

# Cyprus Economy and Outlook

Constantinos Petrides, Minister of Finance

Dubai, 24 February 2022

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# CYPRUS AT A GLANCE



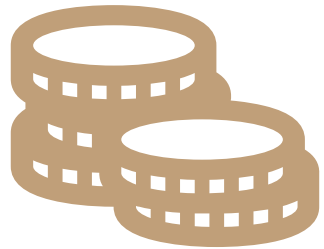
**9,251 km<sup>2</sup>**  
*Area*



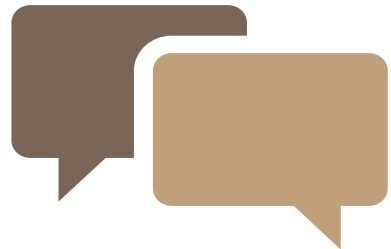
**Geostrategic Location**  
*Between 3 continents*



**Population 888k**



**EU Member**  
*State 2004/  
Eurozone 2008*



**Greek**  
*Official Language*

**English**  
*Widely Spoken*



**/40+ EU Trade Agreements**

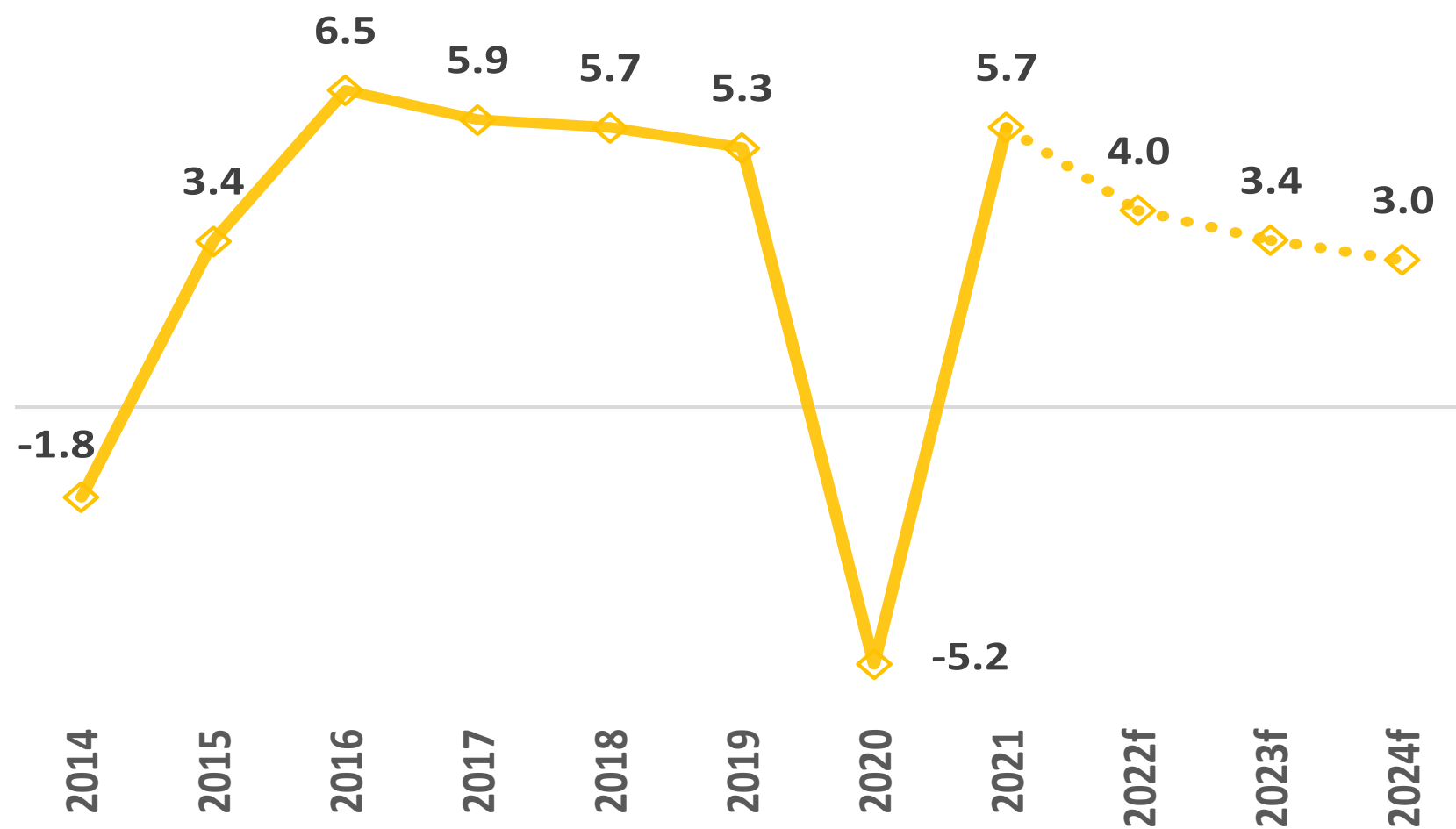
**/66 double tax treaties**



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# CYPRUS MACROECONOMIC OUTLOOK

## Real GDP Growth (% change)



- 2021, a recovery of 5.7% was recorded following the contraction of 5.2% in 2020 due to the COVID-19 pandemic (more than the EU average of 5.4%)
- Strong Forecasts with economy expected to **fully recover** by 2023-2024

