

Cyprus Economy and Outlook

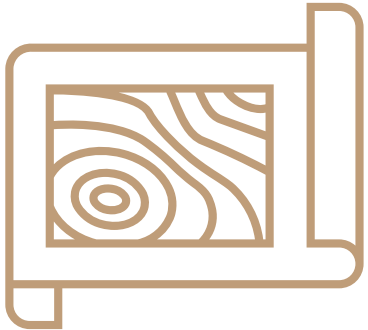
Constantinos Petrides, Minister of Finance

Dubai, 24 February 2022

MINISTRY OF FINANCE



CYPRUS AT A GLANCE



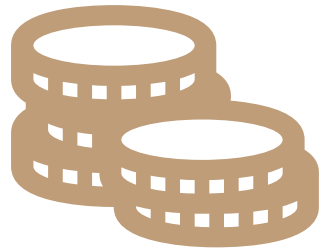
9,251 km²
Area



Geostrategic Location
Between 3 continents



Population 888k



EU Member
*State 2004/
Eurozone 2008*



Greek
Official Language

English
Widely Spoken



/40+ EU Trade Agreements

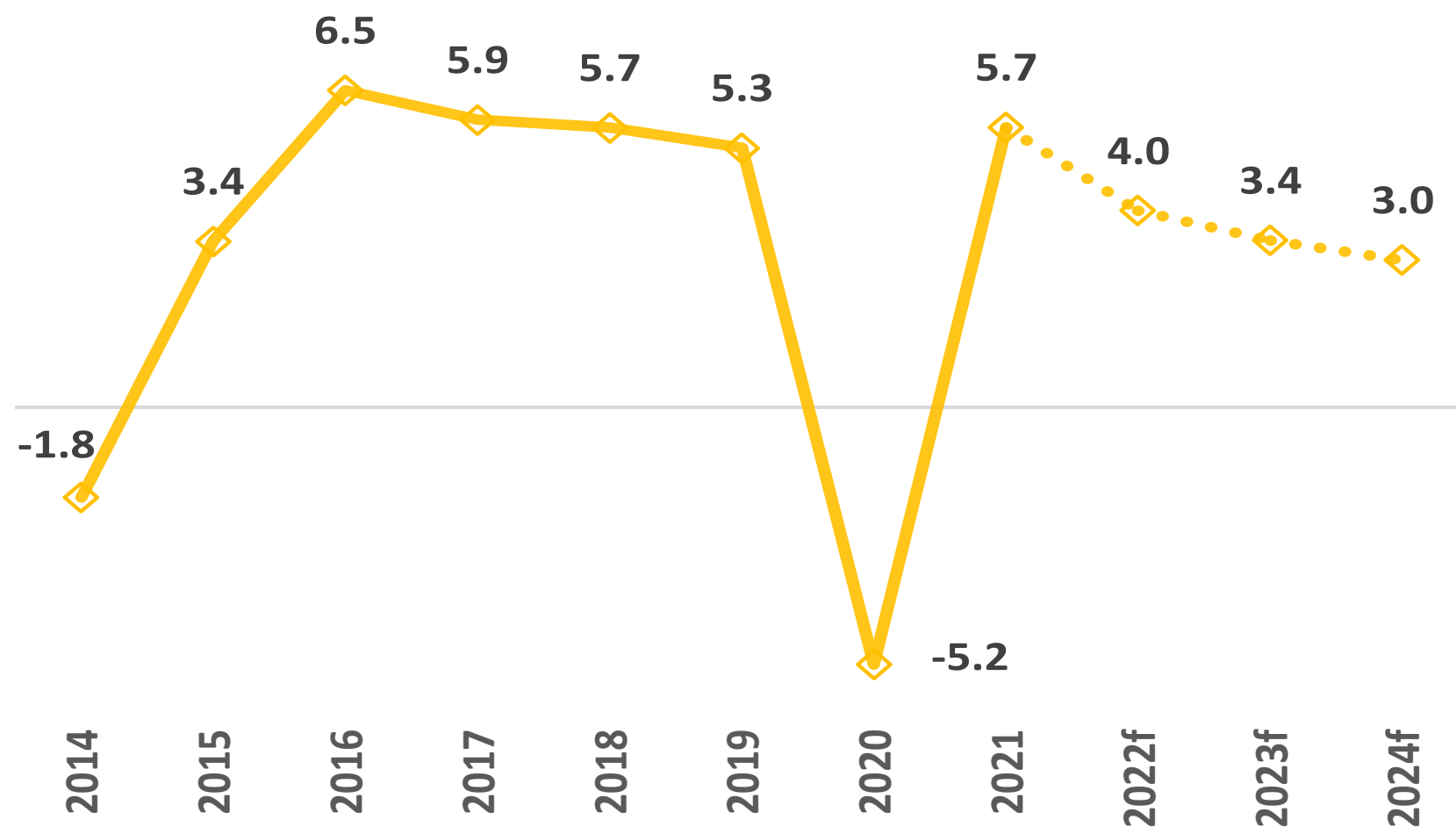
/66 double tax treaties



MINISTRY OF FINANCE

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 (%)

