

## CYPRUS and INDIA A Multitude of Investment Opportunities

India and Cyprus share a historic friendship that is based on a common set of values and a shared history of colonialism. Over the years, more than 15 agreements and memorandums of understanding have been signed between the two countries, for cooperation in the fields of commerce, science and technology, culture, information exchange, health, and medicine.

Additionally, Cyprus has built a productive relationship with the High Commission of India in Cyprus over the years. The two countries' good relationship, combined with Cyprus's multitude of investment opportunities, favourable climate, and high quality of living have made the island popular among Indian nationals seeking

investment opportunities abroad. Xenia Neophytou, CX Financia's Managing Director and Board Member of the Cyprus India Business Association answers some questions about the strong bond the two countries have developed and the many ways in which Indian nationals can invest in Cyprus.

### How did the relationship between India and Cyprus develop?

Diplomatic ties between the two countries came into effect two years after Cyprus became independent from British colonial rule, in 1962, with the signing of a bilateral legal framework for cooperation. Since then, the two countries have supported each other in various economic, social, and industrial issues, and have established a number of agreements, including the Cyprus-India Joint Committee on Economic, Scientific, Technical and Industrial Cooperation in 1989, the Cyprus-India agreement on tourism cooperation, signed in 1996, and the Agreement on Abolition of Visa Requirement for Holders of Diplomatic, Official or Service Passport, which came into effect on 1 May 2008, among many others.



### What is the current state of relations between the two countries?

Bilateral trade between India and Cyprus amounts to 70 to 80 million dollars per year, and the Chamber of Commerce and Industry, in collaboration with the Cyprus India Business Association, aims at intensifying its efforts for increased commercial and economic cooperation between Cyprus and India. The recently revised bilateral double taxation agreement, which was signed in November 2016, is expected to offer predictability, transparency and a further impetus to investments between India and Cyprus, and there is significant interest in the fields of agriculture, tourism, education, financial services, energy, IT, and manufacturing.

### What would be the main advantages of an Indian business looking to invest in Cyprus?

The fact that Cyprus is an EU member country, with access to the common European market, offers a multitude of opportunities for Indian businesses. Furthermore, Indian companies can use Cyprus as a regional hub from where they can conduct operations in the nearby Middle East, Gulf, and Balkan countries, capitalizing on the excellent political and economic relations Cyprus enjoys with these regions. Additionally, Cyprus boasts a highly skilled workforce, advanced infrastructure, and high quality of life, all of which would be greatly beneficial to Indian businesses or individuals seeking to invest in or relocate to Cyprus. Finally, Cyprus offers a number of tax incentives, including a corporate tax rate of 12.5%, dividend participation exemption, and no taxation of capital gains, among others.

### What are some of the areas of investment in which Indian businesses could possibly invest?

There are a number of growth sectors in Cyprus that have piqued the interest of Indian investors. Among the more traditional avenues is the shipping industry. Cyprus boasts one of the largest maritime clusters worldwide and advanced maritime infrastructure. Real estate is also a popular sector for investment. The booming construction sector includes landmark residential and commercial projects and comes with the added incentive of the Cyprus Investment Programme, which allows investors to apply for Cyprus citizenship.

“Cyprus boasts one of the largest maritime clusters worldwide and advanced maritime infrastructure.”

The energy sector is offering new opportunities in renewable energy utilization, thanks to the island's recent world-class natural gas discoveries and contracts with energy giants ExxonMobil, Shell, Total, Noble Energy, and more. This has made Cyprus a rising fuel hub and an ideal regional base for serving the Eastern Mediterranean region. Alternatively, investors can look into the flexible structures of UCITS and AIFs, which have low set-up and

operation costs, and high-quality business support services. At the same time, Cyprus is fast becoming a hub for innovation, entrepreneurship and start-ups, with a strong ICT and innovation ecosystem and start-up visa scheme for third-country nationals that is particularly attractive. Finally, Cyprus has much to offer India's highly successful Bollywood film industry, thanks to its beautiful and varied landscape and ideal climate that make it a perfect shooting location.

### How can CX Financia help Indian nationals seeking to invest in or relocate to Cyprus?

Our team of experienced and knowledgeable professionals offer a range of first-class corporate services to both organizations and individuals. We help clients structure and establish their business in Cyprus, offering advice and guidance on all aspects, from acquiring financial brokerage services licenses to hiring office staff and arranging for immigrant visas. Our multicultural and multilingual team has vast experience in a number of tax solutions and can help solve complex problems at both a personal and corporate level. We also offer a number of other services, including bank account opening, incorporation of businesses in Cyprus or abroad, incorporation and licensing of funds, investment firms, and other financial entities, internal and external accounting services, immigration and permanent residency services and can also advise on the applications for the Cyprus Investment Program.