## Unemployment Rate (%)

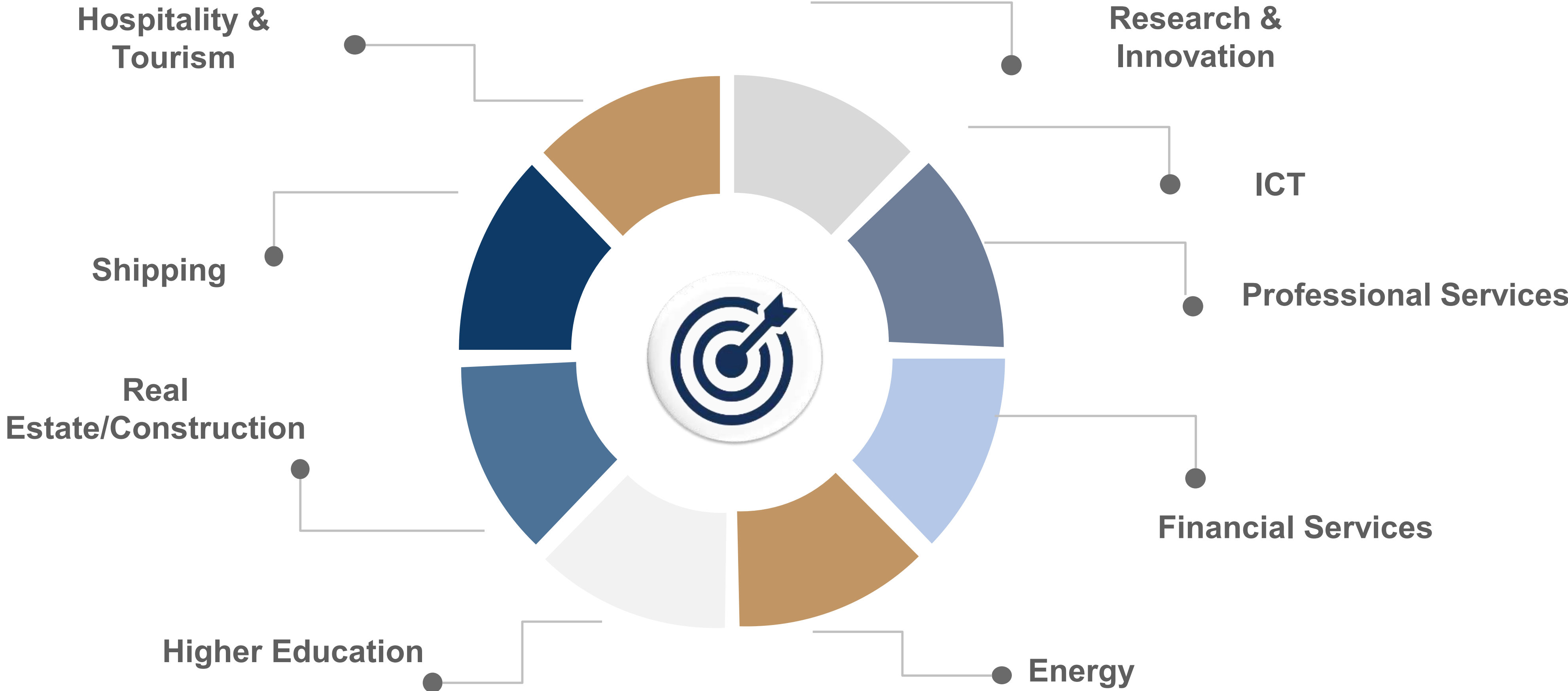


- Unemployment decreased to 6.4% in December 2021 (less than the Euro area average of 7.0% and same as the EU average)
- Flexibility of labor market and supportive fiscal measures contributed to normalization of labor conditions



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# KEY ECONOMIC SECTORS



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# LONG TERM VISION 2035

*We want Cyprus to be one of the world's best countries to live, work and do business in*

*To do so we need to be a world leading model nation, with a thriving and resilient economy and a just, inclusive society. All aspects of the vision will be underpinned by cutting edge technology and environmental sustainability.*