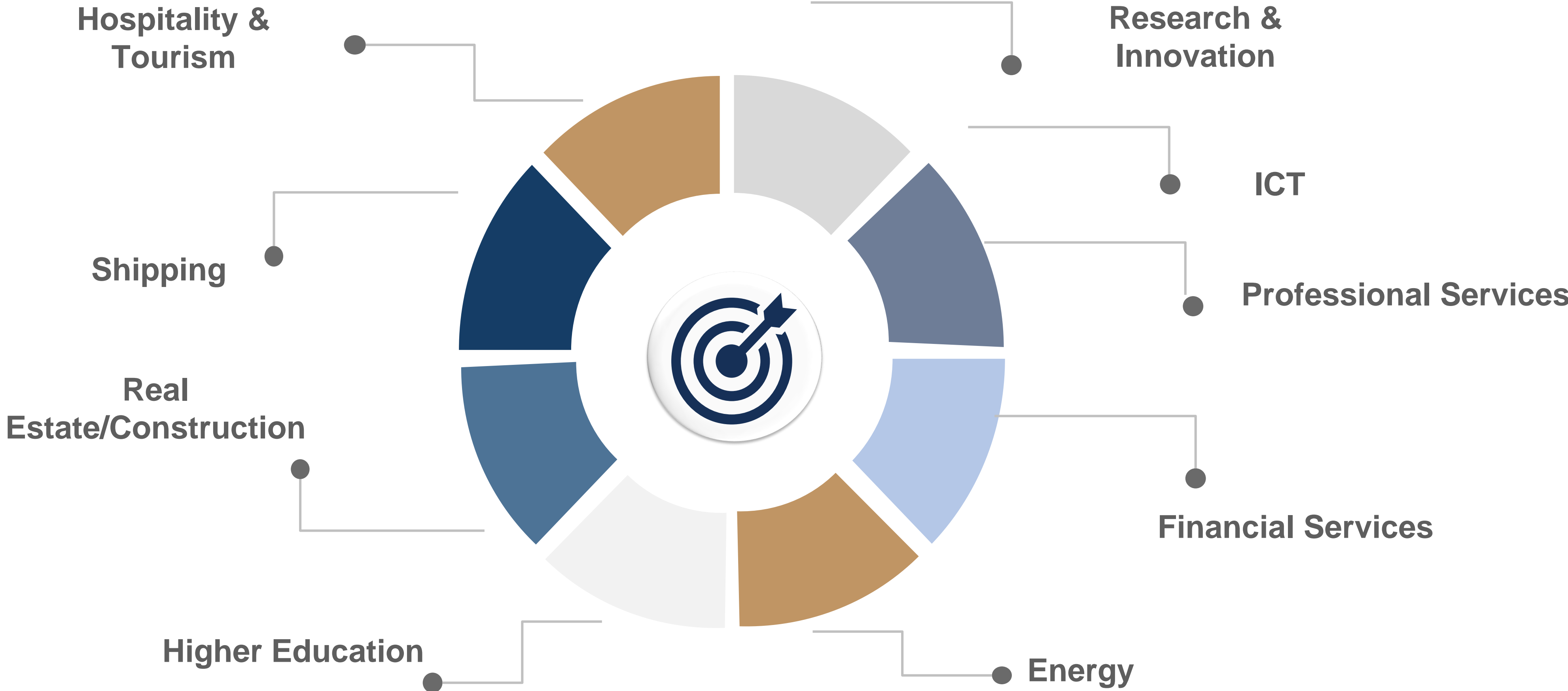


- Unemployment decreased to 6.4% in December 2021 (less than the Euro area average of 7.0% and same as the EU average)
- Flexibility of labor market and supportive fiscal measures contributed to normalization of labor conditions



