



The Great Britain-Cyprus Business Gazette

www.gbcy.business/e-newspaper

April
2022
Issue: 26

Your e-newspaper, published by the Great Britain-Cyprus Business Association

Kyriakos Kokkinos: the gov.cy changes the rules of the game



The Deputy Ministry of Research, Innovation and Digital Policy of Cyprus aims at the holistic redesign of the way of developing digital services and applications in order to meet the real needs of the citizen.

(Page 21)

UK economy flirting with recession amid escalating inflation

Escalating inflation is threatening to throw the UK economy into dangerously close recession territory, reveals two closely watched surveys.

Businesses are struggling under the weight of swelling costs triggered by soaring energy bills, prompting them to launch the quickest price hike cycle on record, according to the British Chambers of Commerce (BCC). (Page 16)



Upcoming INTERNATIONAL BUSINESS CONFERENCE:



Kyriakos Kokkinos

Deputy Minister to the President of the Republic of Cyprus for Research, Innovation and Digital Policy

Cyprus - An Attractive Investment Hub 2022 London - A Global Financial & Investment Centre

The Great Britain-Cyprus Business Association, in association with EY Cyprus, are organising an international business conference in London, on 10 May 2022.

Many distinguished speakers from Cyprus and the UK will discuss the latest investment opportunities and the market trends both in Cyprus and the UK.

Mr Kyriakos Kokkinos, Deputy Minister of Research, Innovation and Digital Policy is the main speaker. To REGISTER and ATTEND, visit www.gbcy.business/events (Page 6)



George Chrysochos: Cyprus should attract investments which would benefit the economy in the long term. The most important and direct way is to promote business to headquartering in Cyprus

Independently of the type of project whether is real estate and development, infrastructure, or electricity generation we will always deliver what we promise.



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EDITORIAL

Business Networking is Priceless

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



The negative impact of COVID-19 initially and now the war in Ukraine has a negative impact to many businesses in Cyprus, the UK and the rest of the world.

Businesses are looking for new opportunities, new markets and new contacts for collaboration and new contracts.

We see businessmen and professionals flying to many places during the last few months, such as Dubai, Israel, Greece, Germany and so other places around the world to meet new potential business partners.

Great Britain-Cyprus Business Association is a business association that helps you promote your company and allow all members and business associates in both Cyprus and Great Britain to view your Firm's potential. We organise business events, road shows and private business meetings. We also introduce your company to our members and associates.

Cyprus offers opportunities in new, proven and reliable markets to secure the future of your investment. Likewise, Great Britain also has a flourishing economy with opportunities available in all areas. This collaborative approach will allow a more selective access for British business entry into the Cyprus market by sourcing important contacts in legal, tax, accounting, real estate, general and precise information as how one can conduct business transactions in the Cyprus markets. In the same instant, Cyprus companies will enjoy the same opportunities into the UK market.

The upcoming event in London, organized by the Great Britain-Cyprus Business Association in association with EY Cyprus, on 10 May 2022 at the Marriott Hotel, Regents Park, London, is another great opportunity to find out about new investment opportunities in Cyprus and the UK. It also provides you the opportunity to meet a number of distinguished speakers, businessmen and professionals who can provide you with all the information needed to start up new business in Cyprus and the UK, to find out about investment opportunities in Cyprus in several sectors such as Technology, Funds, Medical, Education, Renewable Energy and Real Estate.

The huge success of the recent event organized by the Great Britain-Cyprus Business Association and the addition of new panels which cover for the first-time areas such as Technology, Cryptocurrency, Education, Medical and Renewable Energy, makes the outcome of the success so promising and attractive.

Finally, the presence of the Deputy Minister of Research, Innovation and Digital Policy, Mr. Kyriakos Kokkinos as main speaker makes the event even more interesting.

So, visit www.gbcy.business/events now and register to attend.

I look forward to seeing you there.



How do you know
which way to turn
when the future
is far from clear?

ey.com/enterprisesresilience
#BetterQuestions

EY is a global leader in assurance, tax, strategy, transaction and consulting services, with more than 300,000 people in over 150 countries around the world. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies around the world.

Our purpose – Building a better working world – is the foundation of our culture. At EY, we empower our people with the right mindsets and skills to navigate what's next, become the transformative leaders the world needs, pursue careers as unique as they are, and build their own exceptional EY experiences.

Guided by our values of integrity, teaming up, energy and courage to lead, and forming relationships based on doing the right thing, we shape our new strategy to better serve our clients and deliver long-term value and sustainable

growth in a rapidly changing world. We guide governments through cash-flow crises; help digital pioneers fight data piracy; unlock new medical treatments with data analytics; and provide high-quality audits to build trust in financial markets and business. Around the world, we are helping more clients, in more places, tackle a wider variety of their toughest challenges than ever before.

We believe a better working world is one where economic growth is sustainable and inclusive. We work continuously to improve the quality of all our services, investing in our people and innovation. And we're proud to work with others - from our clients to wider stakeholders - to use our knowledge, skills and experience to help fulfil our purpose and create positive change.



The better the question. The better the answer. The better the world works.

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offices
globally

GLOBALLY WE HAVE OVER
300,000
OF THE BEST PROFESSIONALS
that we tap into to provide client solutions

EY in Cyprus:

In Cyprus, for over 80 years, EY has been a trusted business advisor and auditor to a broad range of clients, from private individuals and entrepreneurial businesses, to major public companies and large multinationals. It is the fastest growing firm in the professional services sector, with a workforce of more than 400 people.

Being part of EY's EMEIA Area and one of the 31 countries that comprise the new Central, Eastern and Southeastern Europe & Central Asia (CESA) region, EY Cyprus is ideally placed to exploit new opportunities in the area and cater to the needs of our clients in a wider geographic span.

Our key service sectors



Our services:

- ▶ Assurance Services
- ▶ Tax and Legal Services
- ▶ Consulting Services
- ▶ Strategy & Transactions Services

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Great Britain-Cyprus Business Association



In association with

EY Cyprus



PRESENTS

**INTERNATIONAL BUSINESS CONFERENCE:
Cyprus - An Attractive Investment Hub 2022
London – A Global Financial & Investment Centre**



A CONFERENCE FOR THE TRUE INVESTOR

London 10 May 2022

VENUE: Marriott Regents Park Hotel, 128 King Henry's Road, London NW3 3ST

This event is under the auspices of the government of the Republic of Cyprus



AREAS OF DISCUSSION

1. Technology and Start Ups
2. Blockchain and Cryptos – new regulations in Cyprus
3. Relocating your business in Cyprus – Updates based on the Government's action plan for 2022
4. Cyprus: An emerging Investment Fund centre in Europe
5. Real Estate: Investment Opportunities in Cyprus
6. Other investment Opportunities in Cyprus such as Education, Environmental and Medical
7. London: A Global Financial Centre and other investment opportunities



[For more information](#)

www.gbcy.business/events

Or send us an email to: info@gbcy.business

Tel: +44 (0) 78 509 44368

INITIAL AGENDA

8.45 a.m. – 9.30 a.m.

Registration

9.30 a.m.

Opening speech by Savvas Kyriakides, Founder & President at Great Britain-Cyprus Business Association

9.35 a.m.

Welcome Speech by the High Commissioner of the Republic of Cyprus in London, Mr Andreas Kakouris

9.40 a.m.

Speech by a Minister of the Republic of Cyprus

10.00 a.m. – 10.45 a.m.

Panel 1 Relocating your business in Cyprus – Updates based on the Government's action plan for 2022
-The new rules for obtaining work permits for third-country employees based on the government action plan
-Tax facts and incentives for businesses/companies in Cyprus
-Digital Nomad Visa

10.45 a.m. – 11.15 p.m.

Panel 2 London – A Global Financial & Investment Centre

- Why
- Where to Invest

11.15 a.m. – 11.30 a.m.

Coffee Break

11.30 a.m. – 12.10 a.m.

Panel 3 Cyprus as a leading EU investment fund jurisdiction

- Alternative Investment Funds/RAIFs general
- Taxation of funds
- AIFM/small AIFM

12.10 p.m. – 12.55 p.m.

Panel 4: Real Estate: Investment Opportunities in Cyprus

- -Residential/Commercial opportunities in different cities
- -Obtaining a permanent residence permit by investing in real estate in Cyprus

12.55 p.m. – 1.10 p.m.

Coffee Break

1.10 p.m. – 1.40 p.m.

Panel 5 Invest in Other Sectors:

- Education
- Renewable Energy
- Medical Sector

1.40 p.m.

METAVVERSE

Speech by Adonis Zachariades, Co-founder RENOV

1.50 p.m. – 2.30 p.m.

Panel 6 Technology & Cryptocurrency

2.30 p.m. – 5.30 p.m.

LUNCH AND NETWORKING OPPORTUNITIES

Notes:

- All the Speakers, Panelists, Moderators, sponsors, and Exhibitors to be confirmed shortly.
- There will be 3-4 panelists at each panel plus the Moderator



Upcoming Event
INTERNATIONAL BUSINESS CONFERENCE:
Cyprus - An Attractive Investment Hub 2022
London - A Global Financial & Investment Centre

MAIN SPEAKER



Kyriakos Kokkinos

**Deputy Minister to the President of
the Republic of Cyprus for Research,
Innovation and Digital Policy**

For more information and to REGISTER to ATTEND, please visit

www.gbcy.business/events

10 May 2022 - London, UK
organised by
GREAT BRITAIN-CYPRUS BUSINESS ASSOCIATION

VENUE: Marriott Regents Park Hotel, 128 King Henry's Road, London NW3 3ST

Under the auspices of the Government of the Republic of Cyprus



INTERNATIONAL BUSINESS CONFERENCE: Cyprus - An Attractive Investment Hub 2022 London – A Global Financial & Investment Centre London, 10 May 2022

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CONFIRMED SPEAKERS



Kyriakos Kokkinos

Deputy Minister to the President of the Republic of Cyprus for Research, Innovation and Digital Policy



Philippos Raptopoulos
Head of Tax and Legal Services
of
EY in Cyprus



Natalie Petrides
Partner
at
KINANIS LLC



Raj Brar
Business Development
Manager at
KORANTINA HOMES



Michalis Economides
Founder & CEO
Advocate & Legal Consultant
at
Chambersfield Economides Kranos



Panicos Loizides
Director
at
QUEST Property Consultants



George Chrysochos
CEO
at
CYFIELD Group of Companies



Panayiotis Koussis
Team Leader of Legal and
Financial Services at
Pelagias, Christodoulou, Vrachas LLC



Giorgos Avraamides
Partner
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Pelagias, Christodoulou, Vrachas LLC



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Solicitor, Advocate
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Esme Palas
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Michael Kyprianou & Co. LLC



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Nick Nicolaou
Partner, Audit Services
EY Cyprus



Adonis Zachariades
Co-Founder
RENOVI



Andy Charalambous
Co-Founder
RENOVI

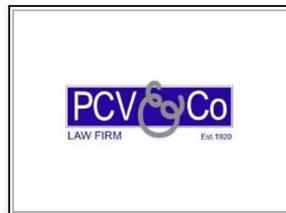
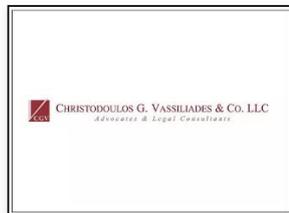
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PwC-backed summit focus: 'Day after' for Cyprus trade, investments



PwC Cyprus CEO and Chairman Philippos Soseilos

The 'day after' for ties between the United Kingdom, Cyprus and Greece, with an emphasis on trade and investments, were the main focus of the Economist's Sixth London Business Summit, which took place on March 21, 2022, at the London Stock Exchange.

PwC Cyprus was the Platinum Sponsor of the event, titled: 'UK – Greece – Cyprus: taking trade and investment to the next level'.

In light of the war in Ukraine, coupled with the ongoing impact of the pandemic, speakers analysed ways for Cyprus and Greece to overcome challenges and achieve sustainable growth, while attracting foreign investments and boosting ties with the United Kingdom.

Speakers included ministers, diplomats, party leaders, senior executives of large organisations and corporations, esteemed academics from the fields of economics, financial services, energy and business administration, the heads of investment promotion agencies in Greece and Cyprus, as well as investors active in various sectors of the economy.

The discussion focused on the current situation in Cyprus and Greece amid these particularly fragile times, as well as the East-Med countries' prospects for exiting the crisis.

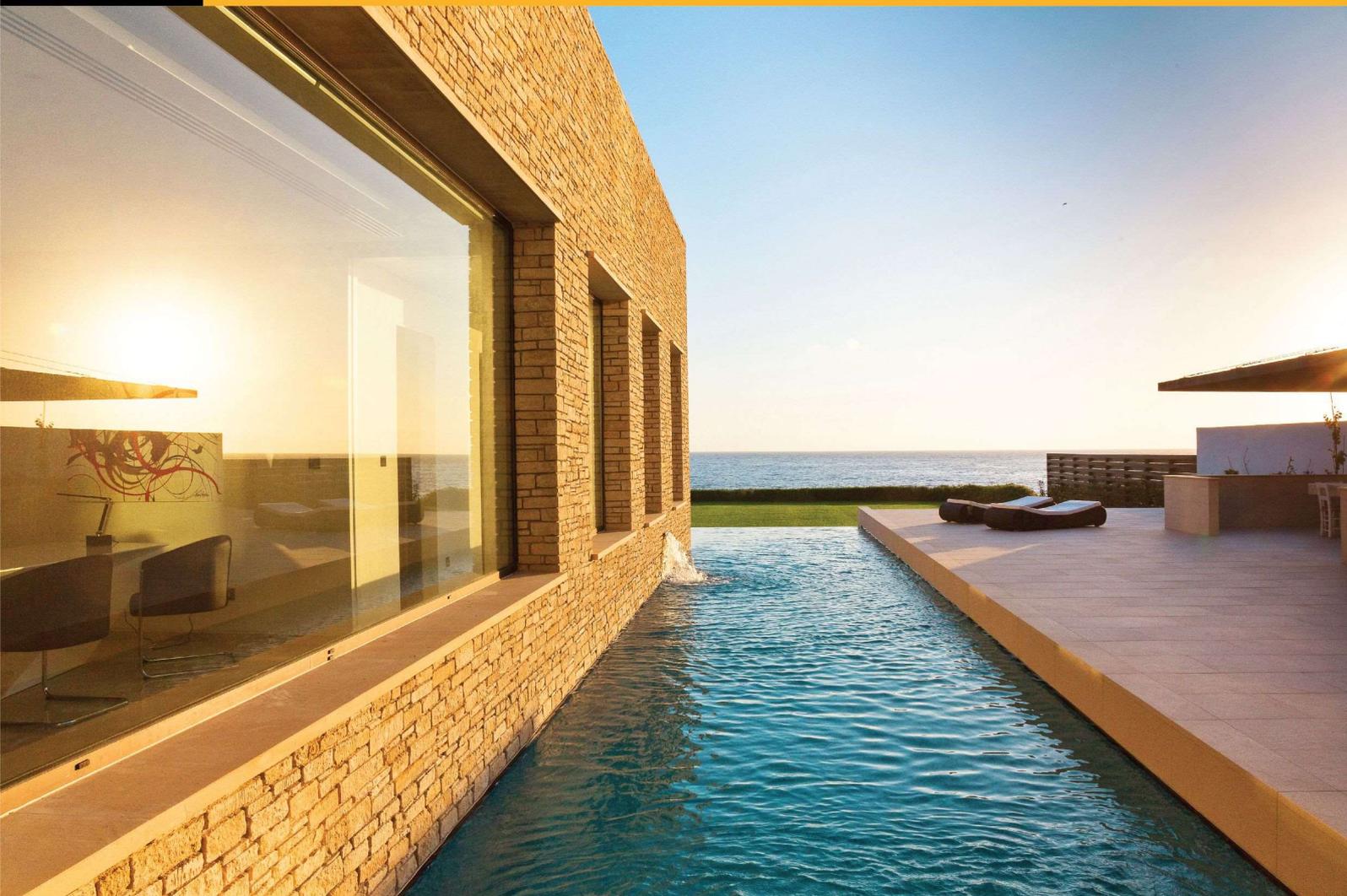
Speakers also attempted to shed light on opportunities to secure financing from the Recovery Plan, while stressing how vital investments are for the region, and that the key to promoting investments is a stable environment. Additionally, a significant portion of the summit addressed the broader region's energy and innovation sectors, and the investment opportunities arising for these vitally important industries.

