

GEMM Insights

CYPRUS – AN ATTRACTIVE INVESTMENT &
BUSINESS HUB

14TH EDITION

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An Attractive Investment & Business Hub



Traditional Investments

Real Estate

Tourism

Shipping

Emerging Investments

Startups

Technology

Investment Funds

Renewable Energy

Education

Healthcare

Introductory Message

Dear reader,

GEMM Insights 14th edition will focus on Cyprus as an attractive European Investment & Business hub.

A member of the EU since 2004 and the eurozone since 2008, Cyprus has gradually made a name for itself as a major trading hub and a choice destination for international businesses and investors looking for opportunities in Europe.

Strategically situated at the crossroads of Europe, Asia and Africa, the small yet dynamic island nation has a rich and sophisticated business culture, with access to more than 500 million EU citizens.

Ranked 54th of 190 economies in the World Bank's Doing Business 2020 report, and 16th out of the EU28, Cyprus enjoys a proven reputation as an international centre of excellence and boasts the necessary expertise to support key drivers of both the national and regional economy.

The country's established sectors, such as tourism, professional services and shipping, are playing a key role in driving economic growth. Equally or even more important, however, is that the island goes further still in redesigning its economic strategy, by developing additional business sectors with high added value and rich investment potential such as telecommunications, renewable energy, alternative tourism, health, innovation and technology.

The country's untapped potential also extends to financial services, given that the island stands at the gateway between European and MENA financial markets. The sector consists of a number of insurance and financial intermediation companies specialised in various fields such as investment funds, international trusts and fiduciary, as well as companies offering advisory services and their expertise in special licensed businesses. Cyprus is fast becoming one of Europe's foremost investment centres, with an accommodating legislative and regulatory environment to suit all manner of investment firms.

In an increasingly globalised economy, companies and individuals are tirelessly seeking a base that might allow them vital edge over their competition. And as Cyprus continues to foster what strengths exist already and explore new and untapped opportunities, few can ignore the emergence of the country as an important investment hub and a fertile business environment.

Yours faithfully,



George M. Ioannides
Founder & CEO



Macroeconomic trends

Macroeconomic trends (1/4)

Economic development

In 2013, the Government agreed a bailout package totalling €10,0 billion or 56,0% of Gross Domestic Product ("GDP"). As part of the package, operations of Cyprus' second largest bank, Laiki Bank, were terminated and depositors experienced significant losses. The bailout also involved a severe austerity programme, with cuts to public spending and tax hikes such as raising VAT to 19% and corporation tax to 12,5%, as well as privatisation procedures of some semi-government organisations and stated owned entities.

With the Government implementing the necessary reforms and budget cuts, the budget position has improved and, together with the lifting of capital controls, this brought credit rating upgrades in 2015. Cyprus exited its International Monetary Fund ("IMF") programme in March 2016, and the continued progress has led to further credit rating upgrades since then. The island's latest sovereign credit rating was upgraded by all major credit rating agencies reaching again investment grade status.

Cyprus Credit Rating				
Agency	Moody's	S&P	Fitch	DBRS
Previous rating	Ba1	BBB-	BBB- (stable)	BBB (Low)
Current rating	Ba1	BBB	BBB	BBB
Current rating as of	27/06/2023	02/09/2022	10/03/2023	08/04/2022
Upgrade/ Downgrade	upgrade	upgrade	upgrade	upgrade
Outlook	positive	stable	stable	stable

Source: Trading economics

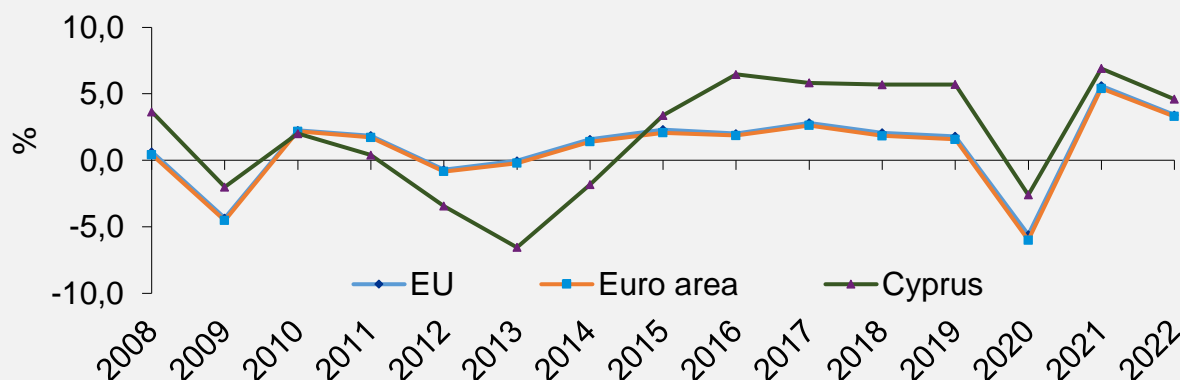
Structure of the economy

The economy is dominated by the services sector (87,0% of total output), whose share has continued to rise over the past decade at the expense of the industry sector (11,0%) as the euro crisis hit industrial sectors the hardest.

