

Cyprus

Over the years Cyprus has developed at an astounding rate and earned a reputation as a reliable international financial centre. This buoyant and dynamic business environment is underpinned by a sophisticated infrastructure, a highly-educated workforce, a favourable tax system, and a modern banking and insurance network, not to mention a strategic geographical location at the crossroads of three continents, with easy access to international markets.

Cyprus' reputation was further enhanced following its accession to the European Union in 2004, which coincided with a thorough reform of the tax legislation in order to bring it in line with EU requirements and also with OECD requirements against harmful tax practices. With the new tax legislation, Cyprus maintains and enhances its competitiveness as an international financial centre and an ideal and effective location for wealth management.

In the progress report issued by OECD in the recent G20 summit, Cyprus was included in the 'clean list' of 40 countries that have substantially implemented the internationally agreed tax standards. Given the tough sanctions being considered by

the G20 on countries which have not yet adopted the anti tax avoidance legislation, this acknowledgement for Cyprus' compliance sets it on course ahead of its traditional jurisdictional rivals in becoming a top tier tax and business centre.

Integral to Cyprus' favorable tax regime is the extensive network of double taxation treaties (DTTs) that Cyprus has concluded with a number

of countries. These treaties are a useful tax-planning tool to protect businesses and individuals against double taxation of income earned in other countries. Constructive use of the Cyprus treaty network has rendered considerable advantages to businesses and individuals who have chosen Cyprus as the jurisdiction to establish their legal entities.

When Cyprus declared its independence in 1960, it inherited seven DTTs including treaties with the UK, Canada, Scandinavian countries, New Zealand and the United States of America. Today, Cyprus has signed DTTs with 47 countries and is in negotiations with another 50 countries. The latest DTT was signed with Qatar in November 2008.

Rectifying a perceived anomaly in intra-EU relations, Spain, who listed Cyprus among its blacklist even post EU accession in 2004, has also recently decreed in December 2008 that free movement of capital and freedom of establishment would confer previously unavailable benefits to blacklisted EU jurisdictions, including Cyprus. This opens a new market for Cyprus and a promising gateway, through careful tax planning to the jurisdictions of southern America, which frequently couple Spain with their international tax structures.

In addition, Cyprus' tax laws and double taxation treaties can be used to attain tax free gains on the trading of securities, between 10% and 15% tax on interest income and zero withholding taxes on payment of dividends to foreign resident shareholders of Cyprus companies. All of these factors are huge benefits for the wealth management industry in Cyprus and persons operating within it.



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The current financial turmoil has inevitably had a massive effect on the global economy, with companies, financial institutions, professional advisers and the general public feeling the pinch the world over. Despite this, Cyprus seems to be bucking the trend, as the crisis has not heavily affected the local economy in general and more specifically the industry of professional services, including wealth management.

This is partly due to the stability of the Euro currency, which has been a significant factor in preserving the attractiveness of the Cyprus banking system for foreign deposits and new foreign investors. In addition to this, the country's highly favorable tax system has continued to attract both new investors and those investors who recognise periods of turmoil as an opportunity for restructuring existing wealth and assets.

While the effects of the international crisis have so far been minimal in Cyprus, the reality and the seriousness of the situation cannot be ignored, and the consequences will ultimately make themselves felt. In light of this, it is expected that if the current world economic conditions do not improve the crisis will catch up with Cyprus in the near future, probably the third quarter of 2009.

Despite this prediction, the professional services industry in Cyprus is forecast to continue to grow, albeit at a slower rate than that experienced in previous years. The industry will be buoyed by those important decision makers around the world who recognise the need for continued and more efficient tax planning.

At Fidelico our core service is the provision of corporate management but we also aim to optimise the tax strategies of our clients by providing comprehensive advice on tax structures and tax planning. We also provide consulting services, project management, corporate and personal banking, and accounting and book-keeping services.

The firm comprises a team of young and enthusiastic professionals, who pride themselves on offering high quality services to high net-worth individuals and organisations. We strive to offer bespoke and tailor-made services to each of our clients and we believe in creating and maintaining long lasting relationships. The proactive team spirit among our people is reflected in the way we do business.

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