Addressing the summit, PwC Cyprus CEO and Chairman Philippos Soseilos noted that today's speed of decision-making and pace of execution were becoming clear sources of competitive advantage.

"I believe this realisation has a huge impact on the way we lead our organisations and on the necessary cultural attributes for success that include trust, innovation and new forms of collaboration," he said.

CEO Soseilos highlighted the fact that, now, more than ever, there is a great need to accelerate towards a more diversified, agile and productive economy, as well as the important responsibility of pivoting together.

KORANTINA HOMES



Korantina Homes

is one of the largest developers in Cyprus primarily building on the west coast of the island with a huge presence in the land development and real estate sector in Cyprus since the 80's.

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KORANTINA HOMES



Its rich portfolio, award-winning projects and international recognition have set the company apart from the competition, while its impressive and high-quality constructions make it an ideal choice for eclectic customers with demands.

Korantina Homes believes in quality constructions that offer something different, raising the bar higher,

surpassing expectations and avoiding tried, cliché recipes.

The company may be active in Cyprus, but its design spirit breaks through the Cypriot borders and takes inspiration from every corner of the world.

UK economy flirting with recession amid escalating inflation



Escalating inflation is threatening to throw the UK economy into dangerously close recession territory, reveals two closely watched surveys.

Businesses are struggling under the weight of swelling costs triggered by soaring energy bills, prompting them to launch the quickest price hike cycle on record, according to the British Chambers of Commerce (BCC).

Around two in three firms intend to raise prices in the coming months, the highest proportion since BCC started tracking the data.

Separate research by the business group the Institute of Directors (IoD) reveals over half of companies are being crimped by historically high gas and electricity bills.

Energy prices have whipsawed during the last 10 months, driven by scarce supplies running into high demand as economies around the world emerge from pandemic restrictions.

However, Russia's invasion of Ukraine has sent energy prices skyrocketing even higher by stoking fears over the security of oil and gas flows.

Last month, oil prices briefly hit \$139 a barrel, the highest level since 2018, while UK gas futures reached a record high.

Britain's top forecaster, the Office for Budget Responsibility (OBR), warned last week UK economic growth will come in much lower than expected as a result of inflation averaging over seven per cent over the course of 2022.

Households are expected to cut spending to offset the worst drop in living standards since 1956.

Government policy is also heaping pressure on businesses' balance sheets and directly stoking Britain's cost of living squeeze, the BCC said.

"The level of inflationary pressures has soared to record levels and we are now truly in uncharted territory. Firms cite cost increases coming at them from all angles, ranging from energy bills to raw material prices and the imminent [1.25 percentage point] rise in national insurance," Shevaun Haviland, director general of the BCC, said.

"We need to be absolutely clear: this cost of doing business crisis is squeezing firms' finances, driving further increases in prices and directly fuelling the cost-of-living crisis," she added.

Inflation in the UK is already running at 30-year high of 6.2 per cent but is expected to surge even higher as the year develops.

The OBR thinks it will peak near nine per cent. Some economists have pencilled in a double-digit peak in October, driven by the energy watchdog hiking the cap on bills again to account for higher wholesale energy prices caused by the Russia-Ukraine war.

Analysts have leaned on expectations that households will deploy the warchest of pandemic-induced savings to maintain spending levels throughout the year, holding up economic growth.

However, a severe hit to consumer confidence caused by the Kremlin's invasion of Ukraine, tax hikes, interest rate rises and swelling energy bills may incentivise households to hold off on drawing down their rainy day funds.

"No one should rule out a decline in households' real expenditure this year that could drag the overall economy into a recession," Samuel Tombs, chief UK economist at Pantheon Macroeconomics, said.

QUEST

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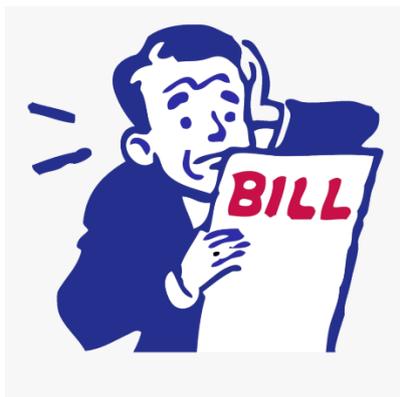
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Energy price cap: Bill shock for millions as rises hit



Millions of people will now feel the impact of an unprecedented £700-a-year rise in energy costs - at the same time as a host of bill hikes take effect.

The 54% rise in the energy price cap means a household using a typical amount of gas and electricity will now pay £1,971 per year.

A further rise pushing the annual bill up to £2,600 should be expected in October, one analyst has told the BBC.

Council tax, water bills and car tax are also going up for some on 1 April.

Minimum wage rates are rising which, along with some financial support from the government, is partially softening the blow.

- [Why are prices rising so quickly?](#)

The £693 a year rise in a typical energy bill will affect 18 million households, with 4.5 million customers on prepayment meters facing an even bigger increase of £708 a year.

Prices in general are rising at their fastest rate for 30 years, but the sudden increase in the cost of energy is the most significant for individuals. A number of suppliers' websites have [struggled to cope](#) as customers provided meter readings to ensure they paid no more than was absolutely required.

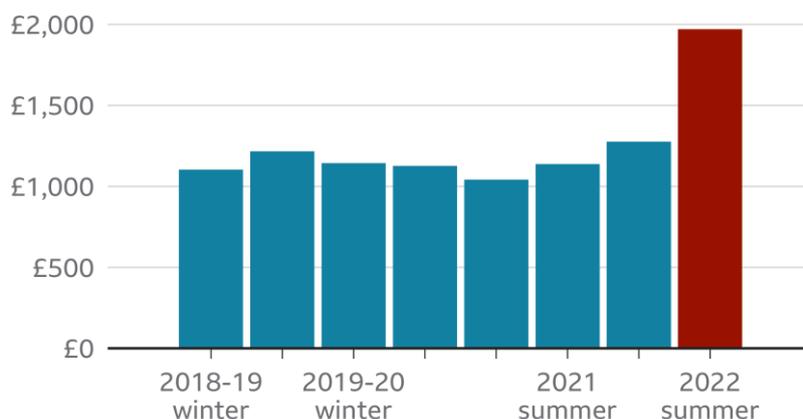
Dame Clare Moriarty, chief executive of Citizens Advice, said: "The energy price cap rise will be potentially ruinous for millions of people across the country. It comes just as another new, bleak record is set for people needing crisis support from us."

The governor of the Bank of England, Andrew Bailey, said the country is facing the biggest single shock from energy prices since the 1970s. It is the largest increase, by far, in the energy regulator Ofgem's price cap, since it was introduced.

The cap, set every six months for England. Wales and Scotland is designed to protect domestic customers from the volatility of wholesale energy prices.

The energy price cap has risen by nearly £700

Annual bill for a typical household on a price capped dual-fuel tariff paying by direct debit



Source: Ofgem

BBC

However, official forecasters and analysts have warned people to be braced for another huge rise in energy bills when the next cap takes effect in October. Wholesale prices have been affected by the war in Ukraine and ongoing pressure on suppliers.

This could add another £629 to a typical bill in October, according to the most up-to-date prediction, provided to the BBC from leading energy consultancy firm Cornwall Insight.

If this proved to be accurate, then the average bill next winter would be double that of the winter just gone. A typical bill is expected to fall back to the current level in summer 2023, although longer-term forecasts are tricky.

Bill Bullen, the boss of Utilita, warned that elderly people and children were at serious risk over the next winter because of a lack of heating.

"We are going to see an extra £500 or £600 added to bills in October, and frankly the chancellor's going to have to fund that entirely for low-income households," he told the BBC's Today programme.

"He won't be able to afford to take this problem away for everybody... but for customers who can't respond to that price [increase], that's where the help needs to be targeted."

Chris O'Shea, chief executive of Centrica, which owns the UK's largest supplier British Gas, said his businesses was supporting struggling customers and was giving grants to those most in need.

"We would love to do more. The reality is that for a retail energy company, the market has gone through quite a change, and profits have reduced quite substantially," he told [the BBC's Big Green Money Show](#).

However, he accepted that profits had risen sharply for the heavily taxed exploration arm of the business.

Month of bill rises

Council taxes and water bills are also going up for many people, added to the rising cost of food and household items.

One estimate suggests that a typical consumer is now facing a £73 a month increase in bills, of which about £58 is from rising energy costs.

"The added cost pressures set to come into play in April threatens to obliterate even the most finely tuned budgets." said Myron Jobson, senior personal finance analyst at Interactive Investor.

The Office for National Statistics said that low earners, renters, parents, people with disabilities, unemployed people and divorcees were least able to afford a bill shock.

Even before the latest increases, charity Citizens Advice said that in March, it referred 24,752 people to food banks or to other charitable support, up by 44% compared to the same month last year.

The government has said it was taking "decisive action" to help people with the cost of living, including a £200 reduction to energy bills in October - which needs to be paid back in instalments, and a £150 reduction in council tax bills for 80% of billpayers.

Chancellor Rishi Sunak told [the BBC's Newscast](#): "I'm confident in what we've done. I know it's tough for people. We're facing a very difficult situation with the price of things going up and I want to do what we can to ameliorate some of that, but I'm also honest with people that we can't ameliorate all of it, sadly."



PRO-ACTIVE AND COMMERCIALY INNOVATIVE....

About Adler Shine:

Adler Shine is a national award winning, full service, boutique, commercial accounting firm which maintains offices in North London.

Firm overview:

The firm acts for a large cross section of clients – from sole traders and family-owned businesses, medium & large UK & overseas companies to ultra-high net worth individuals and public companies.

The Transaction Services Team has extensive experience in handling AIM & NEX market transactions. The Sports & Media Group represents professional sportspeople, musicians, entertainers, film and television personalities and other famous names of stage, screen, radio & press.

The Business Process Outsourcing Department services over 70 Head Offices around the globe.

The firm's diverse and sophisticated Private Client Tax practice provides creative but pragmatic tax planning services together with frequent interdisciplinary projects involving Real Estate, Trust, Estates and International Tax.

For further information on Adler Shine LLP and its Partners, please go to

www.adlershine.com

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Kyriakos Kokkinos: the gov.cy changes the rules of the game



The Deputy Ministry of Research, Innovation and Digital Policy of Cyprus aims at the holistic redesign of the way of developing digital services and applications in order to meet the real needs of the citizen.

During the conference "The Digital Services Factory Way: Faster, Smarter, Simpler digital services", coordinated by IMH, the competent Deputy Minister Kyriakos Kokkinos presented in detail the new government approach to the development of digital services in the framework of the "Digital Cyprus" program. A program that radically changes the data to date regarding the provision of public digital services to the public.

As he said, this is an initiative that changes the rules of the game and redesigns the way digital services are provided to the citizen: Quickly, intelligently and simply. "We need to accelerate our digital capabilities to keep pace with the rapid transition to digital technology and achieve a quick and safe transition to the journey of digitalisation," the Deputy Minister stressed.

All in the gov. cy

"We are committed to fully transforming the citizen experience by implementing flexible ways of searching and providing easy access to quality services with information that is provided with clarity, plain language and ideally through a single journey, gov.cy," he said afterwards.

The new digital portal that will host both public digital services and all government websites is located in a single area where users can access information and services based on their life and work situation.

Among the advantages of the new approach is the increase in trust in the government's digital brand and tangible benefits for the government, citizens and businesses.

Mr. Kokkinos did not fail to thank the British Government with which Cyprus is working closely to achieve this ambitious project, for the benefit of society.

the award winning one-point-shop for all your Data Center technology needs

72

number of
countries

16

number of
industries

100%

current uptime

30^{min.}

average support
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In tourism and energy, the main impact of sanctions on Russia, says the Director General of the Finance Ministry



By **FinancialNews.**
com.cy

In the tourism and energy sector, the main impact on the Cypriot economy of the sanctions taken by the EU against Russia following the latter's invasion of Ukraine is identified, said The Director General of the Ministry of Finance George Pantelis, who represented Cyprus at the Meeting of EU Finance Ministers (Ecofin), which ended yesterday in Brussels.

According to a statement by the Ministry of Finance, the focus of the discussions of the Council's work was on the economic and financial consequences of the sanctions imposed on Russia following its invasion of Ukraine.

In his speech, Mr. Pantelis expressed the full solidarity of Cyprus with Ukraine and the Ukrainian people.

Regarding the sanctions imposed against Russia, the Director General, after referring to the overall impact that the sanctions are expected to have on the EU economy, noted that in the case of Cyprus we will mainly face challenges in the field of tourism and energy.

Also, the '27' with a large majority decided to create a carbon border adjustment mechanism (NSRF) based on the proposal of the European Commission, while a policy debate was held on the proposal to transpose into EU law the global agreement reached at OECD level by which large multinational companies would be subject to a minimum tax rate of 15%.

Moreover, on Monday 14 March, Mr Pantelis took part in the work of the Eurogroup, which dealt with the economic situation and the coordination of fiscal policy in the euro area, in the light of the war in Ukraine. There was also a discussion on the Banking Union, as well as on the enhanced surveillance report of Greece.

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High quality natural gas demonstrated by the evaluation drilling in Block 10 of the Cyprus Exclusive Economic Zone (EEZ)



By **FinancialNews.**
com.cy

High quality natural gas was demonstrated by the "Glaucus-2" rating drilling in Block 10 of the Exclusive Economic Zone of the Republic of Cyprus, according to today's announcement by the Ministry of Energy, Commerce and Industry.

As mentioned, the drilling operations, which included production tests and which were carried out by the joint venture ExxonMobil Exploration and Production Cyprus (Offshore) Limited-Qatar Petroleum International Upstream LLC, which holds a Hydrocarbon Exploration License for the said Plot, demonstrated the presence of a natural gas reservoir with high quality characteristics, while it is added that the consortium will proceed to a detailed analysis and evaluation of the data that have been collected to more accurately determine the qualitative and quantitative characteristics of the reservoir, as well as the potential options for the development and commercialization of the discovery.

In addition, and under the current legislation, it is noted that the consortium will notify the Ministry of Energy, Commerce and Industry of the results of the evaluation of the data collected from the drilling and testing works, once the evaluation is completed.

Finally, it is recalled that the works of the "Glaucus-2" evaluation drilling began on December 20, 2021, and were carried out by the "Stena Forth" drilling rig, which departed from the drilling site yesterday, late in the evening.



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Cyprus: End credits for Russian Commercial Bank



By **FinancialNews.**
com.cy

Cyprus is once again facing new data on its domestic banking map, following the developments that have taken place in the last 24 hours at the Russian Commercial Bank, which is unblocking itself from banking operations, as a result of Western sanctions on Russian companies' interests, following Russia's invasion of Ukraine.

The beginning with RCB took place on February 24, 2022, when the bank announced a change in its shareholding structure, noting in a relevant announcement that the shareholding structure of RCB Bank is now composed exclusively of private Cypriot shareholders from the Bank's Management.

On March 22, RCB Bank Ltd announced that it has entered into an agreement with Hellenic Bank Public Company Ltd for the sale of a performing loan portfolio of up to €556 million, relevant deposits in the accounts of the respective borrowers, as well as related off-balance sheet liabilities. The sale of the relevant portfolio will be completed in two phases, by the end of March the first and by the end of May the second and includes mainly corporate loans.

The latest development in RCB concerns its obligation by the Supervisory Authorities of Frankfurt to terminate its banking operations and become an Asset Management Company (Asset Management Company).

