

# Island of opportunity

## The benefits of Cyprus as a wealth management centre are becoming increasingly evident

**A**s the global economy still faces major challenges, wealth management is playing a crucial role in protecting the interests of high net worth investors by incorporating financial planning, investment portfolio management and a number of aggregated financial services such as accounting/tax services, as well as legal/estate planning.

Having built up a reputation for excellence in financial and professional services, Cyprus has attracted an increased number of wealthy individuals from Russia, the Middle East, Eastern Europe and of course the European Union, who consider Cyprus as the ideal place to live with their families. International investors can work through a number of flexible and competitively-priced structures which combine investment flexibility with the island's tax advantages.

Despite the recent turbulence, Cyprus' fundamental advantages and attractions remain in place and are subject to a renewed focus now that the bailout negotiations are complete. Cyprus is a business-friendly hub in a strategic commercial location between Europe, Asia and the rest of the EMEA region. Furthermore, its geographic location has gained greater strategic importance recently, as it is located at the very centre of the recently confirmed Eastern Mediterranean natural gas reserves.

Human talent is probably Cyprus' most compelling competitive advantage since it forms part of the people's culture and history. Cypriots are highly educated, qualified and almost to their entirety bilingual, if not multilingual. Most importantly, however, business is still done with a personal touch.

Cyprus has a modern, service-based economy, where in conjunction with its effective transparent regulatory and legal framework based on the Common Law, it offers the interested parties the confidence to invest, grow and prosper. As an EU member, Cyprus's legal system is in full compliance with EU law and easily understood by international businesses.

Despite changes agreed as part of the financial assistance package, Cyprus retains one of the most competitive tax environ-



ments in the EU, fully compliant with all EU tax directives and working under double taxation treaties with 46 countries.

Cyprus offers one of the most attractive income tax regimes in Europe with taxation of individuals ranging from 5 per cent to a maximum of 35 per cent. Cyprus tax residents are taxed on income earned both in Cyprus and abroad, whereas nontax residents are taxed on certain income earned from Cyprus sources only.

The Cyprus financial services sector is diverse, comprising of domestic banks, International Banking Units, insurance companies, and other companies that offer financial intermediation services. There are many foreign banks from the Middle East, Europe and Asia that operate subsidiaries, branches or representative offices in Cyprus.

Cyprus banking and financial services sector legislation is in line with international best practices and has a simplified, effective and transparent tax system, which is EU, OECD, FATF and FSF compliant. Commercial banking arrangements and practices follow the British model and all banks maintain correspondent networks around the world and are able to carry International Trusts.

The island's International Trusts Law is another key instrument which benefits business owners and shareholders and creates a favourable legal framework for trust structures. Cyprus offers a wide range and they are flexible enough to accommodate the objectives of the most demanding client.

With the new EU regulatory framework

changing in the fund industry, Cyprus is emerging as an attractive investment funds jurisdiction providing solutions for the establishment of private and public investment funds (alternative investment funds and Ucits) as well as fund managers.

Another aspect is the cost competitiveness of doing business in Cyprus. Recent developments have led to a significant reduction in operating costs, making the country vastly more competitive than before. At the same time, a further welcome development is the fact that government institutions are themselves being overhauled and reformed. Various mechanisms and procedures are being reviewed and revised in many respects, allowing for significantly smoother and more efficient processes. Cyprus is, therefore, not only becoming more competitive on a cost basis but also significantly more attractive and friendly towards FDI in general.

Taking all the advantages Cyprus offers, the island is proving to be one of the most interesting up-and-coming wealth management centres in the region that is prepared to service diverse and sophisticated client needs.



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