Author : Xenia Neophytou

CYPRUS INVESTOR PROGRAMME



**22 BLUE BEACHES**  
 HIGHEST DENSITY OF BLUE FLAG BEACHES ON THE ISLAND  
**91,3%** NET BED OCCUPANCY  
 VISION 2030: TO BECOME THE BEST RESORT IN THE EASTERN MEDITERRANEAN  
**2 NEW MARINAS UNDER CONSTRUCTION**  
 accumulating to a total of €1.1 billion investment  
**74%** HIGHEST REGIONAL INCREASE IN PROPERTY SALES  
**20,231** ACCOMMODATION KEYS  
**TOP BUY-TO-LET DESTINATION**  
**RESORT GOLF COURSE UNDER STUDY** PGA INTERNATIONAL STANDARDS

- 60,000 Population
- 22 Blue Flag Beaches (40%)
- 52% of tourist hotel & rental stays
- New Ayia Napa Casino
- High rental yields
- New & Upcoming Infrastructure:**
  - Ayia Napa & Protaras Marinas
  - Golf Course Resort
  - Coastal footpaths
  - Upcoming University

# CYPRUS

## The Little Island that Could Against Big Bad COVID-19



### special CYPRUS

You know your country is either doing things well or dangerously failing when you see its name splattered across the media.

During the COVID-19 pandemic, Cyprus has hit global headlines for all the right reasons. Articles from the Associated Press (AP), the New York Post and Agence France-Presse (AFP) reported on the country's successful battle against the coronavirus, a clash spearheaded by a political leadership that has worked alongside the health sector to effectively manage contagion and make it safe for the island to slowly reopen its economy. And these are just a few examples of the many reports lavishing praise on the little island that could standing up to the evil virus.

On the health front, the government's policy has been driven by early detection, extensive contact tracing and

testing, strict quarantine periods and stiff penalties for the naughty. On the economic side, the Nicos Anastasiades administration pushed forward a strong financial package including tax deadline deferrals, guaranteed loans and interest subsidies for SMEs, job retention schemes, special leave provisions, and subsidies and allowances for vulnerable groups, among others.

Statistics back the effectiveness of the Cypriot government's strategy. For the first time in over two months, on May 23, Cyprus had 0 positive cases, a sigh of relief echoing throughout the island. Worldometer's coronavirus update showed on May 27th, 939 total cases with only 17 deaths on the island and, most importantly, one of the world's highest indices of testing with more than 86 thousand tests performed per 1 million people.

Furthermore, Invest Cyprus, the government's investment promotion

agency, confirms that foreign investors have been overwhelmingly satisfied by the country's efforts to flatten the curve and help the economy weather the storm.

In an April survey carried out by the organization as part of an online discussion on the government's COVID-19 strategy, "56.9% of investors appeared very satisfied with the measures taken by the government to tackle the pandemic," while another "35.3% said they were satisfied." Moreover, "when asked about the degree of satisfaction by service providers (lawyers, accountants, bankers) and their response in ensuring business continuity, 29.8% said they were very satisfied [and] 59.6% satisfied."

If you add the island's exemplary handling of the pandemic to its host of other advantages, you have a EU member state that is among the safest countries in the world. Cyprus has perfectly set itself up in a post-COVID-19 world to welcome

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## Build Your Second Home in the Mediterranean

Despite some negative press following a few tax decisions early on, the Cyprus Investment Programme (CIP) remains an important option for individuals looking to acquire a second passport and invest in Europe. With the program's due diligence rules becoming a whole lot stricter as of the end of 2019, this initiative, one of only a few of its kind in the EU, has offered a significant boost to the country's economy.

Under this program, interested parties must invest 2 million Euros in either real estate property, a stake in an existing or new Cypriot company, local Alternative Investment Funds (AIFs) or any combination of the three, in addition to purchasing a personal residency for 500 thousand Euros and donating 150 thousand Euros to the island's Research and Innovation Fund and Land Development Corporation.

This program, which has brought billions of Euros into the island's coffers since its implementation in 2013, can be completed within 6 months and offers investors visa-free travel to more than 170 countries throughout the globe, a welcome addition to high-net-worth individuals looking for greater flexibility and a safe haven from COVID-19. Successful applicants, however, must keep their investments for a period of 5 years following naturalization, hold a Schengen visa to travel to Europe as a non-European national, and have not been rejected by another European member state.

