



MANUAL FOR MENTORS- CYPRUS

BOOSTING EU ECONOMY THROUGH TRAINING OF FOREIGN
DIRECT INVESTMENT (FDI) ADVISORS

Я Е Р Л И К А



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INTRODUCTION

FDI has an essential and growing role in the global economy. According to the OECD, FDI is a key driver of international economic integration and with the right policy framework, it can provide financial stability, promote economic development and enhance societal well-being¹.

To increase and boost foreign investments, it is crucial to offer an innovative, diverse and investor-friendly environment, and to provide continuous training and education for employees involved in attracting and supporting foreign investors. FDI advisors and other employees in this field should be adequately educated in a wide range of services that are of direct interest to foreign investors: economic and financial issues, legislative requirements and costs related to the opening and operation of a business, the labour market situation, real estate investments and other relevant topics.

What is the aim of the Manual for mentors?

The aim of this Manual is to support learners to develop their professional skills and knowledge to increase their productivity in the field of attracting and supporting foreign investor. More specifically, after reading the Manual, the learners will:

- Acquire new, specialized knowledge and skills
- Develop their role as effective advisors
- Build their capacity to transfer the knowledge to future FDI advisors.
- Identify the needs for further education and development
- Contribute to increasing the national GDP and in the development of new jobs

The Manual covers the following chapters and it is country specific:

1. Opening a company
2. Legislation requirements and costs regarding running the business
3. Accountancy
4. Labour market and employment
5. Work and living permit, family relocation
6. Funding opportunities
7. Real estate investment
8. Basics of counselling and negotiation skills
9. Basics about blended learning
10. Introduction to national vocational qualification system

The Manual targets FDI advisors' mentors that have knowledge, skills and competences to provide relevant support and guidance to the future FDI advisors.

What is the BOOST EU project?

“Boosting EU economy through training of Foreign Direct Investment (FDI) advisors” is a program aimed at increasing foreign investments by developing a unique training program, which will equip FDI advisors with all the relevant knowledge, skills and competences needed

¹ OECD (2009), “Foreword”, in OECD Benchmark Definition of Foreign Direct Investment 2008: Fourth Edition, OECD Publishing, Paris.

to provide all-in-one support for internationalization and relocation of foreign investors in one place.

Program objectives:

- To improve quality and access to vocational education and training.
- To improve the knowledge and skills of employees in relevant consulting companies.
- To improve the employability of adult learners.

Based on the extensive international survey, we developed a training program with learning materials for mentors, a training program with learning materials for FDI advisors, and initiatives to include FDI advisors' training program into national educational schemes in Slovenia and Cyprus.

International dimension, ensured by a consortium of partners and other relevant organizations from Slovenia, Croatia and Cyprus, enriches the program by broader overview, comparison and understanding of foreign investors' needs.

For the sake of comprehension and clarity, the text will not use both the male and female forms; the personal nouns and pronouns used throughout the BOOST EU documents will therefore also apply in their female and male form.

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MODULE 1 –TYPES, PROCEDURES AND COSTS OF OPENING A BUSINESS

Introduction

After the successful completion of this module, participants will know the types of companies in Cyprus, what are the procedures for establishing a particular type of business and related costs. They will acquire all the necessary knowledge to carry out procedures in less demanding business forms themselves.

1. TYPES OF BUSINESS ENTITIES

There are 10 main types of business entities in Cyprus:

1. Private Company Limited by Shares (LTD)
2. Public Company Limited by Shares (PLC)
3. Company Limited by Guarantee
4. Branch of a Foreign Company
5. General Partnership
6. Limited Partnership
7. Sole Proprietorship
8. Cyprus International Trusts
9. Business/trade name
10. European Company (SE)

Under the Companies' Law (Cap.113), a company is a legal entity that is formed and registered under this Law or an existing company.

Most of the companies in Cyprus are established in the form of a Private Company Limited by Shares (LTD). This form, is the one that most foreign investors choose to set up a company in Cyprus.

Another common form is also a sole proprietor (s.p.). Sole proprietors, or sole traders, are individuals who own and run a business on their own account with or without employees. In Cyprus, there are no official procedures for setting up a sole proprietor and sole proprietorship falls under the Cypriot Partnership and Business Names Law, Cap. 116.

Through the module, we will focus on these two most common forms and information on other forms of business entities can be found in Annex 1.1.

1.1. Private Company Limited by Shares (LTD)

1.1.1 Overview / Theoretical framework

The majority of the business organisations in Cyprus are limited liability companies. Limited liability companies are governed by Cap. 113 and are subdivided into:

1. Companies limited by shares:
 - Public companies
 - Private companies
2. Companies limited by guarantee (where members give a guarantee to pay a stated sum in the event of winding up). Generally, these are incorporated as non-profit-making organisations and their importance for FDI advisors is minimal.
3. Unlimited companies (where the liability of members in the event of winding up is unlimited)

A Private Company Limited by Shares (LTD) is the most popular type of company in Cyprus and is a legal entity, which is separate from that of its members who may change over time.

According to Cap 113 the precise definition of private company is:

“A company which by its articles-

- (a) restricts the right to transfer its shares; and
- (b) limits the number of its members to fifty, not including persons who are in the employment of the company and persons who, having been formerly in the employment of the company, were while in that employment, and have continued after the determination of that employment to be, members of the company; and
- (c) prohibits any invitation to the public to subscribe for any shares or debentures of the company

Provided that the shares in a private company may be held by one and only person, either upon the formation of the company or by their subsequent acquisition by one and only person” (Cap 113, § 29).

1.1.2 Important / exceptions

Therefore, it is important that there is no minimum share capital required in Cyprus and the number of the shareholders set up a LTD in Cyprus is limited to 50. Moreover, the stakeholders are liable to the company’s obligations only to the extent of their contribution.

A public company is a corporation that does not fulfill the definition of a private company, under Cap 113 and is controlled in a stricter format by the Registrar. It requires minimum seven members and its main feature is the power to extend an invitation to the public to subscribe to its shares.

1.1.3 Tips from professionals

Establishment of a LTD company is very safe from the point of view of protection of personal property. This is very important when there are more than one founders, and the wrong business moves will not harm substantially anyone. In the case of a one-person company, it is worthwhile to evaluate all the effects of different business forms and to decide which type of company that best suits the interests of the foreign investor.

Here you can see a table comparing sole proprietorship and private companies Limited by Shares.

Table 1: Comparison s.p.. and LTD.

	s.p.	LTD
PERSONAL RESPONSIBILITY	Not a legal entity, liable with personal asset	Liable only with capital contribution, capital of the company
FOUNDING CAPITAL	Not needed.	Not needed.
Founding costs	None.	For simple ownership – Free; For complex ownership – notary needed - official tariff
Taxation	Income tax.	Corporate income tax.
Bookkeeping	Simple or double-entry bookkeeping.	Double-entry bookkeeping

	Flat rate taxation is possible – in that case no bookkeeping is needed.	
<i>Disposal of money on the account</i>	Complete.	Not on disposal – money is property of the company.
<i>Salary</i>	There is no salary for s.p..	Salaries for employees are paid and regarded as a company's cost.
<i>Loans, funds on public tenders and calls for proposals</i>	Difficult, applying possible only for a limited number of calls and tenders. Also, he/she has to provide personal guarantee and assets.	It's easier to get a loan, easier to apply on tenders and calls.

1.1.4 Additional reading

You can read more about sole proprietorship in the Cypriot Partnership and Business Names Law, Cap. 116.

- The Greek version: http://www.cylaw.org/nomoi/enop/non-ind/0_116/full.html
- The English version: <http://www.mahkemeler.net/ifasil/Cap116.pdf>

1.2. Sole proprietor

1.2.1 Overview / Theoretical framework

A sole proprietor (s.p.) is a business entity. It is a natural person who performs a profitable activity on his own account and is registered with the Cyprus Register of Companies under Cap 116. A sole proprietor is a self-employed person who does not pay salaries, bonuses and other bonuses to himself, who would otherwise belong to regular employees in other forms of business entities. However, he must join the compulsory insurance system and pay social security contributions.

A sole proprietorship, also called a sole trader, in Cyprus, is one of the most basic types of business on the island. Sole proprietorship means having a single owner that entirely manages the business/company. This type of legal entity, according to the legislation in Cyprus, is not considered a legal person. Consequently, there is no distinction between the entity and the proprietor who assumes all the rights and obligations of the sole trader. Sole traders' profits are eligible for income tax, whether the profits are distributed to the proprietor or left in the business.

The legal entity has to abide by all the appropriate regulations and statutory requests like registering with the Inland Revenue Department, the Social Insurances and the VAT Service.

In this form of business, it is interesting to know that a sole proprietor can freely dispose of earnings and can transfer it to household consumption whenever necessary. However, for his business operations he is responsible with his entire assets, which in the event of bad business this poses a risk of losing personal assets.

Running a sole proprietor is easy, as it only requires the management of basic accounting records and compliance with the rules that apply to the charging of services.

1.2.2 Important / exceptions

As sole proprietor is not considered a legal person, there is no distinction between the entity and the proprietor who assumes all the rights and obligations of the sole trader will receive all the profits of the business and will pay the applicable taxes, such as income tax on the profit. The sole proprietor is thus liable for all the debts of the business.

1.2.3 Tips from professionals

This type of business entity is worth considering if the future business does not pose a risk to the loss of an entrepreneur's personal assets, it will have a smaller annual turnover (e.g. up to EUR 50,000 per year) or the activity will be simple (e.g. renting a property, intellectual activities).

The income taxation for sole traders in Cyprus:

- If the income earned is of maximum EUR 28,000, the sole trader is taxed with a fixed rate of 20%;
- If the income is of maximum EUR 36,300, the sole trader is taxed with 25%;
- For an income of up to EUR 60,000, the tax rate is 30%;
- If the income is above EUR 60,000, the sole trader in Cyprus is taxed at a rate of 35%.

Here you can see a table describing the advantages and disadvantages of sole proprietorship.

Table 2: Advantages and disadvantages of the status of a sole proprietor

Advantages	Disadvantages
No capital needed	An entrepreneur is liable for his obligations with all his assets, including private ones
Easy cash disposition	Taxation with income tax
Easy establishment	Unsuitable for setting up with multiple founders
Lower Administrative Costs	S.p. and the same natural person cannot do business with each other (s.p. is natural person)
Can be establish by almost anyone	Lower credibility compared to other business entities
Possibility of enforcing flat rate taxation	Aggregation of turnover with family members sole proprietors in the case of using tax reliefs and simplifications (e.g. flat rate taxation)

1.2.4 Additional reading

You can read more about sole proprietorship in the Cypriot Partnership and Business Names Law, Cap. 116.

- The Greek version: http://www.cylaw.org/nomoi/enop/non-ind/0_116/full.html
- The English version: <http://www.mahkemeler.net/ifasil/Cap116.pdf>

1.3. Quiz and exercise

Which are the most common two business forms in Cyprus?

- a) Limited liability company and sole proprietor
- b) Limited liability company and company with unlimited liability
- c) Sole proprietor and company with unlimited liability
- d) Sole proprietor and company with share capital

With what is the sole proprietor responsible for doing business?

- a) Generated revenue
- b) With all of his/her assets
- c) The property of the whole family
- d) Generated profit

What is the law governing a Private Company Limited by Shares (LTD) in Cyprus?

- a) Cap 116
- b) Cap 113
- c) Cap 118
- d) Cap 121

How much is the minimum founding capital for a limited liability company in Cyprus?

- a) at least EUR 7,500
- b) at least EUR 75 000
- c) a maximum of EUR 7,500
- d) there is no minimum

Exercise:

Make a calculation of the exact amount of personal income tax for a sole proprietor who has an annual turnover of EUR 32,000.

2. PROCEDURES AND COSTS OF ESTABLISHMENT OF BUSSINES ENTITIES

Before establishing a business entity, regardless of the chosen form, it is necessary to obtain information about any possible additional conditions and related documents necessary for a specific business. The conditions are published on [the government's web page](#).

2.1. Registration of a limited liability company

2.1.1. Overview / Theoretical framework

A Private Company Limited by Shares (LTD) is the most popular type of company in Cyprus and is a legal entity, which is separate from that of its members who may change over time.

2.1.1.1.1. Conditions

Conditions for establishing a private LTD company is that it requires one or more founding members, is limited to 50 shareholders, but cannot offer shares for public submission nor does it have the right to transfer shares. Any person can start and register a private company because it allows a single shareholder.

2.1.1.1.2. Procedure

1. The same with the case of a sole trader, the first step for establishing a LTD company is to submit an "**Application for Name Approval**" prior to the submission for registration. The application for approval/ change of name is submitted by hand or by mail to the One Stop Shop/PSC Cyprus' Office or to the Registrar of Companies and Official Receiver along with the fee.
2. To complete the registration of the company, specific documents can be submitted either by hand or online, certified by a registered advocate/lawyer in the Republic of Cyprus.
3. Upon completion of the registration the "Certificate of Incorporation" is issued. Upon request, and payment of the amount of €220,00, the following certificates and/or certified copies can be issued:
 - (1) A certificate of the Shareholders;
 - (2) A certificate of the Directors and Secretaries;
 - (3) A certificate of the Registered Office;
 - (4) A certified true copy of the Memorandum and Articles of Association;
 - (5) A certified copy of the Certificate of Incorporation.

2.1.1.1.3. Documentation needed

1. You can find the form for the Application for Name Approval [here](#) and the One Stop Shop Application Cover for Name Approval [here](#).

