



The Great Britain-Cyprus Business Gazette

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Philokypros Roussounides, Director General, CYPRUS HOTEL ASSOCIATION: Cyprus is ready to welcome the British people as it has always been. Cyprus is ready to welcome the British people as it has always been. We are probably the safest destination around and we have been a benchmark around Europe in the way we handled the Pandemic and thrived through our protocols in place that govern the Tourism industry. (Page 16)

Boris Johnson: the UK could impose quarantine restrictions on further European countries if a "second wave" of coronavirus hits the continent "It's vital that when people are coming back from abroad, if they are coming back from a place where I'm afraid there is another outbreak, they must go into quarantine," he said. (Page 3)



Christos Karaolis, President of the National Federation of Cypriots in the UK:

"I'd like to extend my congratulations to the Great Britain-Cyprus Business Association on reaching this milestone of 50 members. Collaboration and support between businesses is more crucial now, than ever before. So, it is great to see the Association continuing to grow. and thrive" (Page 11)

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EDITORIAL

The Tough Road to Economic Recovery

By Savvas Kyriakides, Founder and President of Great Britain-Cyprus Business Association



We will all remember 2020 as one of the darkest years of our life. Many people lost their lives and the whole world population has experienced an unexpected long lockdown with inevitable negative impact on world's economy.

Great Britain's economy is likely to suffer the worst damage from the Covid-19 crisis of any country in the developed world, according to a report by the Organisation for Economic Cooperation and Development.

A slump in the UK's national income of 11.5% during 2020 will outstrip the falls in France, Italy, Spain, Germany, and the US, the Paris-based thinktank said.

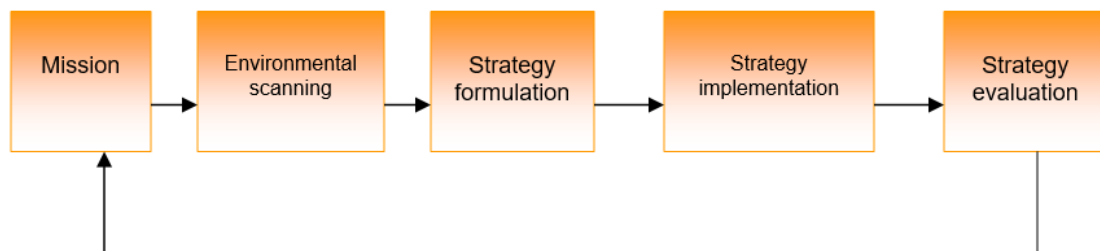


Cyprus economy has also been affected by Covid-19. Small tourism-dependent countries are hit particularly hard. Annual GDP growth slowed to a five-year low. In April, the unemployment rate jumped to an over two-year high as non-essential businesses suspended operations, which was also reflected by the collapse in retail sales that same month.

On top of that, last week, despite the lift of restrictions as regards the arrivals of British tourists in Cyprus, there was a negative response from some tourism organisations. Jet2 airline announced on Wednesday, 28 July, it was suspending its flights and holiday programmes to Cyprus up to mid-August citing prohibitive entry restrictions. The airline said in a written statement that it had no choice but to suspend their flights and holidays programme to Larnaca and Paphos up to and including August 16. "We urge the Cypriot authorities to review the entry criteria in line with other destinations, so that our customers can enjoy their well-deserved holidays".

It is therefore very obvious that the road to recovery is very tough. We have to stick together and try to use every single opportunity occurs, very wisely. Our businesses need new contacts aiming to sign new contracts. We have to form a new mission and strategy by following the trends and changes in current economic climate and to use our knowledge and experience as well as our human assets efficiently.

As Pavlos Photiades, Managing Director at Photos Photiades Group, stated during a recent webinar, "this year the management team of his company transformed their strategy four times during the first four months of 2020". They usually form a new strategy once or twice a year.



So, let come together with our associates and try to reverse the negative impact of Covid-19. By coming together, we have the opportunity to expand and reach our mission. We must never forget that **"Unity is strength... when there is teamwork and collaboration, wonderful things can be achieved."** Mattie Stepanek (Poet)

Coronavirus is going to be 'one big wave', World Health Organization warns



A senior World Health Organization (WHO) figure has said that coronavirus pandemic is likely to be “one big wave” as they warned people to remain vigilant despite lockdowns being eased.

WHO spokesperson Margaret Harris said the idea of a “second wave” is flawed since infection rates do not seem to be affected by the seasons.

Instead, Harris said, people should think about the virus as a single wave – since the danger remains the same throughout the year.

"People are still thinking about seasons," she told a press conference last week.

"What we all need to get our heads around is this is a new virus and it is behaving, even though it is a respiratory virus, even though respiratory viruses in the past did tend to this different seasonal waves, this one is behaving differently.

"There seems to be this persistent belief that summer is not a problem.

"Summer is a problem. This virus likes all weathers, but what it particularly likes is jumping from one person to another when we come in close contact.

"So, let's not give it that opportunity. The second wave idea, we are in the first wave. It's going to be one big wave.

Harris said social distancing was still the best method to prevent transmission and manage widespread infections.

"It's going to go up and down a bit," she continued, "Now, the best thing is to flatten it and turn it into just something lapping at your feet.

"The season does not seem to be affecting the transmission of this virus currently.

"What is affecting the transmission of this virus is mass gatherings, it is people coming together and people not social distancing, not taking the precautions to ensure they are not in close contact.

"So, where people are in close contact, we are seeing intense transmission."

Boris Johnson: the UK could impose quarantine restrictions on further European countries if a "second wave" of coronavirus hits the continent"



The comments came as Boris Johnson indicated that the UK could impose quarantine restrictions on further European countries if a "second wave" of coronavirus hits the continent, following the country's decision to impose a mandatory quarantine for tourists returning from Spain.

"I'm afraid you are starting to see in some places the signs of a second wave of the pandemic," the prime minister warned.

"It's vital that when people are coming back from abroad, if they are coming back from a place where I'm afraid there is another outbreak, they must go into quarantine," he said.

"That's why we have taken the action that we have, and we will continue, throughout the summer, to take such action where it is necessary."

Cyprus Residency Permit Procedures

By Savvas Savvides, Savvas Savvides (Director/Partner—Michael Kyprianou & Co. LLC)



With less than six months to go until the day Britain officially leaves the EU, now is the time for UK nationals who wish to live in Cyprus, to ensure that they are registered as legal residents in our country.

All British nationals who live in Cyprus should apply for a MEU1 or MEU3 to make sure that they are lawfully resident and that their rights continue to be protected post-Brexit.

We have an estimated number of approximately 5,000 people who might need help to collate and complete all of the necessary paperwork, whilst some of them are facing challenges to do so, since they might be living in remote areas or have mobility issues.

According to the official information from the Cyprus Civil Registry and Migrant Department, British nationals have to register as a Cypriot resident if they are planning to stay in Cyprus for more than three months.

What is MEU1 and MEU3?

If a British national has not been living in Cyprus for five years, he, as an EU citizen, should be in possession of the Registration Certificate MEU1, commonly referred to as the 'yellow slip'. If he intends to live in Cyprus, he should apply for this registration certificate within four months of his date of entry into the country.

If he is a citizen of an EU Member State and has been living in Cyprus for five years, he should have applied for a "Permanent Residence Certificate" (MEU3).

He can apply for this after a five-year period of uninterrupted legal residence in the Republic of Cyprus. This is not affected by temporary absences, not exceeding six months in a year.

The UK citizen who has not completed five years of continuous residence in Cyprus will be able to remain in Cyprus to accumulate five years of continuous residence.

British nationals who want to come to Cyprus after 31 December 2020, i.e. after the end of the transition period, will have to meet the Cyprus immigration rules.

Take action now by starting the residency process – under current rules – as soon as possible.

The documents that British nationals need to provide for their application procedure are as follows:

- A valid Passport, which must be delivered to his lawyer so that the law firm will be able to book the relevant appointment with the authorities;
- The applicant must show proof of residence either at his private household or with a relative;
- The applicant must show proof of income which might be:
 - a. A bank account in Cyprus or any other European Country which shows income;
 - b. A bank account which clearly shows a balance, even without an income.

- Medical Insurance;
- Marriage Certificate (where applicable);
- Birth Certificate (where applicable).

Subject to having all the relevant documents prepared in time for the application, all British nationals can be assured of the approval of their yellow slip.

An application fee of €20 is payable to the authorities, and there is an additional fee for the law firm which will be discussed at the first meeting with his designated lawyer. The Cyprus Residency Permit is issued within the same day.

What are the benefits of being a resident in Cyprus?

Besides the lifestyle, the climate and the friendly people, there is also a very well-organized Health Care System (GESY), which operates in a similar way to the 'NHS' in the UK. The education system is of a high standard, since the public and private schools offer a multicultural environment for the children to learn and grow as global citizens. Cyprus is at the crossroads between Europe and the Middle East and it is an attractive place to live, invest and conduct business.

There are also tax benefits to being a resident, since Cypriot tax residents are liable to income tax on their worldwide income, and to their advantage the first €19,500 is tax free. Interest and dividends are liable to "special defence contribution" rather than income tax, but non-domiciled Cypriots are exempt from this. This means that foreigners generally do not have to pay this tax until they have lived here for 17 years. Rental income is liable to both income and defence tax.

A British national can choose whether his foreign pension income is taxed at the income tax rates or at a flat 5% rate (with the first €3,420 being tax-free).

All UK-sourced pension income is only taxable in Cyprus and not subject to UK tax, while there is no inheritance tax payable in Cyprus. There is no Capital Gains Tax on the sale of shares and when it comes to property, only real estate in Cyprus is taxable, but there are exceptions for the resident's benefit.

For example, if someone is a resident for a continuous period of 5 years, there is a tax exemption of the amount of €85,453 for each person. If the resident is in Cyprus for less than 5 years, then the tax exemption is of the amount of €17,086 for each person.

Michael Kyprianou & Co LLC has been offering high quality services to clients from all over the world. Our expertise and knowledge, our efficiency and integrity are qualities that have led our clients to trust our services for many years.

For more information please visit our website www.kyprianou.com or call us at 26930800 to book an appointment at our offices which are located at 19 Kinira Street, Paphos.

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Having as our guiding principle to always exceed our clients' expectations, we have grown to become one of the largest law firms in Cyprus.



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- Legal advice on tax
- Assistance to clients looking to establish commercial participation
- Provision of directors and shareholder planning



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- Corporate
- Civil Law
- European Union (EU)
- Intellectual Property
- Maritime Law
- Online Gaming
- Real Estate
- Residency & Immigration



ACCOUNTING

- Preparation of financial statements, profit and loss accounts, and balance sheets
- Tax planning and tax services
- Management and secretarial services



COMPLIANCE

- Thorough design and implementation of Anti-Money Laundering Compliance
- Awareness programmes on compliance directives
- Monitoring intelligence and analysis, and fraud investigation services



RESIDENCY PROGRAMMES

- Transferring tax residence for EU nationals
- Residency and immigration advice
- Cyprus Citizenship & Investment Programme
- Residency and retirement programmes

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with 9 offices in 6 countries**

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UK Real Estate, Secured Lending & Finance – Post Lockdown

By George Constant & Sofia Loizidou, Partners of Spector Constant & Williams

Spector Constant & Williams' Real Estate, Secured Lending and Finance Departments undertake a broad cross-section of work. We act for investors who operate in all different types of Real Estate markets and also for a variety of different banks and financial institutions that place themselves in different markets. As a result, we are ideally placed to have a good overview.