Another option is the Cyprus Permanent Residency (CPR) scheme, one that for a smaller investment of 300 thousand Euros in brand new property offers many benefits. Successful applicants receive their residency visa within 2 months of applying (including for some of their dependents), visa-free travel to Cyprus and easy access to a one-year Schengen visa for travel to any country within the Schengen zone.

## Reap the Rewards of a Tax Incentive Country

Cyprus is also an important tax incentive jurisdiction, one that abides by international rules on transparency, exchange of information, reporting and substance and could offer investors and

fund managers a much needed respite from the current crisis via its many tax savings.

The island offers individuals looking for tax planning, company registration and investment opportunities one of the lowest corporate tax rates in the EU at 12.5 percent, a 2.5 percent effective income tax on intellectual property, and an 8 percent tax rate with a minimum tax payable of 10 thousand Euros for senior AIFs executives relocating to Cyprus and participating in the profits of RAIFs, among others.

Cyprus currently has double tax treaties (DTTs) with 65 countries including China, Canada, Germany, France, Saudi Arabia, the UAE and the USA. This great range of DTTs strengthens the country's popularity as an investment funds destination and gateway into Europe.

## Jumpstart Your First (or Second) Business in Cyprus

In an effort to diversify its economy following the 2013 financial crisis, Cyprus made a huge push to foment innovation in business, entrepreneurship and an environment conducive for start-ups. As a result, funding is widely available to both local and foreign entrepreneurs looking to chase their dreams of innovation on the island. The Cyprus Entrepreneurship Fund, for instance, provides SMEs financial risk-sharing products and loans with favorable financing terms.

Furthermore, the Cyprus Securities and Exchange Commission (CySEC) set up the Innovation Hub as a platform for FinTech and RegTech firms to share knowledge, exchange ideas and help them wade through the regulations and comply with their requirements. The Cyprus-start-up-visa allows non-EU citizens to set up a qualified innovative company on the island with an initial investment of 50 thousand Euros and benefit from reduced income tax, deductions and tax exemptions.

Foreign investors also gain access to the Cypriot governmental funding portal, which lists national and international incentive and employment programs, and Horizon 2020, the EU's extensive research and innovation program that grants nearly 80 billion Euros to highly innovative SMEs.



**Special Cyprus, contribution by Xenia Neophytou**  
*is the founder and Managing Director of C.X. Financia, a boutique consulting firm specializing in Compliance, Internal Audit and Risk Management support for Investment Firms and Funds. She has extensive experience in all aspects of corporate services, company law, international taxation, and financial and regulatory compliance. In particular, she is adept in matters of private equity and venture capital, portfolio management, licensing, Risk Management, Compliance and AML, as well as in audit and business plan preparations. Her background as a CEO and member of Boards of Directors and Risk Committees of several regulated Investment Firms in Cyprus has granted her large-scale experience both in an advisory capacity, and in hands-on operations.*

*Xenia holds a BSc in Accounting, and is a Fellow Chartered Certified Accountant (FCCA), a member of the Institute of Certified Public Accountants of Cyprus (ICPAC), a Registered Mediator in financial disputes with the Cyprus Chamber of Commerce and Industry (CCCI), and holds an Advanced Certification from the Cyprus Securities & Exchange Commission.*

*Xenia also serves as a member of the Investment Funds of the ICPAC and the AIF Technical committee of the CIFA. In 2019, she was appointed a board member of the Cyprus India Business Association of the CCCI. Due to her expertise in various fields across a number of different industries, Xenia has often been called up to speak at local and international events and conferences, sharing her knowledge about Compliance, Fund Structuring, Blockchain, Tax, Audit, and much more.*

# Invest in Cyprus' Budding Funds Sector



Cyprus has developed an experienced and comprehensive investment funds sector that is complemented by skilled financial service professionals who are fully equipped to guide investors beyond the ongoing pandemic.

During the past years, the investment funds sector in Cyprus has grown exponentially, reaching in the fourth quarter of 2019, €8.3 billion, recording a 8% increase compared to the 3rd quarter of 2019 and the UCIs, managed by the Management Companies had a Net Asset Value (NAV) of €6.4 billion. Thanks to its geographic location, Cyprus has established itself as an entry point into Europe for non-traditional investors from countries such as China, Japan and India, while continuing to serve neighboring markets in the Middle East, Eastern Europe and North Africa. The island has also started preparing to welcome UK fund managers who are in search of a new gateway into the EU following Brexit. Moreover, Cyprus funds can be listed on processing platforms such as Clearstream's Vestima and Refinitiv, granting access to these products to thousands of industry professionals.

