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IsraelDesks

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**Jurisdiction
Focus**

Cyprus Fireside Chat

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Much has been written about Israel's growing trade with the Gulf States following the signing of the Abraham Accords in 2020, but next door Cyprus has been moving along steadily for some time. In this edition, we shine a light on Israel's growing relationship with its neighbor Cyprus.

We catch up with [Angelos G. Paphitis](#), Managing Partner of [AGP Law Firm](#), a dynamic, award-winning law firm in Cyprus with a strong international presence: the firm opened a second office in the UAE in July 2022, and one of the rising law firms in Cyprus, [Elias Christou Legal Services](#), speaking to Managing Director, [Elias Christou](#).

What are the other opportunities that lie ahead for Israel and Cyprus?

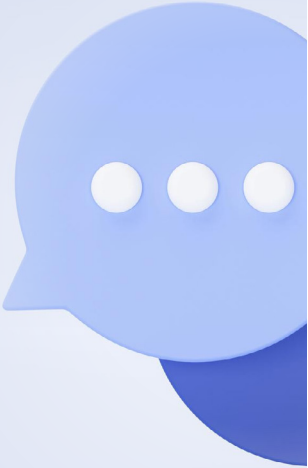
AGP: *"Cyprus and Israel have always enjoyed excellent ties in terms of culture, business, collaboration and ideal geographical proximity. There is still room for growth and collaboration on many different fronts, whereby both nations stand to win."*

Israel is well-known for its forward-thinking, dynamic economy and acute business practices, and Cyprus is well-known for being able to accommodate to the most successful businesses and businessmen from Israel, who have looked to Cyprus in terms of relocating and growing their businesses there within, benefitting from a very low corporate tax regime (corporate tax still stands at 12.5%), a helpful legal system based on the commonwealth structure, with Cyprus being an EU Member State since 2004 all gates being open to other EU Member States. Not only this, Cyprus features an impressive Double Tax Treaty Network, which allows all local and foreign companies to benefit from this regime."

Among the synergies between the two countries, gas is key, while Tourism, real estate and shipping are also among the most prolific industry sectors in Cyprus. What is shaping these sectors? What should Israeli entrepreneurs specifically be aware of?

AGP: *"Tourism has by default been one of Cyprus' main GDP contributors, with the obvious advantage of 355 days of sunshine on the island of Aphrodite and roughly speaking 6 months of summer and very warm weather, beautiful*





beaches along all coasts, a wonderful mountainous area uncommon within most Middle Eastern countries, and other wonderful nature, rendering the island between crossroads an idyllic holiday destination for many. Moreover, tourism has proven to be one of the most robust sectors of the Cypriot economy with ample room for investment, both in new and old hotel structures, but also in terms of newly constructed property catering to the needs of HNWIs and UHNWIs.

Taking it a step further from tourism, local construction developers have become highly sophisticated in the structures which they build and sell off to locals or foreigners, but simultaneously also cater to the needs of those looking to permanently relocate to Cyprus, of EU or non-EU status, either in the form of permanent residency, family relocation, company relocation, employee relocation or other. All in all, any savvy businessman looking for a high return on investment, could do very well when investing in real estate all across the island, whether that is commercial real estate, residential real estate, or other. In some areas of Cyprus such as Limassol, where real estate is in extremely high demand both on the corporate and residential front, yield on rent can fetch up to 8% returns on an annual basis and property resale prices can bring in gains exceeding 25-30% in some cases from past pricing. All major cities of the island are experiencing growth, with Limassol being the most expensive but at the same time fetching the highest return on investment, Larnaca now featuring some of the best investment opportunities in terms of real estate, growth and still relatively low prices, and Paphos and Nicosia also experiencing very healthy growth and high demand in housing and commercial buildings.

Elias Christou: “Cyprus has been welcoming tourists from Israel and their families for decades, and we see no sign of this slowing down. In recent years, we are seeing more and more a deeper interest in the island in terms of real estate due in part to its proximity (less than an hour flight), low cost of living and ease of obtaining work or residency permit. There has been exponential growth in the number of Israelis making real estate investments either for residence, holidays homes or business purposes.

Furthermore the investment of Larnaca Marina the biggest Marina on the Mediterranean sea by an Israeli private company its described to be one of the major investments on the island. The Marina will change the seafront of Larnaca creating business opportunities and providing work for the local and foreign population.”

In cultural terms, how would you describe the two countries with regards to law firms and lawyering?

AGP: *“Generally speaking, both countries feature excellent law firms, which can prove to be mutually beneficial to both nations and their respective legal service offerings. Israel is a well-known hub for tech business and outstanding unicorns, and Cyprus is now a well-known hub for its growing tech sector, shipping, natural gas and much more.”*

Since Cyprus is part of the EU now (since 2004) it can very strategically be utilized by Israeli companies which wish to relocate to Cyprus as an entry into the European Union, not foregoing the ideal geographical proximity, ease of doing business, fluency in English, and all around very friendly ties the two nations have been maintaining for decades now.”

In terms of level of talent, creativity, technological or entrepreneurial passion, how are the two countries similar or different?

AGP: *“Israel is well known for featuring the fastest growing tech sector in the region (at competitive rhythms to those of Silicon Valley) but also has an outstanding growth rate in terms of all the unicorns which grow and succeed in Israel. Cyprus is now becoming an ideal destination for tech companies to headquarter to, with ideal corporate taxation at 12.5%, a great flexibility from the government in terms of the number of third country nationals which tech companies are allowed to hire, ample individual taxation benefits on high earning high level employees of firms of this type, etc.”*


Israel has a lot of tech talent and know-how, but it could greatly benefit from relocating firms to Cyprus in terms of taxation, favorable EU allowances and other.”

What have been the major commercial transactions between the countries over the last 2 years? What interest do you see from your clients?

AGP: *“Israeli investors and businessmen alike have always favored Cyprus as an ideal business hub, one of them being the very famous billionaire Teddy Sagi who has invested a great deal in the island, with the Labs Tower in Nicosia being a prime example of an iconic building in the heart of the capital, and attracting business all around.”*



Which major events should Israeli or Cypriot investors should be aware of for networking or thought leadership? Which do your clients like to attend?



Elias Christou: *“Cyprus and Israel share a long history of bilateral relations which have grown even stronger in recent years following the signing of The East Med gas pipeline agreement in 2020.”*

Together with Greece, Cyprus and Israel are working together on natural gas pipeline projects. Cyprus, Greece and Israel have agreed to build the world's longest and deepest underwater power cable that will traverse the Mediterranean seabed and link their electricity grids. The project, called the EuroAsia interconnector, is expected to be completed by 2024. The inauguration ceremony on the start of the construction works of Interconnector was held in October 2022 at the Presidential Palace in Nicosia.

Elias continues: *“It is well known that the two countries collaborate mainly on military, security, tourism, and more recently on the growing FinTech Industry. The Chambers of Commerce in Israel and the Chambers of Commerce in Cyprus are both very active and regularly hosts each other’s business delegations. In fact, we attended an event earlier, hosted by the Cyprus-Israel Business Association on the topic of Israel’s leading position in Artificial Intelligence in the region.”*



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