The bank's announcement: As stated in the bank's announcement, "RCB Bank Ltd has taken the decision to transform the bank into a supervised asset management company and is shifting from banking operations, which will be phased out. While RCB maintains ample levels of liquidity and capital adequacy, the ongoing and highly volatile geopolitical situation necessitates this transformation and the adoption of a new strategy – the gradual disengagement from banking while safeguarding the interests of its customers. Then, after the Bank has completed its turnaround from deposits and the granting of financing, it plans to become a supervised asset management company, since it has significant assets in its balance sheet.

During this transformation process, RCB Bank will continue to serve its existing customers and respond to all requests for payments or transfers of deposits to accounts with other banks and meet any current obligations.

RCB Bank, in agreement with ECB Banking Supervision, will cease to enter into new relationships with customers for both deposits and loans. The Bank will follow a specific timetable and procedure for the completion of existing customer relationships. In order to accurately implement this procedure, as well as to strengthen our clients' sense of confidence that all liabilities to them will be paid in full, RCB Bank has agreed with ECB Banking Supervision that it is appropriate to appoint a dedicated audit firm, which together with the management of the Bank will check the process of completing the bank's arrangements with depositors; thus ensuring the smooth termination of deposit relationships. The supervisors decided that a team of professionals from a reputable audit firm, namely Deloitte, would take on this role. The Board of Directors and the Management will of course continue to perform their duties normally, will organize the process of repaying deposits to customers and will lead the transformation of the Bank.

It is worth noting that in accordance with RCB's core values of trust, responsibility and professionalism, the Bank will proceed to the full repayment of all its obligations to its customers and will continue to focus on the management of its remaining assets. As recently announced, RCB has already negotiated the partial sale of its \$556 million loan assets. euro. This action combined with the existing high levels of liquidity allows RCB to fully meet its obligations to its clients and to maintain sufficient liquid assets for further activities after its transformation into an asset management company.

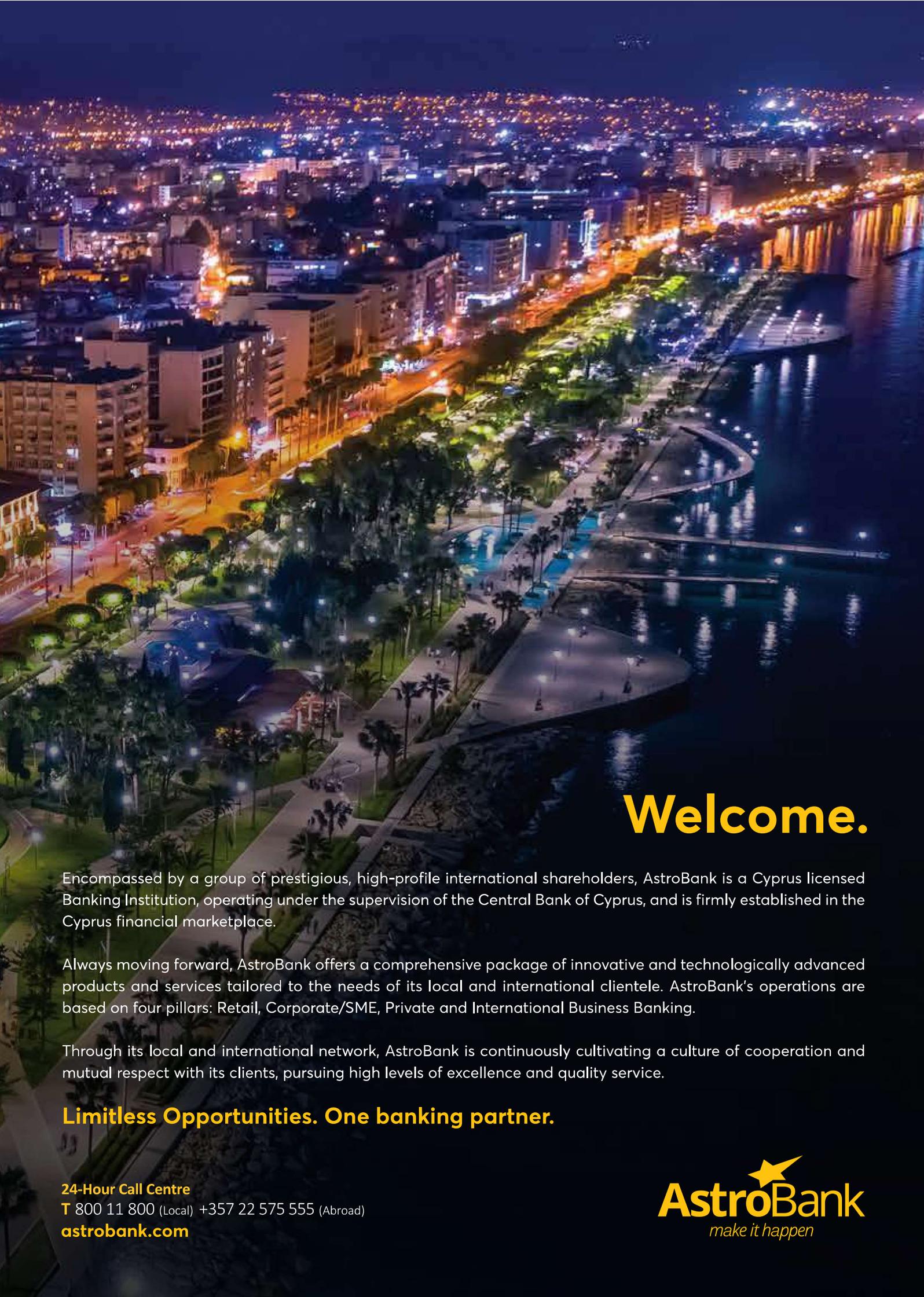
Our customers will be notified and asked to transfer their operations/deposits to other banking institutions in the coming months. In the meantime, existing customers will be served normally. We will continue to make payments and transfers based on our customers' instructions and allow them to be transferred to other banks, process card payments and acquiring services. We will make payments, as usual on the same interest-bearing date, and repay time deposits in accordance with their contractual maturity or standard notice period (within 5 business days in the event of an early termination). Soon, RCB intends to send notices to its customers of account closures and will simultaneously enter into negotiations with customers whose time deposits expire after June 2022 regarding the terms of early repayment by paying the full amount of the deposit and interest for the period during which the amount was held by the Bank.

With the full repayment of all requests and time deposits, RCB plans to become an asset management company, which will continue to manage its significant loan portfolio and specialize in providing other services.

RCB would like to thank wholeheartedly its customers for the long-term and mutually beneficial cooperation and regrets that due to the new geopolitical situation, it decided, in the interest of Cyprus, to take such measures when all its financial indicators were definitely among the best in the country.

The developments change the domestic banking map and create new data in the banking environment of Cyprus. It is indicative that within nine years, four banks have left the banking system of Cyprus: Laiki, The Cooperative, as well as FBME, which was supervised by KT. And now the RCB.

Finally, it is noted that on the main page of the Bank's website, the phrase "No to War" appears, followed by the company's announcements.



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The Cyprus Banking System is better prepared to deal with the crisis, says the ECB's President



By **FinancialNews**.
com.cy

Cyprus' banking system is better prepared to cope with the current crisis, European Central Bank (ECB) President Christine Lagarde said.

The ECB chief RCB said the direct exposures of Cyprus' banking sector are relatively limited and continue to decline, while the decline in profits linked to charges for card transactions and remittances of Russian customers is also limited.

"I would also like to mention that in recent years significant progress has been made in stabilising the banking system, improving solvency and liquidity positions and reducing stocks of distressed assets (NPLs)," Christine Lagarde said, adding: "Today, Cyprus' banking system is better prepared to cope with the current crisis."

Regarding the impact of the war on Ukraine, Ms. Lagarde noted that the indirect effects through tourism are significant but can be limited thanks to efforts to diversify tourism sources.

Stressing that the war will affect Cyprus' economy through various channels, Ms. Lagarde pointed out that arrivals from Russia and Ukraine accounted for almost 25% of total arrivals, noting that for this

reason the initiatives of the authorities to replace and diversify the sources of tourism are the right approach.

According to the head of the ECB, given the importance of Cyprus as a centre of foreign direct investment to and from Russia, professional services, such as accounting, advisory and legal services, are also expected to be affected, while Cyprus' economy will be affected by the inflationary pressures exerted by higher energy prices due to the country's dependence on oil imports for electricity generation.

"However, you know very well that every challenge is also an opportunity. Cyprus is located at the easternmost and southernmost tip of the EU. It provides a European institutional framework, the security of the euro as a currency and acts as a hub for business activities in the Middle East and North Africa region. Your country has proven time and time again that it is flexible and that it can face difficulties and emerge stronger, Ms Lagarde stressed.

Asked about the cessation of RCB Bank's banking operations, Ms Lagarde said it was a business decision and refrained from commenting on the basis of the ECB's position not to comment on individual institutions and noted that the important thing is that all deposits will be repaid.

"In a way, this decision partly reduces uncertainty and is expected to strengthen confidence in the Cypriot banking sector in the medium term," he added.

High uncertainty in estimates

Asked if there is a risk of a recession in the eurozone if the war continues, Ms Lagarde said the war is expected to have a significant impact on the global economy and especially on the European economy due to Europe's proximity to Russia and its dependence on Russian oil and gas.

He said the ECB's technocrats' baseline scenario, which includes an "initial assessment of the impact of the war," makes it possible for growth of 3.7% in 2022 and 2.8% in 2023.

He acknowledged that the war is likely to reduce growth in the eurozone and push inflation upwards in the short term, stressing that ECB experts have worked out two alternative scenarios, one adverse and one extreme scenario.

"In the adverse scenario the growth rate could decline to 2.3% in 2022," he said, adding however that these estimates are characterized by great uncertainty.



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Michael Kyprianou & Co LLC Legal Partner at the Invest Cyprus Road Show in Tel Aviv on 29th March 2022



Michael Kyprianou & Co LLC was invited to the Invest Cyprus Road Show 2022 event held at Tel Aviv, Israel on Tuesday 29th March 2022.

The event was organized by IMH and Invest Cyprus, which aimed at promoting Cyprus as an



attractive international business centre and an ideal foreign investment destination.

Mr Savvas Savvides, Partner of the firm and the Managing Director of the Paphos office in Cyprus, as one of the guest speakers, analysed the new programme of the **Business Facilitation Unit** of the Cyprus Government, in a panel discussion.



The firm was also represented by Mrs Esme Palas, Partner of the firm, and Mr Sotiri Poullas, Associate of the firm, who, during a cocktail networking event following the conference, exchanged ideas with interested parties and answered questions on the benefits of living and working in Cyprus.

The Cyprus delegation inclusive of government officials and esteemed speakers from the tech, funds, professional services and real estate sectors showcased the benefits of Cyprus as an international business center and as an ideal foreign direct investment destination.

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George Chrysochos:

Cyprus should attract investments which would benefit the economy in the long term. The most important and direct way is to promote business to headquartering in Cyprus

Interview with George Chrysochos: CEO, Cyfield Group



Mr Chrysochos, challenging times for Cyprus and Global economy, once again, this time because of the war in Ukraine. How do you think this war will affect our economy?

The first and most direct impact is hybrid inflation. The war in Ukraine has disrupted production, trading, and the supply chain of almost all commodities such as nature gas, oil, food, and minerals.

Just like the rest of the world Cyprus is feeling the impact. Apart from inflation we will see an imminent drop in tourist arrivals coming from Russia and Ukraine further affecting an industry which has already been under pressure due to the 2-years pandemic. The Cyprus has also been a traditional service provider to Russia and Ukrainian businesses, which with the current suctions, this relationship is disrupted and many law and accounting firms will face a decline in their customer base. A lot of real estate transactions have been postponed due to the capital controls imposed in Russia and the exclusion of Russian banks from swift.



However, in the long-term Cyprus will benefit from the instability that this war will cause in Russia and Ukraine even if the war ends soon, Russian & Ukrainian businesses, wealthy individuals, families, will seek a safe haven to continue their operations and well-being without any country risks. Cyprus traditionally has been such a destination, so we will see an increase of the labour force skilled workers and head quartering.

How does this war affect Cyfield and your plans for the near future?

As mentioned before some real estate transactions have been postponed due to the inability to transfer funds. Cyfield has had a small exposure to Russia & Ukrainian clients thus the effect for our company is small. Considering though, the huge demand that we are seeing and expect to continue from foreign companies to establish headquartering in Cyprus and bring their work force, we are developing a range of commercial office spaces and convectional apartments and houses mainly in the business centre of Cyprus, which is Nicosia.

Cyfield has managed to be established as one of the Leading and Reputable developers in Cyprus. On top of that Cyfield is the most dynamic and trusted company for infrastructure contracts. Finally, will be the first private electricity supplier in Cyprus after the completion of Mari Power Plant Project. What is the main secret behind this success?

For more than 30 years Cyfield's greatest value has been the client serving approach, my father, Kyriakos Chrysochos, founder of the company, created principles such as reliability & transparency, cost consciousness, apprenticeship and mentoring, which are true still today. His leadership skills have inspired us to continue the work with the same passion in creating projects that shape our society and positively impact our community. Independently of the type of project whether is real estate and development, infrastructure, or electricity generation we will always deliver what we promise.

How could Cyprus attract more investors? Which countries we should target most?

After the abolishment of the citizenship scheme, Cyprus has shifted its attention to real investments. Cyprus should attract investments which would benefit the economy in the long term. The most important and direct way is to promote business to headquartering in Cyprus. Even though everyone agrees on this topic and an important promotional work is done by many relevant parties towards that goal, the regulatory and legislative framework does not support it. There is still a lot of bureaucracy and delays in issuing planning and building permits for the offices and residential projects, difficulties in issuing work visas for employees and lack of tax incentives on Real Estate Investments.

With the Russian & Ukrainian markets facing their affirmation issues, Cyprus needs to diversify and target other regional markets such as Israel, Egypt, Middle East and EU members. Cyprus in one of the few countries in the region which is friendly in both Israel and all Arab-speaking countries. Cyprus also needs to re-establish and strengthen its traditional business relationship with the United Kingdom.

You participated at 'BUSINESS ORIENTATION CYPRUS 2021' which has been held in London last November. You are also participating at the upcoming event, 'Cyprus as an Attractive Investment Hub' which will be held in London on 10 May 2022. How important are for Cyprus these events organised by Great Britain-Cyprus Business Association in London and how important is London and UK for attracting new investors?

As mentioned before Cyprus needs to strengthen and reassure the close ties with the United Kingdom. Events organized by the Great Britain-Cyprus Business Association are the right steps towards that plan. It is an event where businesses and decision stake holder from both countries meet, discuss and exchange ideas for future collaborations that will benefit both countries. We are strong supporters of such initiatives.

Your last message to our readers and your potential clients.

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Our law firm was founded in 1920 by John G. Pelaghias and originally operated in Limassol. In 1950 his son George J. Pelaghias relocated the law firm to Nicosia, where it has been operated since then.

In 1984, Alexandra Pelaghias-Christodoulou joined her father and subsequently became partner in the law firm. In 1992, our law firm grew further when Petros Fr. Vrachas joined the firm which was then reorganised and later renamed to PELAGHIAS, CHRISTODOULOU, VRACHAS LLC.

What We Do

We aim to lead in each practice area of law we work in. Our clients range from multinational corporations to privately owned companies and individuals from different jurisdictions. Our focus is to concentrate on each client's specific requirements and objectives to provide legal solutions tailored to their needs.

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Our highly qualified and experienced lawyers offer their services across all major areas of law, including corporate & commercial, litigation, investment funds and financial services, banking & finance, energy, real estate, mergers and acquisitions, competition, immigration, tax, insurance, administration, public procurement, employment as well as intellectual property and data protection.

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Forfeiture is returning; Tenants and Landlords beware

By Graham Halsall, Partner at SPECTOR CONSTANT & WILLIAMS SOLICITORS



Over the last two years Coronavirus regulations have prevented landlords from forfeiting a lease on the grounds of rent arrears. With those regulations coming to an end on 26 March 2022, Graham Halsall considers whether tenants and landlords are prepared for the landscape ahead.