2. To complete the registration of the company, the following documents can be submitted either by hand or online [here](#), certified by a registered advocate/lawyer in the Republic of Cyprus:
 - Declaration form (HE1, a affidavit (sworn) statement of the lawyer and signature from the Registrar of the District Court);
 - Form concerning the registered office address (HE2);
 - Details regarding the directors and secretary (HE3);
 - List of persons who consent to act as directors of the public company;
 - Original Memorandum and Articles of Association (by law must be written by a approved/registered lawyer);
 - One Stop Shop Application Cover for Legal Entities Registration (applicable for submission to One Stop Shop);
 - Fee of €105,00, plus 0,6% subscription tax on nominal capital, plus €60,00 for filling the accompanied documents, plus an optional €100,00 for accelerated procedure (payable in cash, cheque or bank transfer). Please note that One Stop Shop accepts only applications with acceleration fees and the One Stop Shop Application Cover for Legal Entities Registration is to accompany the above-mentioned application.

These forms can be found on the *POINT OF SINGLE CONTACT* website [here](#) as well as on the official website of the Department of the Registrar of Companies and Official Receiver (D.R.C.O.R.) of the Republic of Cyprus [here](#) (in Greek).

2.1.1.1.4. Timeframe

1. The name approval is examined within one month or five working days under accelerated procedure. The results of the name examination of the applications submitted are provided online. Interested parties may search through the names of all the registered organisations.

After securing the name approval, the relevant documents for the registration of the legal entity are to be submitted, according to the legal form of the entity/business.

A name approval is valid for six (6) months. If during this period of time (six months from the date of the name approval) a company (business name, partnership etc.) is not registered, the name approval has to be renewed by following the same procedure.
2. Company registration is completed within approximately one month or 3 working days under accelerated procedure or through online submission from the date that the application was duly submitted.

2.1.1.1.5. Where to apply?

1. The application for approval/ change of name is submitted by hand or by mail to the One Stop Shop/PSC Cyprus' Office or to the Registrar of Companies and Official Receiver. In parallel, online applications for name approval can be submitted [here](#).
2. To complete the registration of the company, the following documents can be submitted either by hand or online [here](#).

2.1.1.1.6. Costs

1. The application for approval/ change of name is submitted along with the fee of €10,00 or €30,00 (note that the fee is applied per name and not per application) under accelerated procedure (payable in cash, cheque or via a bank transfer). Please note that One Stop Shop accepts only applications with acceleration fees and the One Stop Shop Application Cover for Name Approval is to accompany the above-mentioned application.
2. For registration there is a fee of €105,00, plus 0,6% subscription tax on nominal capital, plus €60,00 for filling the accompanied documents, plus an optional €100,00 for accelerated procedure (payable in cash, cheque or bank transfer). Please note that One Stop Shop accepts only applications with acceleration fees and the One Stop Shop Application Cover for Legal Entities Registration is to accompany the above-mentioned application.

2.1.2. Important / Exceptions

Notably, there is no minimum capital in registering a company.

2.1.3. Tips from professionals

In order to be completely familiar with the procedure and required documentation it is recommended that an FDI advisor prepares all necessary documentation and personally go through all registration procedures (up to the point of filing the documents to the relevant organizations).

2.1.4. Additional information

Further information on registration of a limited liability company:

- Businessincyprus.gov.cy. (2018). *POINT OF SINGLE CONTACT, Business Incorporation*. [online] Available on: <http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/All/a2e29870c32d7f17c2257857002e18c9?OpenDocument> (01.09.2018).

2.2. Registration of a sole proprietor (s.p.)

2.2.1. Overview / Theoretical framework

2.2.1.1. Conditions

S.p. can be established by any person capable of doing business and is subject to the same regulations as the partnership (Cap 116).

2.2.1.2. Procedure

Sole proprietor (s.p.) establishment is very easy and one of the simplest form to start a business in Cyprus.

1. The first step for establishing a sole proprietorship is to submit an "**Application for Name Approval**" prior to the submission for registration. The application for approval/change of name is submitted by hand or by mail to the One Stop Shop/PSC Cyprus' Office or to the Registrar of Companies and Official Receiver along with the fee.
2. After the business name is approved, which might take place within a month, and depends on the nature of the business, relevant documentation has to be submitted to the Registrar of Companies along with the respective fee.

2.2.1.3. Documentation needed

1. You can find the form for the **Application for Name Approval** [here](#) and the One Stop Shop Application Cover for Name Approval [here](#).
2. In order to enter into the business register, the future sole proprietor must submit the following documentation to the Registrar of Companies under the Partnerships and Business Names Law.

The **Partnership Registration Form (S1)** is submitted, by hand or by mail, to the One Stop Shop/PSC Cyprus' office or Registrar of Companies and Official Receiver. The prescribed form signed must contain the following particulars:

- the firm name;
- the general nature of the business;
- the principal place of the business;
- the present Christian name or names and surname, any former Christian name or names and surname, the nationality, the usual residence, and the other business occupation (if any) of the individual and the corporate name and registered or principal office of the company;
- the date of the commencement of the business.

You can find the S1 form in Greek [here](#).

1. Timeframe

1. The name approval is examined within one month or five working days under accelerated procedure. The results of the name examination of the applications submitted are provided online. Interested parties may search through the names of all the registered organisations.

After securing the name approval, the relevant documents for the registration of the legal entity are to be submitted, according to the legal form of the entity/business.

A name approval is valid for six (6) months. If during this period of time (six months from the date of the name approval) a company (business name, partnership etc.) is not registered, the name approval has to be renewed by following the same procedure.

2. Registration is completed within one (1) month under ordinary procedure or one (1) week (between two (2) to five (5) working days) under accelerated procedure from the date the application was duly submitted.

1. Where to apply?

1. The application for approval/ change of name is submitted by hand or by mail to the One Stop Shop/PSC Cyprus' Office or to the Registrar of Companies and Official Receiver. In parallel, online applications for name approval can be submitted [here](#).
2. The Partnership Registration Form (S1) is submitted, by hand or by mail, to the One Stop Shop/PSC Cyprus' office or Registrar of Companies and Official Receiver.

1. Costs

1. The application for approval/ change of name is submitted along with the fee of €10,00 or €30,00 (note that the fee is applied per name and not per application) under accelerated procedure (payable in cash, cheque or via a bank transfer). Please note that One Stop Shop accepts only applications with acceleration fees and the One Stop Shop Application Cover for Name Approval is to accompany the above-mentioned application.
2. The Partnership Registration Form (S1) is submitted, along with the fee of €120 plus an optional €40,00 for accelerated procedure (payable in cash, cheque or bank transfer). Upon request, and payment of the amount of €20,00 under normal procedure or €40,00 under accelerated procedure, a certified copy of the Partnership Registration Certificate can be issued. Please note that One Stop Shop accepts only applications with acceleration fees and the One Stop Shop Application Cover for Legal Entities Registration is to accompany the above-mentioned application.

2.2.2. Important / Exceptions

One of the greatest advantages for individuals from EU and EFTA (European Free Trade Association) countries have when setting up a sole proprietorship in Cyprus is that they do not require a work or residence permit. Non-EU/EFTA citizens, however, are required to apply for work and residence permits before coming to Cyprus and setting their business.

2.2.3. Tips from professionals

Before the future sole proprietor starts the registration procedure, FDI advisor should make sure that he has all necessary documentation.

The investor should also select high quality accounting service provider.

2.2.4. Additional reading

Further information on registration of a sole proprietor is available at:

- Businessincyprus.gov.cy. (2018). *POINT OF SINGLE CONTACT, Business Incorporation*. [online] Available on:

<http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/All/a2e29870c32d7f17c2257857002e18c9?OpenDocument> (01.09.2018).

2.3. Quiz and exercise

What is the first step for a sole proprietor before he starts his/her business?

1. register to the tax system at the Ministry of Finance
2. register to the Registrar of Companies and Official Receiver
3. submit an "Application for Name Approval"
4. submit the Partnership Registration Form (S1)

How long does for the registration to be completed, on the assumption that the future proprietor has all the required documentation and under the accelerated procedure?

1. Two weeks
2. One day
3. Three months
4. One month

Which document is NOT needed to register a private LTD company with the One Stop Shop?

1. Original Memorandum and Articles of Association
2. One Stop Shop Application Cover for Legal Entities Registration
3. Form concerning the registered office address
4. The strategic plan of the business

How much approximately will it cost to register a LTD private company in Cyprus (fixed costs)?

1. €300,00
2. €5,00
3. €15,00
4. €185,00

Exercise:

Create a list of all documentation to equip a foreign investor - a natural person - from a non-EU country before going to the One Stop Shop to establish limited liability company.

3. PROCEDURES AND COSTS OF OPENING A BRANCH

3.1. Overview / Theoretical framework

The branch is part of a company located in a different location than the company's registered business address. In spite of the fact that a branch is not a legal person, it can carry out all business activities performed by the company.

A branch of a foreign company may pursue all registered business activities on behalf of that company. The registered name of the parent company, the registered name of the branch and the registered branch business address must be used. A branch can be created by no capital investment.

3.1.1. Conditions

Overseas companies registered abroad (outside Cyprus) may establish a branch in Cyprus provided that within one month from the date of such establishment they register as an overseas company with the Registrar of Companies and Official Receiver. This does not amount to the creation of a new legal entity in Cyprus, since the branch of overseas companies does not constitute a legal entity different to that of its founding company.

It is important to note that the branch must have the same name as the parent company.

3.1.2. Procedure

The first step to open a branch in Cyprus is to prepare the necessary documentation, to notarize the documents required and to set up a bank account. The application for registration of a branch must be submitted to the Registrar of Companies and Official Receiver within 30 days of such establishment.

3.1.3. Documentation needed

The following documents, officially translated into Greek language, should be submitted, by hand or by mail, to the One Stop Shop or to the Registrar of Companies and Official Receiver:

- A written report signed by the authorized person showing:
 - (i) the name and legal form of the overseas company, as well as the name of the branch, if that is different from the name of the company;
 - (ii) the head office and the address (postal or other) of the overseas company, as well as the address (postal or other) of the place of business;
 - (iii) the object and subject of business of the overseas company and the place of business;
 - (iv) where applicable, the register abroad (with relevant number of entry) of the overseas company, where its basic data has been entered;
 - (v) its subscribed capital where this exists;
 - (vi) where applicable, information in relation to the winding-up of the overseas company, the appointment of liquidators, personal data and the powers of the

- liquidators, as well as the completion of the liquidation, bankruptcy, bankruptcy compromise or other analogous procedure to which the overseas company is subject;
- (vii) in the case of an overseas company of a non-member state of the European Union, the law of the state, governing the company. List of submitted documents by a foreign company (AE1);
- List of directors and secretary of a foreign company (AE2);
 - Data of the foreign company's authorised representatives residing in the Republic of Cyprus (AE3);
 - A certified copy of the parent company's charter or statutes or memorandum and articles of association in an official language of the Republic of Cyprus (with official translation in the Greek or English language in a different case). The certification should be made: (1) by a Government official to whose custody the original is committed, (2) by a notary Public, (3) by a company's officer before a person with authority administered under oath;
 - Fee of €300,00, plus €80,00 for the accompanied documents, plus an optional €100,00 for accelerated procedure (payable in cash, cheque or bank transfer).

All certificates required concerning the overseas company shall be original, 'apostilled' in the country of origin by a notary public and translated into Greek.

3.1.4. Timeframe

The registration is completed within thirty (30) working days or five (5) working days under accelerated procedure from the date the application was duly submitted.

3.1.5. Where to apply?

The registration is carried through by hand or by mail, to the One Stop Shop or to the Registrar of Companies and Official Receiver.

At the same time, online applications for the registration of branch of overseas companies can be submitted [here](#).

3.1.6. Costs

The costs of establishing a branch are composed by:

- Fee of €300,00, plus €80,00 for the accompanied documents, plus an optional €100,00 for accelerated procedure (payable in cash, cheque or bank transfer).
- the costs of the notary services
- the costs for the translation services

3.2. Important / Exceptions

Part VIII of the Companies Law (Cap 113) provides the legislative framework governing establishment and carrying out of business of branches of foreign companies in Cyprus.

The permit of the Central Bank may be required, depending on the activities of the company. More specifically, if the company will carry out regulated activities such as banking, insurance, investment etc. This is not applicable for standard commercial transactions.

3.3. Tips from professionals

Before setting up a branch, it makes sense to check whether it is more appropriate for a foreign company to establish a new company in Cyprus (100% owned by a foreign company).

3.4. Additional information

You can find more information concerning the registration of a branch in Cyprus here: Businessincyprus.gov.cy. (2018). *POINT OF SINGLE CONTACT, Business Incorporation*. [online] Available on: <http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/All/a2e29870c32d7f17c2257857002e18c9?OpenDocument> (01.09.2018).

3.5. Quiz and exercise

Can a foreign company from a non-EU country establish a branch in Cyprus?

1. Yes
2. Yes, if it has more than EUR 500 000 of annual turnover
3. Yes, if it will employ at least 5 Cypriot employees
4. No

What is the special requirement of the documentation concerning the registration of a branch?

1. All documents must be original
2. All documents must be officially translated into Greek language
3. All documents must have 2 copies
4. All documents must be officially translated into Greek and English language

What is the required founding capital for registering a branch in Cyprus?

- At least 7.500 EUR
- At least EUR 75 000.
- The founding capital is not required.
- Exactly 7,500 EUR.

Exercise:

A foreigner who comes from an EU member state wants to establish a branch in Cyprus, whose main activity is research in the field of labour market. Create a list of documentation that must be submitted.

