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INVEST

FOREIGN DIRECT INVESTMENT

In recent years, Cyprus has been recognized as one of the top destinations for foreign direct investment due to its rapid economic recovery and favorable business environment. However, the outbreak of the COVID-19 pandemic led to a sharp decline in FDI inflows to Cyprus. According to UNCTAD's [World Investment Report 2023](#), FDI inflows amounted to USD 4.9 billion in 2022, marking a return to positive flows after two consecutive years of negative trends. The total stock of FDI in 2022 was USD 58.2 billion, representing 204.7% of GDP, a notable decrease from the previous year's figure of USD 425 billion in 2021. The financial and insurance activities sector is the primary recipient of FDI in Cyprus, accounting for approximately 99% of the total stock. Other sectors that attract FDI include transport and storage, real estate, tourism, pharmaceuticals, and energy. The main FDI partners for Cyprus are the Russian Federation, Luxembourg, the Netherlands, Germany, and the United Kingdom. Inward FDI stock from the euro area and the European Union (excluding the UK) collectively represents a significant portion, with percentages standing at 29.2% and 30.8%, respectively.

Cyprus has actively sought FDI in various sectors, including financial intermediation, large-scale projects, tourism infrastructure, and privatizations. Efforts have also been made to attract investment in newer sectors such as film production, investment funds, education, research & development, information technology, and regional headquarters. The country's stable and secure EU environment in a turbulent region makes it an attractive base for regional headquarters and support services. While Cyprus does not have a mandatory foreign investment screening mechanism, there are ownership limitations and licensing restrictions for non-EU investors in specific sectors like private land ownership, media, and construction. Additionally, challenges persist, including a small domestic market, ongoing recovery efforts in the banking sector following the 2009 crisis, tensions between Turkish and Cypriot factions on the island, and dependency on Russia and the UK as export markets and sources of financing. Despite these challenges, Cyprus maintains a strong position in global indices, ranking 28th on the [Global Innovation Index 2023](#) and 17th out of 184 countries on the latest [Index of Economic Freedom](#).

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow <i>(million USD)</i>	-24,451	-35,744	4,913
FDI Stock <i>(million USD)</i>	490,880	425,018	58,262
Number of Greenfield Investments*	6	15	24
Value of Greenfield Investments (million USD)	160	229	363

Source: UNCTAD - Latest available data.

Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	Cyprus	Eastern Europe & Central Asia	United States	Germany
Index of Transaction Transparency*	9.0	7.5	7.0	5.0
Index of Manager's Responsibility**	4.0	5.0	9.0	5.0
Index of Shareholders' Power***	7.0	6.8	9.0	5.0

Source: Doing Business - Latest available data.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

WHAT TO CONSIDER IF YOU INVEST IN CYPRUS

Strong Points

The country's strong points are:

- A strong business-friendly environment with one of the lowest corporate tax rates in Europe (12.5%, the lowest in Europe together with Ireland)
- Membership in the European Union and the eurozone
- A strategic geographical position at the crossroads of three continents, offering access to markets in Europe, the Middle East and the Maghreb
- A multilingual, experienced and low-cost workforce
- High-quality transport and telecommunications infrastructure, particularly in the ports sector
- A particularly developed tertiary sector: tourism, international business and financial services, maritime transport, etc.
- An attractive lifestyle in a secure, neat and healthy environment, with a high standard of living
- A business-friendly environment, solid regulation, legal system aligned with British common law

Weak Points

The main weaknesses of the country are:

- The weak attraction of its internal market with a population of around 1.2 million inhabitants (World Bank, 2019 latest data available)
- High public debt (118.4% of GDP in 2020, *IMF*) and significant external debt linked to bank deposits of many non-residents
- A banking sector still weakened by the 2009 crisis, despite numerous reforms imposed by the EU, the IMF, and the ECB
- Heavy reliance on Russia and the United Kingdom as export markets and sources of funding
- The division of the island since 1974 and the difficulties to reach an agreement between the Turks and the Cypriots could have in the long term a negative impact on the attractiveness of the country.
- Excessive dependence on the service sector (84% of total output), especially tourism, finance, and housing

Government Measures to Motivate or Restrict FDI

The Cypriot government has created a positive environment for business as proven by its 54th place in the 2020 Doing Business ranking of countries where it is easy to do business. The government's liberal policies have promoted investment development. Some key points of the country's appeal are:

- The possibility of 100% foreign shareholding in almost all sectors of the economy
- One of the lowest corporate tax rates in the European Union (12.5%)
- An attractive tax environment (Cyprus has signed double-taxation treaties with over 50 countries)
- Cost of establishment and business development very competitive for companies

The country manages to create an attractive environment for investors by strengthening weaknesses in its economy. For example, since 2013, the government has been restructuring the country's banking sector. This, combined with the recapitalisation, enabled it to avoid bankruptcies and improve stability. Likewise, progress has been made to modernise and make its legal, accounting and banking services more efficient.

INVESTMENT OPPORTUNITIES

Tenders, Projects and Public Procurement

[Tenders Info](#), Tenders in Cyprus

[Globaltenders](#), Tenders & Projects from Cyprus

[DgMarket](#), Tenders Worldwide

Finding Assistance For Further Information

Investment Aid Agency

[Invest in Cyprus](#)

Other Useful Resources

[Focus Business Services](#)

Doing Business Guides

[Country Commercial Guide for Cyprus - export.gov](#)

[Cyprus Tax Guide, Deloitte](#)

[Doing business in Cyprus - UHY](#)

[Doing Business Report - World Bank Group](#)