Forfeiture is a remedy available to a landlord in circumstances where the tenant has breached a covenant or condition in the lease, for example the covenant to pay rent. The effect of forfeiture is to terminate the lease, subject to the tenant's right to claim relief from forfeiture.



With many businesses forced to close during the pandemic, the government introduced a number of protections for commercial tenants unable to pay their rent. Among those protections was a moratorium on forfeiture on the grounds of rent arrears. That moratorium is coming to an end on 26 March 2022. In its place, will be an entirely new set of protections brought in by the Commercial Rent

(Coronavirus) Bill. I posted a blog about this last year: <https://www.scwlegal.co.uk/blog/gh-commercial-rent-scheme.html>.

Whilst this legislation will introduce a new moratorium on forfeiture, this will be far more limited in its application. The new moratorium will only apply to "protected debt rent", meaning that not all rent arrears will be protected. As a result, landlords and tenants need to be prepared for the return of forfeiture and, after such a long hiatus, it is worth a reminder of some of the pitfalls in this area.

Forfeiture by peaceable re-entry

One of the immediate pitfalls for tenants is forfeiture by peaceable re-entry. This is where the landlord effects forfeiture by physically entering the property and recovering possession (for example, by changing the locks). This can be done without a Court order and usually takes place without notice and when the property is empty.

Tenants that are in arrears of rent that do not fall into the category of "protected debt rent" will be exposed to this kind of action as soon as the clock strikes midnight on 25 March 2022. Many tenants could find themselves locked out of their premises and unable to operate their business. In these circumstances, the tenant can apply to Court and seek relief from forfeiture and, in emergency cases, it may be possible to obtain an injunction to reinstate access pending the outcome of the relief application. However, these are costly and potentially time-consuming remedies and success cannot be guaranteed. Moreover, the delay in reinstating access may cause irreparable damage to the tenant's business.

Tenants should be alive to the risk of forfeiture, but particularly forfeiture by peaceable re-entry. Otherwise, they could find themselves ejected from their business for an unsustainable period of time.

Waiver

Waiver occurs when the landlord, with knowledge of the breach of the lease, acts in a way which acknowledges the continued existence of the lease and communicates this to the tenant in some way. Demands for rent are a classic example of waiver, but it could be any conduct. It is easy for a landlord to inadvertently waive forfeiture.

If the landlord has waived the right of forfeiture, then the remedy is no longer available for that particular breach (unless the breach is of a continuing nature). For rent arrears cases, that means the right of forfeiture could be lost forever.

During the pandemic, landlords have benefited from their own form of moratorium, such that the landlord's conduct could not amount to waiver in relation to rent arrears (other than an express waiver in writing). This protection similarly ends on 26 March 2022. Therefore, landlords with intentions to forfeit need to be wary about their conduct from this point on.

Relief from forfeiture

Forfeiture brings about the end of the lease. However, the lease can be reinstated if a Court makes an order for relief from forfeiture. Generally, the Court will grant relief if the tenant has remedied the breach and is satisfied that there will be no similar breaches in the future. If granted, relief has the effect of restoring the lease as though the forfeiture had never taken place.

Even if a forfeiture dispute is settled by agreement, it is important to remember that the landlord and tenant relationship going forward needs to be regularised. This could be done either by the tenant securing an order for relief from the Court (which can be done with the consent of the landlord) or by the parties entering into a new arrangement. If nothing is done to regularise the relationship, this can lead to uncertainty and problems can arise further down the line. In the aftermath of a dispute, this can be overlooked.

Forfeiture was already a complicated area. With all the introduction of new rules and protections, it has become even more so. If you are considering or facing forfeiture action, please do not hesitate to contact us for advice.

Note:

Please note that this post has been prepared for the purpose of providing general information in a non-specific situation. Legal advice should be taken in relation to your particular circumstances. It is not intended that this post is relied upon by any party, and no liability is accepted for reliance.



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How to Buy Property with Cryptocurrency in Cyprus

By Savvas Savvides, Lawyer and Partner at Michael Kyprianou & Co LLC



michaelkyprianou
— Advocates - Legal Consultants

Home listings are one of the most noticeable ways that cryptocurrency is being used in real estate and it is a strategy that is being used more and more to generate greater interest in the real estate market.

Given the growing popularity of cryptocurrency in Cyprus, purchasing real estate using cryptocurrency is a viable option in the current atmosphere. Developers are already offering properties for sale in Bitcoin, which is becoming more common. It is now a reality that the global trend for cryptocurrency is growing, and the number of people willing to conduct transactions in Crypto, or digital money, is growing. There is also the option to convert cryptocurrency into Fiat money for individuals who prefer to accept payment in the traditional manner using Euro or other currencies.

The purchase and sale of real estate is carried out as a standard transaction which appears as indicated below:

1. The buyer collects all of the papers required for the purchase of the property;
2. The lawyer will progress with all due diligence processes necessary to check the legal status of the property to make certain that it is free from any charges and/or encumbrances;
3. An agreement is concluded between the purchaser and the seller in which the seller's crypto exchange account is indicated in the agreement;
4. The buyer transfers Bitcoin or other type of cryptocurrency through a system of smart contracts which operate on a legal level in the EU;
5. The seller receives a confirmation receipt;
6. The deal is fixed; and
7. The record of the change of owner is registered with the authorities, such as the Land Registry Office, etc.

An immediate question that arises, is to how to convert the cryptocurrency into cash or the local currency if the seller does not wish to keep cryptocurrency. This can be achieved in different ways, even if you hold on to your Bitcoins or other cryptocurrencies and sell them after several years.

Alternatively, if you do not wish to do this you can convert them into cash as below:

1. Use a cryptocurrency exchange. Some platforms allow users to sell their Bitcoins or other cryptocurrencies to other users. For example, you can exchange your Bitcoin for Euros, US Dollars or any other Fiat currency;
2. Use Peer to Peer (P2P) exchanges that allow for the purchase and sale of cryptocurrency online which means you can deal with them personally however, with the use of this type of platform, you need to ensure your safety;
3. Use a cryptocurrency ATM. You can use a cryptocurrency ATM to obtain physical cash. At present you can find cryptocurrency ATM's in over 76 countries. Consequently, it is becoming easier in most countries however, bear in mind, not every cryptocurrency ATM allows you to sell for local currency. In addition, the ATM's have different buy and sell units, supported coins and fees;

4. Use a cryptocurrency debit card. A cryptocurrency debit card may not provide for the conversion of cryptocurrencies into cash, however, it provides a way to then spend your cryptocurrency. It works like a regular debit card and you can buy services and products online and offline. You can also withdraw cash from any ATM.

When it comes to the question of whether or not cryptocurrency is taxable in Cyprus and whether you have to pay taxes on converting cryptocurrency, it seems that Cyprus is in a more privileged position than other European countries. The reason is that funds that derive from Initial Coin Offerings (I.C.O.) are subject to taxes in Cyprus since they are deemed to be a taxable income. However, Cyprus has one of the lowest and most attractive corporate tax rates at 12.5% and this is reason for its greatest advantage in comparison with any another European country. The transferring of Crypto between wallets or accounts that you own is not taxable. You can transfer your own original cost base and dates by accruing and tracking your potential tax impact when you eventually sell.

On comparing Cyprus with Malta, Malta is more popularly known as a blockchain island, since Malta does not impose Capital Gains on Cryptocurrencies that have been held for a long time. There are of course many other Crypto-friendly countries in the world such as Portugal, Switzerland (which is a country known for its incredible banking standards) and Germany.

In Cyprus, the Prevention and Suppression of Money Laundering and Terrorist Financing Law L188 (I)/2007, (the AML Law) was amended through the L13 (I)/2021 (the Amending Law) to harmonize domestic legislation with the provisions of the 4th and the 5th AML Directives (Directives (EU) 2015/849 and 2018/843). The 5th AML Directive made several amendments to the 4th AML Directive (together the AML Directives) effectively extending AML/CTF controls to the below:

1. Providers of exchange services between virtual currencies and fiat currencies (Exchange Providers); and
2. Providers of custody services for virtual currencies (Custody Providers).

As a result of the amendments introduced by the 5th AML Directive, EU Member States are required to ensure that exchange providers and Custody Providers are registered, and the persons holding management functions or who are the beneficiary owners of providers are fit and proper. In Cyprus, the Cyprus Security and Exchange Commission (CySec) has been designated as the competent supervisory authority for matters relating to crypto asset regulations and has been provided with powers to regulate through directives. By implementing the EU Directives, trading with cryptocurrencies in Cyprus is legally permitted. It is therefore safe to say that trading with cryptocurrencies in Cyprus is conducted according to the rules of general Civil Law.

Cryptocurrencies are a new trend that can easily be implemented into property transactions as it is becoming even more popular around the world. The property market has had to adapt so that sales are also made through cryptocurrency. One of the most important pillars of the country's economy, which will also continue to be considered as one of the most important pillars, is the purchase and sale of properties. Consequently, adaptation was required and necessary. The most important point to remember when investing in Cryptocurrencies is to consider your risk. You should not forget to calculate the taxes and fees that you will need to pay in order to make a wise financial decision.

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 Mr Savvas Savvides, Partner and Director of the Paphos Office at Michael Kyprianou & Co LLC, at Tel: +357 26 930 800 or via email at Savvas.Savvides@kyprianou.com



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HEADQUARTERING AND BUSINESS RELOCATION TO CYPRUS

2022

**Natalie Petrides
Lawyer - Partner**

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A. INTRODUCTION

By now everybody knows that Cyprus belongs to the EU, about our unrivalled sunny days and our strategic location. This is old news. Why bring Cyprus back on the Headquartering map? Does Cyprus have something new to offer to businesses and individuals that wish to relocate their businesses to Cyprus?

The answer is affirmative.

The Government of the Republic of Cyprus has launched a new action plan which has been implemented from the 1st of January 2022 to attract foreign businesses to establish or expand their activities in Cyprus. The aim of this report is to analyse this Governmental action plan. Further to highlight the headquartering investment option introduced under the permanent residency permit pursuant to regulation 6(2) of the Aliens and Immigration Regulations.

B. NEW POLICY FOR THE EMPLOYMENT OF THIRD COUNTRY NATIONALS

The policy for the employment of third country nationals by eligible companies in Cyprus has been simplified and thus has become more attractive. As financial issues along with human element considerations are the core of every decision to be taken, we highlight the fact that as from the 1st of January 2022 it is no longer obligatory for eligible employer companies in Cyprus to establish a bank account in Cyprus and remit to such a bank account from abroad an amount of Euro 200.000. This abolition has been most welcomed by the business world.

There are criteria to be met both at the level of the eligible company which will act as the employer in Cyprus and for the third country national employees to be employed.

Eligible companies for the employment of third country highly skilled nationals

The Business Facilitation Unit (BFU) of the Ministry of Energy, Commerce and Industry in Cyprus will need to give its approval that the prospective employer company is indeed eligible under this policy.

Eligible companies fall under the following categories:

1. Foreign companies/undertakings operating in the Republic of Cyprus or foreign companies/undertakings intending to operate in the Republic of Cyprus, that operate in appropriate independent offices in Cyprus, separate from residences or other offices
2. Public companies listed on any recognised stock exchange
3. International business companies (ex -offshore companies) which operated under an older policy and the particulars of which are held by Central Bank of Cyprus
4. Cypriot shipping companies
5. Cypriot high-tech innovative companies
6. Cypriot pharmaceutical companies or companies active in the sectors of biogenetics and biotechnology
7. Companies which belong by majority to persons who have obtained Cypriot citizenship on the basis of economic criteria provided such persons are in a position to show that they still meet the conditions under which they had obtained Cypriot citizenship.

Of particular interest to foreign businesses wishing to set up headquartering in Cyprus is category 1 above, which requires that the issued share capital of such a foreign company needs to be owned at least by 50% plus 1 share by third country nationals. An affidavit by a director of the eligible company confirming this fact is one of the supporting documents that needs to be submitted to the BFU in order to obtain such an approval. Further passport copies of ultimate beneficial owners of the eligible company will need to be provided both to the BFU and to the Migration department later on the issuance of the work permits for the third country nationals.

We focus also on the fact in the event that the foreign participation of third country nationals in the issued share capital of the foreign company under category 1 above *is less than 50% of the issued share capital of the company*, the foreign company would still qualify as an eligible company when the percentage of third country participation in the company represents an amount equal or bigger than the amount of Euro 200.000.

Example:

A Cypriot company has an issued share capital of 2.000 shares of Euro 1 each. These 2.000 shares were issued to its shareholders at a premium i.e for the price of Euro 1.000

per share. This means that the amount which was paid by the shareholders of this company to acquire these 2.000 shares is Euro 2.000.000.

If third country nationals own 25% of the issued share capital of this company (2000 shares x 25% = 500 shares), this particular company would still qualify as an eligible company because the third country nationals had paid the eligible company Euro 500.000 (500 shares x Euro 1.000 per share) in order to acquire them. Supporting documentation as to the allotment of shares by the eligible company to its shareholders at a premium along with the relevant payment effected by such shareholders to the eligible company would need to be provided to the BFU.

A response is obtained from the BFU within one week of filing of the relevant application to them by email along with the required supporting documentation.

Employment permits of third country nationals working for companies which have been approved by the BFU

The most important changes regarding the employment permits of third country nationals introduced by the new Government policy are the following:

A maximum number of third country nationals is set at 70% of all employees over a period of 5 years from the date of joining the BFU. Re-assessment will be done by the BFU after 5 years on a case by case basis if the criterion of 30% Cypriot employees is not met.

A threshold has been introduced distinguishing between highly skilled employees and non-highly skilled employees (replacing older distinctions between directors/key personnel/specialists/support staff).

Changes introduced concerning highly skilled personnel:

- a) need to have a minimum gross monthly salary of Euro 2.500
- b) have a university diploma or degree or equivalent qualification or confirmation of relevant experience in a corresponding job of at least 2 years duration
- c) The employment contract of highly skilled personnel is of duration of not less than two years
- d) The duration of work permits issued is up to three years (before it was up to two years)
- e) The issuance of the work permit (the actual card) is ready for collection within 1 month from filing of the relevant application with the Migration department.

Changes introduced concerning non-high skilled personnel (support staff):

- a) Employment of third country nationals is permitted as support staff, provided their number does not exceed 30% of all support staff employed and provided that the third country national and the employer have entered into an employment contract duly ratified by the competent Authority in accordance with the existing applicable law. The salary level is determined on the basis of the existing applicable legislation.
- b) Duration of employment permits are up to 3 years

Family reunification of third country nationals

An important distinction is drawn between highly skilled personnel and support staff. The spouses of highly skilled personnel have an immediate and free access to the labour market once the financial supporter (i.e the employee) has obtained his/her work permit in the Republic. This option is *not* available for spouses of support staff (i.e who have a gross monthly salary of less than Euro 2500 per month).

It is outside of the scope of this report to outline the supporting documentation third country employees will need to show to the migration department which has remained unaltered, indicatively mentioning the medical examinations, clean criminal record from their country of residence and medical insurance policy.

C. DIGITAL NOMAD VISA

This is an entirely new type of residence visa which is available to third country nationals. It is targeting third – country nationals that are self-employed or salaried employees, working remotely with employers/clients outside Cyprus, through the use of information and communication technologies.

The very essence of this type of visa is the fact that it is merely a *residence visa*, *not an employment visa*. It gives the right to holders to stay in Cyprus for up to one year with the right to renew for another two years. Applicants can be accompanied by family members who are granted a residence permit that expires at the same time as that of the financial supporter. Unlike the spouses of highly skilled employees of who work at

companies which have been approved by the BFU, the spouses of a holder of digital nomad visa are not allowed to engage in any form of economic activity in Cyprus.

The holder of a digital nomad visa and his/her spouse will be considered as tax residents of Cyprus if they reside in Cyprus for one or more periods totalling more than 183 days within the same tax year, provided that they are not tax residents in any other country.