4. BUSINESS ADDRESS AND VIRTUAL OFFICE

4.1. Overview / Theoretical framework

The business address of the company is where the company's head office is. It is the place where an entrepreneur carries out his business activities or a place where the management of the company operates. Before the registration of the company, the founder must provide a business address.

An entrepreneur can avoid high rental costs and real estate purchase if he does not actually need the business premises. The cost can be reduced to a minimum by hiring a virtual office.

The virtual office offers the possibility of using a business address for the company's headquarters, the possibility of receiving official mail, notifying and redirecting of the incoming mail, receiving phone calls and faxes, offering the use of a meeting room, etc.

The advantages of hiring a virtual office are: reduced or minimum costs of investing in business premises, the consent of neighbours or co-owners is not necessary for the registration of the company (as in the case of carrying out activities in a multi-apartment building for example or when the founder doesn't own the real estate), a visible presence in the business environment, business and personal addresses are separated... The offer of virtual offices is extensive, so an entrepreneur can easily find the one that most suits his needs.

The price of a virtual office rental in Cyprus is approximately 50-200€ per month, depending on the additional services that the entrepreneur needs. Different providers have different service packages and different prices for them. The prices of virtual offices also vary according to the location.

4.2. Important / Exceptions

A virtual office is not sufficient in specific businesses in which business premises are indispensable.

To carry out certain business activities - especially in the field of catering, trade, warehousing, production, education, various workshops, laboratories, ambulances and similar - an adequate business premises must be provided. At the registration of the company, this condition is not checked, but the entrepreneur must provide adequate business premises and acquire the appropriate permits before starting the business.

In this case, the entrepreneur can rent or buy adequate property. As a rule, any facility in which the business premises are located must have a valid permit, irrespective of the business activity (this also applies to the simple clerical business activities). The permit is issued by the administrative unit in the area where the property is located. If the property doesn't have this permit, the start of business operations may be delayed. Therefore, it is advisable that the entrepreneur checks that the property has a valid license before buying or renting it.

Most companies initially register their business address at home. This can be done by all those who perform activities that:

- are of "quiet" nature and

- for which a statutory or other regulation does not stipulate that the business premises are compulsory.

A quiet activity is one that does not disturb the neighbors and common spaces. There is no need to obtain a usable permit if you spend less than 50% of the living space in a private house for a business space.

4.3. Tips form professionals

An increasing number of foreign investors opt for this form of office, as it is affordable, flexible and not binding for a long time. More and more importance is gaining mobility and flexibility, as entrepreneurs often carry out their activities in several different locations, so a good FDI advisor will research the offer and propose to the investors this option.

As an interesting feature, also worth mentioning, are co-working premises - affordable business premises, which several entrepreneurs share. Their use is more popular among young companies / entrepreneurs who do not yet have regular income and want to save on costs. Co-working premises are fully equipped and the entrepreneur can start his business immediately upon moving in them. Due to the proximity of other entrepreneurs, business networking is facilitated, as opportunities are already present in the building itself. In addition, co-working contracts are valid for a shorter period of time and entrepreneurs do not bind themselves for a long time, which allows them greater flexibility.

4.4. Additional reading

More detailed information about the virtual office offer can be found on the web pages of office providers, like:

- Cyprus Virtual Office: Virtual offices. Available on: <https://cypruscompanyformation.com.cy/cyprus-virtual-office/>
- ASAP Global, Cyprus Virtual Office: <http://www.asapglobal.net/services/cyprus-virtual-office/>

4.5. Quiz and exercise

What is the approximate price for renting a virtual office in Cyprus per month?

- 50-200€
- 200-500€
- 100-300€
- 800-1000€

When does it make sense to hire a virtual office?

- When a foreign investor does not actually need business premises to pursue his business.
- When a foreign investor needs a production premises.
- When a foreign investor deals with hotel business.

d) When a foreign investor is involved in activities of a health clinic.

Exercise:

Investigate what would be the cost a foreign investor will have by renting a virtual office in Nicosia offering the following services:

- business address of the company at an accessible location in Nicosia,
- receiving of messages by fax, email or post and forwarding the same to you same day.
- receiving correspondence from official Cyprus Authorities, or clients or third parties and forwarding the same to you by post or courier or fax or email the same day.
- receiving packages from clients of the company or associates and forwarding the same by post or courier to you.
- receiving telephone messages on one of our telephone lines and forward the same by email or fax or telephone to you.

5. BUYING AN EXISTING BUSINESS

5.1. Overview / Theoretical framework

Investors who want to buy an existing **Cypriot company or business** can do so by takeover, purchasing shares, a merger (or de-merger) or by concluding a management agreement with the company.

ADVANTAGES AND DISADVANTAGES OF BUYING AN EXISTING BUSINESS

An entrepreneur may choose to purchase an existing company & business to:

- lower the risk which occurs when launching a new business on a new market,
- is the fastest way of getting your business up and running, since registration procedures have already been completed
- reduce start-up costs (already existing inventory, patents, customers, etc.),
- immediately produce cash flow due to ongoing business activities.

Potential risks when buying an existing business are:

- hidden problems (debts that you may not be able to repay, already signed hidden contracts, other possible complications),
- the purchasing cost may be much higher than the cost of starting a new business.

5.1.1. Procedure

Cyprus (Shelf) Companies are companies that were pre-registered. The majority of these companies have no assets or liabilities and have never been involved in any economic activity, as they were registered with the sole purpose of being sold.. These companies can be bought directly from the owners or intermediaries. The procedure has to be done in front of a notary, with a purchase agreement. Having been registered in the name of a nominee shareholder, all powers will be transferred to the owner by a notarized Power of Attorney (POA) and Declaration of Trust (if shares continue to be issued in the name of a nominee shareholder) or transferred directly to the shareholder (depending on the client's requirements). It is wise to check the documentation of the company's previous business operations.

Bankrupt businesses for sale are usually posted on court or bank websites. Unfortunately, those businesses are bankrupt, so purchasing them also means purchasing their debts. Another option is to contact the companies, which are conducting business during intermediation or contact the business owners directly.

5.1.2. Documentation needed

The following documents are required to take over an already established company in Cyprus:

- identify card (or passport),
- a declaration that the company has been assessed and has no debts (official statement from the relevant authority),
- a declaration that the balance sheet was closed at zero,
- a declaration that the previous company data were removed and replaced with the new data.

All documents and changes are formalized at the notary office, in the presence of a certified legal translator.

5.2. Important / Exceptions

Taking ownership of a Cypriot Shelf Company is generally quicker. Documents confirming the new company appointments can often be provided instantly and prove to be a large advantage where time is of the essence.

However, an investor or an FDI advisor should be extremely cautious when buying an existing company since most businesses for sale are not advertised anywhere officially.

5.3. Tips from professionals

CHECK THE EXISTING BUSINESS OR COMPANY'S SELLER

On the Cypriot market, there are many providers of ready-made companies with an established business or newly opened companies.

Be careful when buying an existing business. Only buy from trusted providers and always check for the guarantee that the company is clear of all debts.

CHECK THE COMPANY'S HISTORY

You should also check the background of the company. If you are also buying an existing business with the company, you should check what business they operated, why it is not profitable, what competition they had on the Cypriot market and the country's legislation, among other things. You can check the company's previous owners and business results by yourself on through the Online Search System of the department of the Registrar of Companies and Official Receiver, which will offer users access to the data of organisations, already registered ([here](#)).

Nevertheless, the buyer never knows what documents or legal actions were taken by previous owners and the new owner could bear the consequences. Cautiousness is advised.

5.4. Additional reading

More information about buying an existing business is available on:

- The Department of the Registrar of Companies and Official Receiver portal. Access via:
- <https://efiling.drcor.mcit.gov.cy/DrcorPublic/SearchForm.aspx?sc=0>
- The CYLaw portal. Access via: <http://www.cylaw.org/nomoi/indexes/113.html>

5.5. Quiz and exercise

Where can existing companies be bought?

- Directly from owners or National Office for Entrepreneurship
- Directly from owners or real estate agents
- Directly from owners or intermediaries
- Directly intermediaries only

What documentation should foreign investor require before buying an existing company?

- Whole accounting documentation from the accounting service of the previous owner
- Previous year accounting reports
- Previous 2 years accounting reports
- Copy of the contract with the accounting service of the previous owner

Exercise

List the various advantages and disadvantages of buying an existing business.

ANNEX

1.1 – Other profit making business entities

1.1.a. Partnerships

There are two kinds of partnerships in Cyprus and they are registered under the Partnerships and Business Names Law:

- **General Partnership:** Every partner is individually and collectively accountable for the liabilities of the partnership, including all debts and obligations of the partnership incurred while he is a partner;
- **Limited Partnership:** One or more general partners are individually and collectively accountable for the liabilities of the partnership and one or more limited partners whose accountability for such liabilities is limited to their contribution to the partnership.

Moreover, there are three conditions to be satisfied for a partnership to exist, these being:

1. The partnership must carry out a business e.g. occupation, trade or profession;
2. The partnership must have at least two partners, who may be either natural or corporate entities or both. However an entity with more than 20 persons cannot be considered as a partnership;
3. The partnership must be established to generate profit.

There are more advantages in establishing a Cyprus Limited Partnership:

- clear distinction of duties and responsibilities between the parties
- a considerably low tax expense
- the partnership has no obligation to proceed with statutory audit unless the turnover exceeds EUR 70,000

1.1.b. European Company

The European Company – also known as SE – is a type of public limited-liability company regulated under EU law. It has legal personality as a public limited liability company.

There are several advantages to setting up a European Company:

- A simpler way to run business across more than one EU country: you can reorganize your activities under a single European brand name and run your business without setting up a network of subsidiaries
- Greater mobility in the single market. For example, you can transfer your registered office to another EU country without having to dissolve the company
- Framework for involving staff employed in more than one country in running your business.

The conditions for setting up a European Company are:

1. the registered office and the head office must be in the same EU country. For example, the registered and head office can be situated in Cyprus, but this is not mandatory.

2. a presence in other EU countries (subsidiaries or branches) or your company and other companies involved need to be governed by the laws of at least two different EU countries
3. a minimum subscribed capital of EUR 120 000
4. an agreement on employees participation in the company's bodies and on how they will be consulted and informed
5. registered in the local Commercial Registry and the registration is published in the European Companies' Official Journal;
6. The statutes of a Cyprus European company must include its name, registered office and objects of the company. They must also state whether there is a one-tier or two-tier board structure and the number of the members;
7. Accounting and audit is obligatory; and
8. SE to be included on the name of the European Company.

You can find more information here: https://europa.eu/youreurope/business/start-grow/european-company-legal-form/index_en.htm

1.2: PROCEDURES AND COSTS OF ESTABLISHMENT OF OTHER BUSSINES ENTITIES

1.2.a. Partnerships

The Partnership Registration Form (S1) is submitted, by hand or by mail, to the One Stop Shop/PSC Cyprus' office or Registrar of Companies and Official Receiver along with the fee of €120 plus an optional €40,00 for accelerated procedure (payable in cash, cheque or bank transfer). Upon request, and payment of the amount of €20,00 under normal procedure or €40,00 under accelerated procedure, a certified copy of the Partnership Registration Certificate can be issued. Please note that One Stop Shop accepts only applications with acceleration fees and the One Stop Shop Application Cover form for Legal Entities Registration is to accompany the above-mentioned application.

The application can also be submitted online via "ARIADNI" (link [here](#)).

Affidavit of witness of signatures for electronic registration of a Partnership is required in such a case (you can find the documents in Greek [here](#)).

Partnership registration is completed within one (1) week under normal procedure or three (3) business days under accelerated procedure from the date the application was duly submitted.

1.2.b. European Company

The registration of a European Company in Cyprus is in line with the Council Regulation (EC) No. 2157/2001. The main objective is to allow companies incorporated in different member states to merge or form a holding company or joint subsidiary, while avoiding the legal and practical constrains from the existence of different legal systems.

The following documents should be submitted, by hand or mail, to the One Stop Shop or to the Registrar of Companies and Official Receiver:

In the case of incorporation of a European public limited-liability company (Societas Europaea or SE) by merger:

- Form of Incorporating European Company SE by merger (ED1);

- Charter of Statute or Memorandum and articles of association of the European Company SE;
- Copy of the Court's order certifying that the provisions of the article 26 of the EC 2157 /2001 have been met;
- Fee of €105,00, plus 0,6% subscription tax on nominal capital, plus €20,00 per accompanied document submitted, in case of the formation of a new company or €20,00 in case of a merger by acquisition.

In case of incorporation of a holding European Company SE:

- Form of Incorporating European Company Holding SE (ED2); along with
- Charter of Statute or Memorandum and articles of association of the European Company SE;
- Written report by independent experts according to article 32(4) of the EC 2157/2001;
- Copy of the resolution approving the incorporation scheme of the holding SE of article 32(6);
- Form of Incorporating a company or European Company SE that promotes the formation of a holding SE (ED2II) along with a copy of the scheme or terms of incorporation;
- Form for notification that the requirements for the incorporation of a holding company SE by local company or SE are met ED2II);
- Fee of €105,00, plus 0,6% subscription tax on nominal capita, plus €20,00 per accompanied document submitted in case of the formation of a new company else €20,00 per document submitted.

In case of incorporation of a subsidiary European Company SE

- Form of Incorporating European Company Subsidiary (ED3);
- Charter of Statute or Memorandum and articles of association of the European Company SE;
- Fee of €105,00, plus 0,6% subscription tax on nominal capital plus €20,00 per accompanied document submitted in case of the formation of a new company else €20,00 per document submitted.