Since lockdown has been eased and estate agents have re-opened, we are happy to have seen a progressive return to fairly normal levels of transaction flow. It is not to say that the market has returned to exactly what it was before lockdown but it has returned in a slightly different form.

The Commercial Real Estate Market has been fairly active throughout the lockdown period with many opportunistic transactions taking place. Over the past few months we have acted on a large number of deals that came about as a result of the further supply of good quality properties coming onto the market. Many investors who have been struggling to invest their money over the last year or two due to over competition and high prices are finally finding the opportunities to invest.

It has been much of the same since lockdown has eased. Supply has been consistent and demand has been growing. We have seen many of our clients who have been stagnant over the previous months primarily due to the long awaited Brexit decision who have felt the need to become more active and re-enter the market.



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Types of Investment

A general range of investments that our clients have been undertaking during and post lockdown have been fairly broad but what has been clear is that there has been a movement towards more dry investments (which are investments where properties are let to fairly strong covenants/tenants. The yield is relatively low, normally between 3-5.5%).

Over the last few months there has been a movement towards supermarket investments as many investors have felt that supermarkets are one of the safest type of tenants to invest in. Supermarkets have also been aggressively expanding by taking over new units with freeholders then finding the opportunity to sell their interest subject to the lease back to the supermarket.

We have also undertaken a considerable number of acquisitions of government let buildings with purchase prices ranging between £3M to £15M with yields ranging from 4-8% depending upon the length of the leases which remain. We have seen a number of real estate funds disposing of these types of properties as a result of the need to repay investors that has led to smaller commercial investors being able to pick up these types of properties.

Residential sales have also become much more active as the government has been taking steps to stimulate these markets. The government has increased the nil rate band Stamp Duty Land Tax up to £500k for residential properties. This means that anyone acquiring a property up to £500k will have no Stamp Duty Land Tax to pay if they have only one property, and if they have additional properties, they will only pay the 3% surcharge. Whoever is acquiring residential properties above £500k will also receive a fairly significant reduction to the Stamp Duty that would have otherwise been payable. This initiative has been provided until March 2021. This has already led to a significant interest in residential property and in particular, in smaller residential properties. Purchasers of more expensive properties however will also benefit from these reduced rates.

In relation to a residential development, the government as part of its overall economic stimulus package in response to the pandemic proposes to introduce some significant planning changes which fall broadly into 3 categories:

1. Residential development of existing blocks of flats: this will permit a two-storey extension to an existing residential block of flats of 3 storeys or

more above ground level. A developer will be entitled to develop upward providing that the building has been purpose built between 1st July 1948 – 5th March 2018 and the new storeys must comprise only flats.

2. Upward development of residential houses: this change applies to residential home owners who wish to extend their property. The proposed new residential right allows two additional storeys to be added under a fast tracking system. The current proposals could have the effect of preventing a neighbour objecting to a development proposal which they find unsightly or dislike for another reason.

3. Demolition and conversion of existing commercial premises to residential: this potential change has been widely reported but remains a policy intention of the Prime Minister. It will allow developers to convert and demolish a wide range of commercial buildings into homes without acquiring planning approval for change of use. The most widely reported effect is that shop premises which are empty ought to be converted into residential premises without the need for applying for planning permission. Further details are currently awaited in respect of this proposal.



Secured Finance

In the last few weeks we have seen lenders that paused at the start of the crisis to reintroduce loans to the market. Those that have come back to the market have mostly launched new products to reflect the current market conditions.

Lenders generally have taken positive steps towards lending again but all are taking a fairly prudent approach until there is evidence of more stability in the UK housing market, a better understanding of the effect of this pandemic and a better understanding of the effect that the pandemic will have on property prices.

Lenders are commenting “that we are likely to see a focus on safer and more secure lending. This means the tightening of criteria alongside a gradual increase in leverage with rates remaining at current levels for some months yet but possibly retreating slowly in the next 6-12 months as confidence and market strength increases. The sector will need to reach an understanding that the landscape we are seeing now is the new normal, pre-Covid rates and leverage will return but will be a gradual transition.”

One of the biggest difficulties for lenders during the pandemic has been the reaction of valuers. Initially,

there was what appeared to be an overreaction by valuers as many took the approach that because we had never seen a situation like this before, they could not provide with any degree of certainty a true valuation of the Property that they were valuing. This of course caused major issues for lenders. Since lockdown has been eased, valuers appear to have softened their approach and their valuations, so far as we can see, are coming in close to pre-Covid valuations. However, all valuers as they are guided to do so by their regulators, include within their report what is known as a “material uncertainty clause”. There is not much clarity around the duration that this caveat may be in place. Therefore, this may cause difficulty for some lenders particularly for longer term projects such as developments.

The positive news is that there is already a good degree of deal flow and as the pipelines progress, surveyors will start to gain a better understanding of the shape of the future landscape. In the meantime, it will be up to the lenders to take a pragmatic approach around the valuations that they are receiving and we are happy to report that we are so far seeing this with the lenders that we are acting for.

Spector Constant & Williams are a dynamic, commercial and forward thinking London Law Firm. If we can assist you with any of your business needs, please do not hesitate to contact us.



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A nighttime photograph of a busy London street, likely Regent Street, featuring a red double-decker bus in motion and historic buildings with illuminated windows. The image has a warm, golden-hour glow.

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Christos Karaolis,

President of the National Federation of Cypriots in the UK:

My congratulations to the Great Britain-Cyprus Business Association on reaching this milestone of 50 members



"I'd like to extend my congratulations to the Great Britain-Cyprus Business Association on reaching this milestone of 50 members. We are facing significant economic headwinds globally over the coming months and years. Whilst this will create turbulence for businesses, their success will be key to the economic recovery both in the UK and Cyprus. Therefore, collaboration and support between businesses is more crucial now, than ever before. So, it is great to see the Association continuing to grow and thrive"



BUSINESS NEWS

Pieris Marcou will be Deloitte's new CEO from 1st of June 2021



After nearly 20 years at the reins of Deloitte Cyprus, **Christis Christoforou** has decided to retire and asked the firm to name a successor to assume the role of CEO at the beginning of the new fiscal year 2021.

Following a robust governance consultation process involving all partners, Pieris Markou, current Cyprus Tax & Legal leader was named incoming Deloitte Cyprus CEO.

Markou will take office on the 1st of June 2021.

Deloitte.

Commenting on his decision to retire, Christoforou said: "After so many years at the top position of this great Firm, and a year after having completed the

integration of Deloitte Cyprus into Deloitte North South Europe (NSE), in line with our global Deloitte vision to regionalise and globalise, I felt that it would be the right junction for me personally to step down after over 30 years in the firm, steward the firm to my successor, and embark on another phase in my life."

Christoforou was a catalyst in growing and positioning Deloitte Cyprus as one of the top professional services firms in Cyprus. From around 30 people when he joined in 1987, the firm's team has grown to 750 experienced professionals serving global companies with presence in Cyprus and the country's most prestigious clients. He currently sits on the Deloitte regional Executive Committee in the Middle East and Cyprus.

The incoming CEO, Pieris Markou, has been with Deloitte since 1995, and was admitted as partner in 2000. He is the Tax & Legal practice leader of Deloitte Cyprus, and a fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Chartered Institute of Taxation.

He also serves as the Vice President of the Institute of Certified Public Accountants of Cyprus (ICPAC), and previously assumed many professional roles as Vice Chairman and Chairman of ICPAC Tax and VAT Committees, and as a member of the ICPAC's council since 2014. He also participates in expert meetings at the Ministry of Finance, the House of Representatives and with the Tax Commissioner for the formulation of policies on taxation and is currently a member of an advisory committee on tax treaty negotiations.

"I am very confident that Pieris Markou will successfully lead the firm with the support of the partner group into a next phase of growth and eminence, continuing to offer high quality services to our clients and our market. I will be working and supporting Pieris until my retirement at the end of 2021, to ensure a smooth and seamless transition", concluded Christoforou.

Pieris Markou was one of the panelists at 'Business Direction: Cyprus 2017' event in London Marriott Hotel, Regents Park, organised by Savvas Kyriakides, Founder and President of Great Britain-Cyprus Business Association in November 2017.

BUSINESS NEWS

Delfi Partners & Company expands and opens its new office in London, United Kingdom to fulfil in expansion plans in Europe



DELFI
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Delfi Partners & Company expands and opens its new office in London, United Kingdom to fulfil in expansion plans in Europe.

The London office strengthens Delfi Partners's footprint and enables the company to attract and retain talent and offers a dedicated team to assist its institutional and corporate clients. The new office is located in the heart of London (Mayfair), and supports the full range of Delfi Partners asset management services strengthening and establishing closer relationships with our corporate and institutional investors.

"We consider London an important business and investment hub and we are excited to announce the opening of our London office. Our presence in United Kingdom will contribute greatly to the achievement of our development plans strengthening with key client relations operating and investing in Europe, Greece and Cyprus. Our goal is to turn our London office into an asset management center to service investors in the NPLs and REOs arena" said **Dr. George Mountis, Managing Partner of Delfi Partners & Company.**



Shipping Deputy Ministry to the President of Cyprus

We are delighted to announce the nomination of **Capt. Iro Gidakou**, the first Cypriot female captain on board an LNG Vessel, for the global Power Play Awards 2020, presented by Exxon Mobil, in the category "The Rising Star - Outstanding Young Professional". We wish her best of luck!





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The Day After Brexit

**This International Webinar is organised by the
Great Britain-Cyprus Business Association**

London 29th September 2020

Time: 2.00 p.m. – 3.30 p.m. UK Time

4.00 p.m. – 5.30 p.m. Cyprus Time

Why to attend; to find out about:

- **How BREXIT affects businesses in the UK and in Cyprus**
- **Legal & Tax updates**
- **Investment Opportunities**
- **Immigration**
- **Other interesting Issues**

Who should attend:

- Professionals in the Legal Services
- Accountants/Financial Services
- Marketing Agents/Consultants
- Investment Consultants
- Property Developers and Real Estate Agencies
- Large to small scale Investors and
- Businesspeople

Agenda, Speakers and Sponsors to be announced shortly.

Savvas Kyriakides

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Philokypros Roussounides:

Cyprus is ready to welcome the British people as it has always been

A short interview with:

Philokypros Roussounides, Director General, CYPRUS HOTEL ASSOCIATION



1. Mr Roussounides, please tell us a few words about yourself. Please also tell us when did you replace Mr. Zacharias Ioannides as a Director General of CHA and which are your main duties and responsibilities?

I have replaced Mr Z. Ioannides 2 months ago. My main responsibilities are to implement the policies established by the Board of Directors of CHA, to achieve the aims and goals of the Association and to develop a wide range of activities. Moreover, to make recommendations on policy issues for their consideration and offer various services and assistance to the Association's Member Hotel Units. In

addition, I represent the Association in Government forums and bodies as well as being the voice of the Association and the hotel industry always along with the CHA President, Mr Haris Loizides.

