

# Investment into the Middle East/ North Africa through Cyprus

February 2016



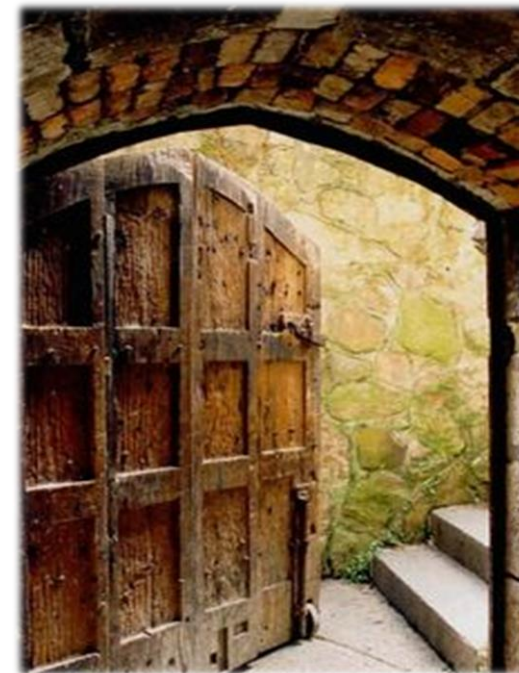
# Why Cyprus?

- Established investment and business centre of excellence
- Ease of doing business at reasonable cost
- Flexible legal system based on English Common Law system
- Opportunities in energy sector where Cyprus can serve as a hub in East Mediterranean
- Easy access to markets
- Enhanced transparency and substance
- Many companies moving their base to Cyprus
- Knowledge of international business
- Secure location in Middle East
- Infrastructure and air connections between Europe and Middle East



# Cyprus and the Middle East/North Africa

- Historically excellent relationship with countries in Middle East and North Africa
  - Israel, Egypt, Lebanon, UAE, Qatar, Iran etc.
- Enhanced recently by developments in Energy sector and new cooperative initiatives e.g. with Israel and Egypt
- Recent lifting of sanctions in Iran is a of opportunity



# Recent International Developments

- Expected anti-treaty abuse provisions to be introduced under the BEPS initiatives and limitation of benefits provisions
- Aim to counter harmful tax practices and to amend the IP Box regimes
- Considerations of substance and business purpose provisions of the EU Parent/Subsidiary and the Interest and Royalties Directives
- Shifting of profits and transfer pricing issues



# Advantages for tax resident companies with presence and substance in Cyprus

- Specific tax advantages for individuals employed in Cyprus
- Exempt interest and dividends income for non-domiciled individuals
- Work permits for EU and non-EU employees
- Possibility of obtaining Cypriot passports by third country nationals
- High standard of living
- Highly secure and pleasant environment

# Advantages for tax resident companies with presence and substance in Cyprus (continued)

- Cyprus has a large Double Tax Treaty network, with over 50 DTTs, many of which are with Middle Eastern and North African countries, e.g. Kuwait, Qatar, UAE, Lebanon, Iran, Egypt
- No WHT on payments of dividend, interest or royalty
- No tax on dividends in Cyprus
- Effective financing using Notional Interest Deduction can reduce effective tax rate to around 2.5%
- Special IP regime can reduce effective tax rate on royalties to nearly 2.5%

# Funds established in Cyprus

- Collective investment is possible using vehicles such as funds
- All income of a Cyprus tax resident Fund is tax free, with exception of interest income which can be reduced significantly with NID
- No WHT on any type of payments to non-residents
- Reduced reporting requirements
- Passive income of non-domiciled individuals are tax exempt in Cyprus, even if the source of the income is remitted to Cyprus
- Carried interest for fund managers expected to be taxed at significantly lower rates than other jurisdictions



# Baker Tilly South East Europe



## Who we are

Baker Tilly operates under a **unified structure** directed by a single, central management team, with offices in:

- ✓ Cyprus
- ✓ Bulgaria
- ✓ Greece
- ✓ Romania
- ✓ Moldova



Our **strong geographical presence** allows complete coverage of the Balkan region gives us in-house expertise in the countries where our clients do business

20 directors and more than 300 professionals work every day to help more than 6.000 business operating both nationally and internationally

Baker Tilly has been operating in Bulgaria for more than **10 years** and is one of the top 10 firms within the country with almost **40 people** working at our Sofia office



## Our Services

- Complete range of services with a one-stop shop approach
- Single point of contact
- Teams of experts available across the region to cater to all client needs

## Key areas of expertise

- Audit for companies across all industries
- Restructuring and recovery services
- Financial consulting e.g. AQR's investigations and forensic services
- Tax and VAT consulting and compliance services
- Complete range of business support services

## Baker Tilly International

Baker Tilly South East Europe is an independent member of the Baker Tilly International network

### Latest data:

- One of the world's leading networks of independently owned and managed accountancy and business advisory firms
- **28.000** employees in **141** Countries
- **165** Independent Member Firms across four geographical areas
- **8<sup>th</sup>** largest accountancy firm worldwide in terms of fees earned with an annual turnover of **\$3,8bn**

# Thank you



Marios A. Klitou  
CEO  
Baker Tilly Klitou

Tel. +357-22458500, Fax. +357-22751648  
Email: [marios@bakertillyklitou.com](mailto:marios@bakertillyklitou.com)

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