The registration is completed within approximately one month or 3 to 4 working days under accelerated procedure from the date the application was duly submitted.

MODULE 2 – LEGISLATION REQUIREMENTS AND COSTS REGARDING RUNNING THE BUSINESS

Introduction

This module is designed to make participants understand the legislation that the company must follow, the tax system and some basic business ethics.

Upon completion of this module, a participant shall be familiar with the basic legislation, the way the tax system works in Cyprus, and the tasks that any taxable person shall exercise.

1. REPORTING AND OTHER LEGAL OBLIGATIONS

1.1. Theoretical Framework

This chapter provides an explanation of all relevant laws governing business operations in Cyprus as well as legal obligations to which business entities are subject. The applicable laws concerning taxation and reporting are presented in the section Tax System.

Cyprus is an EU member state. Hence, all EU regulations are in force in this country, while the EU directives are covered by the national legislation. As a former British colony, Cyprus law is based on English Common Law and was amended in recent years aligning with European Union requirements.

The legal and regulatory system of Cyprus is considered to be one of the most favourable in Europe, while at the same time being fully compliant with the EU, the Financial Action Task Force on Money Laundering (FATF), the Organization for Economic Co-operation and Development (OECD) and the Financial Stability Forum.

Relevant laws

The incorporation, management and corporate reporting requirements of Cyprus companies are governed by the Companies' Law (Cap.113). You can find the Law [here](#) and in the CYLaw portal [here](#) (all the amended versions in Greek). In addition, you can find all related laws in the Web portal of the RoC [here](#).

Depending on the activities of a company, other legislation may set additional requirements. Also, operators in certain sectors require the approval of a specific regulatory body before engaging in a particular activity. Ongoing compliance with a relevant regulatory authority's mandatory regulations and best practice guidelines is required.

Companies' Law (Cap.113)

Its current version is labelled Cap.113.

This law governs the incorporation, management and corporate reporting requirements of Cyprus companies.

A company in Cyprus is also governed by its Memorandum and the Articles of Association, provided that these have been set in accordance to the various provisions, rights or restrictions, mentioned in the Companies' Law (Cap. 113).

All companies, especially those involved in large transactions, must be aware of, and adhere to, competition laws.

The laws and regulations for setting up and administering Cypriot entities are the same for foreign investors carrying on international business activities as they are for local investors.

Protection of Personal Data Act

In Cyprus, the protection of personal data is regulated by the General Data Protection Regulation (GDPR) (EU) 2016/679, the regulation in EU law on data protection and privacy for all individuals within the European Union (EU) and the European Economic Area (EEA). The General Data Protection Regulation came into force on May 25, 2018.

The text of the GDPR is available in all EU languages on the European Commission website and in pdf format by clicking [here](#).

Health and Safety at Work Act

In Cyprus, the central Government, through the Ministry of Labour and Social Insurance, deals with the policy on safety and health at work. For this purpose, the above-mentioned Ministry has assigned the duties of the implementation of this policy to one of its Departments, namely the Department of Labour Inspection.

The role of the Department of Labour Inspection in the field of safety and health at work is thus the safeguarding of appropriate and adequate levels of safety and health at work for the elimination or drastic reduction of work accidents and occupational diseases and the protection of the public against risks arising from work activities.

The provisions regulating the safety and health of the employees at their workplaces are listed in the Safety and Health at Work Laws of 1996 to (N. 2) of 2015. The Law provides for securing the safety, health and welfare of persons at work in all sectors of economic activity and for the protection of any other persons against risks to safety and health in connection with the actions and activities of persons at work. You can find the relevant legislation [here](#).

Reporting

Companies in Cyprus are obligated to conduct reporting in accordance with the applicable laws and regulations.

An annual return shall be submitted by every company having a share capital, once at least in every year, make a return containing concerning the registered office of the company, registers of members and debenture holders, shares and debentures, indebtedness, past and present members and directors and secretary.

If a company fails to comply with this section, the company and every officer of the company who is in default shall be liable to a default fine.

Every company not having a share capital shall, once at least in every calendar year, make a return stating:

- (a) the address of the registered office of the company;
- (b) in a case in which the register of members is, under the provisions of this Law, kept elsewhere than at that office, the address of the place where it is kept;
- (c) in a case in which any register of holders of debentures of the company is, under the provisions of this Law, kept elsewhere than at the registered office of the company, the address of the place where it is kept;
- (d) all such particulars with respect to the persons who at the date of the return are the directors of the company and any person who at that date is secretary of the company as are by this Law required to be contained with respect to directors and the secretary respectively in the register of directors and secretaries of a company: Provided that a company need not make a return under this subsection either in the year of its incorporation or, if it is not required by section 125 to hold an annual general meeting during the following year, in that year.

Time for completion of annual return

The annual return must be completed within forty-two days after the annual general meeting for the year, whether or not that meeting is the first or only ordinary general meeting, or the

first or only general meeting, of the company in the year, and the company must forthwith forward to the registrar of companies a copy signed both by a director and by the secretary of the company. If a company fails to comply with this section, the company and every officer of the company who is in default shall commit a criminal offence, and, on conviction thereof shall be liable to a default fine.

Documents to be annexed to the annual return

The following shall be annexed to the annual return:

- a) Copies of all documents presented to the general meeting of the company.
- b) The return (report) and, where appropriate, the consolidated return on payments to governments under paragraph (1) of Regulation 12 for Reports on Payments to Governments.

Any optional statements presented by the company and the directors' report, are not mandatory to be annexed only if a copy is available to the public.

Public database of all the business entities based in Cyprus

The Department of Registrar of Companies and Official Receiver is responsible for keeping the database with the Register of Companies, Partnerships, Business Names, Trade Marks, Patents and Industrial Designs and is also responsible for administering properties of insolvent legal and natural persons.

The Organisation and Name Search service offers the possibility to search in the list of registered organisations and names. To see whether someone is on this list or not, simply enter the name or the registration number in the Department of Registrar of Companies and Official Receiver website [here](#).

Reporting the flows of goods - Intrastat

In January 1993, frontier controls on the movement of goods between EU member states were abolished and importers and exporters in EU trade no longer were required to complete customs documentation. Therefore, in order to fill the gap that was created concerning the collection of statistical information, the EU introduced a system known as INTRASTAT. The system was designed to ensure that statistics of internal EU trade could be collected in a way which would maintain the quality of the statistics and the timeliness of their collection.

The system places obligation on traders to submit periodic declarations of their trade. The INTRASTAT returns are submitted to the VAT Service each month and concern arrivals from, as well as dispatches to other member states.

As from May 1st 2004, each VAT-registered person who supplies goods to or/ and receives goods from other member states (the value of which is exceeding the statistical threshold), is obliged to submit the INTRASTAT return for arrivals as well as dispatches to the VAT Service each month.

The submission of all Intrastat forms is done electronically. Access to the system can be done through <http://taxisnet.mof.gov.cy>. In order to register for the system you can use the **TAXISnet 01 - Intrastat** (Application for Registration - Click [here](#) to see the pdf file).

1.2 Important / Exceptions

Delays

If a company fails to provide on time the annual return, the company and every officer of the company who is in default shall be liable to a default fine.

For Intrastat declarations of periods until 31/12/2009, if a person fails to comply, this person is liable to a penalty of eight euros (€8) for each working day of non-compliance, the maximum being thirty working days. As from 1/1/2010, if a person fails to comply, this person is liable to a penalty of fifteen euros (€15). Non-compliance that continues after the thirty working days constitutes a criminal offence and a convicted person may incur an additional fine of up to two thousand five hundred and sixty two euro (€2.562).

Contents and Form of Annual Return

The Sixth Schedule of Cap.113 contains the Contents and form of annual return of a company having a share capital:

The Office of the Law Commissioner

SIXTH SCHEDULE. (Sections 118 and 387)

CONTENTS AND FORM OF ANNUAL RETURN OF A COMPANY HAVING A SHARE CAPITAL PART I. CONTENTS

1. The address of the registered office of the company.
2. (1) If the register of members is, under the provisions of this Law, kept elsewhere than at the registered office of the company, the address of the place where it is kept.
(2) If any register of holders of debentures of the company is, under the provisions of this Law, kept elsewhere than at the registered office of the company, the address of the place where it is kept.
3. A summary, distinguishing between shares issued for cash and shares issued as fully or partly paid up otherwise than in cash, specifying the following particulars-
 - (a) the amount of the share capital of the company and the number of shares into which it is divided;
 - (b) the number of shares taken from the commencement of the company up to the date of the return;
 - (c) the amount called up on each share;
 - (d) the total amount of calls received;
 - (e) the total amount of calls unpaid;
 - (f) the total amount of the sums (if any) paid by way of commission in respect of any shares or debentures;
 - (g) the discount allowed on the issue of any shares issued at a discount or so much of that discount as has not been written off at the date on which the return is made;
 - (h) the total amount of the sums (if any) allowed by way of discount in respect of any debentures since the date of the last return;
 - (i) the total number of shares forfeited;
 - (j) the total amount of shares for which share warrants are outstanding at the date of the return and of share warrants issued and surrendered respectively since the date of the last return, and the number of shares comprised in each warrant.
4. Particulars of the total amount of the indebtedness of the company in respect of all charges and mortgages which are required to be registered or recorded with the registrar of companies under this Law, or which would have been required so to be registered if created after the 1st day of July, 1922.
5. A list-
 - (a) containing the names and addresses of all persons who, on the fourteenth day after the company's annual general meeting for the year, are members of the company, and of persons who have ceased to be members since the date of the last return or, in the case of the first return, since the incorporation of the company;
 - (b) stating the number of shares held by each of the existing members at the date of the return, specifying shares transferred since the date of the last return (or, in the case of the first return, since the incorporation of the company) by persons who are still members and have ceased to be members respectively and the dates of registration of the transfers;
 - (c) if the names aforesaid are not arranged in alphabetical order, having annexed thereto an index sufficient to enable the name of any person therein to be easily found.
6. All such particulars with respect to the persons who at the date of the return are the directors of the company and any person who at that date is the secretary of the company as are by this Law required to be contained with respect to directors and the secretary respectively in the register of the directors and secretaries of a company.

PART II. FORM

ANNUAL RETURN of Limited, made up to the day of, 19.... (being

Business documentation

All business entities have to keep an archive of the business documentation.

What must be kept permanently?

- annual returns
- payrolls and all documentation related to the calculation of salaries
- audited financial accounts
- employment contracts
- payment proofing of Social insurances and other contribution funds
- invoices / receipts (receivables and payables)

What must be kept for at least 20 years?

- contracts and accounts for the purchase and sale of real estate
- fixed assets register
- complete documentation of bookkeeping events: issued invoices, invoices received, contracts for the purchase and sale of short-term financial investments and hire of short-term loans, transaction accounts, accounts.

1.3 Advice from the expert

It is recommended that foreign investors leave the preparation of reports to experts from accounting services who have the knowledge and experience in presenting all the specific data required in the reports.

1.4 Additional information

EU GDPR Portal: Powered by Trunomi. *More on main elements of the General Data Protection Regulation can be found on this link* (online). Access via: <https://www.eugdpr.org/>

General information about INTRASTAT. Access via: <http://www.mof.gov.cy/mof/taxdep.nsf/All/08B07097BBA75727C22581EC0049BFC7?OpenDocument>

The Department of the Registrar of Companies and Official Receiver portal. Access via: <https://efiling.drcor.mcit.gov.cy/DrcorPublic/SearchForm.aspx?sc=0>

The CYLaw portal. Access via: <http://www.cylaw.org/nomoi/indexes/113.html>

The Safety and Health at Work legislation. Access via: <http://www.mlsi.gov.cy/mlsi/dli/dliup.nsf/All/B76DABA1AAACE7705C2257E28001EB553?OpenDocument>

The Office of Data Protection Commissioner in Cyprus. Access via: <http://www.dataprotection.gov.cy>

1.5 Quiz and exercise

Which documents shall be annexed to the annual return?

- a) Copies of all documents presented to the general meeting of the company and the return report
- b) Reports on travel expenses and reports on all kinds of payments to natural persons
- c) Reports on wages
- d) Company Income tax

Which of the following documentation must a foreign investor's company keep permanently?

- a) annual returns
- b) issued invoices
- c) transaction accounts
- d) contracts and accounts for the purchase and sale of real estate

Exercise:

In the relevant law, find the chapter that defines business entities' obligations about annual returns.

2. TAX SYSTEM

2.1 Theoretical Framework

A taxable person is any person independently performing any kind of business at any place, regardless of its purpose or result.

Cyprus offers one of the most attractive tax regimes in the EU. A member of the European Union since 2004, Cyprus' regulatory regime is in full compliance with the requirements of the EU and OECD.

A Resident of Cyprus is considered:

- An individual who stays in Cyprus for a period of at least 183 days in a tax year;
- A company, whose management and control is exercised in Cyprus.

Non-residents and foreigners are subject to special regulations that are often related to the taxation system of the country of their permanent residence.

Tax procedure and taxable persons

Tax Residents (individuals or companies) are being taxed both on their income acquired in and outside Cyprus.

Non Residents (individuals or companies) are being taxed only on their income acquired in Cyprus.

Individual and companies resident in Cyprus are liable to income tax in accordance with the **Income Tax Law (Law No. 118(I) of 2002, as amended)** in respect of their worldwide income. You can find the law [here](#) (in Greek).