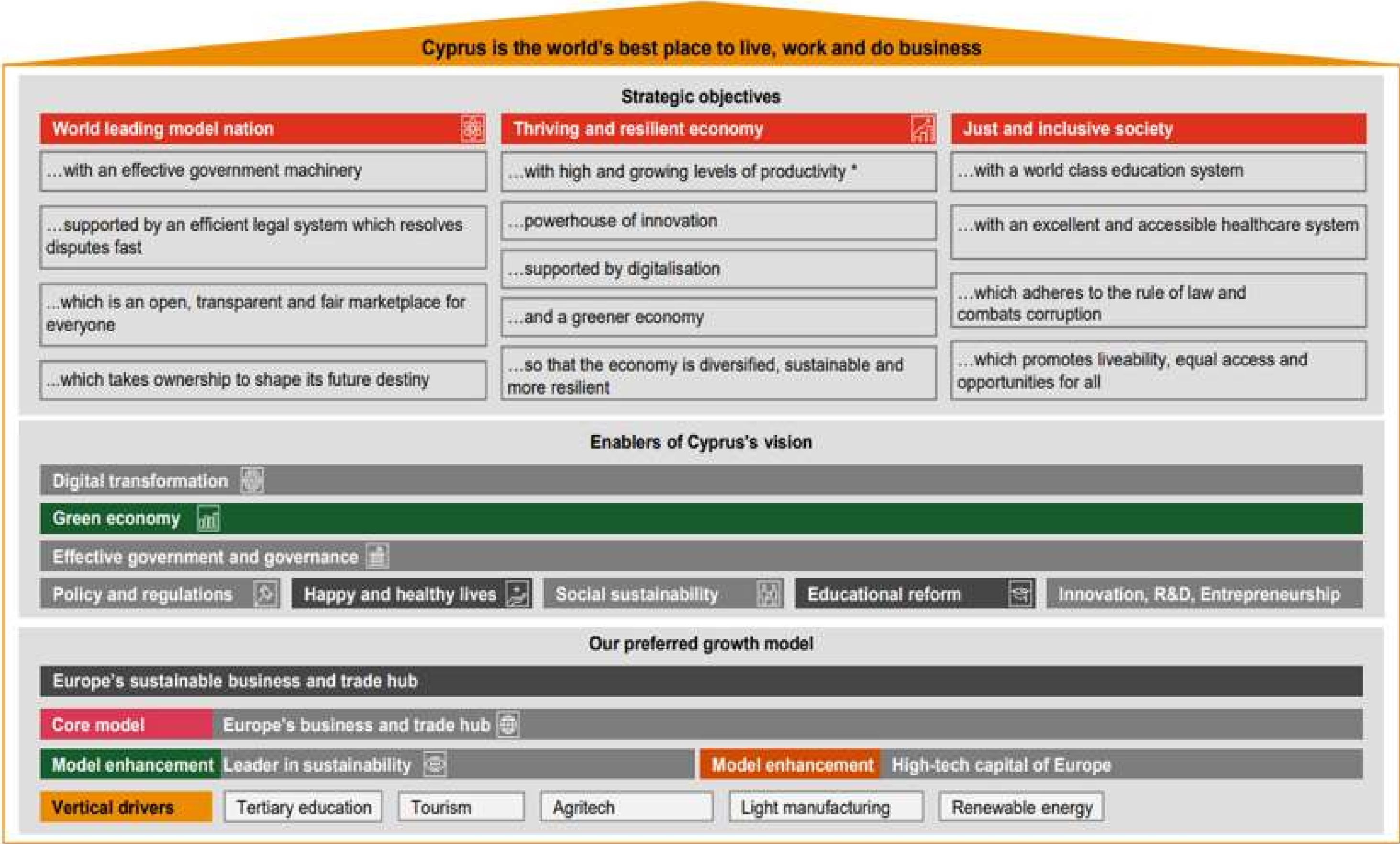


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# LONG TERM STRATEGY 2035

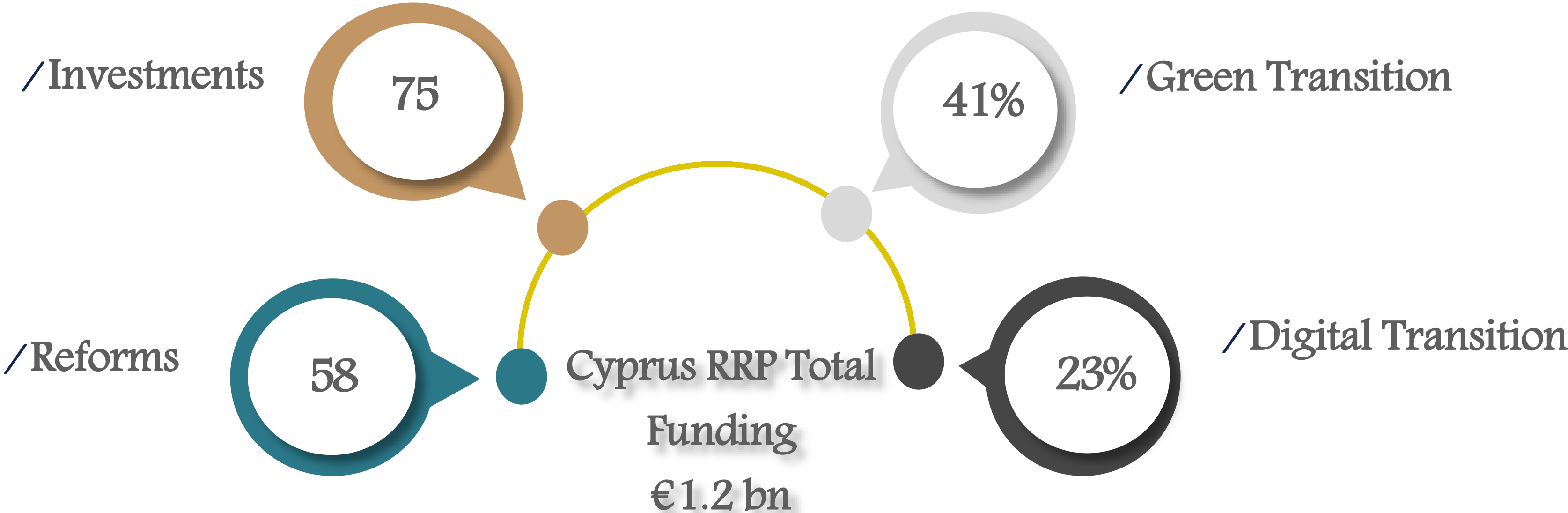


- Strategy and vision endorsed and supported by the government, the wider public sector, the private sector, academia and civil society
- Action Plan Developed with 242 incentives across all horizontal and vertical Pillars
- 30% of these incentives are already in progress via the Recovery and Resilience Plan or other Paths