The share of exports of goods and services to GDP, at 91,52% in 2022, is high compared with the rest of the Eurozone, but this is because smaller countries are generally more open to trade

Cyprus GDP

Gross Domestic Product (y-o-y % change)

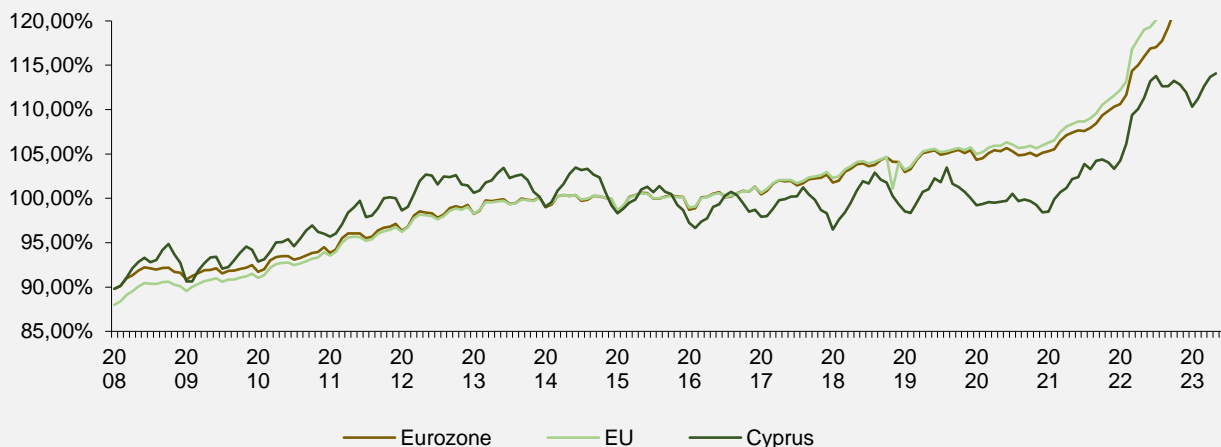


Macroeconomic trends (2/4)

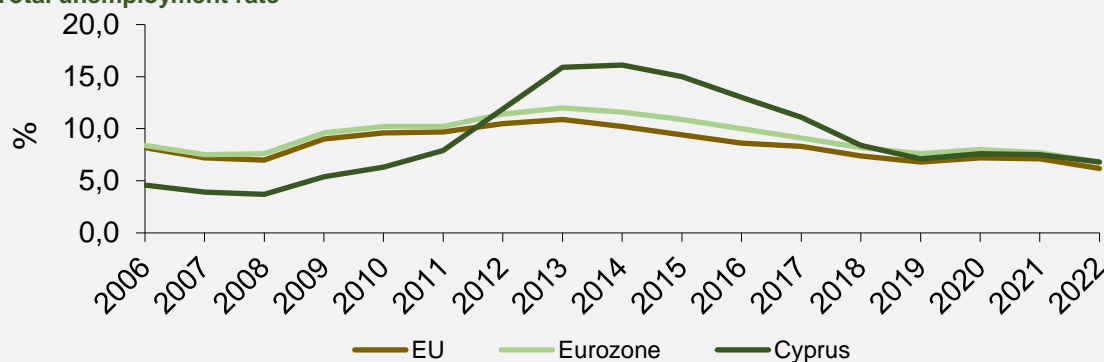
Inflation and unemployment

The inflation rate in Cyprus is below the average of the Eurozone.