2. Cyprus economy depends a lot on Tourism industry. Tourism industry in general and hotel sector have been affected negatively by COVID-19. How your members are facing this negative impact?

Tourism industry and especially the Hoteliers have had the biggest hit from the Pandemic. We are trying to find ways to minimize the losses and re-establish a framework that will allow us to enter 2021 with incremental recovery rates. We have announced special rates for local tourism since it is still very difficult to observe big numbers from other countries and especially the UK which is our main source of inbound tourism over the years. Furthermore, we are working closely with the Ministries involved in the industry, in order to set new strategies for the Tourism industry, special schemes and safeguard as many working positions as we can, in order to avoid high unemployment rates.

3. The government has supported financially the hotel industry. Is this support sufficient to enable hotels to avoid closure?

The Government's response was immediate by announcing special schemes and partly state funding for the people employed in the tourism industry, in order to avoid redundancies and

high unemployment rates. In addition, they have come to the agreement and the set of a Moratorium through which all bank loan installments would be postponed until the end of 2020 across the board which of course covers Tourism Industry as well and also guaranteed the vouchers given to people and Tour Operators in order to safeguard their liquidity as it could affect the whole industry.



4. Cyprus government have also announced incentives to Cypriots as regards local tourism. Will this strategy be effective?

The Government has over the year given incentives for local tourism and the recent one is the subsidized holiday plan for low-income retirees to Hotels in the Mountain Resorts and Tylliria area, for the period 14/9-15/11/20, which has been announced on 29/7/20.

5. What are the latest predictions about tourists' arrivals and hotel bookings? What is your strategy of CYPRUS HOTEL ASSOCIATION, aiming to reverse the negative impact?

Unfortunately, numbers are still very low at the moment, not allowing us to be very optimistic about how markets will respond. It seems that the Pandemic has generated fear over most potential tourists making them to postpone their trips on our Island. CHA is in close contact with the Deputy Ministry of Tourism, Government bodies and other stake holders in order to promote our Country as a Safe Destination, both in foreign markets as well as to the (small) local market in order to try and minimize the losses in this respect. In addition, we are in the process of suggesting ways to reach out to new markets and stop being overdependent on only very few ones. Moreover, in collaboration with the appropriate government bodies, come up with new supporting schemes for the tourist industry as it is one of the biggest slices in our countries GDP and has an indirect effect of about 24%.

6. The green light for the British arrivals has been given since 1st August. Every year, UK arrivals make up 33% of all tourists arriving in Cyprus. Are you optimistic that we will have many arrivals from the UK this summer as well?

Unfortunately, it seems that initially the demand is not that high due to specific issues, such as the difficulty involved for a family to make the PCR test and of course the incremental cost that has on a family of four.

7. Your final message to our readers as well as the British people making their holiday plans. Is Cyprus ready to welcome them? Is Cyprus a safe destination?

Cyprus is ready to welcome the British people as it has always been. We are probably the safest destination around and we have been a benchmark around Europe in the way we handled the Pandemic and thrived through our protocols in place that govern the Tourism industry.

In my mind if one would like to make safe and value for money holidays in an idyllic scenery then CYPRUS can be the only answer.



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Your holiday destination

Maria Pastellas

I am proud that we made Cyprus an example to follow!

A short interview with:

Maria Pastellas, Head of Real Estate at PLANUS CONSULTING & SERVICES LIMITED



Maria, please tell us a few things about yourself and your company PLANUS CONSULTING & SERVICES LIMITED

I have been working in the Real Estate sector for many years having the privilege to work in Cyprus and Dubai. I have recently joined Planus Consulting & Services Limited as the Head of Real Estate and in collaboration with our group's boutique Law Firm Nicos Neophytou Law Partners, we offer incomparable services to our Clients who wish to obtain the Cyprus Citizenship or the Cyprus Permanent Residence Visa.

Why Cyprus has seen increased demand from HNWI Indian Nationals and Non-Resident Indians living in UK & Dubai for the Cyprus Investment Program (CIP)?

Cyprus and India traditionally enjoy a close relationship as both countries share common values like the English common Law and Democracy. Both nations have much in common and are family-oriented and appreciate good food.

Cyprus was always a premier destination for High Net Worth and Ultra High Net worth Individuals from many nationalities as an established multilingual and multinational business hub. Recently we see increased demand from Indian Nationals and Non-Resident Indians living in UK and Dubai interested in acquiring the Cyprus second Citizenship by investment and Permanent Residence Visa due to political and financial instability.

What are the benefits of Cyprus?

Our island, a growing business and cosmopolitan hub in the Mediterranean ranks extremely high in rankings about safety. Now more than ever facing a pandemic, safety is one of the most crucial reasons Investors looking to acquire Cyprus Citizenship as an alternative safer destination for them and their families. In particular, Indians tend to have large families and Family-businesses, and the Cyprus Investment program allows all members of the family to acquire the Cyprus Citizenship. Value Penguin has ranked Cyprus 5th worldwide and 1st among smaller Countries in its Safest Countries in the World study for 2015.

Also, Cyprus enjoys excellent weather conditions all year round and is strategically located at the crossroads of three continents. Further, it enjoys a resilient economy, a stable government, and friendly legal framework based on English Common law. The attractive tax regime with one of the lowest corporate tax 12.5% in the EU, no dividends tax, and no inheritance and wealth tax enhance the attractiveness of the program.

Two very well-known Indians interviewed by Forbes in an article dated 10/6/2018 mentioned several reasons why they obtained the Cyprus Citizenship. The reason for the real estate tycoon Surendra Hiranandani, one of India's richest businessmen was "the ease of doing business". Another famous Indian who acquired Cypriot citizenship is Anish Bhatt known as 'Watch Anish' who mentioned: "I travel so much for work, I barely get to spend 60 days a year with my wife and daughter. Those 60 days at home are now in a place with constant sunshine, swimming pools, and easy access to the most beautiful beaches in the world instead of in an apartment in a dreary, hectic city. London was also getting more and more dangerous and I wanted a better quality of life for my little girl". He added that "It really worked well because the tax system in Cyprus is very easy to work with. Plus with all the new infrastructure and development coming up, I've also discovered many promising new investment opportunities".

What are the main financial requirements of the Cyprus Investment Programme and Permanent Residence Visa?

The financial requirements the Investor-Applicant must meet for CIP is the minimum €2M investment in real estate, land development, companies, bonds, or registered alternative investment funds and must keep the said investments for five years. Additionally, the Applicant must maintain for life a private residence in Cyprus with a value of more than 500,000+VAT (if applicable). Also, the Applicant must donate €75,000 to the Research and Innovation Foundation and €75,000 to the Cyprus Land development Corporation.

For the Permanent Residence Visa, the Applicant must invest 300,000 + VAT in real estate and meet the income requirements. The application process usually takes three months and once obtained is valid for life and covers the entire family. To maintain your status you must visit Cyprus once every two years.

What are the benefits of the Cyprus Investment Program?

It is worth to emphasize that the Cyprus Investment Program is the only fast track citizenship by investment program in the EU. Cyprus allows dual Citizenship and is open to investors from all nationalities.

The Investor and family members can travel visa-free to more than 170 countries and can live, work, and travel anywhere in the European Union. The Spouse and dependent children up to the age of 18 years old can be included in the application and obtain the Cyprus Citizenship and is transferable to all descendants. Dependent children up to the age of 28 years can be included in same the application as well, provided that they can prove they are financially dependent on the Main Applicant.

Furthermore, if you maintain the Cyprus Permanent Residence Visa you can become a tax resident in Cyprus on the basis of the "60 Day Rule" and benefit from the attractive tax regime. It is necessary to stay 60 days in Cyprus in a tax year and less than 183 days in any other jurisdiction to be eligible as a tax resident.

Now with the travel restrictions is it difficult to apply?

The process of the naturalization can be hustle-free when the Investor-Applicant chooses to proceed with a Registered Service Provider of the Cyprus Investment Programme. The

Applicant and family members can start the procedure without the need to be present in Cyprus at every stage of the process make it easier to apply now with the travel restrictions. The application process usually takes six months.

Do Brexit and the EU Settlement scheme increased the demand from wealthy Indians for the Cyprus Investment Programme?

In a way yes, for Individuals that meet all the requirements. One of the few ways to proceed with the EU settlement scheme for a settle or pre-settle status in the UK is to apply as an EU citizen plus additional requirements. Once you have your status you have the rights to work, study, and travel to and from the UK. The deadline for applying is 30 June 2021. We need to review each case separately though and advice accordingly as every Individual has a different background.

How did Cyprus respond to Covid-19? How will it affect the demand from Foreign Investors?

The Government of the Republic of Cyprus has taken measures at a very early stage and managed to handle this crisis very effectively. Thankfully we are still in a particularly good situation with zero to very few cases. The main target and focus now is the connectivity through our airports and ports from incoming cases. The Cyprus Government decided to double the tests at the entry points to the Republic to maintain the good results. Our healthcare system and the Ministry of Health has done excellent work maintaining the healthcare of the patients with the highest standards. Due to the strict measures, the difficulty at the moment is for the investors to travel to Cyprus. The Government and private sector have collaborated effectively to find ways to overcome some critical issues raised by the pandemic transforming and upgrading their services digitally to make procedures easy and more convenient under the circumstances.

What is your message to the investors looking to obtain Cyprus Citizenship or Cyprus Permanent Residence Visa?

Cyprus is one of the safest destinations to travel, live, and work. Although the pandemic has affected the local and global economy, Cyprus will bounce back fast. In times of crisis, the investors are looking for opportunities and ways to diversify their portfolios and Cyprus offers these opportunities. Real estate is a long term investment and one of the safest and most profitable in the long term. Finally, the health and safety of our families is a top priority, so I wish that everyone stays healthy and I am confident that we will come out of this stronger and wiser. The fast- changing environment needs us to be adaptive and forward-thinking. Stay Safe!

For further information and consultation contact Maria Pastellas, Head of Real Estate, Planus Consulting & Services Limited at re@nneolaw.com



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**The Great Britain – Cyprus Business Association
would like to welcome the 13 new members,
joined the association last month, July 2020**



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Great Britain – Cyprus Business Association**

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**"Unity is strength... when there is teamwork and collaboration,
wonderful things can be achieved." Mattie Stepanek (Poet)**

Elena S. Ghalanos: For the British people visiting Cyprus, my message is 'Welcome - the warm and quintessential Cypriot hospitality awaits you all!'

An interview with: Elena S. Ghalanos, Managing Director at Othon Ghalanos Group



GHALANOS

1. Elena, tell us a few words about yourself and about your company.

Othon Ghalanos Group is a family enterprise founded in 1929 by Mr. Othon Ghalanos, known for his determination, salesmanship and ethics, a legacy still thriving with the 3rd generation of the family successfully managing the business together with a team of dedicated professionals. Since 1967, under the leadership of Mr. Stelios O. Ghalanos, the 2nd generation of the family and a pioneer in the industry, the Group has been specializing in the importation and distribution of spirits and wines in the Cyprus tax paid and tax free market and of tobacco products in the tax free. Among the great variety of brands that the Group imports and distributes on an exclusive basis in the Cyprus market, there are many from Great Britain, including world renowned single malt whiskies such as Glenmorangie, Ardbeg, Bruichladdich, Bunnahabhain, Glen Scotia, Littlemill, Loch Lomond, Deanston, Ledaig, and Tobermory, blended whiskies such as High Commissioner, Scottish Leader and Loch Lomond, gins such as The Botanist, Glen's, London No. 1., Mom and Tobermory as well as Glen's vodka.