Other related laws and regulations:

- The Collection of Taxes Law of 1962 (L.31/1962), as amended - you can find the law [here](#) (in Greek),
- The Assessment and Collection of Taxes Law of 1978 (L.4/1978), as amended - you can find the law [here](#) (in Greek)
- The Special Contribution for the Defence of the Republic Law of 2002 (L.117(I)/2002), as amended - you can find the law [here](#) (in Greek),
- The Capital Gains Tax Law of 1980 (L.52/1980), as amended - you can find the law [here](#) (in Greek),
- The Immovable Property Tax Law of 1980 (L.24/1980), as amended - you can find the law [here](#) (in Greek),
- The Stamp Duty Law of 1963 (L.19/1963), as amended - you can find the law [here](#) (in Greek),
- The Social Insurance Law of 2010 (L.59(I)/2010), as amended- you can find the law [here](#) (in Greek).

International taxation

Residents of Cyprus have to pay tax based on their worldwide income, meaning their taxation is based on their taxable income irrespective of where it has been generated, within the national borders or abroad. In addition to the provisions of Cyprus tax legislation, the international

treaties on the avoidance of double taxation represent an important mechanism for preventing double taxation of both natural and legal persons' earnings.

Personal Income Tax

Income tax is a tax on the income of individuals who are tax residents in the Republic of Cyprus. The personal income tax in Cyprus is one of the lowest top statutory personal income tax rate based on the Eurostat's data.

Individuals are subject to a scaled assessment rate on their annual income, starting with 20%, 25%,30%, and ending at 35%, with the first €19500 of income being non-taxable.

Below are briefly described some of the main provisions of Income Tax applied to individuals:

Income from the sources described below are NOT taxable under CERTAIN rules and conditions:

- Income from Dividend and Interest;
- Profit from permanent establishment outside Cyprus;
- Income from Employment (salary earned abroad) outside Cyprus;
- Profit from the sale of securities;
- loss from trade within the current year and or previous years is deducted from the taxable income, subject to certain terms and conditions;
- Income received in the form of retiring gratuity, compensation for death or injuries, provident fund, pension fund, or other approved funds, is exempted from tax.

This is a table describing the personal income tax rates in Cyprus.

Taxable Annual Income €	Tax Rate %
0- 19.500	0
19.501 - 28.000	20
28.001 - 36.300	25
36.301 - 60.000	30
60.001 and over	35

Value Added Tax

Value Added Tax in Cyprus is governed by the [Value Added Tax Law](#) (L.95I/2000), which is fully compliant with the EU VAT Directive.

Liable to V.A.T. tax are those entities selling goods or providing services within the Republic of Cyprus, and those importing goods from other member states and Third countries.

V.A.T. rates are:

- Standard rate: 19%;
- Reduced rates: 9% / 5%;

- Zero rate: 0%.

VAT is charged on every supply of goods or services at the standard rate of nineteen per cent (19%). The reduced rate of 5% is imposed on the supply of coffins, services supplied by undertakers, services of writers, artists, on the supply of fertilizers, foodstuff for animal, live animals, seeds, non bottled water, newspapers, books, periodicals, certain products for persons with special need, ice cream, certain types of nuts (salted etc), transport of passengers and their accompanying luggage with urban and rural buses, the letting of camping sites and caravan parks.

As from the 13/01/2014, the following are taxable at the reduced VAT rate of 9% : transport of passengers and their accompanying luggage within Cyprus, with urban, suburban and rural taxis as well as with tour and suburban buses.

Certain supplies of goods or services are zero-rated; the supply, hiring and repair of sea-going vessels and aircrafts, the supply of services to meet the direct needs of sea-going vessels, the supply of goods entered into customs regime, the supply of medicines and food – except the supply of food in the course of catering. In addition, a supply of goods is zero-rated if the VAT Commissioner is satisfied that the goods have been exported or supplied to a registered person in another member state.

No VAT is charged on supplies of goods or services which are exempted under the VAT legislation; leasing or letting of immovable property, the supply of immovable property with the exception of buildings or parts of buildings and the land on which they stand if the application for a building permit was submitted after the 1st May, 2004, financial services, lotteries, medical care, social welfare, education, sports, cultural services, insurance transactions etc.

Visitors from non-EU countries can claim a refund of VAT paid on their purchases of goods in Cyprus upon their departure from the country, provided that the purchased goods are transported outside Cyprus (and the EU) in their personal luggage.

Registration into the VAT system

Every individual or company is obliged to register if:

- at the end of any month, the value of taxable supplies recorded in the last 12 months exceeds €15.600 or
- at any point in time the value of taxable supplies are expected to exceed €15.600 in the next 30 days
- provides services to a VAT registered person within the European Union with nil registration threshold
- is involved in the acquisition of goods from other EU member states (relates to persons who offer exempt supplies of goods and services or are non-profitable organisations) with registration threshold of €10.250
- offers zero rated supplies of goods or services
- acquires a company on a going concern basis
- a foreign taxable person makes distance sales with registration threshold of €35.000

Operating profit and capital gains taxation

Taxes are paid by companies based on their profits – Corporate Income Tax. However, once the profit is distributed among the owners or shareholders, these are charged Capital Gains Tax (CGT).

Capital Gains Tax (CGT) is imposed (when the disposal is not subject to income tax) at the rate of 20% on gains from the disposal of immovable property situated in Cyprus including gains from the disposal of shares in companies which directly own such immovable property.

Further, as from 17 December 2015 shares of companies which indirectly own immovable property located in Cyprus and at least 50% of the market value of the said shares derive from such immovable property are subject to Capital Gains Tax. In the case of share disposals only that part of the gain relating to the immovable property situated in Cyprus is subject to CGT.

Corporate Income Tax

Cyprus offers a wide range of tax advantages to companies conducting business on the island. Such advantages derive from the country's favourable legislation compliant with OECD and EU requirements, as well as from the wide network of double taxation treaties with more than 60 countries involved.

All companies that are tax residents of Cyprus are taxed on their income accrued or derived from all sources in Cyprus and abroad. A non-Cyprus tax resident company is taxed on income accrued or derived from a business activity which is carried out through a permanent establishment in Cyprus and on certain income arising from sources in Cyprus. A company is resident of Cyprus if it is managed and controlled in Cyprus.

Briefly, the main provisions of corporate taxation in Cyprus are:

- Uniform corporate **tax rate of 12.5%**, the lowest tax rate in the EU;
- No tax on dividends or interest payments to non-residents, as well as residents not Domiciled in Cyprus;
- No withholding taxes on royalty payments relating to the use of rights outside Cyprus;
- Favourable treatment of tax losses;
- No tax on profits from permanent establishment outside Cyprus, subject to certain terms and conditions;
- No tax on capital gains from disposal of securities listed on a recognised Stock Exchange Market;
- No tax on profits from reorganisations;
- Tax free repatriation of profits and capital.

Profits from Intellectual Property

According to the new Intellectual Property regime (provisions of the new regime are effective from 1 July 2016.), qualifying intangible asset means an asset which was acquired, developed or exploited by a person in the course of carrying on a business and which constitutes intellectual property, other than marketing related intellectual property associated with promotion (marketing) and which is the result of research and development activities, including an intangible asset for which there is only economic ownership.

In calculating the taxable profit, an 80% deemed deduction applies to the profit from the exploitation of such qualifying intangible assets that is calculated based on a specific formula that follows the modified nexus approach.

Capital gains arising from the disposal of a qualifying asset are not included in the qualifying profits and are fully exempt from income tax.

The taxpayer may choose to forego the whole or part of the deduction in each year of assessment. Where the calculation of qualifying profits results in a loss, only 20% of this loss may be carried forward or group relieved.

The capital cost of any qualifying intangible asset is tax deductible as a capital allowance

Property tax (Cyprus Immovable Property Tax)

Immovable property tax has been abolished as from 1 January 2017.

International Trusts

Cyprus international trusts enjoy important tax advantages, providing significant tax planning possibilities:

Income and gains of a Cypriot international trust, derived from sources outside Cyprus are exempt from any tax imposed in Cyprus;

Dividends and interest received by a trust from a Cyprus international business company are not subject to tax nor are they subject to withholding tax;

Exemption from taxation in the case of an alien who creates an international trust in Cyprus and retires in the country, on the condition that all the property settled and the income earned is abroad, even if the individual is a beneficiary.

Taxation of sole proprietors

A sole proprietorship, also called a sole trader, in Cyprus, is one of the most basic types of business on the island. Sole proprietorship means having a single owner that entirely manages the business/company. This type of legal entity, according to the legislation in Cyprus, is not considered a legal person. Consequently, there is no distinction between the entity and the proprietor who assumes all the rights and obligations of the sole trader. Sole traders' profits are eligible for income tax, whether the profits are distributed to the proprietor or left in the business.

The income taxation for sole traders in Cyprus:

- If the income earned is of maximum EUR 28,000, the sole trader is taxed with a fixed rate of 20%;
- If the income is of maximum EUR 36,300, the sole trader is taxed with 25%;
- For an income of up to EUR 60,000, the tax rate is 30%;
- If the income is above EUR 60,000, the sole trader in Cyprus is taxed at a rate of 35%.

Capital gains

Subject to certain exemptions, capital gains tax is imposed in accordance with the Capital Gains Tax Laws 1980-2002, on capital gains arising after 1/1/1980, from the disposal of immovable property in Cyprus or shares of companies in Cyprus which own immovable property.

Capital gains tax is imposed at the rate of 20% on:

- gains from the disposal of immovable property situated in the Republic,
- gains from the disposal of shares of companies not listed on a recognised stock exchange which own immovable property situated in the Republic, and
- gains from the disposal of shares of companies which indirectly own immovable property situated in the Republic and derive at least 50% of their market value from such immovable property.

In computing the capital gain, the following are deducted from the sale proceeds:

- the value of the immovable property as at 1 January 1980 or cost if the date of acquisition is later, as adjusted for inflation
- the cost of any additions after 1 January 1980 or the date of acquisition if later, as adjusted for inflation
- certain expenditure incurred for the production of the gain.

Tax incentives

The government has introduced a variety of incentives aimed at attracting investment in industries that will enhance the development and reconstruction of the economy. These incentives are intended to: encourage the development of new high-tech industries and skill-intensive products, reconstruct Cyprus' traditional economic sectors, improve productivity and labour skills, and attract capital-intensive foreign investment.

The following incentives are available:

- low taxation at 12.5% with zero tax on certain types of income
- industrial free zone and exemption from customs and excise charges for operations in the industrial free zone
- industrial training schemes
- subsidised industrial estates
- grants and other financial assistance to investors, particularly in the areas of energy, the environment, industrial development, technology, research and innovation, trade and services

2.2 Important / Exceptions

Cyprus tax resident companies pay provisional tax on estimated taxable profits during the year of assessment, in two equal instalments on 31 July (which is also the deadline for submission of the Provisional Tax Return) and 31 December.

The tax year in Cyprus ends on December 31st. Until December 31st a company shall submit the:

- revised provisional tax return (if applicable) and payment of the second provisional tax instalment
- payment of special contribution for defence on rent, dividends or interest from sources outside of Cyprus for the last 6 months of the year (if such tax is not withheld at source)

- payment of the third and last instalment of the premium tax for life insurance companies of the year.

The reporting is done electronically (individual or company) via the [TAXISnet system](#). Below you can see the homepage of the website.

Image 1: TAXISnet online registration page

The following are exempt from corporate income tax:

- Dividend income
- Interest income, excluding interest income arising in the ordinary course of the business or closely connected with the ordinary carrying on of the business
- Foreign Exchange (FX) gains with the exception of FX gains arising from trading in foreign currencies and related derivatives
- Profit from the sale of securities
- Gains arising from a Restructuring
- Profits from a permanent establishment maintained outside the Republic
- Rent from preserved building

Dividend income	The whole amount
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Interest income, excluding interest income arising in the ordinary course of the business or closely connected with the ordinary carrying on of the business	The whole amount
Foreign Exchange (FX) gains with the exception of FX gains arising from trading in foreign currencies and related derivatives	The whole amount
Profit from the sale of securities	The whole amount
Gains arising from a Restructuring	The whole amount
Profits from a permanent establishment maintained outside the Republic	The whole amount
Rent from preserved building	The whole amount

2.3 Advice from expert

Like most companies in Cyprus, it is advisable that also foreign investors leave preparation of the required tax reports to the experts in accounting services.

You should prepare the submission of your tax return on time. In case of late submission of a tax return or late submission of supporting documentation requested, an administrative penalty of €100 or €200 is imposed. In the case of late payment of the tax due, a penalty of 5% is imposed on the unpaid tax. An additional penalty of 5% is imposed if the tax remains unpaid 2 months after the payment deadline.

2.4 Additional information

To get to know more about the taxation system in Cyprus, it is useful to consult the Tax Department website where the legislation, the instructions and the advice to taxable persons are presented:

- For the Greek version, click [here](#)
- For the English version, click [here](#)

Double Tax Agreements and other Agreements *List of the Double Tax Agreements concluded between the Republic of Cyprus and other Countries, as well as, the text of each published Agreement* (online). Access via: <http://mof.gov.cy/en/taxation-investment-policy/double-taxation-agreements/double-taxation-treaties>

Guide Employee Income Statement 2017. Access [here](#).

2.5 Quiz and exercise

What is the current VAT rate in Cyprus?

- a) Standard rate of 20%, reduced rate of 8%
- b) Standard rate of 19%, reduced rate of 9 and 5%
- c) Standard rate of 22%, reduced rate of 8 and 5%

- d) Standard rate of 19%, reduced rate of 8.5%

Which business entity must register into the VAT system?