# RECOVERY AND RESILIENCE PLAN FOR CYPRUS

*Strengthening the economy's resilience and the country's potential for economically, socially and environmentally sustainable long-term growth and welfare*



\* The RRP is 100% in line with the Long Term Strategy 2035



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# RRP GREEN TRANSITION

*EC assessment – “The RRP aims to contribute to addressing key challenges related to the green transition...” , “The Cypriot plan's contribution to the green transition amounts to 41% of its total allocation .... This exceeds the minimum of 37% required by the RRF Regulation.”*

**41%** of the plan's total allocation for reforms and investments support climate objectives



▶ **Green taxation:** introducing a carbon tax for fuels, a gradual introduction of a levy on water, and a charge on landfill waste.



▶ **Energy efficiency and renewables:** financing various support schemes to implement energy efficiency measures and renewable energy investments and to combat energy poverty. **€89 million**



▶ **Energy interconnector:** contributing to the EuroAsia Interconnector project, which will connect Cyprus to the EU electricity network and boost renewable energy production. **€100 million**



▶ **Promoting sustainable and green mobility:** encouraging a shift from private cars to public transport, cycling, walking, and promoting the use of clean vehicles. **€87 million**



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# RRP DIGITAL TRANSFORMATION

*EC assessment – “The RRP also includes measures aimed at contributing to the digital transformation...”  
“The Cypriot plan's contribution to the digital transition amounts to 23% of its total allocation .... This exceeds the minimum of 20% required by the RRF Regulation.”*

**23%** of the plan's total allocation for reforms and investments support digital objectives



▶ **Supporting connectivity:** enhancing access to communication infrastructure and supporting an inclusive digital transformation. **€87 million**



▶ **Digitisation of public services:** building a secured, integrated and modern digital architecture to support the transition to a combination of digital public services. **€133 million**



▶ **Promoting digital education and skills:** upgrading digital infrastructure and tools in schools, providing teachers with digital training and upskilling and reskilling programmes for different parts of the Cypriot society. **€30 million**



▶ **Enabling the digital health transition:** modernising the IT systems of the National Health System and deploying cross border e-health services. **€10 million**



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## ESTIMATED UTILIZATION OF PRIVATE FUNDS €1,15 BLN.

