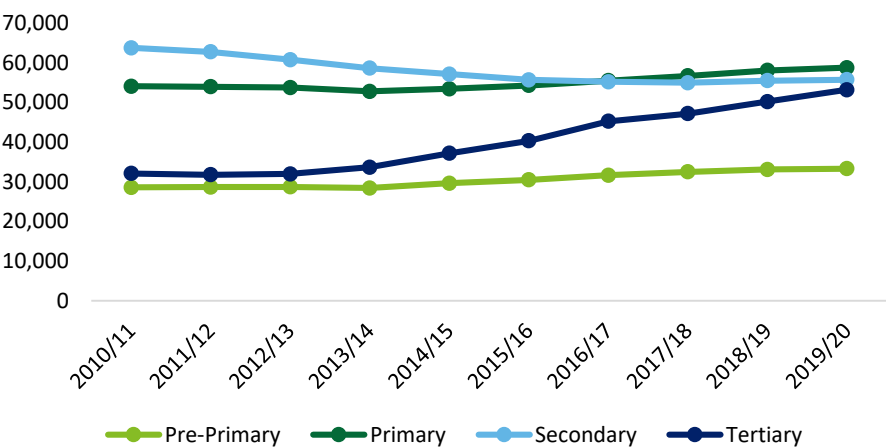
Investment Opportunities in the Healthcare Sector

Opportunities within NHIS		Opportunities outside NHIS	
Specialized Diagnostic Centers	Medical Supplies, Pharmaceuticals	Cosmetic Surgery	Elderly care centers
Autonomous Public Hospitals	Existing Private Hospitals	Rehabilitation Centers	Medical Tourism

Growth Sectors of the Economy

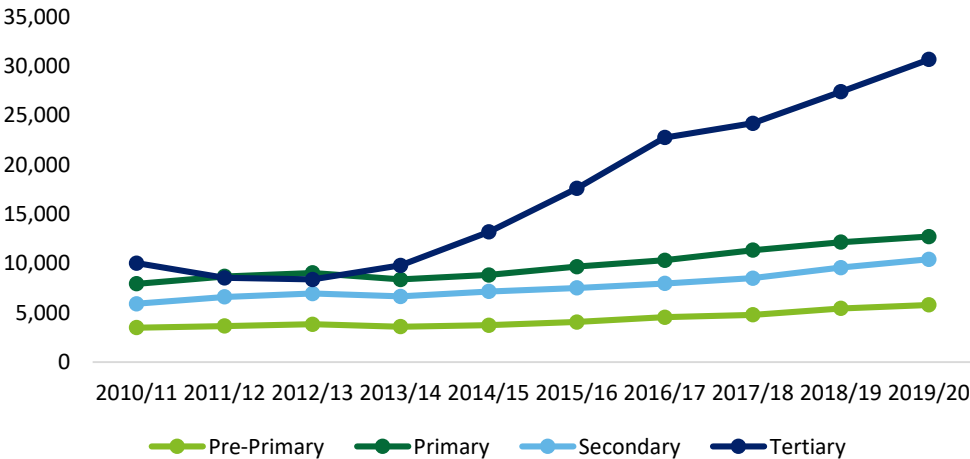
Education sector

Number of Students per Education Level



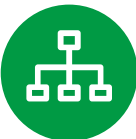
Source: Cystat

Number of Foreign Students per Education Level



Source: Cystat

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Cyprus has an excellent education system, with numerous public and private providers of pre-primary, primary and secondary education.

Public Schools in Cyprus

	Kindergarden	Primary	Secondary
Nicosia	106	124	42
Limassol	63	85	35
Larnaca	53	61	22
Paphos	34	39	19
Famagusta	15	18	9
Total	271	327	127

Private Schools in Cyprus

	Kindergarden	Primary	Secondary
Nicosia	91	11	18
Limassol	54	14	15
Larnaca	29	3	3
Paphos	6	3	3
Famagusta	4	1	1
Total	184	32	40



Cyprus has 3 Public Universities and 6 Private Universities, as well as 40 Institutions of Tertiary Education (6 Public, 34 Private)