Harmonised consumer price index (2015=100)



Total unemployment rate

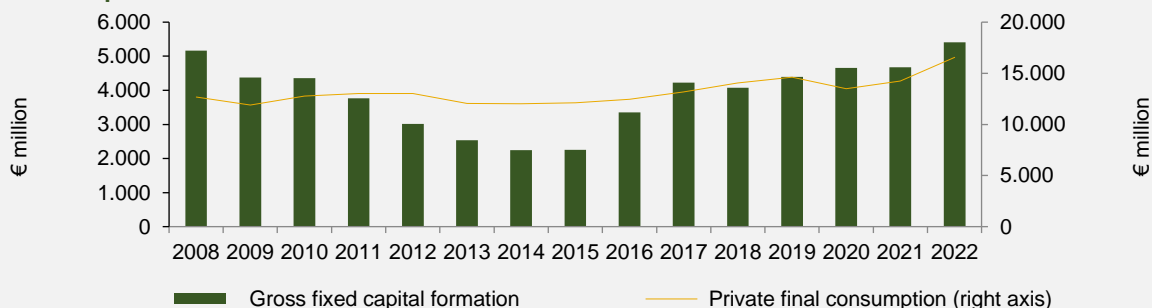


Source: CYSTAT & Eurostat

Investor confidence

Growth in GDP is currently mainly driven by increases in private consumption and gross fixed capital formation. Fixed capital formation in relation to building and works has grown with increasing positioning of capital both in relation to residential and non-residential properties.

GDP components evolution



Source: CYSTAT

Macroeconomic trends (3/4)

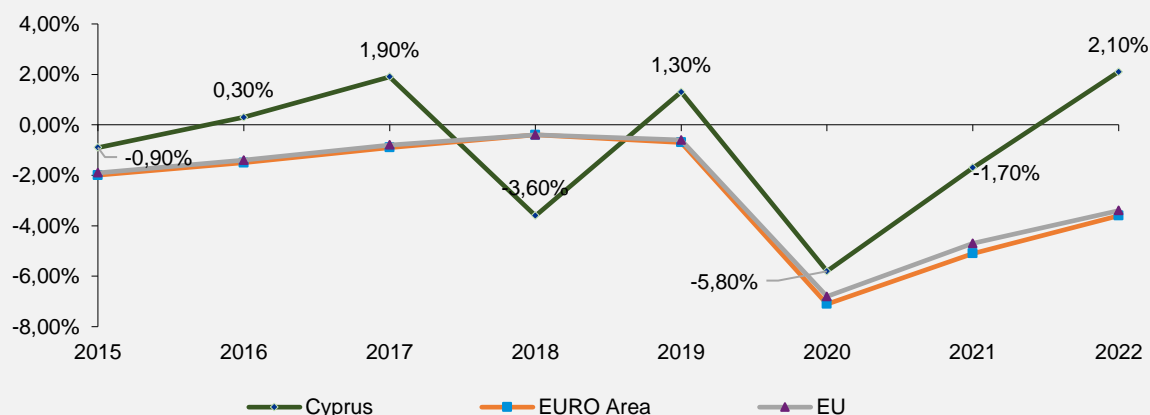
Cyprus government budget

Foreign investment flows have been significant over the last ten years. In the ten-year period 2012-2021, cumulative net FDI reached almost €18 billion. This investment was driven by equity, with the shipping/shipping finance and real estate sectors playing a significant role, while investment in communications is now also beginning to gain importance.

The growth performance of Cyprus over the last five years has been exceptional and even exceeded international expectations, while successive credit rating upgrades and new incentives have attracted billions in foreign investment since 2015, with significant inflows from the US, Asia, Russia and the Middle East.

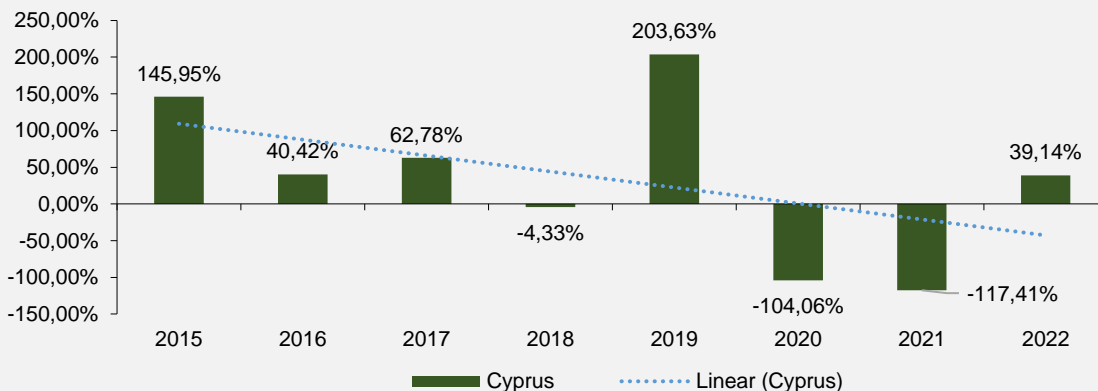
Cyprus' liberalized Foreign Direct Investment Policy, both for EU citizens and investors from third countries, along with its favorable tax regime makes it one of the most attractive centers for FDI in Europe.