Main pre-conditions that will need to be met for a successful application for a digital nomad visa are:

- Evidence that he/she has sufficient funds, a stable income to cover living expenses during the stay in Cyprus without recourse to the national social welfare system. The amount of sufficient funds is set at a *net* of Euro 3.500 per month which is proved by:
 - the employment or works contract or proof of employment for the duration for which the digital nomad visa will be issued
 - bank statements for at least 6 months showing the secured monthly net income of Euro 3.500.
 - evidence of receipt of funds of net amount of Euro 3.500 per month

In the event that it is not possible for the applicant to either provide a bank statement or other evidence verifying the net monthly income of Euro 3.500 then he/she will need to make a responsible declaration confirming that his/her monthly stable net income is not below the minimum threshold required for a successful application for a digital nomad visa.

The net monthly amount of Euro 3.500 is increased by 20% for an accompanying spouse and by 15% for each accompanying minor.

Other indicative supporting documentation to an application for a digital nomad visa would be medical examinations, clean criminal record from their country of residence and medical insurance policy.

Another important highlight of the digital nomad application is that upon its filing with the migration department the relevant receipt issued by the migration department gives the applicant the right to live in Cyprus until the application is examined, such period of examination ranging between 5-7 weeks.

**D. NEW OPPORTUNITIES UNDER THE REVISED INVESTMENT CRITERIA -
PERMANENT RESIDENCY PERMIT (PURSUANT TO REGULATION 6(2) OF THE
ALIENS AND IMMIGRATION REGULATIONS**

Up to March 2021, only investors who were interested in investing in residential properties in Cyprus would even consider the permanent residency permit pursuant to regulation 6 (2) of the Aliens and Immigration regulations. In March 2021 three more investment options were introduced widening the options to potential investors.

For the purposes of this report we shall focus one of the four alternative investment options under this category, being the investment of Euro 300.000 in the share capital of a Cyprus company which operates in Cyprus, has proved physical presence in Cyprus and employs at least five persons in Cyprus. There is no limitation whether these 5 persons employed to be third country nationals/EU citizens/Cypriots.

An expected question would be the following:

Why would a third country national investor make the expense of investing Euro 300.000 in the share capital of a Cyprus company when he/she may, by registering a Cyprus company which will be owned by more than 50% by third country nationals and by obtaining the approval of the BFU as explained in point B above, to proceed to employ third country nationals with no obligation to make a cash investment from abroad?

A reply to the above question would be that under point B the work permit to be issued to third country nationals working in Cyprus are temporary permits subject to renewal. An investor who invests Euro 300.000 in the share capital of a Cyprus company would obtain a permanent residency permit, such permit not being subject to renewals, the only obligation being to visit Cyprus at least once every two years to avoid the automatic cancellation of the permanent residency visa.

So a third country national investor may invest in his/her own company, become employed by his/her company as director and hold a permanent residency permit. An option giving the investor the best of both worlds.

Additional considerations for the permanent residency permit under regulation 6(2)

→ An applicant for a permanent residency permit under regulation 6(2) will need to show that he/she has a secured annual income of Euro 30.000, such amount increased by Euro 5.000 for each depended family member and by Euro 8.000 for each depended parent or parent of his/her spouse.

The *advantage* offered to applicants who choose to invest Euro 300.000 in the share capital of a Cyprus company as opposed to investing Euro 300.000 in residential properties is the fact that such applicants are allowed to provide evidence that the annual income they have of Euro 30.000 emanates from sources within Cyprus.

→ the applicant and/or spouse of the applicant may hold the position of director in their company in which they invested Euro 300.000

→ children of the applicant aged between 18-25 may also obtain a permanent residency permit and retain it after becoming 25 years old provided certain conditions are met.

E. TAX INCENTIVES

Tax incentives have been broadened, applicable to third country national employees in Cyprus. In particular the tax incentives introduced are the following:

- a) Exemption of 50% from personal Income tax to **new** employees with employment remuneration of Euro 55.000 and above for a period of 10 years. This exemption will also be granted to existing employees with employment remuneration between Euro 55.000 and Euro 100.000.
- b) Exemption of 50% from personal income tax to **existing** employees with employment remuneration of Euro 100.000 and above for a period of 17 years (before applicable only for 10 years).

F. ADDITIONAL INCENTIVES EXPECTED TO BE IMPLEMENTED BY THE CYPRUS GOVERNMENT AS PART OF THE STRATEGY FOR ATTRACTING BUSINESSES AND TALENT IN CYPRUS

The intention of the Cyprus Government in making Cyprus an attractive hub for headquartering of business in Cyprus can be seen by various other incentives expected to be implemented in the near future, indicatively mentioning the following:

→ simplification and speeding up of the procedures for granting work permits under category E

→ extend by 31/12/2023 the existing regime of 50% exemption for investments in an approved innovative company by an individual or through an investment fund or through an alternative trading platform. The existing regime was terminated on 30/6/2021.

→ incremental tax allowance on research and development expenditure (e.g by 20%). Eligible research and development expenditure will be deducted from taxable income at 120% of the actual expenditure.

→ having the right to submit an application for naturalization after 5 years of residence and work in Cyprus or after 4 years if they fulfil the criteria for holding a recognised certificate of success in very good knowledge of the Greek language

→Intensifying efforts for concluding Bilateral agreements with third countries that will be determined by the Ministry of Labour and Social Insurance, so that when a third country national who has paid social security contributions in Cyprus returns to his/her country of permanent residence he/she will be allowed to transfer the contributions paid, on the condition that with these contributions he/she did not acquire any right to a pension for old age, disability or other.

→ upgrading of the infrastructure for information and communication technologies and broadband connectivity.

G. THE THIRD ANTI - TAX AVOIDANCE DIRECTIVE ATAD 3 AND ITS POTENTIAL IMPACT ON CYPRUS HEADQUARTERING

The European Commission on the 22nd of December 2021 published a legislative proposal for a Directive to be issued, the Third Anti-Tax Avoidance Directive, known as "ATAD 3", which sets forth rules to prevent the misuse of shell companies for tax purposes.

The Directive should be adopted early 2022 by the Council and be implemented by Member States by 30 June 2023 at the latest. The provisions should subsequently be effective in all Member States from 1 January 2024.

The Directive lays down a uniform test that will help Member States to identify undertakings that are engaged in an economic activity, but which do not have minimal substance and are misused for the purpose of obtaining tax advantages.

Once these minimum substance requirements are not met, the undertaking will be classified as "shell entity" and will sustain certain adverse tax consequences.

The above is extremely relevant information to Cyprus registered companies which are tax residents of Cyprus but do not meet the minimum substance requirements. As to which are these minimum substance requirements can be found in a relevant analysis of this concept given in our publication, "*The Third Anti - Tax Avoidance Directive (ATAD 3) - The tombstone of shell entities*" published, February 2022, which can be found at <https://www.kinanis.com/Publications>.

Cyprus Headquartering structures given in this report will provide a more solid business environment with in house management and real substance in Cyprus.

H. OUR OBSERVATIONS

Headquartering in Cyprus is here to stay, once we take into consideration the provisions of the third anti-tax avoidance directive mentioned above, the continuous turbulent times faced in other neighbouring countries and the actual benefits offered to businesses and individuals who do relocate to Cyprus.

By being a small country we can easily be told that we have "fish bowl" mentality in our own little world but we proved, time after time, that Cyprus is not only resilient to the hardships that have reached us but we offer business solutions which are beneficial both

to Cyprus and to investors who choose to trust us with the relocation of their businesses and people.

I. HOW KINANIS LLC CAN HELP YOU

We shall be glad to assist you in advising you as to which is the most suitable headquartering option to your business, provide guidance, drafting & reviewing of all supporting documentation needed in the selected headquartering option. To file an application to the BFU and accompany all employees/investors to the Civil Registry and Migration department for the filing of their applications. Full support will also be provided for payroll/social insurance payments/tax advice and overall co-ordination to ensure that we are your trusted point of reference in your headquartering in Cyprus.

J. 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 author or the publishers for any loss occasioned by acting or refraining from acting on the basis of this publication.

March 2022

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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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We have been offering legal and consulting services in Cyprus since 1983, evolving from a traditional law firm to an innovative cutting-edge multidisciplinary law firm that combines exceptional expertise in law, tax and accounting expanding to other jurisdictions with an office in Malta since 2012 and a representative office in China since 2016. From its establishment, the Firm's focus has been heavily business oriented and always abreast with the latest global developments and innovations.

Our Philosophy and Culture

We consider ourselves to be "traditional pioneers". Our motto is to foresee and anticipate any issues that may potentially impact our clients' business and to offer effective advice and solutions proactively. Each client is looked after by a diverse group of professionals who all collaborate and act as one, with the common aim to provide an excellent service. We take pride in the fact that to this day we continue to serve our very first client.

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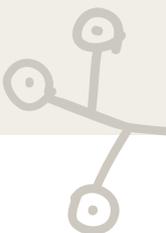
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Employer of Record – A growing trend for employment opportunities in the EU

By Andrea Kallis Parparinou, Partner, Demetris Gregoriou, Associate and Aylin Zeybek, Trainee at Elias Neocleous & Co LLC



Unlike employers from European Union Member States, third-country employers seeking to employ personnel and carry out operations in a Member State do not enjoy the freedom of establishment or the freedom to provide services which is afforded to Member States by the Treaty on the Functioning of the EU (TFEU). Accordingly, third-country employers in this regard are limited in their options.

The general position in the Republic of Cyprus is that, in order for a third-country employer to employ personnel and carry out operations in its territory, it must register a local company or establish a branch, which acts as an extension of the third-country legal entity in Cyprus. Inevitably, this means that a third-country employer may be subject to certain tax and statutory contribution obligations, as well as expenses for incorporating and/or maintaining a local company or branch. They may also wish to instruct a professional service provider to carry out an assessment as to whether or not a permanent establishment would be created.

Consequently, third-country employers, including now also those emanating from the UK, are increasingly seeking alternative means of employing personnel in Member States, without being bound to the strict requirement of having local presence in a Member State and, hence avoiding the associated expenses.

Accordingly, investors who are keen to expand their businesses into the European Union have begun exploring different avenues/practices in order to be able to support their overseas structures and ensure greater sustainability in a simpler and more cost-efficient way. As a result, new relationship structures have started developing between employers and employees which need to be carefully examined.

One of the more recent trends which seems to be gaining popularity in EU jurisdictions are “Employer of Record” (EOR) companies. These are generally understood to be organisations established within a

Member State that enter into an agreement with a third-country company to hire and pay employees on their behalf and take responsibility for all formal employment matters. An EOR company is meant to take the place of the employer and provide HR and payroll services for employees. Using this structure is said to allow third-country companies to indirectly engage with overseas employees in a Member State without having to set up a local entity.

Although it appears that an EOR abstains from participating in daily work activities, such as giving instructions to the employees or monitoring the satisfactory performance of the employees, it is seen to be responsible for carrying out the legal and regulatory requirements of immigration, employment and payroll. Accordingly, even though the EOR is the registered employer of an employee, it appears in cases that it may not have any supervisory or management role with regards to the employee's position, duties and responsibilities. In such circumstances, the third-country employer is the entity maintaining the substantive work relationship, taking all decisions on compensation, employee's duties and responsibilities, projects and termination of the employment relationship.

Importantly, EORs should not be mistaken for Professional Employer Organisations ("PEOs"). The difference with the latter is that PEOs are entities that are regulated by the 'Employment through Temporary Employment Businesses Law of 2012 (Law no. 174(I)/2012)' and the 'Regulations of 2012 (ΚΑΠ 517/2012)' and require a special license to operate. As opposed to EORs, PEOs remain the employer of employees throughout, however they are able to assign or 'lease' their employees to businesses for short periods of time, usually not exceeding 6 months.

In the absence of any legislation or court decision, at least for now, on the matter of EORs they occupy a grey area of the law. Consequently, there is no clear guidance as to the legal remedies available to an employee in the event of an employee-employer dispute, or where a third party wishes to bring an action against an employer under the principle of vicarious liability as the result of an employee's negligence during the performance of his or her duties. It is for this reason that when considering the utilisation of EORs, companies often seek legal advice.

In order to address some concerns, it is common practice to establish who the two parties in the employee-employer relationship are, and inevitably ask the question: 'who is the actual employer?'

To this effect, in its recent judgement of Case C 610/18, the European Court of Justice (ECJ) attempted to shed some light on this matter. It concluded that for the purposes of satisfying certain provision of Regulation (EEC) No 1408/71 and Regulation (EC) No. 883/2004, an employer, for social security purposes, is the undertaking which has actual authority over an employee, which bears, in reality, the costs of paying his or her wages, and which has the actual power to dismiss him or her, and not the undertaking with which that employee has concluded an employment contract and which is named in that contract as being the employer of that employee.

Nevertheless, it must be clarified that the above judgment of the ECJ concerns an intra-Community social security dispute of a certain nature, in relation to the specific provisions of the respective Regulations which were referred to the ECJ for a preliminary ruling. Accordingly, the judgement of the ECJ should not be strictly interpreted as applying to all situations when attempting to identify the 'actual employer', but rather, it should serve as guidance.

To conclude, it is expected that in the near future, attempts will be made at European Union level to address and regulate the now popular EOR companies and the relationship between employees and employers, thereby closing the gap in the law that currently exists.

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RENEWABLE ENERGY IN CYPRUS

By TMS (TAILOR MADE SOLUTIONS)



Republic of Cyprus while being a Member of the European Union (EU) since 2004, was under the obligation to implement the EU-mandated plan for the increase of the total energy consumption drawn from the Renewable Energy Sources (RES) to 13% by the year 2020. This objective was achieved in 2018, by bringing energy consumption from RES sources to 13.8%. One of the most significant factors, which contributed to this result is the beneficial geographical location of the island of Cyprus enjoying 326 days of sun during the year, as well as prompt and efficient actions of the Government in reaching the above objectives. The major activities in the sphere of RES in the Republic of Cyprus, concentrated in installation of Photovoltaic (PV) Systems for both commercial and consumer use, creation of storage facilities, and import of Liquefied Natural Gas (LNG).

PV Systems

Republic of Cyprus has initiated and promoted certain programmes for the installation of net-metering PV systems with capacity up to 10 kW for the eligible households, and Net Billing mainly PV and Biomass systems with capacity up to 10 MW for commercial and industrial use. In order to facilitate the above incentives a special fund was created originating from a special green tax levied on electrical bills. The result of the above programmes is evident in a significant growth of the RES market in Cyprus with a prime example being the investment by the European Bank for Reconstruction and Development (EBRD) of 10.85 Million Euros in 5 solar parks across the country. Furthermore, as stated by the Minister of Trade Mrs. Natasa Pilidou, the liberalisation of the electricity market under the supervision of Cyprus Electricity Authority (CERA) and administration by the Cyprus Transmission System Operator (TSO) would be achieved in early 2022, allowing multiple companies to provide electricity supply to customers across the country. In its turn, liberalisation of the market would lower the cost of electrical supply for consumers, and create opportunities for business.

Storage Facilities

One of the most significant problems in effectively using the solar energy in Cyprus can be considered lack of sufficient storage facilities. However there are few notable examples. By the support of the EU Inter-reg Mediterranean research and Innovation programme, a first energy storage system was connected to a conventional distribution substation in Nicosia in 2018. The system was set into operation by the German electric utility company Autarsys with a capacity of 30kWh/50kWh using high voltage lithium-ion batteries. Another battery storage facility of 2.35 MWh is under development by the University of Cyprus (UCY) for its 10 MWh PV Park in the UN buffer zone in Nicosia.

LNG

Finally, in an attempt to further contribute to the European objectives and limit its carbon emissions, apart from procuring RES, Republic of Cyprus has taken steps in limiting its heavy reliance on fossil fuels in electricity production such as heavy fuel oil and diesel, and shift towards import of LNG – cleanest of all fossil fuels. The Natural Gas Public Company (NGPC) has reached a landmark agreement with a Chinese-Led consortium for the construction of LNG import terminal at Vassilikos. The project, which is by 40% financed by the EU Union, would initially supply gas to the Vassilikos Power Station (VPS) and later to the Moni and Dhekelia power stations and independent power producers, with the finalisation of the works estimated in 2022.