MINISTRY OF FINANCE

KEY ECONOMIC SECTORS



MINISTRY OF FINANCE

LONG TERM VISION 2035

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

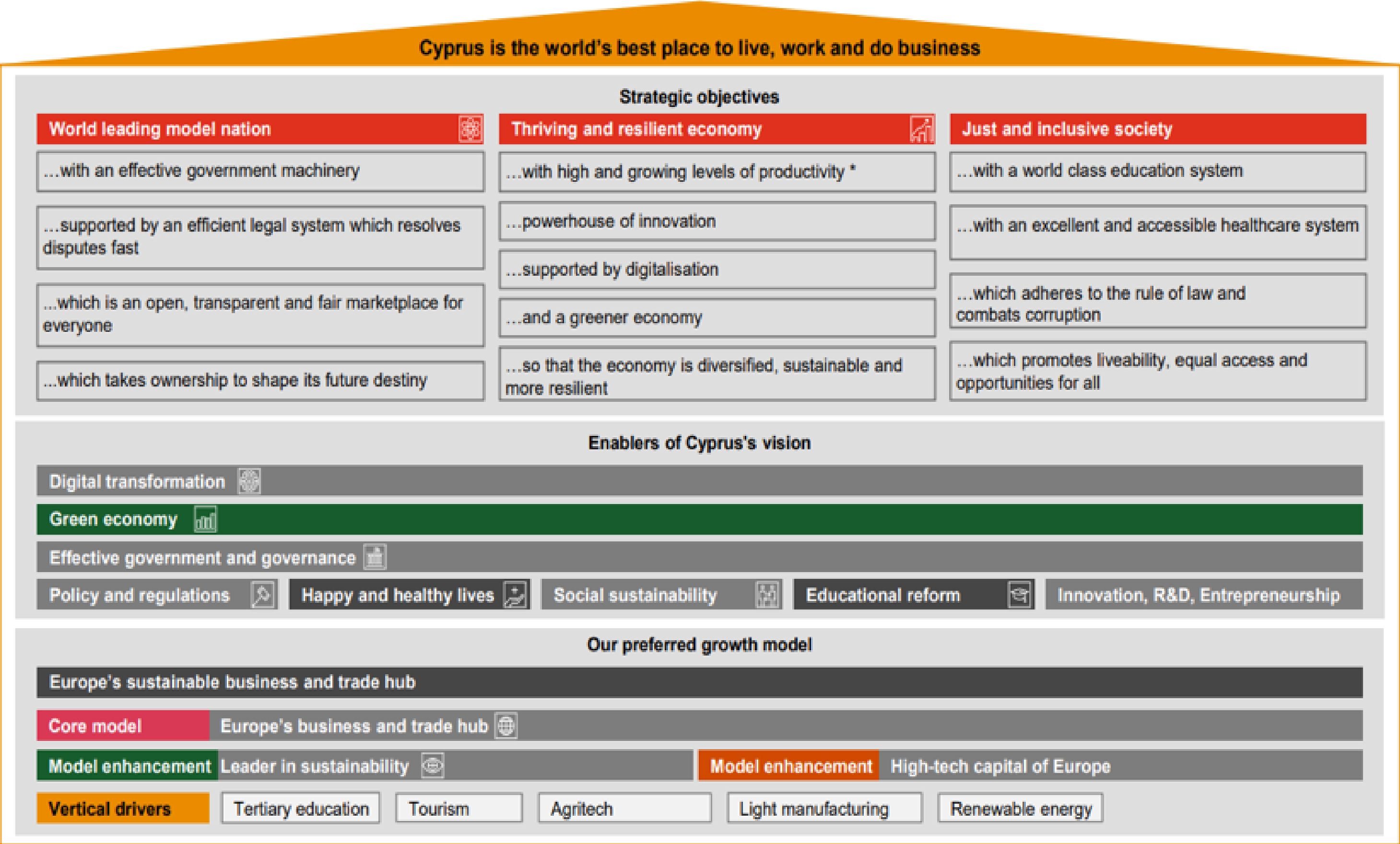
To do so we need to be a world leading model nation, with a thriving and resilient economy and a just, inclusive society. All aspects of the vision will be underpinned by cutting edge technology and environmental sustainability.



