


Cyprus

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<p>Current Time</p> <p>World Time Server</p>	<p>Country Motto</p> <p>None</p>

Overview

Cyprus is the third largest island in the Mediterranean, situated in its eastern part. It is at the crossroads between Europe, Asia and Africa and plays a bridge building role.

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Investors should note that independence from the UK was approved in 1960 with constitutional guarantees between the Greek Cypriot majority and the Turkish Cypriot minority. In 1974, a Greek-sponsored attempt to seize the government led to military intervention from Turkey, which took 40% of the island. The Turkish-held area declared itself the Turkish Republic of Northern Cyprus, a state recognized only by Turkey. Reunification talks resumed in December 1999 and are on-going.

The continued strife between Greek and Turkish Cypriots presented a potential obstacle to Cypriot entry to the EU which the government had applied in 1997. However after completing the EU accession process, the island joined the EU in May 2004. In practice membership only applies to the southern part of the island under the officially recognised government. In acknowledgement of the Turkish Cypriot community's support for reunification, however, the EU made it clear that trade concessions would be reached to stimulate economic growth in the north of the island, and the EU remains committed to pursuing reunification under acceptable terms.

Online News Sources

Cyprus Mail: www.cyprus-mail.com

Financial Mirror: www.financialmirror.com

Business Environment

Cyprus has an excellent business infrastructure with good telecommunications. Nicosia, the administrative capital, is also the chief business centre, although Limassol, with its port, and Larnaca, with the main airport, are also significant in business terms.

There are a number of local banks, but many international banks have formed offshore banking units on the island and provide services to foreign or offshore companies. Business legislation created

special offshore regimes for a variety of types of business, including shipping companies, insurance companies, and OFCs, although as from 2003 most distinctions between 'offshore' and 'onshore' were abolished. There is also legislation for Trusts modelled on English trust law.

Cyprus was listed by the Financial Stability Forum as a 'group three' country (low quality of supervision of financial sector) but did not appear on the Financial Action Task Force's blacklist of jurisdictions deemed to be 'uncooperative' in preventing money laundering. Cyprus signed a letter of commitment with the OECD promising to implement exchange of information treaties in cases of civil and criminal tax evasion. After the EU finally agreed its Tax Directive in June, 2003, Cyprus announced that it would implement the 'information sharing' provision of the Directive on entry to the Union in 2004. This means that information about savings returns received in Cyprus by nationals of other EU countries are now being passed to the tax authorities in the individuals' home countries. In late 2003 the government also announced plans to weaken previously tight banking confidentiality, although these were strongly attacked by the banks.

Cyprus' Companies Law (as amended) is similar to the UK's former Companies Act 1948. International business companies can be registered as a public or private company incorporated in Cyprus, as a branch of an overseas company, or as a general or limited partnership. Private companies may be registered as exempt or

non-exempt. An exempt private company must not have corporate members, must disclose beneficial owners, and must be owned by not more than 50 individuals. Exempt companies do not need to annex a financial statement to a copy of the annual report submitted to the Registrar of Companies, may give loans and guarantees to directors, and may appoint auditors that do not have statutory qualifications.

International business company registration is done through both the Central Bank of Cyprus and the Registrar of Companies. The names of beneficial owners must be disclosed to the central bank along with references. Additional qualifications must be met by international business companies engaged in banking, insurance or financial services business. The names of registered owners are kept as public records at the Registrar of Companies and the Official Receiver. Non-residents need permits from the Central Bank under the Exchange Control Law. International companies must belong exclusively to non-residents and must conduct business outside of Cyprus. Business must be conducted with foreign exchange. With the exception of exempt private companies, international business companies must submit an annual audited financial report to the Central Bank of Cyprus.

The Department of Merchant Shipping administers Cyprus' shipping register. To register a vessel under the Cyprus flag, non-Cypriot shipowners must first form a Cyprus shipping company as a private company with limited liability under the Companies Law.

The Central Bank of Cyprus is the supervisory authority for persons and entities offering money remittance services. In March 2002 a new money laundering guidance note was issued, defining who are to be considered principal beneficiary shareholders, requiring banks to identify the persons who have ultimate control over a company's business and assets, regardless of the percentage they hold in the company, and introducing a new procedure for the identification and monitoring of accounts of politically connected clients.

Further information on business registration is available at the Central Bank of Cyprus.

Taxes

In July 2002 the Cyprus Parliament enacted a series of new tax reforms that took effect on January 1, 2003. The aim of such reforms was to harmonize the tax Laws of Cyprus with European Union directives; simplify and modernize the Cyprus tax system, and also make Cyprus a more attractive international tax jurisdiction.

Significant changes in the Cyprus tax system include the adoption of residency rather than source as the basis of taxation, the elimination of any corporate tax rate difference between offshore and onshore business enterprises, and the abolition of certain personal allowances and deductions.

The corporate tax rate is 10% and 15% depending on the amount of a company's chargeable income. For the years of assessment 2003 and 2004, companies with a chargeable income over CY£1 million (about US\$2 million) becomes subject to an additional 5% tax on the amount over CY£1 million. Every 'public corporate body' (a legal person of public law or any other public corporate body established by law) is subject to levy of special contribution for the Defence of the Republic Law (2002) at the rate of 3% on its chargeable income except on income from dividends, interest and rents and before the deduction of losses. Source: KPMG.