- a) A company, whose amount of taxable supplies recorded in the last 6 months, at the end of any month exceeds €10,000
- b) A company, whose amount of taxable supplies recorded in the last 6 months, at the end of any month exceeds €25,000
- c) A company, whose amount of taxable supplies recorded in the last 12 months, at the end of any month exceeds €25,000
- d) A company, whose amount of taxable supplies recorded in the last 12 months, at the end of any month exceeds €15,600

What is the rate of Corporate Income Tax?

- a) 12.5%, %
- b) 18.5%
- c) 22%
- d) 9.5%

Which types of income fall into taxation from Capital Gains?

- a) Income from interest, dividends and lottery winnings.
- b) Income from dividends, lottery winnings and profit from the capital.
- c) Income from the disposal of immovable property in Cyprus or shares of companies in Cyprus which own immovable property.
- d) Income from interest and profit from the business.

In the relevant law find the listed goods that the reduced VAT rate is applicable!

- a) food, entrance to cultural and sports events, TV production, burial and cremation services
- b) renting of accommodation facilities in hotels and similar accommodation facilities, use of sports objects, law counselling
- c) services of writers, artists, on the supply of fertilizers, live animals, seeds, non bottled water, newspapers, books,
- d) accounting services, books, renting of accommodation facilities in hotels and similar accommodation facilities, the transport of persons and their luggage

Exercise:

In the relevant online resources check if Uruguay has a valid Agreement on Avoidance of Double Taxation with Cyprus?

3. TAX REGISTRATION

3.1 Theoretical Framework

Any company or natural person planning to do business in this country shall enrol in the Tax Register and obtain a tax number.

Tax Register

The application for a new tax resident can be submitted by individuals, legal entities or partnerships.

The application should be accompanied with the relevant documentation accordingly:

- Copy of ID or passport or Yellow slip (residence permit) or a verified tax ID from a foreign country
- Rental contract or a copy of a utility bill in Cyprus (in the case of an individual)
- Copy of Shareholders certification, Copy of Office Registered Address certification, Copy of Company registration certificate, a copy of agreement in the case of a partnership.

The CY Tax ID is usually issued within 2 days.

Tax Number

A tax number is an identification mark assigned to a taxable person and used in connection with any of the taxes. Its purpose is to enable a uniform data definition and connection within tax records managed by the tax authority.

Conditions

Everyone in Cyprus must register himself at the Cyprus tax department and obtain a tax Id, if her or his gross income exceeds the yearly amount of €19500. In addition, any company registered in Cyprus is obliged to be registered to the tax department as well and obtain a tax id number as a legal entity.

Procedure

Procedure for obtaining of a business entity Tax Number

The tax number is assigned to the business legal entities automatically during the registration procedure.

Registration with the Tax Department is achieved by:

- a) filling in the form T.D. 2001 "Application for Obtaining Tax Number"; find the application [here](#).
- b) filling in (additionally) the form T.D. 1101 "Additional Application for VAT Registration" ONLY for those who wish to activate their registration for VAT purposes; find the application [here](#).

The above-mentioned forms must be submitted either by hand to the local District Offices of the Tax Department, or by hand or mail to the PSC Cyprus/One-Stop Shop.

Procedure for obtaining of a business entity VAT ID

As previously mentioned, when an entrepreneur chooses to enter the VAT system, he/she must submit IN PERSON an application to the TAXISnet system of the Inland Revenue Department. T.D. 1101 form is submitted at the same time with form T.D. 2001. See the application [here](#).

Procedure for obtaining of a Personal Tax Number

To obtain a tax number, a natural person must submit the T.D. 2001 form either by hand to the local District Offices of the Tax Department, or by hand or mail to the PSC Cyprus/One-Stop Shop. See the application [here](#).

Documentation needed

Documentation for a business entity Tax Number

All applications must be originally signed and be accompanied by:

1. a copy of an official receipt/document, proving that the person carries out taxable activities/transactions in the Republic of Cyprus (e.g. copy of a contract, copy of an invoice related to his/her/its activities/transactions or other document), when a registration for VAT purposes applies.
2. specific evidence as listed below for each individual case (the cases described below are the most common and do not constitute a comprehensive list):
 - **Physical person**
 - copy of identity card
 - **European citizen**
 - copy of "Certificate of Registration" from the Civil Registry and Immigration Department
 - **Non-European citizen**
 - copy of "Residence Card" from the Civil Registry and Migration Department
 - **Legal entities – (companies)**
 - copy of the "Certificate of Incorporation" ;
 - copy of the "Certificate of Registered Office";
 - copy of the "Certificate of Directors and Secretary;
 - copy of the "Shareholder's Certificate (where applicable).
 - **Partnership**
 - copy of "Partnership Registration Certificate";
 - form Φ.Π.Α. 102 (available only in the Greek language).

- **Provident Funds/Unions and Foundations**
 - certificate of registration;
 - minutes of a recent general meeting signed by the Acting Board of Directors.
- **Business Name**
 - copy of “Business Name Registration Certificate”.
- **International Business Entities** (companies registered in the Republic of Cyprus whose main business activities are conducted abroad)
 - questionnaire for the registration (for VAT purposes) of international business entities (where applicable).
- **Physical and legal persons who are NOT registered with the registries of Cypriot Authorities**
 - necessary identification evidence (must be provided in the Greek language) from the competent authorities abroad (e.g. tax identification number/Identification Card/social insurance registration number. A physical person's passport is not regarded as identification evidence and should not be attached);
 - signed letter from the person or the authorized representative of the company explaining the reasons for applying for registration with the Tax Department.

Where to apply?

The above-mentioned forms must be submitted either by hand to the local District Offices of the Tax Department, or by hand or mail to the PSC Cyprus/One-Stop Shop.

Timeframe

The Tax Identification number (T.I.C.) is issued within 1-3 working days.

The VAT Registration Certificate is issued and sent by post within 8-12 days.

Costs

There are no costs for obtaining a VAT or VAT ID number.

3.2 Important/Exceptions

The form T.D. 2003 "Amendment of Taxpayer's Data" is only completed when an already registered taxpayer (registered with the registry of the Tax Department) wishes to modify his/her/its personal data, and it is submitted by hand to the local District offices of the Tax Department.

3.3 Tips from professionals

By using a **Point of Single Contact** to register a business, many things can be done at one stop (one stop shop). In addition, foreign investors can be provided with further advice and guidance in specific fields, covered by Points of Single Contact.

However, each FDI advisor should fill in all the presented forms in order to understand completely what the forms require from foreign investors.

3.4 Additional reading

More detailed instructions for enrolment of a natural or legal person are published on the Tax Department website.

- For the Greek version, click [here](#)
- For the English version, click [here](#)

Completion Guide Income Declaration Company, for the English version, click [here](#)

3.5 Quiz and exercise

Who of the listed below doesn't need a tax number?

- a) a natural person with permanent or temporary residence in Cyprus,
- b) a natural person without permanent or temporary residence in Cyprus, earning in Cyprus
- c) a sole proprietor;
- d) a natural person without permanent or temporary residence in Cyprus, without earning in Cyprus

Is a tax number acquisition possible without the personal presence of the company representative or a natural person?

- 2 Yes
- 3 No

Exercise:

Fill in the T.D. 1101 form for an imaginary foreign natural person that intends to invest in Cyprus in the area of newspapers and books.

4. BUSINESS OPERATING COSTS

4.1 Theoretical Framework

Each company bears business operating costs, e.g. for the purchase of equipment, materials, services, payrolls, etc. Below, the costs arising from legal obligations are presented.

In terms of accounting, the following criteria apply to classify the costs:

- material costs (raw materials, materials, electricity, stationery and the like);
- costs of services (production of products, transport, rent, advertising and the like);
- depreciation (equipment, vehicles, facilities, etc.).

A company bears fixed and variable costs. The fixed ones, such as electricity, the Internet, telecommunications, utilities, depreciation, licences, subscriptions etc. remain permanent. The variable ones are changing proportionally to the volume of operations. These include direct or indirect costs associated with a product, such as the cost of raw materials.

Social security costs for sole proprietors and managers without employment status

Sole Proprietors

In Cyprus, there are no official procedures for setting up a sole trader. The legal entity has to abide by all the appropriate regulations and statutory requests like registering with the Inland Revenue Department, the Social Insurances and the VAT Service.

A sole trader should fill in the “Application for employee/self-employed registration” in the Social Insurance Services. You can find the application [here](#).

Labour Costs

Employees in the private sector are entitled to salaries, transport cost reimbursements and catering allowances during work. Once a year, they are entitled to a holiday allowance.

Salary is agreed in the context of a contract of employment. In some industries, there are collective agreements ensuring a minimum level of workers' rights.

Cyprus offers a well-educated and multilingual workforce at significantly lower costs compared to Western European countries. According to Eurostat figures for 2015, labour costs per hour in the business sector were estimated at €15.60, with the EU28 average being €25.00.

Social Insurance and other Contributions

Every employee in Cyprus is compulsorily insured under the Social Insurance Scheme. The compulsory insurance falls into two categories: employees and self-employed. Employers, employees and self-employed persons are required to contribute to the following funds as portrayed in the table below:

	Employer	Employee	Self-employed
Social Insurance	7,8	7,8	14,6
Social Cohesion Fund*	2,0	-	-
Redundancy Fund	1,2	-	-

Industrial Training	0,5	-	-
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* Social cohesion fund is calculated on total emoluments and has no maximum level.

The contributions that the employer must pay in accordance with the Law, should be paid not later than the end of the calendar month following the month that the contributions relate to.

4.2 Important / Exceptions

Accounting

The cost of accounting depends on the type of service, company size, number of employees, etc. There are plenty of providers available on the market, so it is important to opt for a service appropriate for their business. Large organizations usually operate their internal accounting department. For a small company, the expected price for a reliable accounting service is at €150 per month.

Incorrect accounting may lead to poor business results or, worse, acting not fully legally, which in turn can have a negative effect on one's credit rating at one's bank and cause difficulties, for example, when applying for a loan. One may even pay a fine consequently.

With accounting, the price should not be the essential criterion of choice of an accountant.

Costs of Premises

Before registering a company, its business address and head office in Cyprus shall be decided. This can be done by renting an office or hiring a virtual one.

Business premises costs vary depending on the type, quality and location (for example for an office of 80 m² from 1000 EUR in the capital of Cyprus at the end of the first quarter of 2017).

Example of Business Operating Costs

In the table below, you can find an example of the business operating costs for a company in Cyprus with employees. The figures below are based on an SME in Cyprus and may vary according to the size and activity of the company.

Table 1: Approximate cost of a limited liability company having one employee

Cost type	Cost amount/month [€]
Accounting	150
Bank charges	10
Office space rent (20 m²)	200
Marketing/promotion costs	100
Additional costs (e.g. the Internet, electricity...)	80
Payroll costs for an employee earning €1,000	1115
Total	1655

4.3 Professional Advice

In addition to a regular contract of employment, other forms of employment are possible, such as subcontracting, a copyright contract, a student service, internship or voluntary contract. Any entrepreneur should be aware of the benefits, limitations and obligations specific for each particular form (please see more on different types of employment in Module 5).

4.4 Additional information

Social security contributions, click [here](#).

4.5 Quiz and exercise

How often must a sole proprietor pay a social security contribution to the Tax Office?

- a) Weekly
- b) Monthly
- c) Yearly
- d) Quarterly

What are the cost for social security costs of company members who are managers without an employee status?

- a) 85% of the average Cyprus gross salary of the previous year calculated on the monthly level
- b) 75% of the average Cyprus gross salary of the previous year calculated on the monthly level
- c) 65% of the average Cyprus gross salary of the previous year calculated on the monthly level
- d) 55% of the average Cyprus gross salary of the previous year calculated on the monthly level

What costs are included in the full-time employee's salary?

- a) Salary (net amount and social contributions), catering allowances during work, costs for electricity and yearly holiday allowance
- b) Salary (net amount and social contributions), transport cost reimbursements, catering allowances during work and weekend allowances
- c) Salary (net amount and social contributions), transport cost reimbursements, catering allowances during work and yearly holiday allowance
- d) Salary (net amount and social contributions), transport cost reimbursements, catering allowances during work and yearly holiday allowance

Exercise:

Make a calculation for running a business in 40m² rented office space with 2 employees, each earning 1000 EUR.

5. INDUSTRY-SPECIFIC LEGISLATION

5.1 Theoretical Framework

For certain industries, business is regulated in a particular way. In some sectors, special regulations governing business operations apply.

These sectors include as an example:

- Shipping companies
- Insurance companies

The FDI advisor should check these regulations for each client. Information on the regulations and legislation in specific businesses is published on the Tax Department website.

5.2 Important/ Exceptions

Restrictions or special requirements are diverse. Some of them require their employees to hold a license, others concern about performing the activity or special equipment.

Therefore, an entrepreneur shall clarify whether his/her activity is one of those subject to specific legislation and regulations requiring special consents or not.

Those companies trading beyond the EU borders shall be acquainted with the customs regulations defined by the European Community Customs Code.

The companies offering their services or products to state authorities shall be acquainted with the Public Procurement Act.

5.3 Tips from professionals

Check each client's foreseen business activities and make sure the client fulfils all the required industry- specific requirements before filing in the registration forms.

5.4 Additional information

Tax Department website.

- For the Greek version, click [here](#)
- For the English version, click [here](#)

5.5 Quiz and exercise

When should FDI advisor check if the foreign investor needs to meet any specific requirements for selected business activity?