I was born in Famagusta and graduated from Foley's Grammar School in Limassol and the London School of Economics and Political Science where I studied Industrial and Business Economics. Representing the 3rd generation of the family, I have gained experience from various executive positions in the Group and continue my studies in spirits and wines having reached Level 4 Diploma in Wines & Spirits at the WSET (Wine & Spirits Educational Trust) under the Institute of Masters of Wine.

2. The lockdown is over, and life is back to normal. However, Cyprus hospitality industry still faces huge problems especially due to the fall of tourists' arrival. How much have your sales been affected?

During the lockdown, whereas our sales to the hospitality industry were affected by its closure, our sales to the retail industry, which was thriving, were improved, as Othon Ghalanos Group's portfolio of brands is particularly popular with the local population. Through early and careful assessment of the economic circumstances for this and the next few financial years, factoring in the development of tourism, we have planned ahead to make the best of the situation.

3. Which do you think will be the consequences of this negative impact for the next few months in terms of sales, employment, targets, strategy and so on?

Sales, during the summer months, will continue to be affected due to tourism. In the months leading up to Christmas, sales of spirits and wines are driven by the local population and will therefore improve. We expect that unemployment will grow both at a national and an international level as the global

tourist/travel industry, among others, has already been heavily impacted. Therefore, close monitoring of developments as they arise, and agility are required as well as targeted product promotions.

4. Othon Ghalanos Ltd is established in the Cyprus market for decades. What is the secret behind this success?

While the Group is the oldest surviving imported spirits and wines distributor on the island, it is driven by a dynamic and agile team with proven experience in growing spirits and wine brands in the Cyprus market, a powerful brand portfolio across all categories of spirits and wines and a consistently reliable service. We operate Cyprus-wide through our in-house marketing, sales and merchandising structure, which includes our 5 regional sales branches and maintain our stocks in optimum condition in temperature-controlled warehouses. We enjoy decades-long relationships with the great majority of our partners, the brand owners, established through mutual constructive approach, respect and trust, resulting in win-win partnerships. At the same time, we develop our business in line with our customers' constantly changing perceptions, needs and challenges, always keeping in mind that continuing education of our personnel and technology drive the future. Through the years we have blended long experience and expertise in our field with passion, innovation and youthful drive, to provide, through quality products and reliable service, satisfying and differentiated experiences to Cypriot professionals and consumers. Consequently, we are market leaders in many spirits and wine categories, such as malt whisky, brandy, liqueurs, ouzo, tsipouro, sherry, port, champagne and sparkling wine, and imported still wine.

5. Are there any plans for further expansion through acquisition or mergers?

Growth and expansion can be derived from more than just acquisition and mergers. As a growth-oriented company, we keep our fingers on the pulse of the market and all our options open. Nevertheless, our focus has been lately on the organic growth of our promising portfolio of brands and recruitment of more brands with potential, complementary to our existing portfolio, as well as increased use of technology for augmented efficiency, customer reach and engagement.

6. If you have to classify the following terms in numerical order from 1-5 with number 1 the most important and 6 the least, as regards the success of a business, which would have been your answer? Leadership, quality of products, customer service, price, promotion, human assets

Keeping in mind that most of the above-mentioned terms have elements in common and adding another 3 terms crucial to the everyday survival of a company, this is my reply:

1. Leadership, Determination and Preparation
2. Human Assets, Teamwork and Customer Service
3. Quality of Products
4. Price
5. Promotion

7. Your final message for our readers as well as the British people visiting Cyprus.

We, as individuals, are not feeling the impact of this Covid-19 crisis alone. This is a crisis that has shaken the world community. So far, Cyprus has exhibited a sense of community, solidarity, and self-discipline, for which I am proud, and which has resulted in positive outcomes. I am thankful for the selfless dedication and effectiveness of our care and essential workers and the spirit of appreciation manifested towards them from the rest of the population. I have taken the liberty to quote from Her Majesty the Queen's speech in April who has expressed succinctly that "*If we remain united and resolute, then we will overcome [this disease]*" and "*we should take comfort that while we may have more still to endure, better days will return.*" For the British people visiting Cyprus, my message is '*Welcome - the warm and quintessential Cypriot hospitality awaits you all!*' **Stay positive and safe!**

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Andreas Patikis: The physical, emotional, and financial pressures we are all facing, I am sure will pass

An interview with Andreas Patikis, Director at Oncover Insurance



1. Andy, tell us a few words about yourself and your company, Oncover Insurance.

I started Oncover Insurance over 20 years ago now, after the difficulties of arranging my own insurances were realised. Our company philosophy of a first-class personal service has been established for some time which has moved the company forward as a professional competitor in the market and allowed us to create longstanding relationships with our clients.

2. How the insurance industry has been affected during COVID-19?

Insurers are trying to increase their rates due to the ongoing claims and potential of paying out further claims in the future and so customers are looking to save money in all areas and therefore shopping around which gives us the opportunity to offer out services.

3. Have you introduced any changes as regards your strategy to attract new clients and to deal with clients claims?

Other than a fortnightly advertorial in a local North London Greek paper Oncover Insurance has never advertised, all of our business has come from word of mouth referrals. We are currently updating our website and becoming more involved with social media. We are also working on new newsletter to keep our clients updated with insurance matters.

All of our clients have their own account handler and the process relating to claims is that the personal account handler will help as much as they can throughout the process which has also ways been the case due to the philosophy of our first class service.

4. What are the main claims you have faced during COVID-19? Do you expect any immediate changes in insurance industry in the near future in terms of price, services, or anything else?

The main claims received during COVID-19 were from business owners for Business Interruption as they were forced to close following the Government enforced lockdown.

Following COVID-19 insurers are now applying coronavirus exclusions o various types of policies whilst at the same time trying to increase the premium they are charging. The increased premiums we foresee will result in many customers shopping around for better deals and therefore broker's service will have to be of a high quality in order to keep their clients.

Insurers will also be reviewing the type of risks they want to accept and their capacity for different types of risks will change, meaning less insurers will potentially be wanting to quote for certain risks.

5. Working from home. Will a lot of companies carry on working from home? What are the advantages and disadvantages? Is it feasible for the future?

Now that companies have spent the money and time setting up the infrastructure for employees to work from home where possible, and have seen that employees can work just as effectively I think a lot of companies will continue for the foreseeable future.

A potential financial advantage would be less overheads renting an office space and also ensuring the physical wellbeing of employees by not exposing them to the risks of the virus commuting to work.

A disadvantage would be that it is harder to keep an eye on employees and it is harder to manage employees compared to if they were in the office. A further disadvantage would be relying on technology for meetings with both staff and clients rather than face to face and there is the increased Cyber threat with staff working from home which all employers should take very seriously.

6. Oncover Insurance. Which are the main services you provide, and you specialise? Tell us why someone should choose you ahead of other competitors.

We are general insurance brokers working with many of the leading insurance companies, we mainly specialise in Business, Landlord and Homeowners Insurances.

We strive to build long term relationships with our clients and many of our existing client as for their account handlers on a first name basis. To us our clients are not just a number they are all individuals with individual needs and requirements.

All of our clients have their own personal account handler and will never be put through to a call centre. The account handler will assist throughout the whole process as well as policy adjustments and claims which has also ways been the way due to the philosophy of our first-class service.

7. Your final message to our readers and our business associates

In these unusual and unprecedented times, my message would be to keep safe and keep well whilst we all make it through this as best, we can. The physical, emotional, and financial pressures we are all facing I am sure will pass. If you are in need of our services, we are only a phone call away and will do whatever we can to assist.

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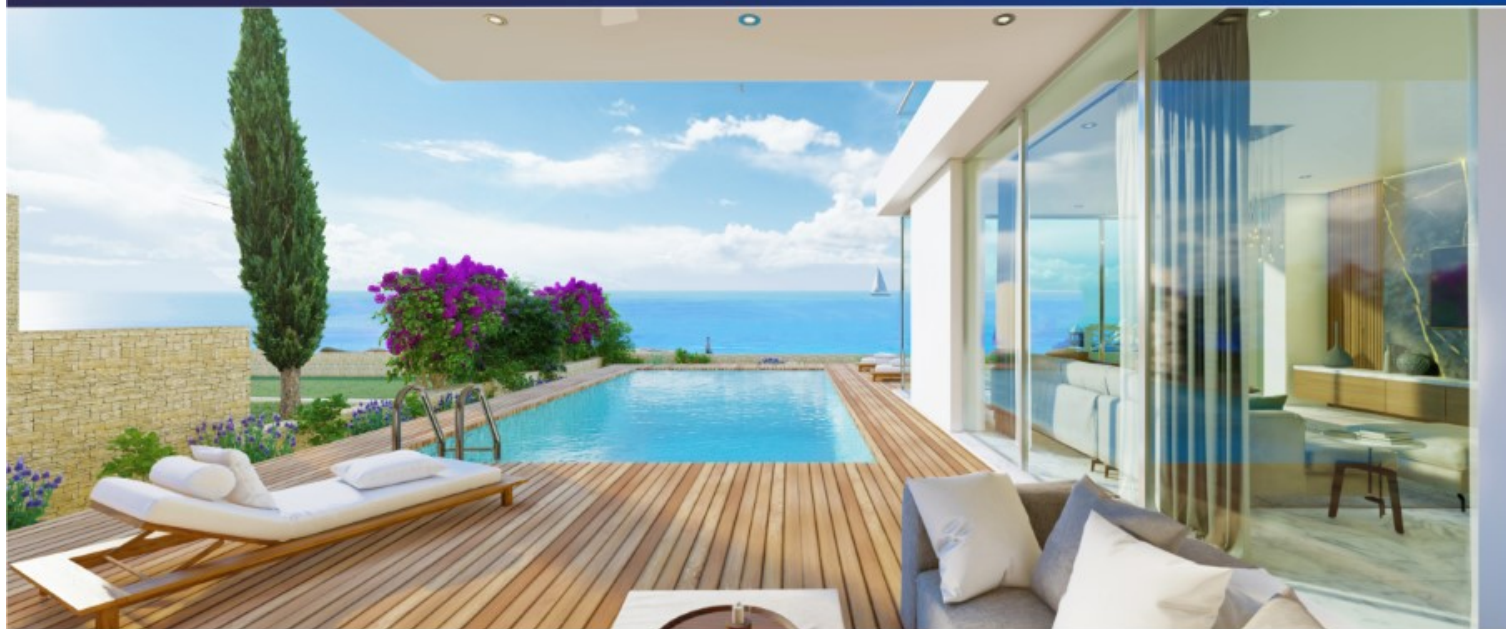




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Pany Demetriou: it is important that we help facilitate business between UK and Cyprus, and develop that relationship over the coming years.