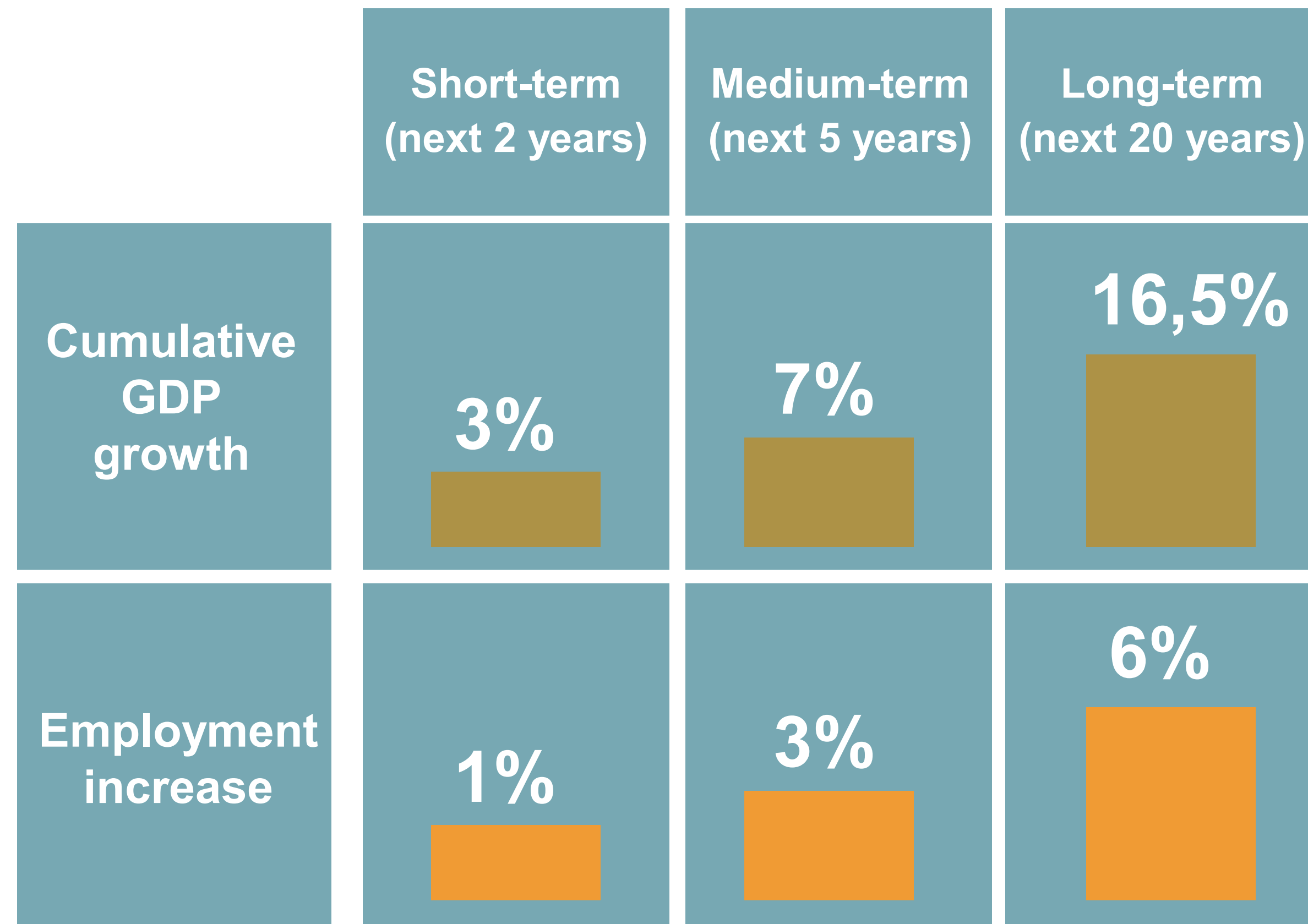
*Mobilization of additional investment resources is estimated at €1.1 billion, through schemes and other financial instruments and public-private partnerships, which are included in the plan*

- / Grant Schemes for business competitiveness
- / Equity Fund to attract additional investment for the benefit of start-ups and innovative companies
- / Schemes for RES and energy upgrade





# POSITIVE ECONOMIC IMPACT



RRP can lead to a cumulative economic growth:

- increase the GDP by about 7% in the medium-term (2022-2026),
- increase employment by more than 2.5%, or by around 11,000 new jobs during the period 2021-2026



# AN INTERNATIONAL BUSINESS CENTER WITHIN THE EU

## WHY CHOOSE CYPRUS?



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## ATTRACTIVE TAX SYSTEM

### CORPORATE TAX

01

12,5% corporate tax rate

02

No withholding taxes

03

Notional Interest Deduction (NID) on investment in Cypriot companies

04

Increased tax deductions on R&D expenditures

01

Income  $\geq$ €100K/year  
50 % income tax exemption for the first 10 years of employment in Cyprus

02

New tax residents  
Income  $\geq$ €55K/year  
50% income tax exemption for the first 10 years of employment in Cyprus