University of Cyprus



OPEN UNIVERSITY OF CYPRUS



Cyprus University of Technology



European University Cyprus



Neapolis University Pafos



FREDERICK UNIVERSITY



UNIVERSITY of NICOSIA



PHILIPS UNIVERSITY

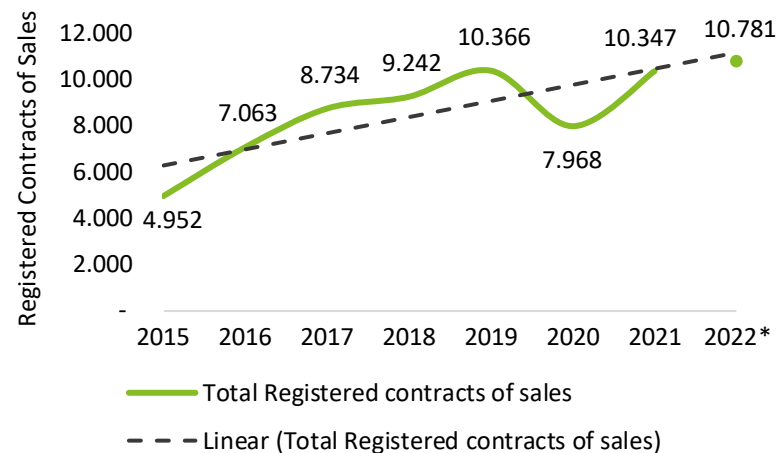


Cyprus maintains a high level of public spending on education, increasing by 6.7% in 2019 and reaching the equivalent of 5.4% of the GDP (EU average 4.7%). At 13.4%, Cyprus continues to exceed the EU average of 10% for the proportion of total government expenditure devoted to education.

Growth Sectors of the Economy

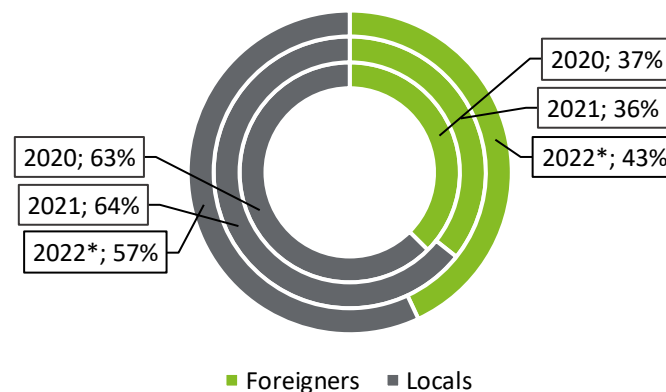
Real Estate Sector

Total Number of Registered Contracts of Sales (Cyprus)



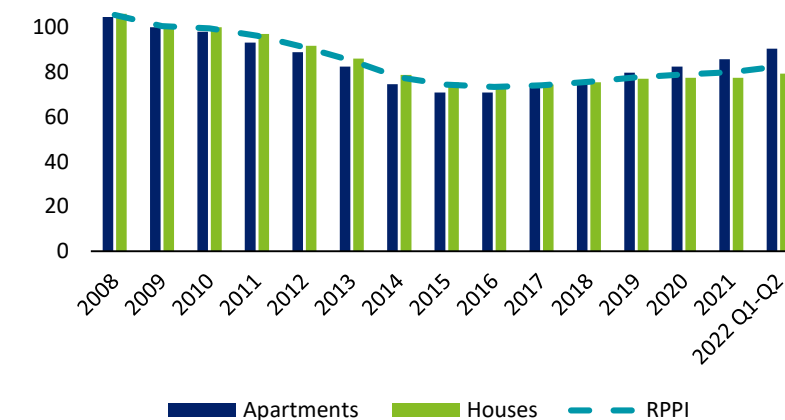
*Total number of registered contracts of sales in 2022 covers the period from January to October.
Source: Department of Lands and Surveys

Proportion of Registered Contracts of Sales (Cyprus)



*Number of registered contracts of sales to foreigners in 2022 covers the period from January to October.
Source: Department of Lands and Surveys

Residential Property Price Index (2008-2022 Q2)



Source: Central Bank of Cyprus

- Following the market collapse in 2013, property sales in Cyprus experienced **record growth**, while **foreign investment** in real estate has also picked up.
- There is a clear **positive trend** in the total number of registered contracts of sales in Cyprus during the last years, with the exception of 2020.
- The total number of contracts of sales deposited at the local Land Registry offices in favour of **overseas buyers** in Cyprus represents **approximately 40%** of the total sales completed from 2020 – 2022.

Growth Sectors of the Economy

Shipping Sector

Cyprus has developed into one of the most attractive shipping centres in the world

The Register of Cyprus Ships, which was established in 1963, is a well established and quality registry with a merchant fleet of approximately 24 million gross tonnage

- Among the top registries in the world
- Third in the European Union



Cyprus has over the years become one of the largest and widely known shipping centres in the world, comprising both ship owning and ship management companies

- Several of the ship management companies which operate on the island rank among the largest of their kind in the world and it is estimated that they manage about 20% of the world's third party managed fleet



Growth Sectors of the Economy

Technology & Innovation



The Cypriot government established the **Deputy Ministry of Research, Innovation and Digital Policy** in 2020 in recognition of research and innovation as a major component for the development of the Cypriot economy.