Spearheaded by the offering of EU-regulated Undertakings of Collective Investment in Transferable Securities (UCITS), AIFs and the newly introduced Registered Alternative Investment Funds (RAIFs), the local market caters to small and medium fund managers via plenty of flexibility in its upgraded regulatory framework and a strong focus on investor protection. Looking forward, AIFs are expected to remain the local funds market's strongest and most popular component with UCITS attracting attention from more specialized groups.

In particular, the introduction of RAIFs has strengthened the Cypriot funds sector as it has decreased the time and cost required to set up an AIF in the country. Via this process, a RAIF skips the application and licensing step with CySEC and is supervised solely by the fund manager. Additionally, RAIFs do not have minimum capital requirements and can be structured in multiple ways, offering interested parties greater flexibility when setting up. To date, 27 RAIFs have been registered in Cyprus.

Furthermore, the island's favorable tax regime for funds, which includes a tax of carried interest or performance fee for AIFs and UCITS fund managers, the streamlined processes set up by single regulatory body CySEC, and the overall lower set-up and management costs offer fund managers and potential investors additional advantages over other European markets.

Despite the current pandemic, the Cyprus Investment Fund Association (CIFA) believes conditions are ripe for the continued expansion of the local funds market and the generation of new long-term investment opportunities. CIFA, however, encourages fund managers to ramp up communication with investors, analyze how to assess their portfolio's post-COVID-19 value, and prepare for a greater number of investors withdrawing from the market.

With all of these opportunities in mind, Cyprus—the little island that could—has emerged as an excellent and safe investment destination in the midst of the COVID-19 pandemic.

As Cyprus's Chief Scientist of Research and Innovation, Kyriacos Kokkinos, mentions in a recent interview with Forbes.com,

**“People know the country for tourism or Russian investment, but our island's future depends on broadening its business base [...]**



## Why choose Cyprus for Innovation & start-ups

### The Future of Business: Creating a Start-up Ecosystem in Cyprus

Cyprus's strategic position, as well as its valuable historical and geopolitical background, have helped make the island an attractive international business hub. For decades, Cyprus has enticed foreign businesses and investors with incentives such as one of the lowest corporate tax rates in the E.U., and multiple exemptions for both corporations and individuals. Some of the lesser-known advantages the island offers, however, are geared towards new businesses and start-ups. As Cyprus's Chief Scientist of Research and Innovation, Kyriacos Kokkinos, mentions in a recent interview with Forbes.com, “People know the country for tourism or Russian investment, but our island's future depends on broadening its business base [...]. **Our mission is to orchestrate this R+I ecosystem to benefit Cyprus and the wider region.**” As such, many of the island's recent incentives have been aimed at attracting foreign entrepreneurs and investors,

with a particular focus on innovation in a number of industries.

### Schemes and Programs

The Cyprus Securities and Exchange Commission (CySEC) has established the Innovation Hub, designed to address and explore developments in the areas of FinTech and RegTech. It serves as a platform for entities in these fast-evolving sectors to come together and share knowledge. It also provides them with ongoing access to CySEC to help them best understand and implement their regulatory requirements. The scheme was launched in October 2018, and this month, CySEC issued a progress report on its success over the past two years, available here.

Technology is another fast-growing industry that aims to bring growth and development to Cyprus. The Research Promotion Foundation is the national body responsible for supporting and promoting research, development and innovation in the tech industry, providing support services and grants to enterprises for innovative development. Most recently, the Foundation organized the Cyprus I.T. Forum, which reiterated the country's commitment to bringing 5G infrastructure to Cyprus.

### Funding Opportunities

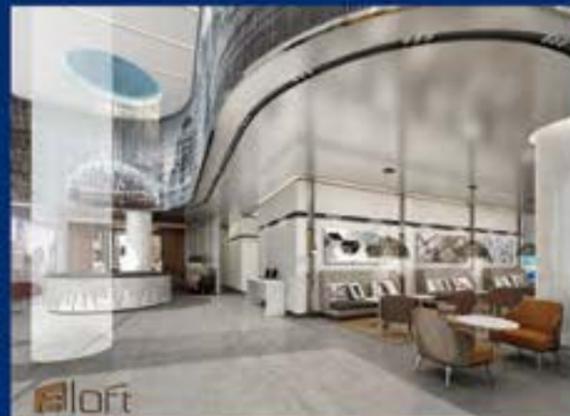
New companies, young entrepreneurs,

and innovative start-ups are encouraged to apply for a range of grants and incentives that will help get their business off the ground. These include: The Cyprus Entrepreneurship Fund: A funding opportunity for SMEs backed by financial institutions and other organizations, through the provision of Financial Risk-Sharing Products and loans with favourable financing terms. Government Funding Portal: A comprehensive list of incentives and employment programs funded by European and/or national funds, and aimed at stimulating growth and job creation.