Interview with Pany Demetriou, Co-Founder at Synergy Exchange Limited

- 1. Pany, please tell us a few words about yourself and your company, Synergy Exchange.**

I have been working in the international currency market for the last 14 years. In 2012 I decided to set up Synergy Exchange after realising that I could provide a service to corporate and private clients that was focused around a relationship driven ethos and understanding what products and services were best suited to our client's individual needs.



- 2. How the service industry has been affected during COVID-19?**

I think in terms of financial service the industry has coped fairly well and shown a resilience in trying to maintain a "business as usual" approach. We have seen companies adapt to working from home and utilising the technology available to help keep staff connected. Undoubtedly there has been a knock on effect from the virus with furloughing and redundancies now commonplace. It's likely the true impact may not become apparent until the later part of the year when the furlough scheme stops and companies having to forecast for the year ahead with reduced profit margins and potentially higher costs.

- 3. What is your strategy now to bounce back?**

To keep persevering. I think many companies like ourselves have adapted to different working environments but have also identified new opportunities and markets to pursue. With the pound being very weak it's a great time for overseas clients now who are repatriating revenue back into sterling and we have seen a noticeable increase in demand for our services. We are now working a lot more with companies in Cyprus, Italy, Denmark and Dubai which is helping us to diversify our client portfolio.

- 4. How the businesses will manage to survive? Do you see many mergers and acquisitions in the near future?**

Potentially. I think the main hurdle that still needs to be addressed is Brexit. Until a deal has been finalised between the UK and the EU I think there will still be some reluctance by companies to commit to anything too ambitious when so much uncertainty still exists. Business may have to streamline in the short term to survive but I genuinely believe that there will be more opportunities to arise in the medium and long term.

- 5. Working from home. Will a lot of companies carry on working from home? What are the advantages and disadvantages?**

I think it depends what industry you are in. Working from home can work for certain industries like financial services, but would be more difficult for more businesses based in the hospitality sector. I think working from home may become the new normal in the short term as business try to adhere to social distancing etc but I would expect a return to some sort of normality in the New Year. Travelling less is obviously a big positive (and spending more time with the children!) but I think a lot of people miss the social interaction with friends and colleagues which is probably the main disadvantage of working from home.

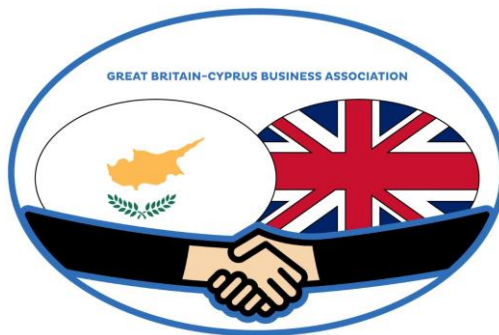
6. Synergy Exchange. Which are the main services you provide? Tell us why someone should choose you ahead of other competitors.

Synergy understand the many challenges faced by small to medium sized enterprises. All too often banks forget about the SMEs and focus their attentions, customer service and key products to the blue chips and PLCs. Synergy have developed a panel of financial products covering international payments, risk management and commercial funding bespoke for the SME sector. We deliver the same key products and service to SMEs which banks generally only offer to blue chip, large corporates and PLCs. If we were to ask our clients what they think sets us apart from our competitors, the general consensus, (other than excellent exchange rates!) would be our hands-on approach and providing a truly un-paralleled customer experience.

7. Your final message to our readers and other business associates

It's been a pleasure to become a member of the Great Britain - Cyprus Business Association and it's important that we help facilitate business between the two countries and develop that relationship over the coming years. I look forward to working with my fellow members and identifying new opportunities in these unprecedented times.

**Would you like to become a member of the
Great Britain-Cyprus Business Association?**



Visit www.gbcy.business/registration

or

send us an email to savvas@gbcy.business

Join us now and enjoy all the benefits all our members are entitled for

**"Unity is strength... when there is teamwork and collaboration,
wonderful things can be achieved." Mattie Stepanek (Poet)**

TIME TO CONSIDER **CYPRUS** IF YOUR **BUSINESS** IS AFFECTED BY **BREXIT**

JUNE 2020

If your business or personal affairs are actually or inherently affected with all the uncertainties that come with BREXIT, then it is the time to seriously consider relocating to another jurisdiction that can address your affairs in a practical and efficient manner.

Cyprus is a prime optimal solution that can fully address such needs as it continues stronger than ever before to be a preferred international business center, from where foreigners can conduct their international activities.

In addition to setting up a new company, now there is an increased momentum for those who decide to relocate (redomicile) their existing foreign companies to Cyprus, from where they can also effectively and efficiently establish all the needed operational substance and exercise the proper management and control. Further, there are even those who decide to establish or relocate to Cyprus their main or regional headquarters of various scales.

The island offers attractive corporate, legal and tax regimes, both for corporations and individuals – as well as an array of various related qualitative elements.

From a corporate tax perspective, Cyprus has one of the most competitive tax rates in the EU, being a uniform rate of 12.5%. Various types of

income (such as dividends, capital gains and gains from sale of shares) are completely tax free; thus constituting a company engaged in pure holding or share trading activities as completely tax exempt. Other types of income are entitled to certain partial tax exemptions, thus significantly reducing the overall effective Cyprus tax rate.

**CYPRUS HAS ONE OF THE MOST
ATTRACTIVE TAX & LEGAL
REGIMES IN THE EU.**

Also, there is no Cyprus withholding tax on outbound payments (e.g. dividend, interest, royalties) to non-residents or to resident non-domiciled persons.

On a personal tax level, Cyprus offers a very attractive personal tax framework through its 'non-domicile' tax regime that is most attractive for high net worth individuals, as well as other favourable personal tax exemptions on capital gains and on salaried income – thus constituting the relocation of foreign UBOs or key employees and their families to the island more attractive.



Who should consider Cyprus?

- Those who expect BREXIT to affect their UK based business that conducts international activities.
- Those wishing to operate from a friendly, tax efficient, cost competitive and practical jurisdiction.
- Those wishing to create an entry point into Europe.
- Those wishing to interact with certain non-EU countries with which Cyprus is considered to have one of the best double tax treaties (e.g. Russia, Ukraine, South Africa and India).
- Those who are adversely affected by the recently introduced offshore economic substance requirements.
- Non-European persons who wish to obtain a European citizenship or permanent residency permit by way of investment through the related attractive programs that Cyprus offers.

Why Cyprus?

- EU member state that is fully compliant with all international guidelines and regulations.
- Tax system that is attractive, practical, efficient, stable and tested (whether that is for holding, financing, intellectual property, shipping, services or trading activities).
- Wide double tax treaty network and access to relevant EU Directives.
- Legal system based on Common Law and Principles of Equity (which is easily understood and preferred).
- Has all the needed infrastructure to accommodate any needed level of business substance, with a comparative cost advantage when compared to other EU prime jurisdictions.

- Significant tax and other incentives to enable physical relocation of key persons (key management and owners) to the island.
- Strategic geographic location.
- High level of professional services.
- Vibrant, multi-cultural and cosmopolitan life, with a low crime level, high standard of living and education and good quality properties for all budgets.

Cyprus has already started welcoming such new business opportunities and is eager and ready for much more.

Why Totalserve?

With almost five decades of experience, Totalserve Group can fully assist in a tailor-made and one-stop-shop approach with all the corporate and personal needs and aspects of setting up or relocating to Cyprus as well as with all related ongoing needs.

TOTALSERVE MANAGEMENT LIMITED

Written by



Petros Rialas, BA, MSc, FCCA, TEP

Director, Head of Tax

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Cyprus – The safest place to live and do business during the Covid-19 Pandemic

By Giovanis Kouzalis, Director and Senior Lawyer at G. Kouzalis LLC



G.KOUZALIS LLC
LAW OFFICE

During the early stages of the spread of the COVID 19 in Europe, the Government of the Republic of Cyprus reacted promptly and effectively by imposing possibly one of the strictest lockdowns in Europe (Trips outside the home are limited to once per day on an approval scheme, with strict penalties for offenders, closure of the majority of retail and businesses, with the exception of supermarkets and pharmacies, as well as government funding schemes to help stabilize the economy and a strict nighttime curfew to limit possible transmission rates). As a result of these prompt actions of the Government, the rates of infection and indeed loss of life as a result of Corona Virus in Cyprus are low, with infection rates just over 1000 with 19 lethal cases.

The Republic of Cyprus in phases is effectively lifting the lockdown, ensuring that the infection rates do not rise again. The priority of the Government is and has always been to limit the spread of infection and

thus subsequent loss of lives. Even today, there are still certain restrictions on large gatherings to ensure the safety of the public.

In conjunction with the above, the Republic of Cyprus is also an attractive tourist destination, and as such a fantastic option for families and businesses who want to relocate. The Republic of Cyprus is an EU Member State since 2004 and thus enjoys all the benefits of EU monetary, Socio-Economic and Judicial order. Furthermore, the Republic of Cyprus due to its geographical location and deep historical ties with the surrounding Mediterranean States can be considered as a 'gateway' between Europe and the Middle East and North Africa. Finally, Low corporation taxes, widely spoken English, and a legal system based on British Common Law applied in uniformity with EU legal order distinguish the Republic of Cyprus in the East Mediterranean area.

Considering the economic environment during the COVID 19 Pandemic, the Government of the Republic as was stated above has imposed significant restricting measures, however, at the same time colossal amounts were allocated towards the support of the business, seasonal workers, and parents to upkeep the purchasing abilities of the public. As time has shown, these measures helped the island's economy to withstand the destructive effects of the Pandemic. Further to that, the Republic's membership in the EU has secured financial support amounting to over 2.7 Billion Euros. These figures allow us to suggest that the recovery from the current crisis will be swift and effective.

As a result of the Government's supportive measures, consumers activity has not dropped to a significant extent, and citizens of the Republic are continuing to shop locally supporting the retailers and at the same time, are also holidaying within Cyprus for the first time in many years as such supporting the tourist industry of the island. Finally, due to the general drop of interest in purchasing properties abroad from continental Europe as well as from other third countries, the prices for properties in Cyprus are expecting to drop significantly, creating an opportunity for a profitable long term investment.

We do believe that NOW is the time to invest in Cyprus. Join a community where the Government actually CARES

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Unpicking the debt versus equity conundrum

By Linda Foulkes-Stokes FCCA, Content creator / Publications editor. At Elias Neocleous & Co. LLC



Across Europe the impact of the Covid 19 pandemic control measures has exposed the vulnerability of many businesses to disruptions in their cashflows. In turn this has prompted them and, also, potential start-ups to re-examine their business finance models. Specifically, the merits of including a higher percentage of long-term finance to act as a buffer reserve in times of adversity have been brought out of retirement and placed firmly in the spotlight. The perennial question, however, is what form should this 'long-term' finance take? Generally, leaving aside grant availability, this boils down to a choice between various forms of debt and equity. So, which is better for a business, debt, or equity? Arguments for and against both tend to focus on the twin issues of cost and control.