- a) Before business registration
- b) Within 3 months from the registration date
- c) Never
- d) Within 12 months from the registration date

Exercise:

Find out if a foreign investor needs to fulfil any industry- specific requirements, if he/she wants to start a business in organizing tourist arrangements.

6. OTHER USEFUL INFORMATION

Banks

Business banks in Cyprus are:

- Alpha Bank Cyprus (Subsidiary of Alpha Bank)
- Ancoria Bank
- AstroBank
- Bank of Cyprus
- Cyprus Cooperative Bank
- Cyprus Development Bank
- Eurobank Cyprus
- Hellenic Bank
- Housing Finance Corporation
- National Bank of Greece (Cyprus)
- RCB Bank
- Societe Generale Bank (Cyprus) (Subsidiary of Société Générale)
- USB Bank

All non-residents can open a bank account in most Cypriot banks. To open an account, the customer needs the following documents:

- copy of a valid passport, identity card (some banks will require notarized copies of identification documents);
- a utility bill stating the residence address of the applicant (the bill cannot be older than 6 months)
- an application form issued by the bank.

The procedure lasts up to one hour, the costs of opening a non-resident's business account depending on the selected bank.

The process of opening a corporate bank account in Cyprus is as easy as a personal bank account, except companies are required to provide more documentation:

- the Articles of Association of the company;
- the Certificate of Incorporation;
- a certificate of good standing for foreign companies if they have been opened for over 2 years;
- the Certificates of Directors and Secretary, the Certificate of the Registered Office;
- the Share Certificate;
- a proof of the registered office issued by the Group Principal Trading Offices;
- an application form released by the bank.

You can open a corporate bank accounts by representation through power of attorney.

Payment methods

There are several payment channels available in Cyprus. It is possible to pay in cash, with cards, vouchers, and in some cases payment with virtual currencies is also enabled. Purchases can be paid personally on the spot, via the Internet, by post, by phone, by transaction account etc.

For businesses, restrictions apply to cash payments, so the preferred method of paying and charging is cashless. Since cash operations of companies are also subject to more rigorous tax

supervision, more caution is needed. The penalties are quite high, so it is important that FDI investor present this limitation to the foreign investors (please see sections 6.3., 6.4. and 6.5).

Cash transaction in Cyprus

Cyprus is top the list of Eurozone countries where people still prefer to pay with cash. According to an annual report by the European Central Bank (ECB) in 2017, 88% of transactions in the Republic of Cyprus in 2016 were carried out using cash.

Restrictions on cash flow

In Cyprus there is currently no limit on the value of cash transactions. The finance ministry of Cyprus is drafting a bill that would make any cash-based transactions over €10,000 a criminal act, with fines of up to 10 per cent of the value of the transaction. This follows the EU Directive 2015/849 that aims to combat money laundering, and the financing of terrorism and organised crime.

However, cash flows arising from the following operating, investing or financing activities in Cyprus shall be reported on a net basis:

- a) Cash receipts collected and payments made on behalf of customers, taxpayers or beneficiaries when the cash flows reflect the activities of the other party rather than those of the entity. Examples of such cash receipts and payments are: i. the collection of taxes by one level of government for another level of government, not including taxes collected by a government for its own use as part of a tax-sharing agreement; ii. the acceptance and repayment of demand deposits of a public financial institution; iii. funds held for customers by an investment or trust entity; iv. rents collected on behalf of, and paid over to, the owners of properties;
- b) Cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short. Examples of such cash receipts and payments are: i. the purchase and sale of investments; ii. other short-term borrowings, e.g. with a maturity period of three months or less.

Quiz and exercise

What documentation does a non-resident of Cyprus need to open an account in Cyprus?

- a) valid personal identification document, tax number obtained in the Republic of Cyprus, an application form issued by the bank.
- b) valid personal identification document, registration number obtained in the Republic of Cyprus, registration number from the country where the person is resident
- c) an employment contract, a registration number obtained in the Republic of Cyprus, a registration number from the country where the person is resident
- d) a valid personal identification document, a utility bill stating the residence address of the applicant, an application form issued by the bank.

What must a business entity have if it receives cash payments in Cyprus?

- a. Tax cash-register or list of issued invoices
- b. Cash receipts collected and payments made on behalf of customers
- c. A linked book of accounts or a list of issued invoices
- d. Portable classical cash-register

Is the amount of cash payments between business entities limited in Cyprus?

- a) No
- b) Yes, the amount of cash payments may not exceed EUR 5,000
- c) Yes, the amount of cash payments may not exceed EUR 420
- d) Yes, the amount of cash payments may not exceed EUR 50

MODULE 3 – ACCOUNTING

Introduction

Since accounting is considered the basis of business decision-making, not only for investment advisors, but also for investors themselves, it is desirable to know the basic institutes within accounting that can be crucial for making a decision on investment. In practice and theory, we encounter multiple definitions of accounting, some of the definitions are as follows: Accounting is a set of theories, concepts and techniques by which financial data is processed into information for the purpose of reporting, planning, supervising and decision making: "(L.Solomon, R. Vargo, L. Walther, 1986). This definition reflects the achievements of theoretical knowledge and good accounting practice of today. The following definition expresses the focus of accounting on information: The accounting system can be defined as a set of tasks within entities that process certain transactions based on financial records. Such a system should be recognized, calculated, classified, published, summarized and reported on these transactions. "(International Auditing Standards, 1993). Both definitions have the following in common: the subject of data collection are business transactions, the proven data is entered in the financial records (business books), data entered into the business books is calculated and accordingly classified, based on the processed data the financial and accounting reports are compiled, the reports carry the intended information to the investors, members of the management board and others, managers, lenders, suppliers, customers, the government and its agencies and the public.

1. CALCULATING AND REPORTING DIFFERENT TAXES

1.1 Overview / theoretical framework

In this section, the participants acquaint themselves with the theoretical framework of the tax system in the Republic of Cyprus and the way of calculating and reporting different taxes.

After reading this unit, you will be able to:

- become familiar with the concepts of Corporation Tax, Personal Income Tax and Value Added Tax.
- get to know the foundation institutes of the taxation system of the Republic of Cyprus.

a) Introduction

Accounting tracks the business process and takes place in compliance with accounting standards by applying the legal regulations of a particular country. Below you will find more details on the issues of certain tax regulations in the Republic of Cyprus and their application in the system of accounting of entrepreneurs, through the following parts:

- the fundamental features of the Cyprus tax system
- corporation tax
- personal income tax
- special contribution for defence
- value added tax

b) The fundamental features of the Cyprus tax system

Cyprus tax system is based on a system of direct and indirect taxation.

Direct taxes are those that an individual pays personally or for which the employer pays directly on behalf of an employee. Taxes are calculated as a certain percentage of the profit or assets. Corporation tax, personal income tax and special contribution for defence, they are all direct taxes in Cyprus.

Indirect taxes are those taxes where the tax burden of taxpayers through the price of a product or service is borne by the end user. The example of indirect tax in Cyprus is value added tax (VAT).

Taxes represent the revenue of the state budget and are established for the purpose of settling the public expenditure provided by the budget. Article 25 of the Cyprus Constitution requires citizens of Cyprus to pay taxes – “every person is bound to contribute [pay taxes] according to his means towards the public burden”.

c) Corporation tax

The underlying regulations governing the issue of corporation tax is the Income Tax Law (Law No. 118(I) of 2002, as amended) of Cyprus.

Corporation tax, also known as company income tax or corporate tax, is a direct tax imposed on the chargeable income of a company. Chargeable income means the aggregate amount of the income after deducting of expenses allowed for tax purposes.

For the purpose of taxation, Cyprus companies are divided into Cyprus tax resident companies and non-Cyprus tax resident companies. Cyprus tax resident companies will be taxed on their worldwide income (income received in Cyprus and abroad). While non-Cyprus tax resident companies will be taxed only on their income derived from Cyprus through their permanent establishment in Cyprus. The permanent establishment means a fixed place of business through which the business of an enterprise is wholly or partly carried on (Income tax law). The term permanent establishment includes especially: a place of management, a branch, an office, a factory, a workshop, a mine, an oil or gas well etc.

In accordance with the general practice in Cyprus, the company considered being a tax resident of Cyprus if it is managed and controlled in Cyprus. There is no exact definition of the term “management and control”. However, there is a basic understanding of the requirement for management and control as:

- majority of the directors of the company are Cyprus tax residents
- general policy of the company is formed in Cyprus
- strategic decisions are taken in Cyprus by directors on the company’s board meetings
- contract and agreements are signed in Cyprus by directors
- original accounting documents are held in Cyprus
- accounting of the company is done in Cyprus
- bank transactions are controlled from Cyprus

Corporation tax rate is set at 12.5%.

In case of losses, the tax system in Cyprus provides that tax losses that cannot be offset against other income are carried forward to the next year. These losses will be offset against first available profit in the next five years. If during the next five years, the company did not manage to achieve any taxable income then that losses will be lost. In other words, a company will not be able to roll them over to the sixth year. They will be written off by the end of the fifth year.

In addition, tax losses cannot be carried forward if there was a change in the ownership of the company and company changed its main type of activity within three years period from the year of the loss.

Tax period for companies or year of assessment means a period of 12 months commencing on the first day of January in each year. In other words, the tax period is a calendar year ending 31st December. Corporation tax is paid on a prepayment basis. The Law provides that every Cyprus company has to file a temporary tax assessment with estimated annual taxable income for the current year till the 31st of July of the current year. Based on the estimated taxable amount the estimated tax will be calculated and prepaid in two equal payments on 31 July and 31 December of the current year. If the temporary tax paid is lower than the actual tax of the year, then the difference should be settled until the 1st of August of the year following the tax year.

Accounting profit calculated during the course of yearly accounting is usually different from taxable income. It relates to the difference between the principles of accounting standards and taxation system of the country. Corporation tax of 12.5% will be charged on taxable profit (chargeable income) of the company and not on its accounting results. Cyprus tax system provides for some types of income that are non-taxable fully or partly. Below stated some types of income that are fully exempted for tax purposes (tax-free income):

- profit from sale of securities
- dividends (excluding dividends that are treated as tax deductible by paying company)
- interest not arising from the ordinary activities of the company or closely related to ordinary activities of the company
- foreign exchange gains realised and unrealised
- profits of a permanent establishment abroad if more than 50% of the income of the PE abroad derives from trading activities or the tax rate applicable overseas is not significantly lower than the tax rate applicable in Cyprus

All expenses incurred fully and exclusively for the purpose of the company's activities and are supported with adequate documentary evidence are allowed to be deducted from the income of the company for the purpose of calculating of chargeable income (taxable profit). Below some examples of tax-deductible expenses are described:

- salaries of employees of the company and the relevant employer's contribution to the social insurance and approved funds of employees' salaries
- accounting and audit fees
- bad debts expense provided it is supported with adequate evidence like bankruptcy certificate, court order etc.
- expenditure for scientific research
- deemed deduction of 80% of the profit generated from licensing and/or disposal of intellectual property
- interest related to the acquisition of fixed assets used in the business
- expenditure on patents, patents rights, royalties
- annual wear and tear allowances on fixed assets
- donations to approved charity funds.

The Income tax law also provides that there are some types of expenses that are not allowed to be deducted for tax purposes. Some examples of such expenses are presented below:

- personal expenses of the director paid by the company
- salaries to employees if contributions to the relevant funds have not been paid in the year they are due
- taxes
- fines and penalties paid
- general provision for doubtful debts
- expenses incurred for the acquisition of investments (like interest and legal fees)
- expenses that are not incurred for the business of the company
- expenses that are not supported with relevant and adequate documentary evidence
- 80% of losses generated from the use of intellectual property cannot be offset against other income or carried forward
- exchange losses realised and unrealised.

Generally, the following rule applies to tax deductibility of expenses: if expenses relate to the type of income that is non-taxable under Income tax law (like the profit from sale of securities) then such expenses cannot be tax deductible.

It should be noted that any tax paid by the Cyprus company overseas can be deducted from the tax charges on the same type of income in Cyprus irrespective of the existence of a double taxation treaty.

d) Personal income tax

All Cyprus tax residents are taxed on their worldwide income (derived from Cyprus and from abroad). Non-Cyprus tax resident individuals are taxed only on their income derived from sources in Cyprus only in the case when they are physically present in Cyprus when providing their services.

Cyprus tax resident individual means an individual who stays in Cyprus for more than 183 days in total in the year of assessment (183-day rule). For the purpose of calculating the number of days in Cyprus:

- the day of departure from Cyprus considered to be the days outside of Cyprus
- the day of arrival in Cyprus is considered to be the day in Cyprus
- the arrival in Cyprus and departure from Cyprus on the same day is considered as day in Cyprus
- the departure from Cyprus and return to Cyprus on the same day is considered as day outside of Cyprus.

As from the 1st of January 2017 an individual can be treated as Cyprus tax resident if conditions of 60-day rule are satisfied:

- an individual stayed at least 60 days in Cyprus
- an individual did not stay for more than 183 days in any other country
- he/she is not a tax resident of another country
- he/she exercise any business in Cyprus or is employed in Cyprus or is a director of a Cyprus tax resident company as at 31st December of the relevant year
- he/she has a permanent residence in Cyprus rented or owned.

Cyprus tax resident individuals will be taxed on the following income:

- income derived from Cyprus and abroad (on their worldwide income)
- income from any office or employment
- dividends and interest
- pensions
- income as a result of a court decision or a will
- rent, royalties, remuneration arising from a property.