03

Tax-free band of €19,500 for all Cyprus residents

### INCOME TAX



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# ATTRACTIVE TAX SYSTEM

- / Extensive Double Tax Treaty network with 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
- / No succession or inheritance taxes
- / No immovable property taxes
- / A competitive Intellectual Property regime



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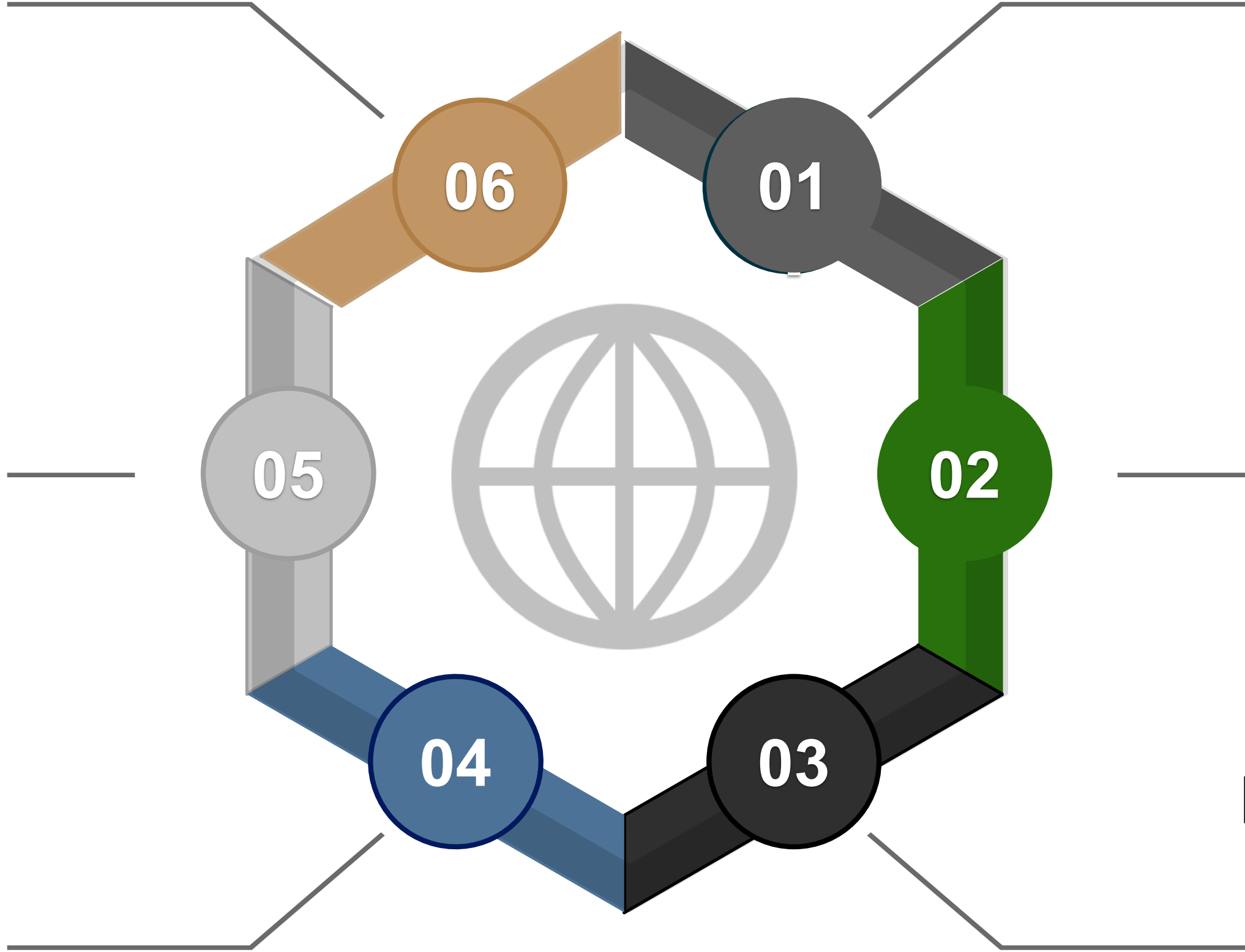