MYTHICAL SPA

UNITS: 24
TYPE: EN SUITES
BEDROOMS: 1
POOL: COMMUNAL
AREA: **PROTARAS
KAPPARIS**



MYTHICAL ELITE

UNITS: 4
TYPE: VILLAS
BEDROOMS: 2
POOL: PRIVATE
AREA: **PROTARAS
KAPPARIS**



MYTHICAL BLUE

UNITS: 29
TYPE: APARTMENTS,
TOWNHOUSES,
VILLAS
BEDROOMS:
1,2,3
POOL: PRIVATE
AREA: **PROTARAS
KAPPARIS**



MYTHICAL SEAS

UNITS: 40
TYPE: APARTMENTS
BEDROOMS: 1,2,3
POOL: COMMUNAL
AREA: **PROTARAS
KAPPARIS**



ALMARIA RESIDENCES

UNITS: 36
TYPE: VILLAS
BEDROOMS: 2,3,4,5
POOL: PRIVATE
AREA: **PROTARAS
PERNERA**



HALKI VILLAS

UNITS: 9
TYPE: SEAVIEW VILLAS
BEDROOMS: 3-5
POOL: PRIVATE
AREA: **PROTARAS**



MELIADES RESIDENCES

UNITS: 5
TYPE: VILLAS
BEDROOMS: 3,4
POOL: PRIVATE
AREA: **PROTARAS
PERNERA**



NISSI RESIDENCES

UNITS: 8
TYPE: VILLAS
BEDROOMS: 3
POOL: PRIVATE
AREA: **AYIA NAPA
CENTER**

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PLIADES VILLAS



UNITS: 7
 TYPE: SEAFRONT VILLAS
 BEDROOMS: 5
 POOL: PRIVATE
 AREA: AYIA NAPA
 AYIA THEKLA

HESTIA VILLAS



UNITS: 24
 TYPE: SEAVIEW VILLAS
 BEDROOMS: 3,4
 POOL: PRIVATE
 AREA: PROTARAS
 KAPPARIS

IKARIA VILLAS



UNITS: 2
 TYPE: VILLAS
 BEDROOMS: 3-4
 POOL: PRIVATE
 AREA: PROTARAS

MILOS VILLAS



UNITS: 37
 TYPE: VILLAS
 BEDROOMS: 3-4
 POOL: PRIVATE
 AREA: PROTARAS

EDEN RESIDENCES



UNITS: 17
 TYPE: APARTMENTS
 BEDROOMS: 2,3
 POOL: COMMUNAL
 & PRIVATE
 FOR PENTHOUSES
 AREA: PROTARAS
 CENTER

SEMERA VILLAS



UNITS: 3
 TYPE: SEAFRONT VILLAS
 BEDROOMS: 5
 POOL: PRIVATE
 AREA: AYIA NAPA

ICON VILLAS



UNITS: 3
 TYPE: MANSIONS
 BEDROOMS: 4,5
 POOL: PRIVATE
 AREA: AYIA NAPA
 AYIA THEKLA

MALAMA GRAND



UNITS: 4
 TYPE: MANSIONS
 BEDROOMS: 5
 POOL: PRIVATE
 AREA: PROTARAS
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Decentralized Finance (DeFi): The European Regulatory Perspective

Introduction

Decentralized finance is challenging the centralized traditional financial system by disempowering intermediaries and facilitate peer-to-peer transactions where the users are able to retain control over their money. Where there is a lack of regulation at the time of writing this article, DeFi promises a dynamic, disintermediating revolution in finance, steadily taking over the traditional financial world. In this article I will discuss some of the most important implications of DeFi for existing financial regulations, as well as the challenges regulators are confronted with focusing especially on EU's approach.

What is DeFi?

Decentralized Finance refers to platforms that allow users to perform different types of financial transactions. The goal is to improve the availability and efficiency in financial services through disintermediation. DeFi uses blockchain technology, cryptocurrencies (mainly stablecoins) and smart contracts to manage financial transactions such as lending, borrowing, and trading outside the control of traditional financial institutions like banks, brokerage firms, and centralised exchanges. Therefore, users interact with the open software protocols through the so called "unhosted" wallets. Unhosted wallets are digital wallets that are managed by the users themselves rather than by a service provider.

How does DeFi work?

Decentralized finance uses blockchain platforms to disintermediate centralized models and enable the provision and settlement of financial services anywhere in the world by using cryptocurrencies, rather than going through traditional financial intermediaries. By eliminating intermediaries, DeFi users are able to maintain full control over their money through personal wallets (DeFi smart contract tokens) and trading services, as well as directly interact with them via DeFi applications ("dApps").

- Smart Contracts

DeFi makes use of smart contracts that provide the fundamental components for the functioning of dApps encoding the necessary terms and activities for the operability of these apps. Smart contracts are computer programs run on a blockchain that controls digital assets, and automate agreement terms between buyers and sellers or lenders and borrowers. They are used to execute a transaction between two or more parties, thereby reducing conflicts and costs.

- Software protocols

DeFi software protocols run on blockchain are based on rules written to govern specific tasks or activities. They are interoperable, meaning they can be used by multiple entities at the same time to build a service or an app, enabling buyers, sellers, lenders, and borrowers to interact with each other. DeFi protocols achieve their investment purposes through self-

executing smart contracts that allow users to invest cryptoassets in a pool from which other users can borrow. The most common protocols for current DeFi projects are built on Ethereum.

- Decentralised applications (dApps)

The so called dApps abstract the underlying protocols into simple consumer-focused services. DeFi can be used for the full range of financial services including cryptoasset trading, lending, and borrowing, savings, payments, trading on derivatives, insuring risk etc.

- Governance tokens

Some DeFi protocols distribute the so called “governance tokens” to reward users for engaging with the system and for conducting or supporting different type of transactions. Participants typically earn tokens by interacting with and providing services to a protocol, for example by providing liquidity in a decentralized exchange or collateral on a lending platform.

These governance tokens generally give users a right of return (reward) from the project and allow users to vote on changes proposed within the protocols. Based on the associated rights, governance tokens have value and can be traded. This structure gives a wide range of holders the ability to contribute to a project’s governance and evolution by voting on proposals to change the protocol and, therefore, its incentives and operations.

- DeFi Platforms

DeFi does not just build financial services natively as software, but it recreates the entire ecosystem of finance on novel technical foundations, the so-called DeFi platforms. These platforms are consumer-facing financial interfaces that require blockchain technology as well as crypto holders in order to operate. The blockchain technology acts like digital highways allowing DeFi transactions to move. Several decentralized platforms exist including decentralized exchanges (DEX), lending and borrowing, trading (complex) derivatives, insurance, asset management etc.

- Decentralised exchanges (DEXs)

DEXs are marketplaces that allow the trading of digital assets without any centralized control. They replace the market-making and custody features of exchanges with a powerful algorithm that dynamically adjusts prices and executes trades based on available liquidity. Automated Market Makers (AMMs) have become a popular means of providing liquidity. They match buyers and sellers of digital assets or let them “swap” one cryptocurrency or token for another. Rewards on these platforms result from providing liquidity in token pools. Some examples currently featuring in the crypto space are Uniswap and Justswap.

- DeFi Lending Platforms

DeFi lending platforms are platforms that allow cryptocurrency holders to lend anonymously vast sums of funds instantly to people who want to borrow, provided that they can provide enough collateral to deposit in a smart contract and settle the loan within an agreed timeframe. Lenders earn interest on the loaned amount (credit intermediation). Some DeFi

protocols offer crypto loans against fiat collateral and vice versa. Apart from loans, DeFi users can borrow a token to participate in blockchain activities such as governance. Some examples currently featuring in the crypto space are Compound, Makerdao, and Aave.

- DeFi derivatives platforms

DeFi derivatives platforms establish markets for synthetic assets, in which users can establish derivative positions in cryptocurrencies while posting collateral (guarantee) to support those positions (trading in derivatives). They automatically track the value of commodities, stocks, indices, or any combination of financial instruments. Most known example to date is Synthetix.

- Non-Custodial Lending Platforms

Cryptocurrencies have further extended into the world of DeFi through the recent creation of non-custodial lending platforms. These are decentralized markets where users participate as depositors or borrowers. The concept of these lending platforms is designed to mitigate any potential losses or defaults through controlling collateral on the blockchain. Retail lenders are able to quickly liquidate unhealthy loans on these lending platforms through the underlying technology of the platform itself. DeFi pools also have the potential of opening up liquidity in different markets that have previously not been able to transact. Theoretically, DeFi users are able to extend credit and liquidity through cryptocurrencies to users across the world, including markets in developing countries that traditionally do not see inflows of western funds.

- New DeFi Services

Based on the DeFi technology, users can now obtain financial services such as margin trading, yield farming, liquidity mining, and crypto staking on a distributed ledger. Especially staking platforms and yield farming protocols have surged in popularity. Yield farming is a tool to help provide liquidity to the network. It can be classified as “the act of hunting for rewards” by interacting with DeFi protocols, by temporarily putting depositing assets as collateral in a liquidity pool, that could be used by other users including investors and start-ups, in exchange for financial rewards.

Liquidity mining is a specific form of yield farming, in which digital asset owners provide liquidity to DEXs in return for rewards. Since DEXs historically suffered from low liquidity, this is an important development for the ecosystem as well as a major source of revenue for some digital asset investors. While liquidity miners and yield farmers add funds to liquidity pools, stakers either hold funds in a wallet or delegate their coins to a validator node. This technique involves locking assets in a wallet in order to gain governance rights and token rewards in proof of stake (PoS) blockchain’s native asset.

- DeFi market

Since 2019, DeFi has been one of the fastest-growing crypto sectors. Interest in crypto and DeFi rose swiftly during the Covid-19 pandemic and investment has accelerated due to the aforementioned reason. However, DeFi is still in the early stages of its evolution, where the

total value locked into DeFi of various types (collateral pools, DeFi smart contracts/protocols) in leading platforms such as Maker, Compound, Uniswap and Aave has grown from less than 1 billion USD in 2019 to over 90 billion USD in January 2022.

This growth was driven partially by investors looking for enhanced transparency and control of their funds regarding its open network as an attractive alternative to traditional banking. Another reason evidencing this growth was the maturation of stablecoins, for example cryptocurrencies designed to track the value of stablecoins, such as the US dollar (USDT). Incentive structures were developed such as yield farming and governance tokens through which participants can earn returns for providing liquidity to DeFi services.

- DeFi and benefits

Using DeFi applications has a number of interesting advantages beyond the traditional financial services, in terms of easier access to financial products and liquidity, improved market efficiency, enhanced financial privacy, lower fees and quicker as well as faster innovation.

- Peer-to-peer trade

Since dApps fuel the ecosystem without intermediaries thereby using self-executing codes that envisage the outcome and resolution of activities on these platforms, it also provides flexibility, as well as direct person-to-person trade with high levels of transparency and zero joining requirements.

- Availability

There are also theoretical benefits for international financial transactions. The distributed nature of DeFi platforms and protocols make them available across the world. The idea is that with a cheaper alternative, remittance charges and commission fees will drop, and currency conversion will have to get cheaper in order to be more competitive.

- Lower costs

Such decentralised and non-custodial platforms have low costs as market competitors often remain unregulated and have minimal operating and regulatory costs. The absence or lack of central intermediaries makes it hard for regulators to forbid and not fully regulate DeFi services.

- Innovation

It may also lead to new types of services, triggering further innovations. If a community of users is displeased with the service provided by a protocol, that community can vote to change the services supported by it or can separate the existing open-source code base and develop a new protocol to meet the needs of the community better.

DeFi and the associated risks

DeFi is an emerging trend that comes with the associated risks, such as user errors. A crucial question associated with DeFi risk is the question that who takes responsibility for any mistakes occurred during a transaction since we are very well aware that it is nearly impossible to alter things on blockchain.

The smart contract vulnerability comes to the scene since the engine that runs dApps is embedded in the code in order to make the said smart contract. When this code has a flaw, it exposes the entire project leading to loss of funds.

Software systems may also malfunction due to a wide variety of factors. For example, what if an incorrect input causes the system to crash? Or, what if a compiler which is responsible for composing and running codes makes a mistake. Who is liable for these changes and/or mistakes?

While many DeFi tokens have already delivered lucrative returns, they come with considerable risk and price volatility where exceeds the well-established digital assets (Bitcoin and Ethereum). Their lower liquidity means that they are more susceptible to large price swings.

Finally, the anonymity of participants in DeFi transactions, makes it vulnerable for cyberattacks, hacks, and scams. This may lead to loss and/or theft of funds, without any available regulated remedy.

Lack of consumer protection

DeFi has thrived in the lack of rules and regulations. DeFi users however do not receive the protection benefits of transacting with regulated intermediaries. In centralized finance, banks are required by law to hold a certain amount of their capital as reserves, to maintain stability and at any time to provide to its customers their available funds. In DeFi they do not receive risk disclosures. Protocols are not subject to risk management requirements, such as capital and liquidity requirements, that protect against loss of customer funds and systemic risks. Also, there is no helpdesk or relationship manager in DeFi in order to contact if a problematic transaction arise.

Current regulation

DeFi is currently subject to existing regulations. However, the regulatory framework that applies to cryptocurrency projects do not regulate the spectrum of DeFi yet. Their approach is still based on the regulation of centralized intermediaries, where it will not work for decentralised DeFi digital asset classes. DeFi transactions conducted between individual users through unhosted wallets would not be subject to existing regulatory requirements, including KYC and AML reviews. Since DeFi protocols support anonymised transactions, there is no meaningful way for market participants to determine what requirements apply to their DeFi transactions.

Regulators are sceptical and enigmatic at the same time

Regulators across the world are making steps to get involved more closely. However, they are sceptical on how to deal with DeFi and how to fill the regulatory gaps. Considering the fragmented and diverse nature of the DeFi market, the task for regulators seems impressive. From a regulatory perspective, DeFi poses several crucial and multifaceted risks and challenges, that will become more serious as the market grows even further. DeFi does not fit within the historic practical and regulatory model used for traditional financial transactions.

World Economic Forum Policy Toolkit: regulatory clarity and balanced approach

Policymakers and regulators are urgently looking for frameworks to address these issues responsibly. The World Economic Forum recently published a policy toolkit for DeFi, in order to assist governments around the world to appropriately address this phenomenon and help integrate regulation of digital asset marketplaces between different countries. Regulators worldwide contributed to the policy statement including representatives from lawmakers involved in creating the new European Markets in Crypto Assets (MiCA) rules. The toolkit provides the basics for understanding and examining the critical factors concerning DeFi regulations that should drive policy-making decisions. Technological neutral approach is necessary in order to balance the objectives of regulatory regimes, innovation and market development with policies that are fair, efficient, and enforceable.

Regulatory clarity

Regulation is key to set minimum standards to market participants in the DeFi industry, to protect the capital and clearly define the regulatory treatment of all cryptoassets that are not covered by existing financial services regulation. Regulators will need to further clarify these guidelines for reporting entities as soon as possible in order to reinforce international adoption.

Balanced approach from regulators

To promote the development of various DeFi markets, it is necessary to put in place a safe and proportionate regulatory framework to support innovation and fair competition. Regulators should thereby maintain an adequate balance between safeguarding positive blockchain-based financial innovation in terms of greater efficiency and broader inclusiveness in finance on one hand and limit the potential of these financial applications being misused for money laundering and terrorism financing on the other hand.

European DeFi regulation: Markets in Crypto-Assets

In September 2020, the European Commission adopted the Markets in Crypto-Assets Regulation (MiCA) proposal. The aim is to improve harmonisation and legitimisation of how tokens are being regulated generally and the supervision of issuers as well as firms that qualify as CryptoAsset Service Providers (CASPs). MiCA would set clear rules of the cryptoassets throughout the European Economic Area (EEA) establishing a common framework by avoiding any potential inconsistencies.

MiCA aims to provide greater legal certainty, supporting innovation, ensuring appropriate levels of consumer and investor protection, promoting market integrity and financial stability and thus transform EU's current fragmented crypto-asset legislation and regulatory framework into a more uniform approach. MiCA will apply to persons engaged in the issuance of cryptoassets and to CASPs within the EU-27. MiCA itself may be implemented between mid-2021 and early 2022 with the ultimate aim to be fully operational by 2024.