Horizon 2020: The E.U.'s most extensive Research and Innovation program, that funds nearly €80 billion to innovative small businesses dedicated to research and innovation. The scheme is open to both Cypriots and foreign nationals who have registered companies in Cyprus. Cyprus Start-up Visa: The Ministry of Finance is extending its Start-Up Visa Scheme that offers state funding of €500,000 to talented entrepreneurs from countries outside the E.U. who wish to establish and operate a high-growth start-up in Cyprus, with the aim of creating new jobs and promoting innovation and research.



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## CYPRUS

# An invested citizen ELENI DRAKOU ANALYSES THE RECENT CHANGES TO THE CYPRUS INVESTMENT SCHEME

Many words have been put onto paper about the Cyprus Investment Programme (the Programme). The Programme was implemented by the Cyprus Council of Ministers on 24 May 2013 to further enhance foreign investment in Cyprus and to effectively restart the country's economy, following the financial crisis.

Between 1 June 2013 and 15 August 2018, 1,864 investors obtained Cyprus citizenship through the Programme. During this period, transactions of EUR6.6 billion were recorded, out of which EUR3.7 billion were in the real estate sector.

A number of amendments came into effect in 2019, amending the Programme's provisions and criteria. The new restrictions aim to further provide for investors' interests and to safeguard the country's reputation as an investment destination.

In early 2019, the Council of Ministers decided to exclude from the Programme those who had already been rejected in their attempt to obtain the citizenship of another EU Member State. In addition to this restriction, the Council of Ministers decided on 25 July 2019 to exclude high-risk individuals from the scheme, i.e. persons who hold or held a political position during the previous five years; persons subject to criminal investigation or criminal proceedings; and persons affiliated with legal entities restricted or sanctioned by the EU, or sanctioned by non-EU countries or the UN Security Council.

Moreover, a stricter due-diligence procedure is expected to be implemented; the government has appointed three compliance companies to carry on the applicants' diligence and background checks, which is now conducted internally by the government's departments.

On the same day the restrictions were implemented, it was ruled by the Council of Ministers<sup>4</sup> that the mandatory donation of the amount of EUR150,000 will be contributed after the investor is

granted citizenship, instead of prior to the submission of the citizenship application. This was implemented in May 2019 and is regarded as a positive development for interested applicants, since their funds will not be contributed in the event their citizenship application is rejected.

Such donations significantly contribute to society, as they are shared between the Research and Innovation Foundation and the Cyprus Land Development Corporation. The latter will provide for housing schemes for sensitive groups, thus enhancing the Programme's socially responsible character.

1. Decision 75.148.
2. Study in relation to the Cyprus Investment Programme – Economic Impact, 2019.
3. Decision 87.926.
4. Decision 87.927.

**The applicant can currently choose to invest in:**

- real estate;
- a company operating in the country with - a substantial presence and activities;
- alternative investment funds licensed by the Cyprus Stock Exchange (CSE); or
- a combination of these three investment categories.

Decision 87.927 introduced the investment in securities on the secondary market of the CSE up to EUR200,000 under the option of combination of investments. Decisions 87.926 and 87.927 have been effective since 23 August 2019.

As more than half of the Programme's transactions are related to real estate, the Council of Ministers enforced a number of measures to safeguard the investors' interests with regards to their real estate investments. In light of these measures, in cases where the investment includes immovable properties under construction, a planning permit must be secured in order to submit a Programme application, and a bank waiver letter must be provided in case the immovable property bears any mortgages. If the property's

construction is completed, a completion certificate must be provided during the submission of an application. If the property is under construction, a specific account must be used or a performance bank guarantee must be secured for a minimum amount equal to 5 per cent of the property's value.

These legal provisions used to be at the discretion of the investor; however, they are now mandatory in an effort to protect investors and enhance the scheme's credibility.

The Programme remains a straightforward scheme with set criteria. However, the scheme now appears challenging and more restrictive as it eliminates a large group of high-net-worth individuals, including politically exposed people. On the other hand, this is regarded as a positive measure, as it provides for the Programme's continuity and trustworthiness.

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