# NEW GOVERNMENT PLAN FOR ATTRACTING INTERNATIONAL COMPANIES AND TALENT IN CYPRUS

**Reduced Naturalization Period for Non-EU Nationals**

**TAX Incentives**

**Business Facilitation Unit**



**Revised Immigration Policy for International Businesses & Digital Nomad Visa**

**Family Reunification & Employment of Family Members**

**New Law for facilitation for Strategic Investments**



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# AN INTERNATIONAL BUSINESS CENTER

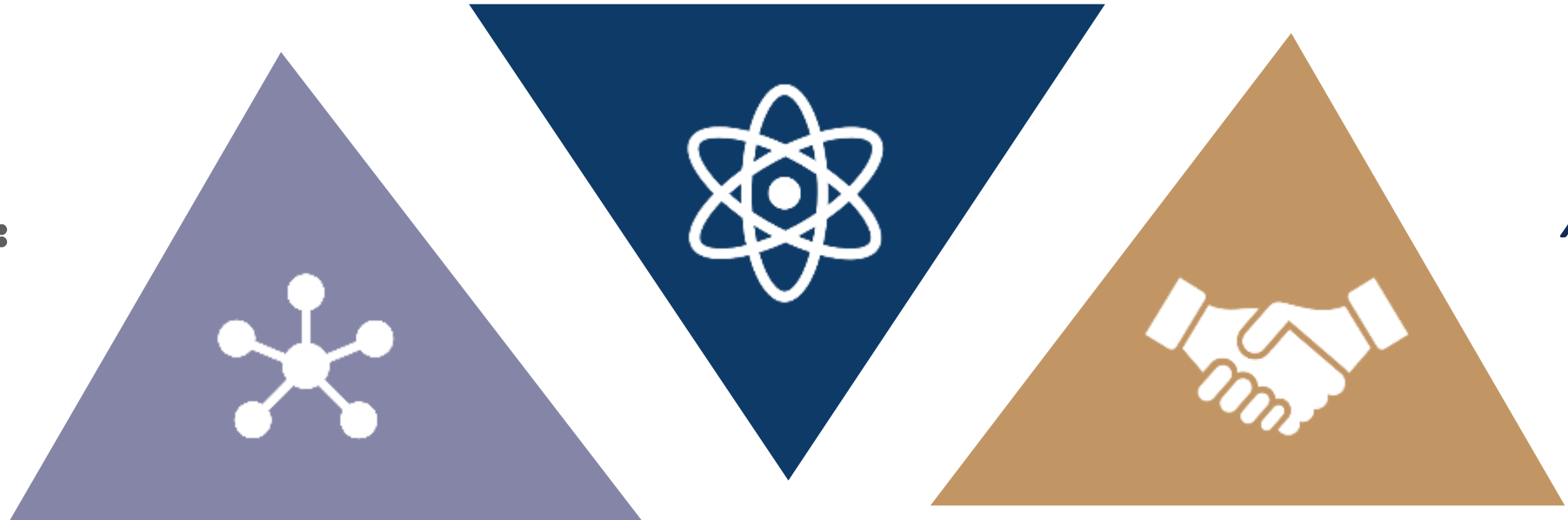




# A GROWING EU FINANCIAL SERVICES CENTER

/ EU Passporting Rights – Management & Marketing throughout Europe

/ Flexible structures:  
UCITS and AIFs



/ Transparency and  
investor protection

/ Low set-up and  
operation costs

/ Tax benefits for investors  
and fund managers

/ Fully harmonized and modern legislation



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## NUMEROUS INVESTMENT OPPORTUNITIES

*Cyprus has many new and existing projects seeking for expansion and in search of strategic investors and partners, in sectors such as:*

- ***Renewable Energy***
- ***Healthcare***
- ***Tourism and Hospitality***
- ***Education***
- ***ICT and Fintech***
- ***Commercial Real Estate***



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*Thank you*

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