

Cyprus: The Way Forward

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In March 2013 unprecedented economic policies, which are against the very foundations of the European Union, have been imposed on Cyprus by its European partners. Cyprus now needs to adapt to the new economic realities and move forward.

The lack of liquidity in the country's economy necessarily means that in order for the economy to move forward foreign funds have to be injected into it. Such funds need to reach the real economy and create job opportunities (and not merely be "sitting" in bank accounts, as was, to a high extent, the trend up to March 2013). Such funds can be injected into the economy either through investments into the country or through the provision of services to foreign corporations and individuals, which itself injects funds into the economy and creates jobs.

As far as foreign investments into the country are concerned, these can be made in various sectors with the main sector being, of course, the energy sector (as the recent discoveries of natural gas in the exclusive economic zone of Cyprus have paved the way for the evolution of Cyprus into a significant energy player in the Eastern Mediterranean). Other than the energy sector, foreign investments can be made in telecommunications, education and many more. Excluding the energy sector, however, where the obvious incentives in investing exist,



such incentives for other investments may not necessarily or clearly exist to a high extent. In light of this, Cyprus needs to provide such incentives, an obvious example being tax incentives.

As far as the provision of services to foreign corporations and individuals is concerned, Cyprus has always been good at this. Despite the March 2013 developments, Cyprus definitely still is an attractive destination for foreign tax structuring. It has a transparent and well structured tax system and in addition to that it has a reliable legal system based on common law and excellent legal, accounting, financial, fiduciary and consulting services. None of these matters have been significantly affected by the March 2013 developments, so international investors can still use Cyprus as their gateway to the rest of the world. Cyprus, therefore, clearly needs to make sure that an attractive economic and financial environment is maintained in order for such services

to be able to keep being provided to foreign corporations and individuals.

Despite the above, as far as services are concerned, Cyprus cannot keep relying on the accounting and legal profession to save the economy. Sufficient emphasis should be given to other services such as services in the maritime sector and special types of tourism such as educational, conference, sport, cultural, religious and health tourism (which can inject funds into the economy all year round rather than just in the summer months).

Services are really what Cyprus has proved to be able to do best, so it needs to keep up with this and expand it. Services are the way forward to economic recovery while, for example, the sale of real estate is simply not as it cannot keep going forever while services can.

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