General Government Deficity (% of GDP)



Source: Eurostat

Cyprus foreign direct investment, net inflows (% of GDP)



Source: Worldbank

Macroeconomic trends (4/4)

Main economic indicators and projected KPIs

Main Economic Indicators for Cyprus, 2010-2022								
	2019	2020	2021	2022	2023 Prov	2024 Proj	2025 Proj	2026 Proj
GDP growth (% y-o-y)	5,4	-4,4	6,6	5,6	2,8	3,0	3,1	3,2
Inflation (% y-o-y)	0,5	-1,1	2,3	8,1	3,2	2,5	2,0	2,0
Unemployment (%)	7,1	7,6	7,5	6,8	6,5	5,8	5,3	5,0
Public budget balance (% of GDP)	1,3	-5,8	-2,0	2,1	2,0	2,3	2,3	2,4
Gross public debt (% of GDP)	90,8	113,8	101,2	86,5	81,1	72,9	67,3	60,1

Source: Ministry of finance Expected

Country risk assessment



Business climate



Source: Coface

Source: CYSEC



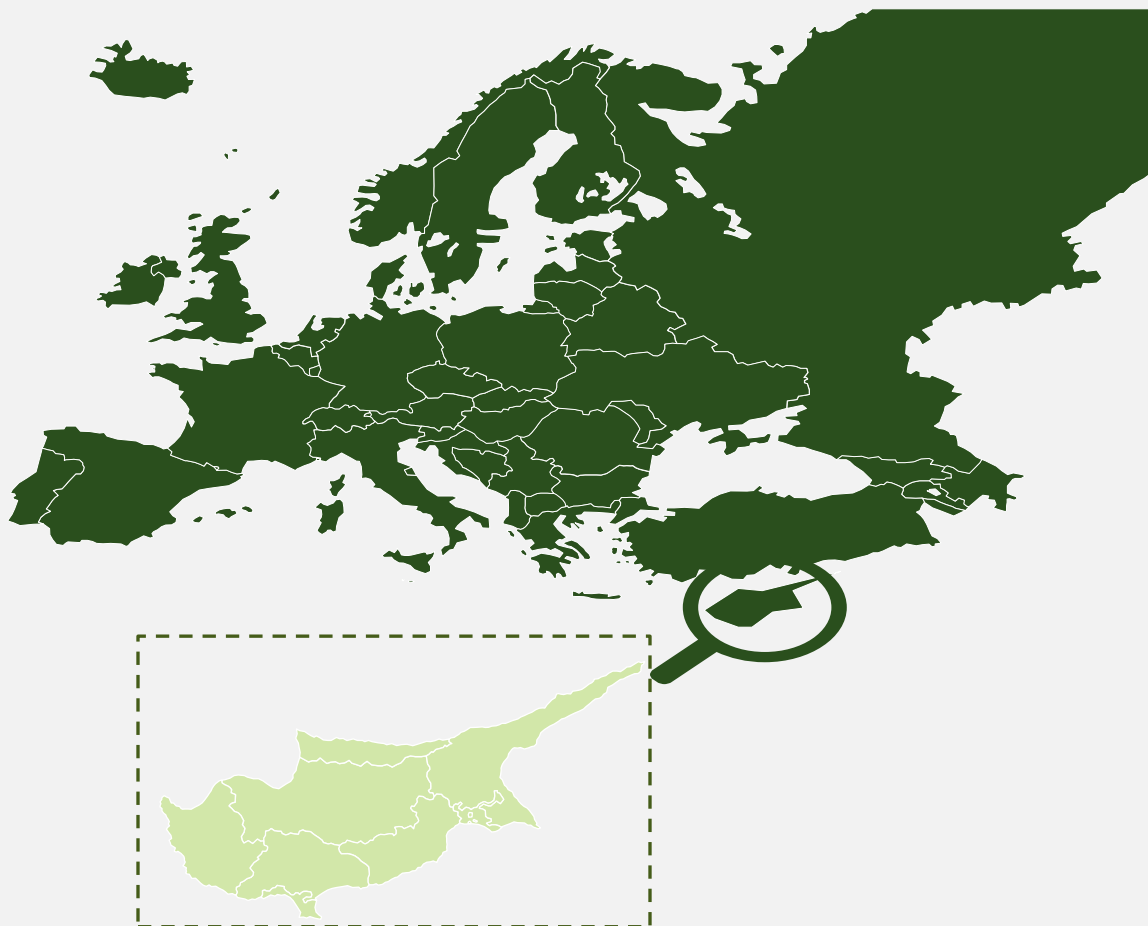
A European Investment hub

Cyprus – A European Investment hub (1/3)