MINISTRY OF FINANCE



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

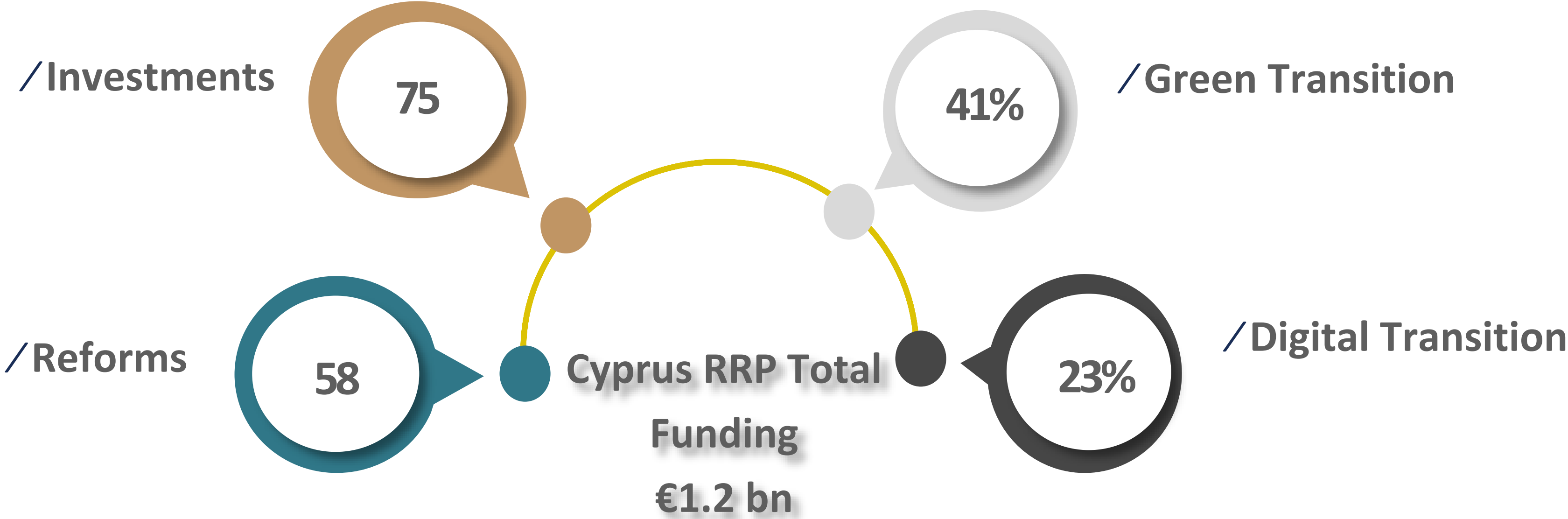


MINISTRY OF FINANCE



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



MINISTRY OF FINANCE

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**



MINISTRY OF FINANCE

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**



MINISTRY OF FINANCE

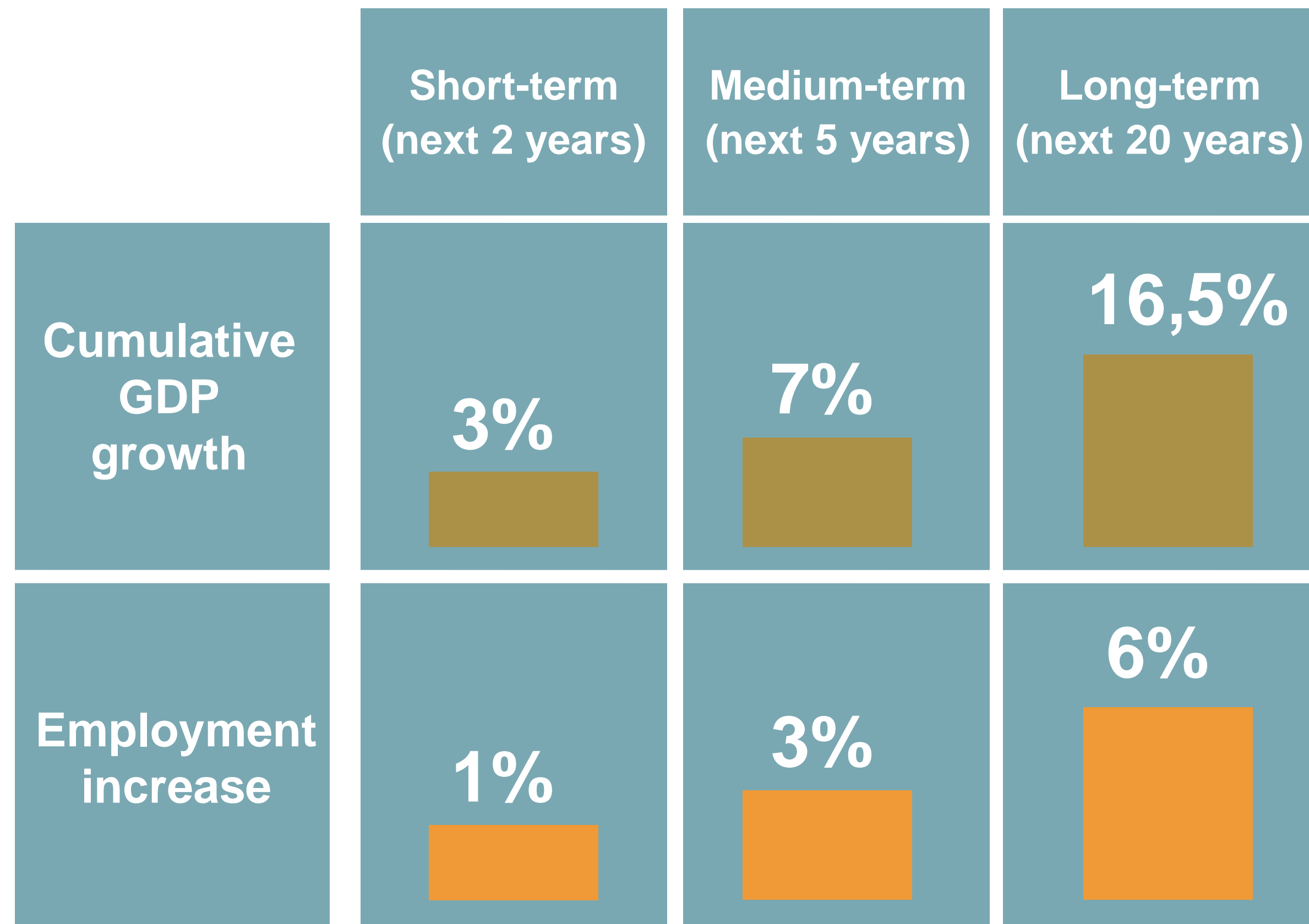
ESTIMATED UTILIZATION OF PRIVATE FUNDS €1,15 BLN.