Main proposals

This new MiCA regime clarifies on the one hand which tokens will qualify as "financial instruments" and thus fall under the existing financial services regulatory regime, as amended, and on the other hand which tokens will qualify as "cryptoassets" and thus fall under MiCA's specific regime for CASPs.

Assessment of whether a digital asset will be a cryptoasset and subject to MiCA or a token that is a financial instrument subject to the existing financial services regime, will depend on the content of the financial instrument and not the technology behind it.

With the introduction of MiCA, the European Commission intends to include stablecoins within the scope and to modify the e-money regime in order to include a new definition of e-money. The new definition will be 'electronic money token' or 'e-money token' meaning a type of cryptoasset whose main purpose is to be used as a means of exchange and that purports to maintain a stable value by being denominated in a fiat currency.

Other stablecoins are defined as 'asset-referenced tokens' which is a type of cryptoassets whose main purpose is to be used as a means of exchange and that purports to maintain a stable value by referring to the value of several fiat currencies, one or several commodities or one or several cryptoassets, or a combination of such assets. Stablecoin (being a type of 'asset-referenced token') issuers not already regulated as credit institutions or e-money institutions will need to be authorised as well as publish a white paper approved by their home state regulator in order to be able to market it accordingly.

For stablecoins that do not fall within the above definition, the issuers of such stablecoins must still publish a white paper, notify the regulator, and may not refer to their coins as being 'stable'.

Issuers of 'significant e-money tokens' and 'significant asset-referenced tokens' will be directly regulated by the European Banking Authority (EBA) and will have additional obligations in respect of capital, interoperability, and liquidity management.

The European Central Bank (ECB) perspective in relation to MiCA Regulation

In February 2021 the ECB published its opinion on the MICA regulation. Their proposals generally aim to grant greater powers to the ECB, set prudential requirements for certain stablecoin issuers and generally improve anti-money laundering and take measures for the prevention of terrorist financing.

The ECB is generally in favour of MiCA's views and its contribution to the harmonisation of the cryptoasset regulation. The ECB however suggests several adjustments and clarifications, in order to improve which tokens and what activity will fall under and be regulated by MiCA, the regulatory authority that these tokens will fall under as well as what activity will be subject to the MIFIR/MIFID II framework. The ECB also recommends the provision of clearer definition as to what constitutes a cryptoasset that falls into MiCA regulation in order to support the provision of cryptoasset services cross border and to establish a truly harmonised set of rules for the cryptoasset industry.

The ECB has suggested a clear distinction between cryptoassets that would be classified and thus treated as MIFID II financial instruments and those that will fall under the scope of MiCA's regulatory regime. Specifically, the ECB has requested a number of changes regarding the supervision of stablecoins. The ECB asks for additional safeguards under MiCA, including prudential and liquidity requirements for such stablecoin issuers.

Regulatory sandboxes and safe harbours

The implementation of full-fledged regulations right now however would be too risky. Regulators should get well-required time to gain experience in this new technological era, interact efficiently with the DeFi industry, and provide informal regulatory guidance to them.

In the meantime, regulators can learn from techniques that are proving effective for the existing cryptocurrency market through the so-called regulatory sandboxes. These could create a safer space for regulators and innovative services to work through the various obstacles. In addition, regulators should start by clarifying relatively more clearer structures first in order to provide guidance to the industry. This can provide them enough time to solve the more complicated issues at a later stage, while ensuring market participants remain confident in the broad contours of the regulatory environment.

Since DeFi encompasses a broad range of applications and protocols, many of which may lie outside securities law, US SEC Commissioner Pierce suggested implementing a so-called 'safe harbour' policy with respect to DeFi and cryptocurrency projects. Disclosure requirements or safe harbours can encourage market participants to provide regulators information that helps them better understand market dynamics and develop best practices. Without this safe harbour rules in place, it is currently impossible for someone to develop a truly decentralized system without potentially being in breach of securities law throughout the development process.

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Team Leader of Legal & Financial Services Department

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Basic Aspects of Wills, Succession & Inheritance in Cyprus



I. Introduction

Cyprus has a somewhat complicated system of forced heirship in which a portion of a deceased's estate must be passed to surviving family members according to a set system of inheritance.

The two most significant aspects of Cyprus' succession law regime are:

- the Wills and Succession Law, Cap. 195 (the "Law") and
- the Administration of Estates Law, Cap. 189 (the "Estates Law")

The Law is applicable to cases of succession of *movable property* of a person who at the time of his death had his *domicile* in Cyprus (detailed below), and to cases of succession to *immovable property situated in Cyprus* of any person irrespective of whether at the time of his death his domicile was in Cyprus.

Of course, any EU legislation is applicable following Cyprus' membership into the EU, such as the EU Succession Regulation (the "Regulation").

II. Basic aspects:

The Law applies to both wills and intestacy. A deceased person's net estate will be divided into statutory and disposable sections. These statutory portions are reserved for the deceased's closest living relatives, who may include:

- a surviving spouse; or
- natural children or their descendants (where the natural children have died during the deceased's lifetime).

Calculation of the disposable portion

- Where a person dies leaving spouse and a child, or spouse and descendant of a child, or no spouse but a child or descendant of a child, the disposable portion must not exceed one-fourth (1/4) of the net value of the estate.
- When a person dies leaving spouse or father or mother but no child or descendant of a child, the disposable portion shall not exceed one-half (1/2) of the net value of the estate.
- When a person dies leaving neither a spouse, nor a child, nor a descendant of a child, nor a father, nor a mother, he/she is free to dispose as he/she wishes all of the estate.

The disposable portion is ascertained at the time of death and not at the time of making the will and it includes the net value of the inheritance, that is, the value the at the inheritance has after the deduction of debts, taxes and other liabilities.

Immovable property located outside of Cyprus will not be taken into consideration for determining the disposable portion.

Note that if a will disposes of more than the permitted disposable portion, it will not be void but the disposition will be reduced in order to be limited to the disposable portion.

Example: the most common scenario is for the deceased to leave behind a spouse and children. In such a case, only $\frac{1}{4}$ of the estate can pass by will. Under the Law, the rest will pass in equal shares to the spouse and children, this includes the matrimonial home.

III. Administration of estates – Law of intestacy

If a deceased person passes intestate, the Cypriot courts may authorise an individual or group of individuals to administrate the deceased person's estate by filing an application with the competent court asking it to grant them the letters of administration.

In such cases, the persons entitled to receive portions of the estate (movable and immovable property) are divided into four degrees of kinship.

IV. Domicile

For the purposes of application of the Law, the deceased must have had his domicile in Cyprus at the time of death, i.e. his *habitual residence* in Cyprus, there must be some legal connection between the deceased and a particular geographical region.

The concept of domicile is broad and distinct from nationality or residence. It can generally be defined as the place where the deceased considered as his permanent residence or where he had the intention to spend the rest of his life.

Domicile is split into two general categories:

- i. domicile of origin (i.e. from birth)
- ii. domicile of choice (i.e. election of another place for residency)

No person can have more than one domicile for succession purposes.

V. Assets

Real estate and other assets owned by foreign nationals

Under Article 22 (Choice of Law) of the Regulation, foreign nationals can choose whether the law of their country of nationality applies to the succession of their estate. This applies to all EU states.

Example: a British national with property in Cyprus can opt for UK law for the administration of his estate in the event of death and avoid the forced heirship regime altogether. The decision to apply UK law should be mentioned clearly in the will, as failing to do so will make the Cypriot law of succession applicable by default.

Immovable property

For immovable property, the restrictions imposed by Cypriot law on the distribution of the statutory portion of an estate will apply regardless of the testator's domicile country at the time of death.

It is advisable for a will to be drawn up in all cases where immovable property is owned in Cyprus and where individuals are so domiciled.

Movable property

For movable property, if the deceased has mentioned in his will the decision to opt for the law of his domicile country, the law of that country will prevail over the distribution of movable property even if the deceased was a Cypriot national. If not, the Law will apply.

Estate tax

Estate duty (inheritance tax) was abolished in Cyprus in 2001. Note, however, that domiciles of other jurisdictions may still be liable to pay inheritance tax there.

VI. Wills

Any person of legal age and sound mind can make a will in Cyprus. Making one is paramount when one owns immovable property in Cyprus.

In order for a will to be valid, it must comply with the formalities set out in the Law.

It should also be noted that should one select another jurisdiction to govern his estate upon death and there are other wills already in place, it is advisable to review the contents of those wills along with the Cypriot will.

VII. How we can help

- Drafting – Reviewing Wills
- Probate proceedings
- Advising and assisting Administrators/Executors of wills by preparing all relevant documents needed to be produced for the relevant public authorities
- Appearing where necessary before the Courts
- Preparing where necessary applications for the Resealing (legalisation) of wills in cases involving those domiciled outside of Cyprus
- General advice

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21 April 2022 via Zoom

16:00 – 17:30 pm

**The webinar counts for 1.5
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How to Figure Out a Business Valuation

By INAA Group and submitted by PAPADEMETRIOU & PARTNERS LTD



A business valuation is critical for entrepreneurs who are thinking of selling up and moving on as well as those seeking funding to help their business grow. An accurate picture of their company's financial health can also steer business owners' future decisions, indicating whether it's time to change tact for a healthier bottom line.

Continue reading to learn how to figure out a business valuation and discover the company that's on a mission to streamline the valuation process, making it simpler and more efficient for evaluators.

What is a Business Valuation?

A business valuation helps determine the market value of an enterprise. By using a range of metrics, you can understand the economic worth of an organisation, which is highly useful for entrepreneurs and business owners looking to buy or sell a company.

Three Reasons to Conduct a Business Valuation

1. **Competitor benchmarking:** A business valuation is a useful tool for comparing similar companies based on industry guidelines and financial metrics. With industry benchmarking, you can determine how a business ranks compared to its competitors in terms of market position, financial health and performance, which can support key decisions like budgeting.
2. **Securing investment:** An accurate valuation can support a business's application for investment or finance. For example, an enterprise with reliable turnover and positive cash flow presents a low-risk investment opportunity, enabling investors to make an informed, strategic decision.
3. **Planning the sale of your business:** Valuing a business can help calculate its market value, which can be used to determine its sale price. If you're actively working to increase the value of your firm before putting it up for sale, you can also use the valuation to track company growth and confirm whether you're hitting your commercial targets.

What Affects a Business Valuation?

Beyond fixed tangible assets that normally have a concrete value, there are other intangible assets to consider that may be more difficult to put a price on. But these must be taken into account, for example:

- **Reputation:** A company's reputation and goodwill can be a highly valuable asset. An overwhelmingly positive reputation can significantly boost your valuation, whilst a negative reputation could be detrimental to your prospects for selling.
- **Employees:** Consider your employees' skills and experience that a buyer will inherit when taking over the company.
- **Revenue trends and growth prospects:** The company's outlook for future growth can drive up the interest of investors or potential buyers.

- **Location:** A company's location can affect its value or the value of certain assets. In addition, it may be of interest to potential buyers for tax purposes, as different jurisdictions apply different tax rates.

General economy: In addition to a company's assets, the economy can heavily influence valuations. When the economy is going through a recession, there is likely to be less appetite for high-risk investments, such as investing in start-ups or early-stage companies. As a result, valuations during these periods will be lower than when the wider economy is doing well.

Three Key Business Valuation Approaches

Professional evaluators often use a mix of business valuation approaches to obtain an accurate picture of a company's worth. We've highlighted the most commonly used methods below:

1. Cost Approach

The Cost Approach is used to determine the value of an enterprise from a balance sheet perspective. A valuation expert will determine the overall business value based on the underlying value of the business's assets. Professionals using this method start with the book-based balance sheet, building up the assets to fair market value for a more accurate picture of their current worth.

2. Market Approach

The Market Approach determines the value of a business by comparing it to similar companies that have a value that is publicly known. This method is particularly useful for public enterprises, since information on comparable public enterprises would be readily available.

3. Income Approach

The Income Approach is often used for established firms with profitable operations, as it is entirely based on cash flows. This method considers three core components of a business: the level of cash flows, the timing of cash flows and the risk associated with those cash flows.

A business valuation shouldn't sell the company short, but it should neither overstate what it is worth. It's a fine balance that takes time to achieve. However, there are tools out there to make the valuation process more streamlined — tools like Valutico.

Meet Valutico

INAA partner [Valutico](#) is a tech-enabled valuation platform supporting valuation practitioners in 26 countries. They're on a mission to create a new generation of valuation professionals and help their customers grow their business with technology.

Where the valuation process used to take days due to operational inefficiencies, Valutico empowers you to do it in a fraction of the time with a few clicks of your mouse. However, it's important to note that Valutico is there to support you — not replace you.

The platform combines powerful algorithms and world-class financial databases to enhance the human experience in the valuation process. Valutico starts by asking you about key drivers of the business you're valuing and helps you build a full valuation based on comps, transaction multiples and a financial forecast.

To find out more about the Valutico platform and the valuation process in general, we recommend attending their webinar on 28 April. During the event, Jean Poireau, Director at Valutico, will discuss the main theories of business valuation and run a real case business valuation of a European SME with the Valutico solution. Sign up for the event [here](#).

michael kyprianou

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Compliance with Sanctions on Russia



Over the last few weeks, our attention has remained sharply focused on the rapidly evolving situation in Ukraine. Sanctions regimes against Russia are increasing daily. The three primary sanctions regimes targeting Russia are the United States, European Union & the United Kingdom. Our thoughts are with all those impacted by the unfolding events.

The EU, along with the US, UK, UN and other countries and organisations, has responded to the situation in Ukraine by imposing an unprecedented package of sanctions on Russia. This has been the harshest package of sanctions the EU has ever imposed. Russia has Officially Become the Most Sanctioned Country in the World, Surpassing Iran, Syria and North Korea

What are Sanctions?

The term "sanctions" refers to:

- restrictions or prohibitions on activity with targeted countries, governments, groups, natural and legal persons, and industries
- It is imposed by bodies such as the United Nations ("UN") and the EU.

Types of Sanctions?

They can include a variety of measures ranging from:

- arms embargoes,
- travel bans,
- asset freezes,
- reduced diplomatic links,
- reductions/ cessation of any military relationship,
- flight bans,
- suspension from international organisations,
- withdrawal of aid,
- trade embargoes,
- restriction on cultural/ sporting links and others.

It should be noted that although only restrictive measures imposed by the UN and the EU are legally binding, there are individual country sanctions lists that should be taken into consideration when on-boarding clients and when processing transactions.



Scope of financial sanctions

Financial sanctions consist of:

- Freezing of funds and economic resources of designated persons and entities, and
- A prohibition on making funds and economic resources available to such persons and entities.

Responsibilities of obliged entities and senior Management

The duties of affected persons include taking measures for listed individuals and entities (designated persons), where applicable. Firms should have a sanctions policy that encompasses a deep understanding of the legal requirements and is designed to ensure compliance with the applicable Sanctions and Terrorism Laws.

The sanctions policy should include the sanctions risk assessment procedures, KYC/CDD procedures that incorporate sanctions related strategies, tailored-made training of personnel specifically for sanctions and consequences of non-compliance.

Furthermore, obliged entities should develop and implement a sanctions compliance program. The sanctions compliance program should be appropriate, adequate, proportionate to its nature and size and effective to manage and mitigate the sanctions risks faced by the firm.

An appropriate sanctions compliance program should include, as a minimum, the following:

- The establishment of a sanctions risk assessment
- The development of policies, procedures, systems and controls
- Screening processes
- Reporting matches and breaches of the sanctions regime
- Training and awareness
- Record keeping

Senior management has the ultimate responsibility for ensuring the designing, development and implementation of the firm's Sanctions Compliance Program, policies, and procedures. Senior management must be aware and highlight the importance of understanding and complying with the firm's policies and practices and the consequences and implications of breaching the sanctions requirements.

What makes sanctions screening challenging?