Cyprus general overview

Cyprus' attractiveness as a business centre is attributed primarily to the following:

- **Strategic location** - Commands a **crossroad position** linking Europe, the Middle East, Asia and Africa
- **International business orientation** - It has more than 30 years' experience as an international business centre with many banks and multinational companies operating from Cyprus.
- **Safety** - Ranked as the one of safest countries in the EU, with one of the lowest crime rate (i.e., 10,4% of the population reported crime occurrence in their area) according to Eurostat (2020).
- **Multilingual & high-quality professionals** - 85% English literacy rate.
- **Ease of doing business** which is supported by a pro-business tax & legal system modelled on English common law.
- Full alignment & harmonisation to the EU regulatory environment.



Cyprus – A European Investment hub (2/3)

Why consider Cyprus as an investment & business hub?

Theoretically, Investments refer to any activity that intends to exploit new opportunities with the sole purpose of capital increase. So, when an investment is materialized, the outcome should result in profit and capital increase, otherwise is considered as a spending.

So, what are the reasons that any investor should take into consideration prior to investing their capital or relocating their business in Cyprus when in fact the combinations of opportunities and options in the international market are limitless? What is the Competitive advantage of Cyprus? These are some basic questions that anyone should ask prior to selecting Cyprus over other countries as their investment destination.

From our experience as business orientated individuals leaving in Cyprus for more than 20 years, we have identified that there are many promising investment opportunities of various types in Cyprus for the following reasons:

1. Resilient economy

Considering that after the financial crash crisis of the banking system in 2013, the Bailout program, signed by the Cyprus Government with the European Commission, the European Central Bank (ECB) and the International Monetary Fund (IMF), the downgrade to “junk” creditworthiness and the implementation of the AML directives, Cyprus managed to rise back up, thrive and earned its place among the most dynamic and stable business centres, with a growing economy that attracts international investments.

In addition to the above, while many countries continue to struggle to recover in the wake of the pandemic, the economy of Cyprus has proved resilient over the past few years, particularly as it relates to Foreign Direct Investment (“FDI”).

2. Legal & Tax system

Cyprus common law principles based legal system and attractive tax system make it a desirable locale for international companies, institutional investors and high net worth individuals.

There is a 12,5% corporate income tax rate, one of the lowest in Europe, and tax deductions and exemptions such as no withholding of taxes and no tax on profits for the disposal of securities or capital gains. There is also a flat tax rate of 8% on carried interest and performance fees for fund managers, no wealth and inheritance tax, an 80% exemption on IP and new equity injected to local entities, and a 50% exemption on personal tax for new non-domiciled employees.

3. Cost of Living

Even though the cost of living has increased compared to previous years, still Cyprus stands out compared to its European counterparts. During 2022, the cost of living in Nicosia (Capital of Cyprus), was approximately 35% lower than other EU capitals. In regard to inflation, Cyprus maintains the 5th lowest inflation rate within the EU27.

Cyprus – A European Investment hub (3/3)

Why consider Cyprus as an investment & business hub? (cont.)

4. Attractive hub for new companies and talent

This year, Cyprus has issued, to date, more than 9.000 work permits to highly skilled employees who relocated, with a lot of interest coming from technology groups. Moreover, many groups are choosing Cyprus as their ideal IP holding and/or financing jurisdiction.

With the introduction of incentives for high-net-worth individuals aiming to facilitate the physical relocation of key decision makers and business owners to the Island, solidifies Cyprus positioning as a regional hub to headquarters and international business. The recent enactment of the newly approved migration policy enables the relocation of large numbers of staff (up to 200, that can go as high as 300), with a fast-track process for obtaining relevant working permits which has also been extended to allow flexibility for family members as well.

5. Digitalisation

The governments has the digital transformation of the economy at the top of its agenda. As per Global Innovation Index of 2022, Cyprus has scored the 27th place out of 132 countries.

6. Introduction and promotion of fund vehicles

The introduction of a range of fund vehicles such as AIF's, RAIF's and so on has contributed to addressing the growing needs of investors which demonstrates the willingness of Cyprus to create the appropriate legal vehicles to match the needs and requirements of foreign investors.

Concluding remarks

Irrespective of the sector, Cyprus has demonstrated the ability to attract high skill industries due to its strong economy, strategic location, attractive framework and high quality of living.

Cyprus commitment to long term and sustainable working practices, which are all reflected in a modern and well-functioning regulatory framework, have increased and continue to increase Cyprus competitiveness and contributed to making Cyprus a true European Investment & Business hub.



Traditional & Emerging Investments

Traditional & emerging investments (1/6)

Cyprus being an attractive European and Business hub, offers a number of investment opportunities to investors. If we were to select some, I would select from the following traditional and emerging industries.