Cost and control

An oft cited benefit of equity funding is that it is cheap and does not need to be repaid. At a basic level this is true. Unlike a loan, there are no scheduled capital and interest payments that must be made even if the business is not profitable or is experiencing cashflow difficulties. A solid equity base can also result in easier access to 'cheap' loan finance as potential lenders perceive that shareholders have sufficient confidence in the business to risk their own capital. If all goes well, however the cost of equity can be extremely high. Investors rightly expect compensation for the risk they have assumed in backing the business since if it fails, they could normally expect to lose their entire investment. Usually, the equity cost will take the form of a share in profits (dividends) for the shareholder and/or capital appreciation (increase in value of shares held). Additionally, it should be noted that sometimes not all 'equity' is equal. Some classes of share carry preferential rights to dividends and may even require 'redemption' by the company at a future date – very much like a loan repayment. It is feasible that any distributable reserves that a business may have could be entirely exhausted in satisfying the demands of, when they exist, preferred shareholders. There are also instances where, if such demands are not satisfied, the shareholders may be able to take actions against the business to safeguard or mitigate the loss of their invested funds.

An oft quoted major drawback of equity financing is that it gives the new investor a 'voice' in the company and, thus, there is a loss of control involved for pre-existing shareholders, management, and directors. This is a rather simplistic view. A successful rights issue, for example, makes no change to the existing status quo. Many shareholders are passive investors who simply want to make a return and, even if they fail in this, they are unlikely to want, or be able, to galvanize enough support to make any sort of challenge to how a business is run. Shareholder revolts may make headlines, but they do not generally achieve much practical change. That is not to say that a fresh injection of equity never means that there is an impact on matters control. Where the new investor is a large company, a venture capital fund, or a business angel for example, it would be extremely unusual for an investment to be made without 'strings' being attached. Typically, these may involve board representation, access to regular financial information, commitments to hit specific performance targets within a given time frame and approval of senior staff remuneration packages. They may also, include provisions for the new investor to assume majority voting rights, effectively total control, if things do not go to plan. The reality, however, is that such draconian

clauses are rarely invoked because, by the time they can be, the business and their investment is a lost cause. In many instances the conditions and control shifts are welcomed by the business because they view the new investor as offering skills, experience, and contacts that they currently lack, and which should help to drive the business forward. Beware, however, even financial success does not guarantee a happy marriage when there is a clash of personalities, or business vision, as Anita Roddick's 'buy-back' of 'The Body Shop' demonstrates!

Turning to debt finance, it is certainly true to say that it comes at a cost which has a visible impact on cashflow, and which must be met irrespective of business performance. It is a general truth that debt finance requires the borrower to repay not only the original funds lent to them, but also an interest charge for the use of the funds. Beyond that, repayment terms, schedules and interest rates applied may differ wildly. In contrast with most equity finance, however, this total cost is known to the borrower from the outset and, provided the business meets that cost as agreed there will be no ongoing share in or call upon any profits of the business. When things go to plan, therefore, the total cost of the debt option is likely to be lower than for an equity one.

The true cost of debt becomes apparent when things do not go according to plan and despite the fact that for example, contracts may have been delayed or payments are overdue, the persistent call of debt and interest payments on cashflow must be met. Failure to do so can trigger severe consequences which may fatally impair the ability of a business to survive. In some instances, it can also bring financial ruin to the business owners and/or its directors. These consequences stem from the fact that most debt finance is 'secured' either on some, or all, of the assets of a business and/or occasionally, via personal guarantees given by the directors or owners of a business. Failure to meet scheduled payments will often trigger the right for the lender to sell the 'secured' asset or assets and/or for them to crystallise any personal guarantees. The sale of key assets such as, for example, production lines, will quite literally leave the remaining business unable to operate at all. Even on the rare occasion that a lender does not take out security for a loan it will still normally have the right to issue a winding up petition against the business if it fails to make the agreed payments.

Thus, 'control' of a business can in fact be quickly lost without any change in investors or shareholdings. Less dramatically, debt facility agreements normally include 'control' conditions which a business must satisfy on an ongoing basis. These might include regular and timely production of management accounts, audited accounts, and covenants relating to the business being operated within specified financial ratio limits such as gearing ratios, bad debt percentages, average debtor and creditor days etc. Failure to adhere to these requirements, or to rectify the failure within a specified timeframe, may also give the lender the right to curtail the facility - even if scheduled payments have been met!

The conclusion?

The issues of cost and control are not quite as straight forward as they are usually presented. Whether a business should opt for debt or equity finance will depend upon the specifics of the case. Often the 'best' option is a package combining elements of both! A specialist advisor can help you structure the deal which is most suitable for your needs and circumstances and, assist you in sourcing appropriate funding partners. Your priority should be to ensure that both your adviser and, your eventual investor or lender, have a good understanding of your business and its key drivers. Someone who fails to challenge you on your business plan, who has no knowledge of your key customer base, your key inputs, your management structure or your market is less likely to recognise the difference between a temporary cashflow setback and a major business catastrophe. A lender or an investor who takes the trouble to learn about your business can be a powerful ally and aid when things do not necessarily go to plan. As for advisers who breeze in and out and immediately announce that they can get you what you need 'caveat emptor'!



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Establishing Economic Substance in Cyprus



By Xenia Neophytou, Director, C.X.Financia Ltd



With many companies establishing a presence in Cyprus to benefit from the island's favourable double taxation treaties, it is of paramount importance to demonstrate that management and control of a Cypriot registered company is exercised in Cyprus, and there is sufficient economic substance and physical presence to validate this.

Why Cyprus?

Cyprus is a well-respected and experienced Tax Incentive country. In a post-pandemic world, the island has set itself up to welcome and cater to foreign investors via its many investment opportunities in key economic sectors such as banking, investment funds, shipping, tourism, innovation, R&D, energy and real estate.

Cyprus currently enjoys double tax treaties (DTTs) with 65 countries, including China, Canada, Germany, France, Saudi Arabia, the UAE, and the USA. This range of DTTs strengthens the country's popularity as an investment funds destination and a gateway into Europe.

Cyprus is also an important tax incentive jurisdiction, one that abides by international rules on transparency, exchange of information, reporting, and substance. As such, it could offer investors a much-needed respite from the current crisis via its many tax savings opportunities.

Cyprus follows the model outlined by the Organization for Economic Cooperation and Development (OECD), wherein companies can qualify from tax treaty benefits under the following criteria:

- The company is a tax resident of the State in which it is registered
- The company is the 'beneficial owner' of the income distribution (i.e., dividends, interests, royalties).

How does a company achieve sufficient business substance in Cyprus?

It is important to remember that there is no standard approach to achieving substance. Each company and its corporate structure should be reviewed on a case-by-case basis, and each jurisdiction has multiple interpretations to consider.

As a general rule, however, multinationals operating in Cyprus are urged to adhere to the following governance procedures and indicators of substance in order to support their company's tax residency position and achieve substance:

1. **Effective management should take place in Cyprus.** This includes investment and operational policies, such as buying and selling of stock or assets, appointing company officers, overseeing and controlling those appointed to carry out the day-to-day business of the company, and handling matters of finance.

2. **Cyprus company directors must have relevant knowledge and experience of the operations of the company.** Directors of a Cyprus company must have sufficient knowledge to make decisions in order to demonstrate that they are the decision-makers. A Cyprus-registered company is not considered to have Cyprus business substance if its decisions are controlled or dictated by outsiders. Cypriot companies should have a local high-level decision-maker to control and direct the company from Cyprus.
3. **Avoid appointing directors holding multiple positions.** Directors who also hold many high-level positions simultaneous in many companies or in other affiliated companies raise red flags with the Tax Authorities, as this creates a structure lacking in economic substance.
4. **Maintain an office presence in Cyprus.** Group head offices, as well as fully-fledged offices with a business phone system and local website employing local staff, should be maintained in Cyprus. An absence of a fully-fledged office may be seen as suspicious unless it can be justified as a credible business decision. For instance, in cases where the company's activities do not require interpersonal transactions.
5. **Maintain business records.** Original minutes of conferences, general meetings, electronic mail, general administration, and all accounting records must be maintained at the seat of the Cyprus company.
6. **Maintaining a local bank account.** Though a company can have various bank accounts in the different jurisdictions in which it operates, a corporate bank account must be kept in Cyprus as key evidence of substance in the jurisdiction of its tax residency. Bank signatories and banking transactions from this account should also be based in Cyprus.
7. **Board meetings should be held in Cyprus.** These should be held and documented regularly, and at least one meeting should be held per year where all directors (resident and non-resident) are present.
8. **Manage Intellectual Property Rights (IPR).** By transferring intellectual property rights to a Cyprus company, foreign payments to said company can be commercially justifiable. In addition, the Cyprus company may incur regular expenditure, which can add value to the IPR activities.
9. **Consider a Cyprus Stock Exchange listing.** Listing the Cyprus company on the Cyprus Emerging Capital Market demonstrates that said company is actively doing business in Cyprus. Requirements are minimal, listing and maintenance costs are not restrictive, and there is no minimum share capital that needs to be disseminated among the general public.
10. **Establish a Cyprus International Trust.** Setting up a Cyprus International Trust for the shares of a Cyprus company is a step further in securing beneficial ownership.
11. **Continuous company development.** While the above are good tips and tricks for establishing substance, it is important to go beyond just demonstrating the initial reasons for forming a Cyprus company. Rather, the economic substance should be continuously demonstrated throughout the company's lifetime. There are a number of ways to do this, depending on the company's operations and structure, and we're here to help you navigate these requirements and assist in your company's development.

How CX Financia can assist

Our team of professionals can offer recommendations and package proposals on a case by cases basis to clients who wish to enhance their presence in Cyprus and build up economic substance. This can be through establishing a fully-fledged office in Cyprus with employee relocation, or by adopting other relevant best practices.

Our services include, but are not limited to:

- Identifying suitable office space and residential accommodation
- Assistance with setting up of an office, hiring local personnel, and dealing with visas and work permits for foreign employees
- Support with ongoing administrative functions (fiduciary, accounting, payroll, and HR)
- Tax services including corporate, personal and indirect tax compliance and advisory for domiciling of companies in Cyprus
- Independent IT environment set up
- Creation of websites

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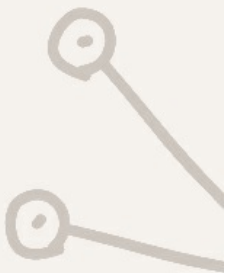



07.20

THE END FOR VISA REQUIREMENTS

FAMILY MEMBERS OF EU CITIZENS WHO ARE NOT EU NATIONALS BUT HOLD PERMANENT RESIDENCE CARDS

BROCHURES



On the 18/06/2020 the Court of Justice of the European Union ('**CJEU**') issued a judgement based on a request for a preliminary ruling in Case C-754/18 between Ryanair Designated Activity Company v Országos Rendőr-főkapitányság where it ruled, amongst others, on the issue of whether possessing a permanent residence card from a Member State exempts that person, not being a national of a Member State but who is a family member of an EU Citizen, from the requirement to obtain a visa in order to enter the territory of other Member States. With its judgement, the CJEU ruled that such persons, should be exempt from the entry visa requirement for the territory of Member States.

Brief Summary of the Case

On a Ryanair-operated flight from London (United Kingdom) the police at Liszt Ferenc Airport in Budapest (Hungary) screened the passengers and found that a passenger of Ukrainian nationality who held (1) a non-biometric passport, (2) a residence card for a family member of a citizen of the Union issued by the United Kingdom subsequently invalidated and (3) a valid permanent residence card, also issued by the United Kingdom, did not have a visa.