There are multiple sanctioning bodies with their own sanctions lists. This includes sovereign states, regional unions, and international organisations; each publishes its own sanctions – which don't always align. But regardless, businesses are held accountable to follow them.

Protecting your business from high-risk individuals has never been more challenging. Why is that?

- Sanctions lists change every day — Governing bodies use sanctions to impede the actions of high-risk individuals. As a result, sanctions lists constantly evolve, adding and removing people daily.
- Sanctions are becoming more complex — Historically, sanctions were in place against states or organisations. Now they are often on individuals and target specific sectors.
- Sanctioning bodies are increasing — The number of bodies issuing sanction lists is steadily increasing. As a result, keeping your finger on the pulse has become impossible without using a sophisticated compliance solution.

Why is sanction screening important?

- They are the first line of defence, allowing you to identify criminal fugitives before doing business with them.
- Failing to recognise such customers preemptively can have devastating consequences.
- If your business were to aid the work of terrorists or money launderers unwittingly, it would likely spell the end.

Reporting to Regulatory Authorities

Concerning the targeted restrictive measures imposed on Russia, Regulators issued circulars and related guidance reminding obliged entities of their obligations and requiring affected persons, for the compliance with the provisions of the UN Security Council Resolutions (Sanctions) and the Decisions/ Regulations of the Council of the European Union (Restrictive Measures) of March 2022.

Further, obliged entities are required to perform the following:

- Implement appropriate actions/measures or freeze all funds immediately or economic resources on the designated persons or behalf of other persons associated with the business relationship.
- In the case of further Restrictive Measures/Sanctions against Russia in response to the crisis in Ukraine, all affected persons must inform Regulators within a reasonable timeframe.
- Furthermore, Regulators expects obliged entities to assess the risks arising from the targeted restrictive measures and when significantly affect their operations, their capital adequacy or the funds they hold, either on their own or on behalf of their customers, to inform the Regulators.

CX Financia sanctions response

Sanctions compliance is essential for obliged entities and represents a significant AML challenge. Obligated entities must ensure that they do not – knowingly or unknowingly – provide sanctions targets with opportunities to evade the economic restrictions against them. They should implement procedures for screening customers and transactions against the relevant international sanctions lists.

As a business, we have taken steps to ensure CX Financia continuing compliance with applicable and rapidly evolving Ukraine / Russia related sanctions. CX Financia has a zero-tolerance approach to sanctions non-compliance.

It is the policy of CX Financia, whether acting in a proprietary or fiduciary capacity, not to

- Permit or facilitate any transaction involving countries or regions subject to comprehensive sanctions in a manner that would violate applicable sanctions
- Deal directly or indirectly with restricted parties targeted by economic sanctions, such as parties on the OFAC's Control's List of Specially Designated Nationals and Blocked Persons ("SDN List"), in a manner that would violate applicable sanctions

How can CX Financia Help You?

AML Legislation – More Critical than Ever

If you are looking for a way to strengthen and organise your Company's compliance mechanism and provide your employees with the necessary training, you should reach us. We look forward to being of value in covering your needs on your compliance program or personnel training.

C.X. Financia offers a wide range of support services to help your organisation design and execute a practical approach to AML. Through tailored training programs for employees, we can:

- Undertake the preparation and establishment of the relevant Sanctions Policy and Sanctions Compliance Program
- Help design an Effective Anti-Money Laundering Program to support your organisation's compliance and regulatory obligations.
- Provide your employees with the necessary training
- Help you understand best practices and guidelines concerning sanctions, money laundering, and terrorist financing issues.

Our experienced team is ready to help your AML department address modern challenges in today's technology and regulatory climate. Contact us today to arrange your personalised training.

Contact us and find out more about our services at info@cxfinancia.com



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WHO WE ARE



CX Financia is a boutique financial advisory firm providing a wide range of corporate and financial services such as licensing, internal audit, accounting and tax, fiduciary services, and risk management. At CX Financia, we help businesses and high-net-worth individuals shape their businesses, unlock opportunities, and manage risks in an ever-changing business landscape.

With a background in international accountancy, auditing, banking, and stock market operations, we approach every project with a proven methodology. Our business-centric approach results in tailored solutions to even the most complex problems.



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Let us enhance your business practices through our proven first-class expertise in the Financial Services Sector. We can work with you in areas ranging from Licensing to Internal Auditing and Regulatory Compliance.



Corporate Services

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We will be delighted to be part of your personnel development and training program. Our team is made up of competent, Government approved trainers, with immense demonstrated combined experience in the financial services sector.

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How Gerald Edelman helped a construction engineering company secure £209,000 in R&D tax credit



By Amal Shah & Lynn Lin at GERALD EDELMAN



Gerald Edelman was approached by a construction engineering company for a Research and Development (R&D) tax credit in December 2021.

The company specialised in developing, manufacturing and operating specialist technology for modular constructions - such as bridges, power stations, buildings and manufacturing plants. The company also offer construction engineering and site services to help their clients integrate and install on-site equipment.



Due to the nature of this work, where health and safety precautions are vital to minimise the risk of death and injury, vigorous testing is paramount on every project. A company of this nature thus devotes significant resources to research and development, to allow their business to remain competitive in their industry and to increase the efficiency of their products.

After an examination of all the projects carried out by this client, we identified which of their projects sought to achieve an advance in science or technology through the resolution of scientific or technological uncertainty. Such projects were thus identified as meeting the criteria for an R&D tax credit within the accounting periods that ended in 31 December 2019 and 2020.

Please note, the time limit for an R&D tax credit claim is two years from the end of your accounting period. Before this period ends you must submit an R&D tax credit claim for any qualifying expenditure that you've identified during that period.

Accounting periods are usually twelve months long. If, for example, you file accounts on 31 March each year, you have until 31 March 2022 to make a claim for your accounting period that ended 31 March 2020. Once you hit the R&D claim deadline at midnight on 31 March 2022, you can no longer recoup the money you spent on qualifying activities between 1 April 2019 and 31 March 2020.

In our client's case, they had qualified activities for an accounting period ending December 2019, which means their 2019 claim needed to be submitted by midnight of 31 December 2021. When the client approached us, it was less than one month until the deadline to make this claim for 2019.

Our R&D tax specialist took this project despite the tight deadline of submission and managed to submit the claim on time, which was approved by HMRC. Our client received £209k in tax credit as a result.

Testimony from our client

"We are truly impressed by Gerald Edelman's R&D tax specialist team - especially with Amal and Lynn's partner lead approach on our case, and how efficiently and effectively they worked to get this turn around. The whole process from being engaged with GE to receiving the HMRC repayment only took a couple of months! We strongly recommend Gerald Edelman to anyone who requires R&D tax work."

How does R&D tax credit work?

In a recent article by [Simone Lyons](#), we discussed what R&D is and how it works as a tax credit. Research and development tax credits are a government incentive designed to reward UK companies for investing in innovation.

There is great scope for the identification of R&D, as it is prevalent in almost every sector. If it is your first claim, you can typically claim R&D tax credit for your last two completed accounting periods.

In order to qualify for R&D tax credits, you must:

- Be a limited company in the UK that is subject to Corporation Tax- not necessarily paying Corporation Tax, the company can be loss-making.
- Have carried out qualifying research and development activities.
- Have spent money on these projects.

The benefit

There are two distinct R&D incentives, divided into benefits for SME companies, and large companies.

To qualify as an SME you must have:

- Fewer than 500 staff members.

- Either no more than £100 million turnover or £86 million gross assets.

SME companies can:

- Obtain an R&D tax credit for 230% of R&D expenditure.
- If not in profit, can claim a cash payment of 14.5% of the R&D credit.

Please note, there are new limits for accounting periods starting after 1 April 2021.

There are a few factors such as grants and subcontracting that can restrict an SME from accessing this SME incentive. This means you may need to make a claim via RDEC – or via both incentives.

A large company is qualified as having 500 staff or more and either more than £100 million turnover or £86 million gross assets. Large companies instead have to claim the Research and Development Expenditure Credit (RDEC). This gives a credit to the value of 13% of qualifying R&D expenditure, but if paid as credit, is paid net of tax (currently 19%).

For large companies, there is a £200,000 cap on the claim, plus three times the total PAYE/NIC liability of the company (not just R&D related).

What to include in your R&D claim

In order to be classed as Research and Development by HMRC, a company's project would be expected to have uncertainties and failures, and the relevant costs of this should be included in the claim.

Once a prototype or project is finalised, any production costs would not be eligible for R&D tax credit. A company can make multiple claims, as long as all projects meet the requirements.

Costs that can be included in the claim:

- Staff costs, including salaries, employer's NIC, pension contributions, and reimbursed expenses.
- Materials and consumables including heat, light, and power that are used up or transformed by the R&D process.
- Some software.
- Payments to the subjects of clinical trials.
- Subcontractors and freelancers. - however these expenses are restricted to 65% of the eligible amount.

R&D also covers the creation of processes. Innovation of ideas or products that did not previously exist can be considered. This is more likely if the research / development was undertaken in-house by staff included on your own company payroll.

We have assisted numerous industries / sectors in relation to R&D tax. Your company may therefore benefit from speaking to a member of our team to see whether a claim could be made. [Contact our tax team today.](#)

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HOW DOES **DAC 6** AND THE **LEGAL PROFESSIONAL PRIVILEGE** IN **CYPRUS** INTERTWINE?

February 2022

The implementation of DAC 6 into Cyprus law

On 18 March 2021, the Cyprus Parliament in order to harmonise EU Directive 2018/822 (referred as 'DAC6' or the 'Directive') with Cyprus domestic law, enacted the **Law N. 41(I)/2021**, (the '**Law**' or '**Mandatory Disclosure Rules - MDR**') amending the Law on Administrative Cooperation in the Field of Taxation (**Law N. 205(I)/2012**). The law entered into force on 31 March 2021 with effect as of 1 January 2021.

The Law provides for a retroactive effect on reportable cross-border arrangements that took place on or after the 25th of June 2018, with a prerequisite that a **triggering event / hallmark** is satisfied. It goes without saying that taxpayers and intermediaries are under the obligation to review arrangements made on or after that date in order to fully comply with the Law.

The Directive - and consequently the Law - aim to increase transparency and minimise the gap between Tax Authorities and taxpayers, with a view of taking early action against aggressive tax planning schemes and tax evasion arrangements.

In essence, the Directive introduces a new mandatory reporting regime for intermediaries (such as banks, fiduciary service providers, law firms and insurance companies) and in some cases taxpayers, involved in designing, marketing, organising reportable cross-border arrangements or providing aid and assistance for their

implementation. DAC 6 is also applicable to intermediaries who could reasonably be expected to know that a transaction involves a reportable cross-border arrangement.

It is noteworthy that while Cyprus domestic Law has been enacted with minor deviations to broadly reflect and embrace the objectives of DAC6, key terms of the Law remain undefined. To that end,

MDR imposes significant reporting and compliance obligations to lawyers who advise or are somehow involved in reportable cross-border arrangements.

on 29 October 2021 the Ministry of Finance in coordination with the Cyprus Tax Department issued further guidelines, in the form of a Ministerial decree **N. 438/2021** providing clarity over interpretational and procedural matters.

How will MDR affect lawyers?

MDR imposes significant reporting and compliance obligations to lawyers who advise or are somehow involved in reportable cross-border arrangements. Law firms and individual legal practitioners involved in such arrangements, will invariably be within the scope of the definition of intermediaries.

Exemptions from the reporting obligation

MDR provides for two situations where intermediaries and taxpayers are exempted from their reporting obligations. The first exemption falls under the situation where there is sufficient proof of reporting of the same information already reported by other Intermediaries or taxpayers in relation to a reportable cross-border arrangement.

The second exemption, concerns reporting from intermediaries who are bound by the so-called legal professional privilege ('LPP'). The exemption is applicable provided that the reporting of information would constitute a breach of the intermediaries' duty under the legal professional privilege.

The MDR clarifies that LPP is only granted to lawyers and law firms that practice law in accordance with Cap. 2 Advocates Law. Nonetheless, legal practitioners who are bound by LPP may be exempted from reporting to the local tax authorities, but they still have the obligation to provide a heads-up or even warn other intermediaries involved, of their reporting obligations, provided that such warning does not itself breach LPP.

Such warnings to other intermediaries shall be made within ten calendar (10) days from the date when the reporting obligation occurred. If there are no other qualifying intermediaries or other intermediaries with an EU nexus effect, the reporting obligation is shifted to the taxpayer.

What is Legal Professional Privilege (LPP)?

Under the Advocates' Law (Cap. 2) and the Advocates Code of Conduct Regulations of 2002, Legal Professional Privilege constitutes a fundamental client's right and advocate's duty.

In a nutshell, LPP protects confidential communications and documents exchanged between clients and their lawyers from being disclosed or used in various proceedings. In certain circumstances it also extends to cover communications exchanged between clients, lawyers and third parties.

The advocate's duty is not only a duty of confidentiality, but also a duty to always act and promote the client's best interests. LPP plays a vital role in the legal system as it makes the legal practice effective and underpins the rule of law.

LPP and MDR Reporting

Under the LPP exemption, lawyers need to consider whether any information - that they would otherwise be expected to disclose to the Local Tax Authorities - is privileged.

In doing so, lawyers should ask the primary questions of whether such information forms part of confidential communications that have passed between them and their clients in the course of giving legal advice. If that is the case, then the information provided by the client is protected by LPP, meaning that it cannot be disclosed.

In addition, equally important is the case where a client discloses non-privileged information to his lawyer. In such a case, non-privileged information provided for the dominant purpose of obtaining legal advice becomes privileged in the lawyer's hands. Thus, the disclosure of such information becomes LPP protected, despite the fact that such information might be publicly available or is not considered to be privileged in the hands of the client.

Moreover, lawyers may receive information that does not qualify as privileged from a counterparty, other than the client. For instance, a law firm may receive information in relation to an arrangement from an audit or consulting firm.

Such information is not privileged as it came to the lawyer's hands under non-privileged circumstances. Nevertheless, a lawyer by disclosing such information in the context of MDR is likely to reveal the fact that an advice has been given in relation to a reportable cross-border arrangement or even reveal the lawyer's judgement that MDR are applicable to the arrangement.

In that context, the vast majority of reportable information are likely to be privileged; even though law firms will need to examine on a case-by-case basis that both LPP and MDR are being followed.

Nonetheless, there are still circumstances where law firms might be under the obligation to file a report to the local tax authorities. For example, if they were to structure and promote arrangements or schemes to potential clients that fall under the definition of the reportable cross-border arrangements, such information would not be privileged and therefore would be reportable under MDR.

It is generally suggested that law firms and individual legal practitioners shall always balance their professional duties in line with the Law by establishing policies and barriers in order to manage and avoid conflicts in relation to such arrangements.

Is communication of potential disclosure with the Client prohibited?

As it is previously mentioned, LPP indeed is a client's right and a lawyer's duty, therefore lawyers can communicate potential disclosure with their clients where there is a reportable arrangement in question. In some cases, lawyers might be obliged to notify their clients if they qualify as 'relevant taxpayers' and there are no other intermediaries involved.

Is LPP exemption applicable to the 'lack of knowledge' defence?

Intermediaries and consequently, lawyers are under no obligation to disclose information if they can prove that they did not know and/or could not reasonably be expected to know that they were involved in a reportable cross-border arrangement. In case where such evidence is qualified as privileged information, LPP prevents lawyers from making such evidence available without the prior consent of their client.

Waiving LPP

The LPP belongs to the client and it is the lawyer's duty to uphold it until an expressed waiver is issued. Such waiver can take the form of a clause in an engagement letter or as a separate waiver letter authorising lawyers to make the necessary disclosures. This could be done at any stage of the retainer period. A formal waiver of LPP would extricate lawyers from the inconvenience of contacting clients every time a disclosure issue arises.

The purpose of this article is to provide a general guideline on the subject and not to be considered, in any way, as legal advice. It is advisable to seek professional and legal advice on this subject before proceeding with any general information provided to you. For further clarifications and advice please contact us at legal@economideslegal.com.

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