Activity in industries such as **AI, gaming, health and well-being technology, and fintech**, among others.

The **Cyprus Exchange and Securities Commission (CySEC)** launched the **Innovation Hub** in 2018, to support innovative business and engage with providers of emerging financial technologies.

CySEC introduced the **CASP regime** in 2021 to become a **hub for crypto-assets in Europe**. Global entities (including **Revolut** and **Crypto.com**) can offer their services in and from Cyprus.







More than 100 tech companies have joined forces to launch **Techisland**, a non-profit organization **with a mission to accelerate the growth of technology and the innovation ecosystem in Cyprus**.

Growth Sectors of the Economy


Energy Sector - RES

The main authorities and the key player of the electricity market in Cyprus are the Cyprus Energy Regulatory Authority (“CERA”), the Transmission System Operator (“TSO”) and the Electricity Authority of Cyprus (“EAC”).

The government aims to transition to Green Energy, on the basis of the European Green Deal.

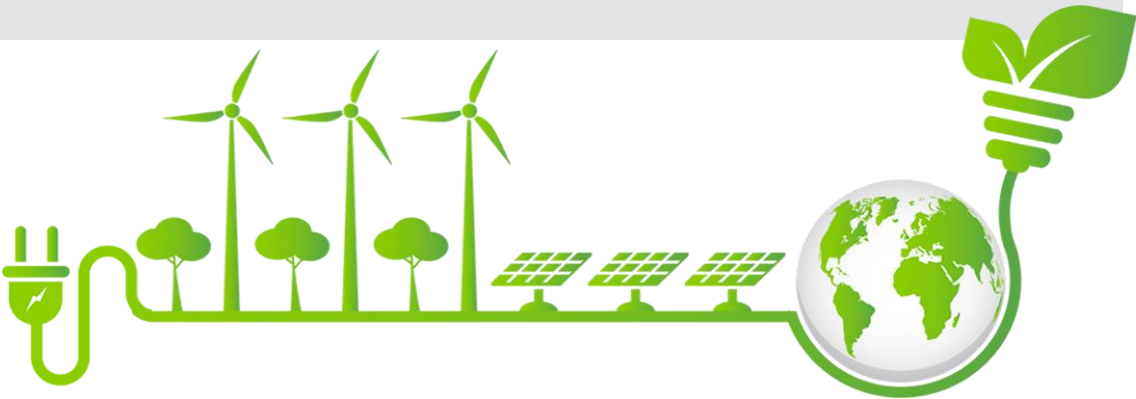
Full liberalisation of the electricity market 	Promotion of RES and Energy Efficiency 
Promotion of storage systems and smart meters 	Promotion production and use of hydrogen 
Promotion of green tax reform, e-mobility 	Lifting energy isolation 

	Installed Capacity	Production H1 2022	Projects connected on grid
Photovoltaics	317,8MW	150GWh	1.974
Wind farms	157,5MW	130GWh	6
Biomass/Biogas	12,1MW	19GWh	14



Concentrated Solar Power

- Cyprus has one of the highest solar potentials in the EU.
- Two such plants have been granted with respective permission / licenses and are currently in the licensing/development phase.



Major Investments & ICT

Major Investments & ICT

New Investment Trends – Project Photos



Major Investments & ICT

ICT Companies and more



Major Investments & ICT

Cyprus as an ICT and Tech Hub

A key regional player for High Tech and ICT

1 HQ location for High Tech companies, robust platform for accessing high-growth markets

2 Attractive relocation destination for Scientists and Tech professionals

3 EU Gateway to business opportunities between three continents

4 Sandbox for new emerging technologies (Blockchain, AI, Big Data, etc.)

5 International broadband connectivity and data hub

Concluding Remarks

Concluding Remarks

- 1 Cyprus has a very robust and favourable business environment with significant tax incentives
- 2 Attractive relocation destination for Scientists and Tech professionals
- 3 It is a Gateway to the EU and an attractive jurisdiction for regional headquartering
- 4 There are also significant growth sectors of the economy, which provide attractive investment opportunities
- 5 Israeli investors have discovered Cyprus and they are welcome to invest or to co-invest with local entrepreneurs

Thank you!



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