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?



MINISTRY OF FINANCE

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



MINISTRY OF FINANCE

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



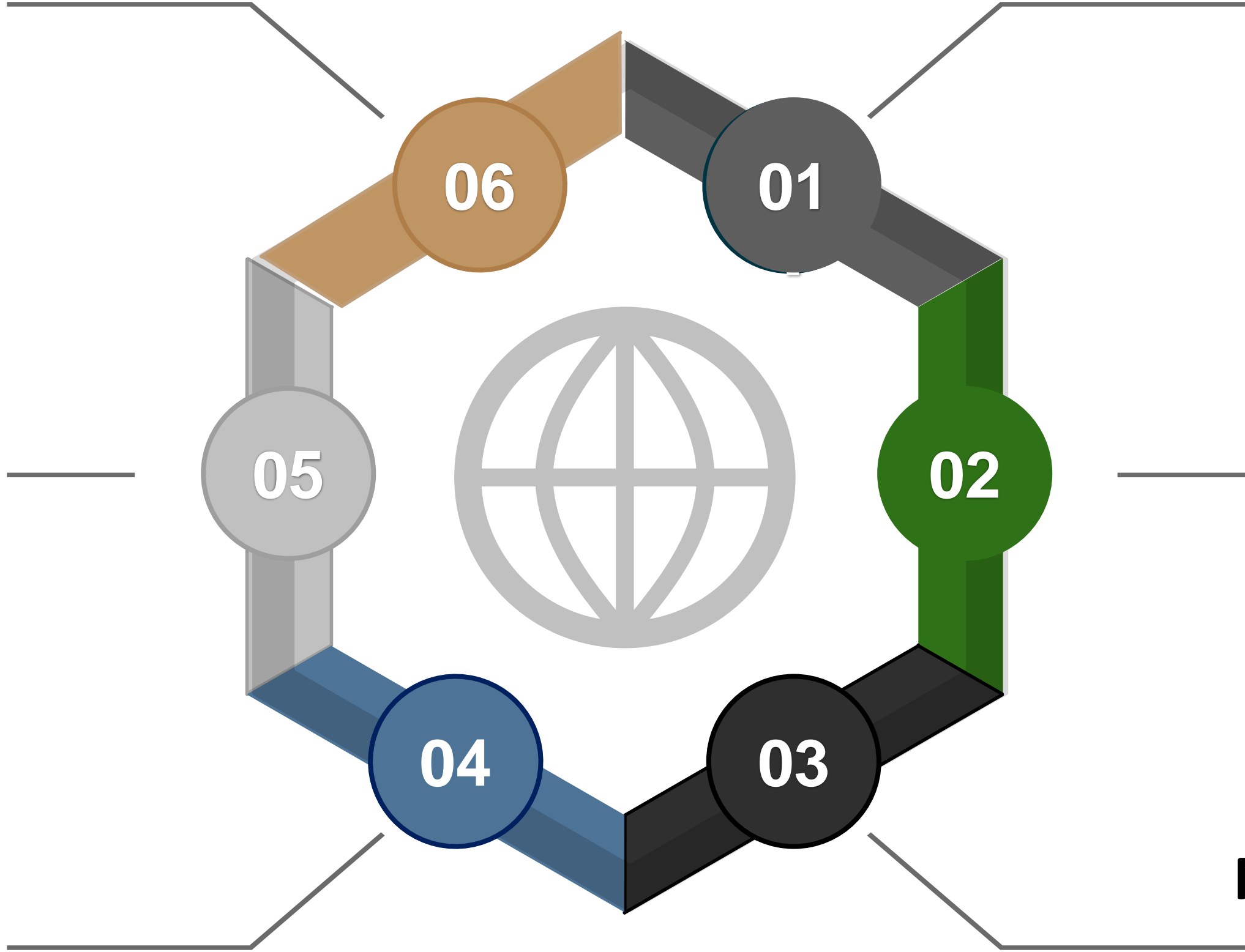
MINISTRY OF FINANCE

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



MINISTRY OF FINANCE

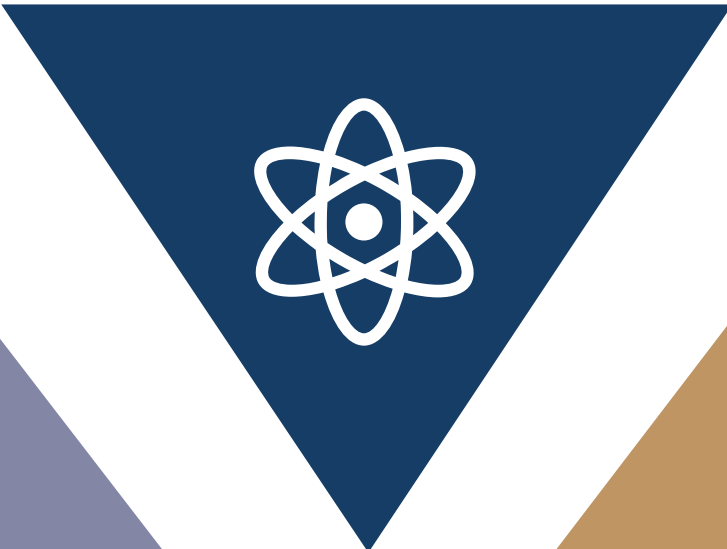