A) Traditional Investments

1. Tourism industry and related infrastructures

Cyprus strives to enhance its competitiveness as a premium touristic destination, diving into niche areas, upgrading its offering and developing new experiences. Strategic large-scale projects, such as luxury resorts, marinas in all major seafront cities and the new integrated casino resort, are expected to further stimulate this booming industry.

The number of foreign investors concluding multimillion euro deals in the last several years underlines the fact that tourism related real estate and infrastructure continues to be one of the most attractive investment opportunities in Cyprus.

The construction and investment in multipurpose projects and mixed-use developments such as luxury marinas, golf courses and more recently the island's first and only integrated luxury casino resort, are all part of the ongoing strategy to upgrade's Cyprus tourism product.

Spurred by the development of the Casino, Cyprus gathered another landmark investment deal in 2022 with Israel business tycoon Gilad Shabtai investing in over 130.000 sqm of land for development surrounding the new integrated casino resort in Limassol.

Following the success of Limassol Marina, more investment has flowed into marina developments on the Cypriot coast. The €300 million luxury Ayia Napa Marina is under construction with berthing facilities and a commercial village now fully operational. In addition to the Limassol and Ayia Napa marina which is expected to be completed within 2023, Paralimni, Paphos and Larnaca Marinas are about to commence construction with Larnaca Marina being already in progress.

Major investments have also been made in the hospitality industry with acquisitions and the construction of new luxury hotels by renowned hotel management chains. Some to be named are a) the Radisson Hotel Group which has plans to grow its existing portfolio in the country to six hotels and almost 1.000 rooms by 2025, b) Marriot International which opened the Parklane Luxury Collection Resort & Spa resort in Limassol, c) Hyatt Hotels corporation which will launch the first Hyatt hotel in Cyprus in 2025, d) Zaria resort a mixed used luxury development covering a total area of approximately 80.000 sqm and d) Sofitel Resort which is under construction and expected to be completed within 2023.

2. Real Estate

The real estate industry is thriving in Cyprus. Nowadays, there are numerous attractive opportunities in real estate, both commercial and residential units, all over Cyprus that promise a relatively secure initial capital investment, a rewarding Return on Investment (ROI) and capital appreciation.

Traditional & emerging investments (2/6)

2. Real Estate (cont.)

The Cyprus real estate market is particularly resilient, with transaction activity levels in 2022, exceeding expectations, reaching a record-high of €5,2bn in value, recording an annual increase of 27% compared to year 2021.

Volume and value of properties transacted



Source: DLS

The increasing trend of contracts of sale in recent years is mainly driven by the combined effect of:

- An increase in domestic demand;
- The introduction of new regulation to attract foreign investment; and
- The introduction of various tax incentives.

In 2021 and up to December 2022, the number of properties for which sale contracts were filed reached a historic high with 3,691 and 5,928 contracts respectively filed by non-nationals.

In the same period, the highest volume of properties for which sale contracts were filed by non-nationals was recorded in Paphos, Limassol and Larnaca. As per information obtained from the Department of Land and Surveys the majority of sales to non-nationals relate to residential properties.

Notably, in 2022, double digit growth of investment by non-nationals was recorded in all four districts of Cyprus except Nicosia which experienced a slight fall of 2%; Limassol experiencing the highest growth of all districts compared to previous year (80%).

Traditional & emerging investments (3/6)

3. Shipping

The Cyprus Shipping Registry is one of the largest in the EU (it constitutes approximately 25% of the whole EU fleet) and the 11st largest worldwide. Moreover, Cyprus is the biggest third-party ship management centre in the EU and the Cyprus flag is on the whitelist of Paris MOU.

An investment in this industry, through the establishment of a Cyprus entity, is considered to be very promising since the services, registration fees and taxes are very competitive, compared to other EU member states.

With the new TT system, Cyprus retains its global position as a leading shipping and ship management centre within the EU since it continues to have the most modern, competitive, flexible, fully approved Tonnage Tax system in the EU, combined with an excellent infrastructure and an extremely competitive tax system with the lowest corporate tax rate in the EU.

B) Emerging Investments

1. Startups

In the last few years there is a substantial increase of startups in Cyprus. The high % of educated workforce and eligible human capital, the incentives given by the government (i.e., startup visa regime etc.), as well as, the straightforward legislative incorporation framework and attractive tax system, are some of the main factors that contributed to the startup's sector growth.

Major players in the field of technology have proven that Cyprus is a very favourable jurisdiction for startups, since, after their establishment in Cyprus they run their international multi-million businesses successfully.