Considering that this passenger did not hold all the travel documents required to enter Hungarian territory, the police did not authorise him to do so and asked Ryanair to reroute him to London. In addition, it considered that Ryanair had not taken the measures incumbent on it as a carrier to ensure that that passenger was in possession of the required travel documents and, for that reason, decided to impose a fine of EUR 3000 on that company.

Ryanair challenged the legality of this decision arguing amongst others that the passenger in question was authorised to enter Hungarian territory without a visa since he had a permanent residence card issued by the UK. On the other hand, the Hungarian National Police Headquarters took the view that only the possession of a residence card for a family member of a citizen of the Union exempts nationals of non-member States from the requirement to be in possession of a visa in order to enter the territory of the Member States. Considering both views, the competent Court of Hungary sent a relevant request to the CJEU for a preliminary ruling as to how the provisions of Articles 5, 10 and 20 of Directive 2004/38/EC on the right of citizens of the Union and their family members to move and reside freely within the territory of the Member States (the "Directive"), should be interpreted.

THE Ruling of the Cjeu

With its ruling the CJEU decided that possessing a permanent residence card exempts a person who is not a national of a Member State, but who is a family member of a Union citizen and who holds such a card, from the obligation to obtain a visa in order to enter the territory of the Member States.

Justifying its ruling above, the CJEU stated that both a residence card and a permanent residence card are documents which, if held by family members of a Union citizen who are not nationals of a Member State, certify that they have a right of residence, and therefore of entry, in the territory of the Member States.

In addition, the CJEU ruled that the possession of a permanent residence card exempts the family member of a Union citizen who holds it, from the obligation to obtain a visa where that card was issued by a Member State which is not part of the Schengen area and that possession of the residence card constitutes sufficient proof that the holder of that card is a family member of a Union citizen, so that the person concerned is entitled, without further verification or justification being necessary, to enter the territory of a Member State exempt from the requirement to obtain a visa under Article 5(2) of the Directive.

In relation to the above, the CJEU also stated also that "Member States may issue a permanent residence card only to persons who have the status of family member of a citizen of the Union. It follows that the issue of a permanent residence card by a Member State implies that that State has necessarily verified, in advance, that the person concerned has that status. Therefore, there is no need for an additional verification of that status.

WHO IS CONSIDERED TO BE A "FAMILY MEMBER"?

According to Article 2 of the Directive family members include: spouses, as well as the partner with whom the Union citizen has

contracted a registered partnership on the basis of the legislation of a Member State, provided that the legislation of the host Member State treats registered partnerships as equivalent to marriage and in accordance with the conditions laid down in the relevant legislation of the host Member State, the direct descendants who are under the age of 21 or who are dependants including those of the spouse or partner as stated above and the dependant direct relatives in the ascending line including those of the spouse or partner as stated above.

This means that “family members” will include the husband, wife or partners of the EU national, his or her children or his or her spouse’s or partner’s children provided that such children are under the age of 21 or who are dependants or any dependant parent of the EU national or of his / her spouse or partner. So, for example, if a third country national (i.e. Russian citizen) has obtained Cypriot nationality, then the above persons, being part of his family, who in turn are residents of Cyprus and hold either a permanent residence card or a residence card for a family member of a citizen of the EU, may travel to all EU countries without the need to produce a visa.

CONCLUSION

With the above decision the CJEU clarified that the type of residence card held by the “family member” of the EU national is irrelevant, in that either possessing a permanent residence card or a residence card for a family member of a citizen of the EU will in both circumstances give such family member (as defined in Article 2 of the Directive), the right to be exempt from any visa requirements for entry into the territory of another Member State.

DISCLAIMER

This publication has been prepared as a general guide and for information purposes only. It is not a substitution for professional advice. One must not rely on it without receiving independent advice based on the particular facts of his/her own case. No responsibility can be accepted by the authors or the publishers for any loss occasioned by acting or refraining from acting on the basis of this publication.

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We are a Law Firm with offices in Cyprus and Malta and a representative office in Shanghai China comprising of more than 50 lawyers, accountants and other professionals who advise, international and local clients.

The Firm has been offering legal and consulting services since 1983 evolving from a traditional law firm to an innovative cutting-edge multidisciplinary law firm combining exceptional expertise in law, tax, vat and accounting.

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Pushing our limits to provide the highest quality services

M.P Mediterranean Partners Ltd, is an Administrative Service Provider licensed by the Cyprus Bar Association, which focuses on the provision of consultancy and corporate services for the wealth management of its clients, involving international and local tax planning, asset & risk management, accounting, corporate, trustee and fiduciary services, as well as banking in Cyprus and abroad.

The goal of M.P Mediterranean Partners Ltd is to provide its clients with a high level of service incorporating integrity and professionalism combined with innovative solutions tailored to their business needs.



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Our aim is to help our clients establish and run their business efficiently, therefore, we offer a broad range of fiduciary services that will assist our clients in the process of incorporation and thereon after.

We also provide constant corporate secretarial support and compliance services.

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M.P Mediterranean Partners Ltd offers a broad spectrum of financial services, the most common of these relate, amongst others to, the preparation and management of financial accounts, bookkeeping services, preparation of accounts for audit, preparation of budgets and tax consultancy.

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MP as a recognised and licensed service provider may assist clients and their companies with the introductions and with the preparation and submission of necessary paperwork required for opening accounts.

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Our tax advisors use their knowledge of available tax schemes and mechanisms, in line with both Cyprus and International Tax legislations, to enable our clients to take advantage of any available tax benefits, thus minimising the client's tax liability and exposure.

ACCOUNTING AND BOOKKEEPING SERVICES

The Finance Department provides all services relating to the day-to-day financial transactions while preparing the company's financial records.

CYPRUS INVESTMENT PROGRAMME (CIP)

Non-Cypriot citizens who meet certain criteria and fulfil the terms and conditions outlined by the Government of Cyprus may apply for the acquisition of Cypriot citizenship and enjoy the benefits of being citizens of the European Union.



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CYPRUS INVESTMENT PROGRAMME (CIP)

INTRODUCTION

Non-Cypriot citizens who meet certain criteria and fulfil the terms and conditions outlined by the Government of Cyprus may apply for the acquisition of Cypriot citizenship and enjoy the benefits of being citizens of the European Union. Investors can apply for Cypriot citizenship by submitting a stand-alone application, upon making an investment of at least €2 million which must be retained for a period of five years and a €150,000 contribution. Of this sum, €75,000 goes to the Research and Innovation Foundation of Cyprus and €75,000 to the Cyprus Land Development Corporation. The applicant must possess a residency permit in the Republic of Cyprus for a period of at least six months.

BENEFITS OF THE CYPRUS INVESTMENT PROGRAMME

Travel, live and work within all EU-member states.

- Travel visa-free to more than 150 countries. Passed on to family members: spouse and dependent children.
- The investor does not become a tax resident, unless more than 183 days in a calendar year are spent in Cyprus.
- Not necessary to reside in Cyprus before or after the obtainment of citizenship.
- Dual citizenship permitted.
- The applicant's parents are also entitled to apply for Cypriot citizenship provided they own a permanent residence in Cyprus of at least €500,000 (excluding VAT).
- Their application may be submitted after the investor had acquired Cypriot citizenship.

INVESTMENT OPTIONS

INVESTMENT IN REAL ESTATE, LAND DEVELOPMENT AND INFRASTRUCTURE PROJECTS

The applicant must have made an investment of at least €2 million for the purchase of properties, or for the purchase or construction of buildings, or for the construction of other land development or infrastructure projects. If the investor buys property which was previously used for the purpose of the Cyprus Investment plan, the total amount must be at least €2.5 million. If the applicant decides to purchase residential properties, he/she must have invested at least €2 million in one or more properties, provided that the value of one of the properties is at least €500,000 (excluding VAT), which must be kept as the permanent residence of the investor in Cyprus.

• PURCHASE OR ESTABLISHMENT OR PARTICIPATION IN CYPRIOT COMPANIES OR BUSINESSES

The applicant must have invested participated in companies / organisations established and operating in the Republic of Cyprus with investment costs of at least €2 million. Investments in the shipping sector are eligible.

• INVESTMENT IN ALTERNATIVE INVESTMENT FUNDS OR REGISTERED ALTERNATIVE INVESTMENT FUNDS OR FINANCIAL ASSETS OF CYPRIOT COMPANIES OR CYPRIOT ORGANISATIONS THAT ARE LICENSED BY CYSEC

The applicant must have bought units of at least €2 million from any of the above in investments that meet the criteria of this Programme or in areas approved by the Minister of Finance.

• COMBINATION OF THE AFOREMENTIONED INVESTMENTS

The applicant may proceed with a combination of the above investments, provided that the total investment will amount up to at least €2 million.

See our website mpartners.com.cy for further terms & conditions.

**Travel, live and work within
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Intellectual Property and the Rise of Blockchain

By: Constantinos Andronicou, Advocate at Tassos Papadopoulos & associates LLC



tassos papadopoulos & associates llc
advocates | legal consultants

Distributed ledger technologies, and in particular Blockchain, have been at the epicentre of a greater cross-industry technological surge and innovation taking place in the past decade. As with any new or emerging technology, especially technologies with the power to alter current policies and processes across different industries, there have been avid supporters as well as sceptics in relation to Blockchain and other related distributed ledger technologies. Some intellectual Property-heavy industries hope that the Blockchain-offered benefits to the intellectual property sector will prove unparalleled and could provide a newfound efficiency, protection, and accessibility.

In a nutshell, Blockchain is a time-stamped chain of immutable records, managed by a cluster of computers and not owned or controlled by a single entity. Cryptography is used to link a growing list of records, known as blocks, which cannot be readily altered without causing the alteration of all subsequent blocks. What is created is a decentralized, peer-to-peer, distributed ledger that records transactions in a verifiable and robust fashion which allows auditability, confidentiality as well as integrity. In this distributed peer-to-

peer network, each participant within the network maintains, approves and updates any new entries to this network of blockchain architecture. This near-unhackable distributed ledger technology is said to create a more secure, time-stamped and immutable chain of information which constitutes an ideal environment for intellectual property protection.

The use of Blockchain technology, as previously mentioned, has the potential to create as many disruptions as well as benefits in the legal world which could also bring forth an opportunity to improve, provide solutions and amend many systemic procedural complications which the legal and judicial sectors currently face in silence. The protections, progress, and development that Blockchain potentially has to offer to intellectual property rights is innovative and could ultimately reflect the intended legal standing for worldwide intellectual property rights.

Intellectual Property-heavy industries can reap the benefits of Blockchain by using the technology to displace various existing time-consuming, ineffective, and costly procedures. The technology may be used to readily provide evidence of creatorship and authentication of an intellectual property. The use of timestamps, the robustness and security provided in the network of blockchain architecture could result in the production of authorship and creatorship evidence, which has traditionally been a leading dispute point in many judicial proceedings. The production of genuine court admissible evidence on creatorship, which will be hard to contest, could result in saving costs and the simplification of many future legal disputes on the matter.