Under amended income tax legislation, Cyprus residents will be taxed on their worldwide income, while non-residents will be taxed on their Cyprus income. Residence for individuals will be assumed if the individual stays for more than 183 days in a calendar year. For legal entities residence in Cyprus will be assumed if management and control is carried out in Cyprus. The value added tax (VAT) rate was increased to 15% from January 2003.

Stock Exchange

The Cyprus Stock Exchange (CSE) had 149 listed securities as at the end of 2004. The total market capitalization was CY£2.0 billion (EUR 3.5 billion) on 31 December 2004. The overall supervision of the stock exchange is assigned to the minister of finance and is exercised by the minister through the Securities and Exchange Commission.

In March 2002 a co-operation agreement was announced between the CSE and the Athens Stock Exchange, which will include provision for the setting up of a Cyprus derivatives market. In May, 2003, the CSE announced its participation in the FTSE Med 100 Index which was officially launched in June. It consists of 100 stocks from the Athens, Tel Aviv and Cyprus stock exchanges (weighted 56.55%, 42.55% and 0.89% respectively).

In June, 2004, the CSE announced a package of new measures that it hopes will revive the fortunes of the institution by bringing it into line with internationally accepted practices and European Union Directives. Under the plan, the bourse split into three separate markets in 2005: the Main, Parallel and Alternative markets. In addition, there are separate markets for government and corporate bonds and mutual funds.

Key Contacts

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Fax: (357) 22 570308
E-mail: info@cse.com.cy
Internet: <http://kypros.org/CSE/>

Key Stats

Country name: Republic of Cyprus
Population (July 2005 est.,) 780,133 in the Republic of Cyprus. Ethnic composition: Greeks 77%, Turks 18%, Others 5%. The official languages are Greek and Turkish. English is spoken by a large sector of the population.
Capital: Nicosia
Currency: Cyprus pound. US\$1 = C£0.46 Cyprus pound (September 2005)

Legal system:

Minor offences are heard in District Court while more serious crimes are heard in Assize Courts. All appeals are heard by the Supreme Court, which is also the final court of appeal.

Government:

Multi-party system of democracy based on proportional representation. The head of state is the president who is elected by universal suffrage for a five-year term of office. The Council of Ministers, who are appointed by the president, forms the executive. Legislative power lies with the House of Representatives whose members are elected for a term of five years. The House of Representatives has 80 members, of which 56 are elected for a five-year term by proportional representation and three represent the Maronite, Roman-Catholic and Goumenian minorities. Of the seats 24 are allocated to the Turkish minority.

Executive:

President: Tassos Papadopoulos

Political Parties

Republic of Cyprus: Democratic Party or DIKO [Tassos PAPAPOPOULOS]; Democratic Rally or DISY [Nikos ANASTASIADHIS]; Fighting Democratic Movement or ADIK [Dinos MIKHAILIDIS]; Green Party of Cyprus [George PERDIKIS]; New Horizons [Nikolaus KOUTSOU]; Restorative Party of the Working People or AKEL (Communist Party) [Dimitrios CHRISTOFIAS]; Social Democrats Movement or KISOS (formerly United Democratic Union of Cyprus or EDEK) [Yiannakis OMIROU]; United Democrats Movement or EDE [George VASSILIOU].

Elections

Presidential elections were last held on 16 February 2003 with 10 candidates for the position. Opposition candidate Tassos Papadopoulos won the presidency from incumbent Glafcos Clerides (DISY). Papadopoulos received 51.51% of the vote while Clerides received 38.8% of the vote. In the 27 May 2001 parliamentary elections AKEL won 34.7% of the vote and 20 seats, DISY won 34% of the vote and 19 seats, DIKO won 14.9% of the vote and 9 seats, KISOS won 6.5% of the vote and 4 seats. The ADIK, the EDI, the Ecological Environmental Movement, and NEO parties won one seat each.

Economy

Tourism and financial services are the main pillars of the economy. In 2004, the services sector accounted for 76% of GDP. Of the US\$4,5 billion annual gross foreign exchange earnings, 38% originates from tourism, 22% from exports, 9% from transportation and over 9% from international business and shipping companies. Economic policy is focused on meeting the criteria to join the European Exchange Rate Mechanism (ERM2) within the next two years although sluggish tourism and poor fiscal management have resulted in growing budget deficits since 2001.

Gross domestic product (2004 estimated)

3.2% growth in real terms.

Labour force (2004 est.,)

Unemployment: 3.2%

Public Holidays (2005)

1 January (New Year), 6 January (Epiphany), 14 February (Clean Monday, start of Lent), 25 March (Greek Independence Day), 25 March (Good Friday), 1 April (EOKA day), 1 May (May Day), 10 May

(Holy Ghost), 15 August (Assumption), 1 October (Cyprus Independence), 28 October (Ochi Day), 25-26 December (Christmas)

Time zone

GMT plus 2 hours. The clock goes forward 1 hour at 1:00 on the last Sunday in March and back one hour at 1:00 on the last Sunday in October.

Financial Year: Calendar Year

Restaurant Guide

We recommend:

Trattoria Romantica
13 Evagoras Pallikarides St
Nicosia
Tel. 02 377 276