2. Technology

Cyprus has been attracting major international companies of the Information and Communication Technology (ICT) industry to take advantage of the benefits of Cyprus as a hub for software development and R&D activities. In addition, the island currently boasts the headquartering of an increased number of innovative start-ups.

With a combination of an attractive taxation system, a business & friendly environment, a diverse collection of international IP rights and taxation treaties, as well as compliance with EU standards and OECD's guidance, the Cyprus IP regime provides international investors with financial benefits and full protection of IP assets. The regime has been assessed as fully compatible with EU standards.

A number of technology companies have set up businesses in Cyprus, enjoying the benefits of the Cyprus IP regime. The copyrighted software programmes developed by these companies are qualifying assets under the provisions of the IP regime, and the qualifying profits of these companies are eligible for the tax deduction offered by the regime.

Traditional & emerging investments (4/6)

B) Emerging Investments (cont.)

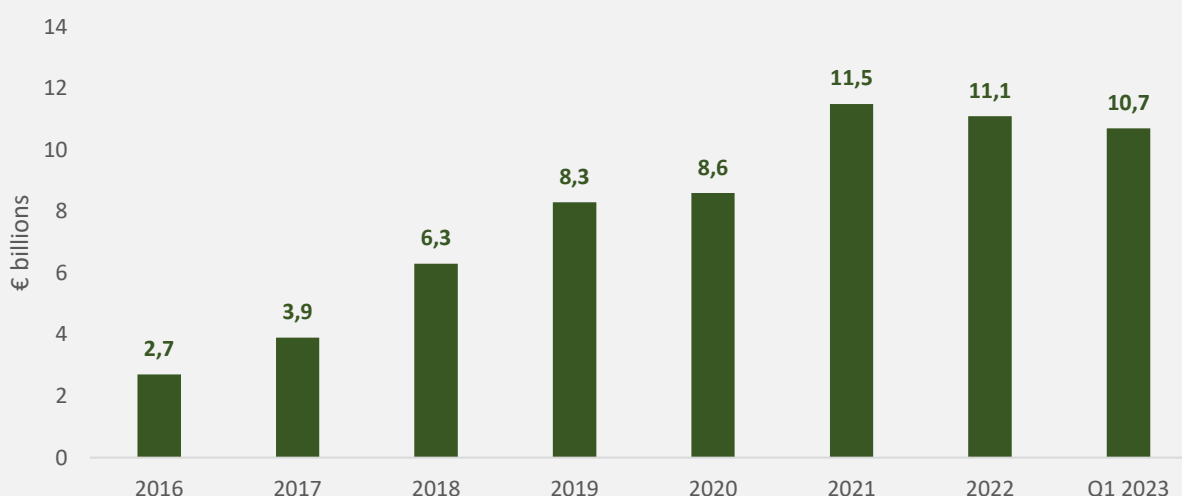
3. Investment funds

Based on CYSEC quarterly statistics (31/03/2023), CYSEC has under its supervision in total 335 Management Companies and undertakings of Collective Investments ("UCIs"). The total number of companies includes, 223 Externally Managed UCIs, 39 Internally Managed UCIs and 73 External Fund Managers.

The total Assets Under Management ("AUM") for the 1st quarter of 2023 reached €10,7 billion recording a 12,44% increase since the 4th quarter of 2022. The UCIs, management by the Management Companies had a Net Asset Value ("NAV") of €9,7 billion.

The graph below illustrates the evolution of AUM for the period from 2017 to the 1st quarter of 2023.

Assets Under Management ("AUM") 2016 - Q1 2023



Source: CYSEC

Investments funds have already invested more than €2 billion in several sectors of the Cypriot economy such as shipping, hospitality, education, healthcare and renewable energy.

Traditional & emerging investments (5/6)

B) Emerging Investments (cont.)

4. Renewable energy

The country currently generates roughly 11% of its electricity from renewable energy sources, rising by an average of 1% annually since 2014. While Cyprus is still largely dependent on locally-sourced energy and gas, a challenge the government hopes to overcome by 2030, there is a new interest to put the Cyprus natural landscape to better use at the same time as foreign investment projects pour into the country.

Cyprus is already established as one of the most competitive and beneficial business destinations among EU countries. Often, however, energy resources are overlooked when considering the best business and investment jurisdictions. Yet, energy production and energy-efficient solutions offer both financial benefits for corporations as well as cutting-edge business investment opportunities.