Furthermore, the registration, maintenance, distribution, digital rights management, and control of intellectual property rights may be achieved through Blockchain by utilising the architecture of the distributed ledger technology. Smart contracts drafted and executed within Blockchain could provide the contracting parties with enforceable intellectual property agreements and licenses. Payments to intellectual property owners stemming from the said agreements, such as royalties, could easily be effected using distributed ledger technology and smart contracts. It is suggested that effectively, an ecosystem around the protection of the ownership of intellectual property could be created by setting up a one-stop shop with the use of Blockchain, guaranteeing payments, enforcing contracts and without difficulty producing evidence in relation to any intellectual property breach.

Beyond all the potential benefits distributed ledger technologies have to offer, one cannot overlook the biggest roadblock Blockchain faces in relation to the wide adoption of the technology, which is the lack of a legal and regulatory framework in most jurisdictions. Regardless of the surge and speed of progression surrounding the technology only a handful of countries have published and issued relevant enforceable guidelines, regulations, and laws in an effort to provide a legally secure and regulated distributed ledger technologies sector. The lack of a consistent global regulatory framework is easy to instil legal uncertainty in major players of the technology industry hindering the mass adoption of the technology and the full realisation of all its potential offerings. On the other hand, all the more countries are actively working on the drafting of relevant legislations and guidelines which, upon adoption, will enable the cross-industry application of the emerging distributed ledger technologies.

Blockchain and the relevant distributed ledger technologies have the potential to transform intellectual property-heavy industries and with these technologies' rapid growth there are hopes of solving many hindrances faced by intellectual property owners. Governmental agencies' interest in these technologies also promises a system of interoperability and the implementation of a common intellectual property operation strategy. Smart self-executing contracts could develop intellectual property protection and execution standards, that could prove a more stable intellectual property environment for both the owners, creators, and the assigned right holders.



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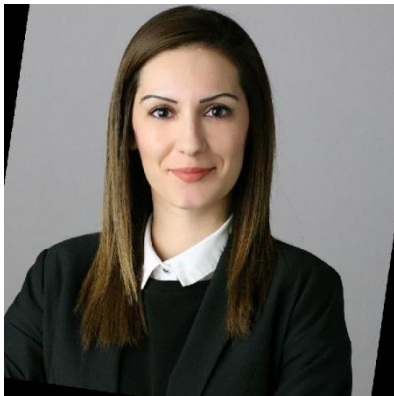


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Impact of COVID-19 – If you are a **LANDLORD** in Cyprus this article is for **YOU** - Essential Principles to know

By Georgia Pastou, Lawyer – Legal Consultant at Andreas Demetriades & Co LLC



No doubt, the pandemic of **COVID 19** has caused major turbulence to the health, political and social structures around the world. Governments are trying to recover from the impact of the virus both politically and economically, with the burden in certain cases been shifted to its citizens and the taxpayers.

Taxation Credit - Amendment to Law 58(I) 2020 dated 06/06/2020

Amongst several legal reforms, most recently the Parliament of Cyprus voted in favor of amending the Income Tax Law of 2002 in order for Taxation Credit to be granted to natural or legal persons that will proceed with voluntary reduction of the rentals they receive under rental agreements and/or lease agreements and/or right of use agreements, as relief factor to the again newly introduced legislation for lowering rentals in Cyprus in order to help Tenants meet their obligations through this new economic crisis.

The addition of **Article 9E** to the main **Income Tax Law of 2002** regulates that this amendment will **only concern the taxation year of 2020** and the Taxation credit can be equivalent to 50% of the monthly rent reduction provided certain conditions are met.

SOUNDS GOOD? SCROLL DOWN FOR FURTHER GUIDANCE

Conditions

A. According to the above Law amendment, the rent **reduction cannot be larger than 50% nor lesser than 30% of the monthly rental** received for a maximum period of 3 months within the tax year of 2020.

B. It is an essential principal that a **written agreement** needs to be in place between the Landlord and the Tenant.

C. The Landlord and the Tenant **should not be connected/related persons** as per the provisions of Article 33 of the Income Tax Law of 2002. According to the relevant Law a person is considered affiliated/related to another person if:

- (i) a person is related to another person if they are spouses or relatives or a spouse of a relative or relatives of either spouse
- (ii) a person is connected with any person with whom he maintains a partnership and is affiliated with the spouse or relative of any person with whom he maintains a partnership
- (iii) a company is connected with another company* (please see further below the conditions for this provision)

D. The grant of taxation credit reduces the amount of the final taxation to be paid by the Landlord **only** for the purposes of Income Taxation and is not connected nor should be calculated towards any amounts payable for Special Contribution Defense Taxation or amounts payable for the National Health System.

E. In cases where income tax return is applicable following the taxation credit, then the amount returned to the taxpayer **should not exceed** any amount already paid towards taxation.

Last but equally important note to take into account is that any person who received income below the Income Tax Threshold of Cyprus, i.e. below the amount of €19.500 **will not** be benefited from any of the above alleviation factors.

*** When is a company connected with another company?**

- a) If the same person is in control of both companies, or if one person is in control of one company and persons connected to him, or he and the persons connected to him are in control of the other company
- b) If a group of two or more persons are under the control of each company, and the groups either consist of the same persons or could be considered to consist of the same persons considering (in one or more cases) one member of either group that is being replaced by another person with whom he is connected
- c) A company is connected with another person if that person has control of the company or that person and persons affiliated with him have control of the company
- d) Any two or more persons acting together to ensure or exercise control of a company shall be deemed to be connected with that company and that they are connected to one another and affiliated with any person who acts with the instructions of either of the two persons to ensure or exercise control of the company.

For more guidance, please call our Law Firm on +357 26 811 668 or email us at ddlaw@logos.cy.net and/or pastou.g@demetriadeslaw.com

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Consumer Protection in Cyprus in relation to the purchase of land

By Manthos Mattheou, Head of Paphos Litigation Department at Michael Kyprianou & CO. LLC



michaelkyprianou
— Advocates • Legal Consultants

The European Union Directive

According to Article 11 of the “Unfair Commercial Practices Directive” 2005/29/EC Member States shall ensure that adequate and effective means exist to combat unfair commercial practices in order to enforce compliance with the provisions of this Directive in the interest of consumers.

Included in the definition of such means are legal provisions under which persons may bring such unfair commercial practices before an administrative authority competent either to decide on complaints or to initiate appropriate legal proceedings.

Such unfair commercial practices also cover a special category described as misleading commercial practices.

Legislation in Cyprus

As a result of the adoption of the Directive in relation to unfair commercial practices harming consumers' economic interests, legislation was passed in Cyprus in July 2007 in the form of The Unfair Commercial Practices of Businesses Towards Consumers Law 103 (I)/2007.

The relevant administrative authority in Cyprus is the Director of the Consumer Protection Service.

The Consumer Protection Service and its Director issue administrative decisions, according to the legislation relating to unfair commercial practices.

Misleading Commercial Practices Decision

An interesting decision was issued earlier this month by the Director of the Consumer Protection Service, the range of the content of which brings to the surface several problems that may arise in case a purchaser of land on which to build a house fails to seek proper legal advice prior to such a purchase.

Examined by this decision were the commercial practices of a company involved professionally with the sale and development of land for the purpose of construction of residential properties. The object of the decision was to determine whether such practices were unfair in the sense of being misleading.

The Facts of the Case

The complainants were the original purchaser and her daughter to whom an assignment was made of all her rights and obligations which arose from the original contract with which the land was purchased with the simultaneous obligation on the part of the developer to construct a house on the same plot. The complaint was made in relation to the developer's failure to reveal material information which if known to the original purchaser then she would not have given her consent to the actual agreement. The material information not revealed was the construction of the house without having obtained the necessary town planning and building permits as well as the existence of a mortgage on the building plot on which the house was going to be constructed. The mortgage as such prevented the transfer of the property to the name of the purchaser even though she had fully complied with all her contractual obligations.

Conclusion

It was decided that the developer had implemented an unfair commercial practice through the sale of the building plot with the purpose of constructing a house on it without having previously secured the requisite town planning permit and building permit, while also failing to inform the complainant that there was a mortgage on the land.

This unfair commercial practice was considered to be a breach of the relevant legislation.

Furthermore, it was a misleading commercial practice since a declaration was made by the developer that the actual sale was legal whereas this was not so. In fact, since the construction of the house was forbidden without first securing a building permit then the developer had illegally signed the contract for the sale of land and construction of the house.

The Director concluded that more than one breach of the relevant legislation had been committed by the developer and thus imposed a fine of €70,000.00.

The complaint was made in 2019 even though the relevant events occurred about 12 years ago. This decision highlights and clearly demonstrates the need for obtaining proper legal advice prior to purchasing property in Cyprus.

*The content of this article is valid as at the date of its first publication. It is intended to provide a general guide to the subject matter and does not constitute legal advice. We recommend that you seek professional advice on your specific matter before acting on any information provided. For further information or advice, please contact **Manthos Mattheou**, Special Counsel at manthos.mattheou@kyprianou.com*

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Leadership

By Savvas Kyriakides
Founder & President
Great Britain- Cyprus Business Association

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what you can
accomplish
if you do not
care who gets
the credit."

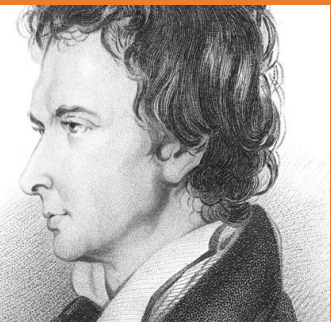
-Harry S. Truman

People may
hear your
words, but they
feel your
attitude.

John C. Maxwell
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If you think you
can win, you can
win. Faith is
necessary to
victory.

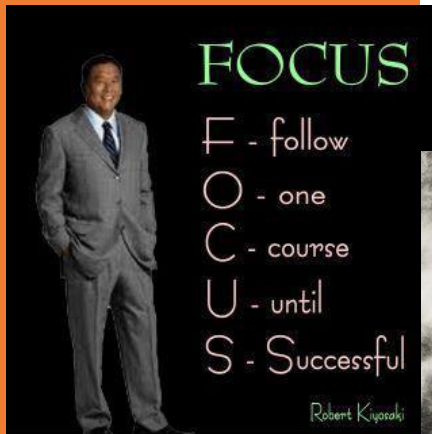
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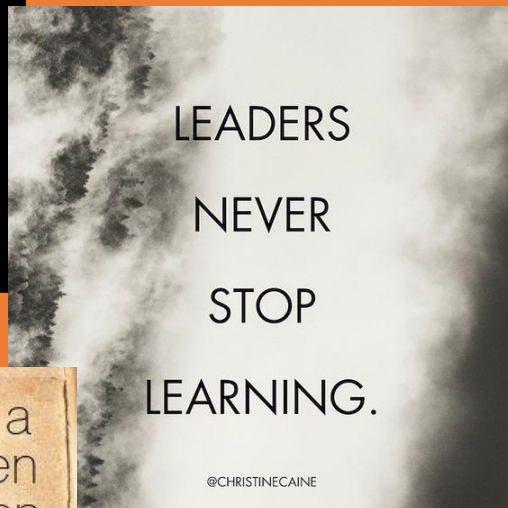
F - follow
O - one
C - course
U - until
S - Successful

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