AN INTERNATIONAL BUSINESS CENTER



A GROWING EU FINANCIAL SERVICES CENTER

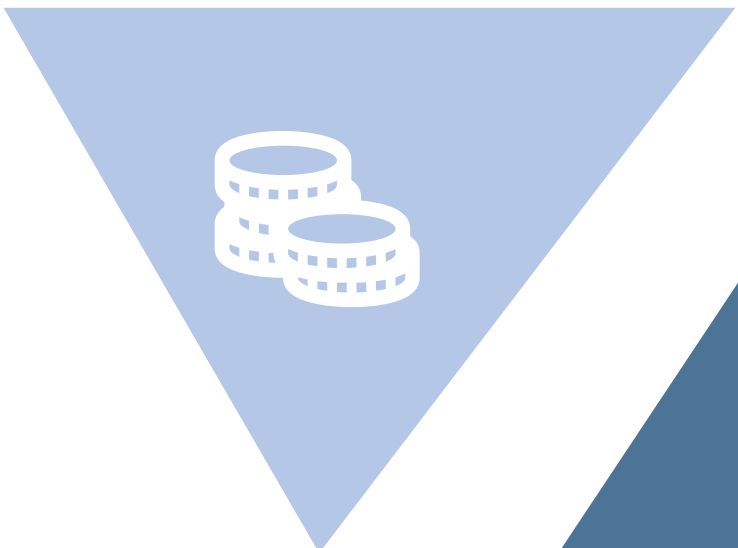
/ EU Passporting Rights – Management & Marketing throughout Europe

/ 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



MINISTRY OF FINANCE



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***



MINISTRY OF FINANCE

Thank you

MINISTRY OF FINANCE