As Cyprus renewable energy capability is expanded, more investment opportunities are opening up to help deal with the limitations of the energy sector on the island. Several key areas of investment potential include:

- Grid stability and reliability technology and solutions such as interconnections among international electrical networks in Europe and storage capacity for both long- and short-term context
- Pumped water solutions and desalination plants or other water-based energy options
- Promoting private initiatives among other sectors such as in real estate development or tourism
- Shifts away from state-controlled enterprises and more competition among private companies

5. Education

Education in Cyprus is considered a strategic sector for Cyprus, one that is continuously being promoted and developed aiming to transform the island into an international education centre of excellence.

In fact, Cyprus spends more than 7% of its GDP on education, the third highest share in the European Union after Denmark and Sweden.

Cyprus education sector is being reinforced with important additions and investments, with a number of large development projects in pipeline or already under construction.

Traditional & emerging investments (6/6)

B) Emerging Investments (cont.)

5. Education (cont.)

Some of the most important educational developments and investments are the following:

American University of Beirut

The estimated investment cost will be approximately €29 million. The University will be located in Paphos and will follow the American educational standards.

European University Medical School

The development is in progress and is expected to be delivered in 2024. The total estimated investment is approximately €8 million, and the new addition will be comprised of a six-floor building which will host the University's medical & dentistry department.

Private student campus in Limassol

Currently the new private student campus is under construction and is expected to be delivered in 2023/2024. The total investment by Griblo Investments Ltd is approximately €40 million. The project will be comprised of shops, offices, green areas, pool, gym and other private apartments.

Old town Nicosia student residences

The Nicosia Municipality has requested tenders for the construction of student residences with an estimated value of €4 million. The project will be funded by the EU Recovery and Resilience mechanism under the Cyprus Recovery and Resilience Plan.

TEPAK's school of Tourism

TEPAK's school of Tourism Management, Hospitality and Entrepreneurship in Paphos is under construction and is expected to welcome its first students by the end of 2023. The total investment is estimated to be €11 million and is funded by the EU's THALIA 2021-2027 programme

6. Healthcare

The island has undertaken ambitious reforms and pragmatic investments to transform the healthcare sector. Under the new National Health Insurance System, Cyprus is making great strides towards making the healthcare infrastructure more affordable and efficient. The healthcare sector of the island is ripe with a wide array of lucrative investments to enhance healthcare delivery, establish e-health infrastructure and undermine fiscal risks.

The Cypriot healthcare reforms have made immense progress. The quality of IT infrastructure and professional training has increased, and healthcare providers are being trained to deliver enhanced communications, support and treatments. Specialized care is all set to emerge as one of the greatest milestones in Cyprus' ambition for healthcare reforms.



GEMM's tailored made solutions

How can we help (1/2)

GEMM Business Consultants Limited portfolio of services draws on our core capabilities of research, benchmarking, modelling, analysis and strategy development to help companies determine the best way forward with precision and confidence.

Clients can rely on us to define clear, practicable solutions for their challenges and opportunities while seeking our support during their transition, ensuring they have the relevant capability and commitment to change.

Our Business and Management consultancy capabilities are briefly outlined below:



Strategy &
ESG



Business
valuation &
appraisals



Forensic &
Fraud
Investigations
/ Expert
Witness



Mergers &
Acquisitions



Audit
Specialist
reviews



Startup
advisory
services



Capital advisory & Capital
raising / Project &
Infrastructure finance / Real
Estate Solution services



Private Equity
& Portfolio
appraisals /
External
Valuers



Financial due diligence /
Vendor due diligence



Restructuring
& Re-
organization
services

For more information about GEMM Business Consultants Limited core services and capabilities please visit our website: www.gemmcy.com.

How can we help (2/2)

GEMM has built up strong strategic partnerships with esteemed Cyprus based originations aiming to offer a full-scope services adapted to our international and local-based clients, encompassing large multinationals, banking institutions, and high-net-worth individuals. Services include, among others, Fiduciary, Company Administration, Secretarial, Accounting & Bookkeeping, Escrow, Payroll, and Fund Administration services. These include:



Compliance advisory services (FACTA & CSR, DAC 6 & DAC 7)



Company registration administration & secretarial services



Banking services



Accounting & Payroll



Trustee services



Fiduciary services



Fund administration services



Immigration services



Contact details

ADDRESS

Arch. Makariou III, 88
1077 Nicosia, Cyprus

Contact Person & Position

George M. Ioannides
Founder & CEO

HOURS

Mon-Fri 08:30 to 18:00
weekends closed

Mobile

+357 – 99 - 566558

E-MAIL

gioannides@gemmcy.com

info@gemmcy.com

Phone

+357 – 22 - 267105

WEBSITE

www.gemmcy.com

LinkedIn / Facebook / Instagram

GEMM Business Consultants
Limited



www.gemmcy.com

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