Non-tax resident individuals are taxable of the following income:

- income from a permanent establishment in Cyprus
- income from any office or employment in Cyprus
- pension received from past employment exercised in Cyprus
- rent from property located in Cyprus
- loss from trade within the current year and/or previous years for self –employed individuals.

The following table show the tax rates that are applicable to individuals in 2018:

Annual income	Tax rate
Up to €19 500	0%
€19 501 - €28 000	20%
€28 001 – €36 300	25%

€6 301 - €60 000	30%
€60 001 and over	35%

If an individual paid tax abroad on income that is subject to taxation in Cyprus then this paid tax amount will be deducted from income tax on the same type of income charged in Cyprus irrespective of the existence of a double taxation treaty.

The Income tax law provides that some types of income are non-taxable, like:

- income from interest unless falls within the main activity of an individual
- income from dividends
- profit from the sale of securities
- lump sum payment on retirement
- income from a scholarship or other educational endowments etc.

Remuneration received by individuals employed in Cyprus, who were not tax residents of Cyprus before that employment, are exempt from income tax on 20% of their remuneration or €8 550 whichever amount is lower. The exemption is applicable from the 1st of January of the year following the year of commencement of that employment. The exemption can be claimed only until the year 2020.

Remuneration received by individuals employed in Cyprus, who were not tax residents of Cyprus before that employment, are exempt from income tax on 50% of their remuneration if such remuneration exceeds €100 000 annually. The exemption has restrictions. It will not be granted if an individual was tax resident in Cyprus during any 3 out of 5 years before the year of employment as well as during the year before the year of employment. The exemption can be claimed for 10 years.

The following expenses can be deducted from the income of individuals for purpose of calculation of their personal income tax amount:

- contributions made to trade unions or professional bodies including professional books
- 20% of the rental income
- interest paid in respect of rented building
- donations to approved charities with receipts etc.

Employed individuals are paying their personal income tax under P.A.Y.E. scheme (Pay As You Earn). Their employer will calculate the amount of tax and social insurance contributions that should be paid based on the annual salary of an employee. If annual salary of an employed individual exceeds €9 500, then he should submit his tax return electronically through TAXISnet system by 31st of July of the year following the current tax year.

A self-employed individual has to file a temporary tax assessment with estimated annual taxable income for the current year till 31st of July of the current year. Based on the estimated taxable income personal income tax will be calculated and paid in 2 equal payments on 31 July and 31 December of the current year.

Any tax balance unpaid should be settled through Self Assessment as follows:

- for taxable income less than €70 000 – if a self-employed individual earns totally from trade, rents, dividends, interest received less than €70 000, then he should submit his

tax return electronically by 30th of September through TAXISnet next year following the current tax year. However, the remaining tax should be paid by 30th of June.

- For taxable income more than €70 000 – if a self-employed individual earns totally from trade, rents, dividends, interest received more than €70 000, then he should submit his income tax return electronically through TAXISnet by 31st of March of the second year following the current tax year. This return should be accompanied with audited financial statements prepared for such self-employed individual. However, the remaining tax should be paid by 1st of August of the year following the current tax year.

e) Special contribution for defence

Special Defence Contribution was introduced in 1984 with the purpose to collect additional funds for military service in Cyprus. The legal framework for special defence contribution set in the Special Contribution for the Defence of the Republic Law No. 117 (I) of 2002. It provides that special contribution for the defence is imposed on dividends, passive interest income and rental income received by Cyprus companies and individuals being both Cyprus tax residents. Non-tax residents in Cyprus are exempt from the special contribution for the defence.

An individual is considered Cyprus tax resident for SDC purposes if 183-day rule or 60-day rule is satisfied and also he has domicile of origin in Cyprus or if an individual was Cyprus tax resident for at least 17 of the last 20 years before current tax year.

The following table shows the tax rates of SDC that apply in 2018 to Cyprus tax resident individuals:

Income	Rate
Dividends income from Cyprus tax resident company	17%
Dividend income from non-Cyprus tax resident company	17%
Interest income from ordinary activity of the business	0%
Other interest income	30%
75% of rental income	3%

The following table shows the tax rates of SDC that apply in 2018 for Cyprus tax resident companies:

Income	Rate
Dividends income from Cyprus tax resident company declared within 4 years from the year of profit	0%
Dividends income from Cyprus tax resident company that was declared after 4 years from the year of profit	17%
Dividend income from non-Cyprus tax resident company if more than 50% of the income of the company paying dividends derives from trading activity or if	0%

the foreign tax burden on the income of company paying dividends is not lower than 6.25%	
Dividend income from non-Cyprus tax resident company if less than 50% of the income of the company paying dividends derives from trading activity or if the foreign tax burden on the income of company paying dividends is lower than 6.25%	17%
Interest income from ordinary activity of the business	0%
Other interest income	30%
75% of rental income	3%

SDC on rent is paid by the tenant, if the tenant is a company, partnership or state. In such a case SDC is withheld at source and should be paid by the end of the month following the month of payment.

If the tenant is an individual, then the landlord will pay SDC on rental income twice a year on 30th of June and 31st of December.

SDC on interest and dividend income received by a Cyprus tax resident will be withheld at source and paid by the end of the month following the month of payment.

If a Cyprus tax resident receives dividends, income, rental income from abroad then SDC on this income will be paid twice a year by 30th of June and 31st of December.

f) Value Added Tax

The main law that regulates Value Added Tax in Cyprus is the VAT Law No. 95 (I)/2000.

In general, VAT is an indirect tax that applies to all commercial activities including production and distribution of goods and rendering of services. There are several exempt supplies that are free from VAT charge and they are described below. VAT is an indirect tax because it is collected by the seller but is paid by the customer.

Value Added Tax or VAT is imposed on:

- provision of goods and services in Cyprus
- importation of goods into Cyprus from third countries
- acquisition of goods from the European Union.

One of the reasons of existence of the VAT is to maintain fair trade. When goods are sold for export or services provided to the overseas customer then normally VAT will not be charged. But VAT will be charged on imports in order to maintain fair trade conditions for local companies so they can compete with overseas companies on equal terms on their local market.

VAT basically is a percentage of the selling price of goods or services that is added to that selling price. Therefore, customers usually pay to the supplier/manufacturer the selling price he is charging them plus the additional percentage of the selling price being VAT. So the VAT burden is borne by the final consumers, and not by the selling company. In other words, VAT is an indirect tax. The selling company will collect this received VAT and will transfer it to the VAT authorities. However, a selling company is allowed to deduct VAT it paid on acquired goods and services necessary for the production of goods or services sold. Therefore, double

taxation is avoided and tax is paid only profit margin that selling company charged over and above of their costs.

A taxable person under VAT is usually a company or individual that is registered or is required to be registered for VAT purpose under VAT Law and carries out business activities. Registered person is any person or company who has been registered by the VAT Commissioner in the VAT register. Being VAT registered persons they are responsible to charge, collect and pay VAT to the tax authorities supporting this payment with the relevant VAT declaration.

Employees are not taxable persons for VAT.

A taxable person will charge VAT on their sales of goods or services. This VAT charge is named Output VAT. For the production of goods or services that taxable person bought particular goods and service. The price he paid included VAT charged by the supplier. This VAT is named Input VAT. The VAT Law provides that the VAT liability is calculated as Output VAT less Input VAT, and this will be the amount that taxable person will pay to the tax authorities.

VAT Payable = Output VAT – Input VAT

If the Input VAT exceeds Output VAT then the difference is carried forward as a credit and will be offset with the future (next period) VAT liability amount.

VAT registration is compulsory when:

- at the end of any month, the value of taxable supply exceeds €15 600 during the prior 12 months period
- at any time there are reasonable grounds for believing that the value of taxable supply will exceed €15 600 limit in the following 30 days
- resident of EU Member State other than Cyprus sales goods to non-VAT registered person in Cyprus for an amount exceeding €35 000, then that EU Member State resident should proceed with the VAT registration in Cyprus
- any person or company acquires goods from suppliers residents of other EU Member States for an amount exceeding €10 250
- any person or company provides services to a VAT registered person within EU
- any person or company receives services from overseas for the amount exceeding €15 600 for any consecutive 12 months; then VAT should be accounted under reverse charge principle.

VAT Law provides as well for voluntarily VAT registration even if taxable supply is lower than €15 600.

In order to register for VAT and receive VAT number, it is necessary to complete and submit VAT registration form and support it with the relevant documents.

After successful registration VAT authority will grant person or company with the VAT number and issue a VAT registration certificate. In this certificate VAT authorities will establish VAT periods of the company or person. It is possible that the first VAT period will be more than 3 months, but all the other periods will be equal to 3 months periods.

VAT return should be submitted and relevant VAT liability should be paid within 40 days from the end of each VAT quarter/period. All VAT return should be submitted electronically through the TAXISnet system.

The following VAT rates apply in 2018:

- 0%
- 5%
- 9%
- 19%

Example of goods and services that will be charged with 0% VAT:

- exports
- international air and sea transportation of persons
- supply of goods to other EU Member States
- ship management services.

Example of goods and services that will be charges with 5% VAT:

- animal feeding stuff
- services of road cleaning , recycling
- funeral services and supply of coffins
- services of authors, composers, artists and critics of work of art
- supply of seeds
- newspapers, magazines and books
- bottled and non-bottled water, drinks and juices excluding soft drinks and alcohol
- ice-creams and similar products
- dry nuts, potato crisps, cheese puffs, cereal
- entry fees to theatres, circuses, festivals, concerts, museums, zoos, cinemas, sport events
- supplies of pharmaceutical products and vaccines that are used for health-care
- confectionery items, chocolate and biscuits partly or wholly covered with chocolate

Example of goods and services that will be charged with 9% VAT:

- taxi services
- tourist, excursions and long distance but services
- hotel accommodation services
- restaurant services and other catering services including alcoholic and soft drinks
- air and sea transportation within Cyprus

All other supply of goods and rendering as services except that taxed at 0%, 5% and 9% VAT or exempt from VAT will be charged with 19% VAT.

Example of goods and services that are exempt from VAT:

- rent of immovable property for residential purposes
- hospital and medical services
- insurance and financial services
- educational services
- postal services
- lottery tickets and betting coupons for football and horse racing.

It is necessary to mention the difference between 0% VAT and exemption – if business only make exempt supply then it is not entitled to register for VAT and cannot claim VAT input on purchases, expenses or imports. On the other hand, if business make 0% VAT supply then VAT input on purchases, expenses or imports can be claimed for refund.

1.2 Tips from professionals

The Cyprus tax system has a number of advantages that will be interesting to potential investors, like tax-free income, low rate of corporation tax, over 50 signed double tax treaty agreements.

1.3 Additional reading (more information and useful links)

- <http://mof.gov.cy/gr/>

On the proposed website, you can find basic information about tax system of the Republic of Cyprus.

1.4 Quiz and Exercise

Select which of the following does not belong to the corporation tax free income in Cyprus?

- a) profit from the sale of securities
- b) dividends received (excluding dividends that are treated as tax deductible by paying company)
- c) interest arising from the ordinary activities of the company or closely related to ordinary activities of the company
- d) foreign exchange gains realised and unrealised

What are applicable VAT rates in the Republic of Cyprus?

- a) 0%, 5%, 19%
- b) 0%, 5%, 9%, 19%
- c) 5%, 9%, 19%
- d) 0%, 5%, 8%, 18%

Exercise:

In the Law on Value Added Tax, please find on what kind of objects does lower VAT rates applies?

2. BASICS OF ACCOUNTING

2.1 Overview / Theoretical framework

This unit is designed to introduce Accounting to the learners. It will familiarise learners with some important basic accounting terms, accounting standards and accounting concepts.

After reading this unit, you will be able to:

- Understand the meaning of accounting.
- Differentiate between various concepts of accounting.
- Analyze the importance of accounting.

a) Introduction

Accounting is a framework that measures business activities, forms data and information into reports and makes that information accessible to decision-makers. The reports are called financial statements. Commonly, accounting is called the Language of Business. Be that as it may, a business may have a considerable number of aspects that may not be of monetary nature. In that capacity, a better method to comprehend accounting could be to call it *The Language of Financial Decisions*. Numerous parts of our lives depend on accounting: personal financial issues, investments, tax, loans, and so forth. However, we shall limit our scope of discussion to a business organisation and more specifically, to the investments of an organisation or an individual. For that purpose, we need to understand the meaning, main objectives, and limitations of accounting.

a) Meaning of Accounting

Accounting is usually defined as "the process of identifying, measuring, and communicating economic information to permit informed judgments and decisions by the users of the information" (American Accounting Association, 1977).

This information has a primarily financial function. Therefore, Accounting is a communication system used to document the activities of earnings – for business companies and not-for-profit institutions. Accounting provides information that allows for detailed and efficient judgments and decisions by the end-users of the information. The process of accounting offers these essential financial data to a wide range of individuals whose objectives for studying the data may vary widely. For example, bank officers may need a company's financial statements and data to evaluate the ability of the company to pay a loan. In addition, interested investors may want to compare financial data from different companies to help them decide which company represents the best investment. Also, the management of a company can receive and study important accounting data to make informed decisions. It is essential for a decision maker to have reliable and comprehensive information before they can make a decision and invest money and resources into something.

More specifically, accounting information is extremely valuable for prospective investors because they can use it to evaluate the financial impact of different alternatives. In this way, they can monitor and reduce the risks involved in investment by using the judgment of professionals and experts to quantify the future financial consequences of taking action or delaying action.

Finally, it is commonly observed for accounting to be often confused with bookkeeping. Bookkeeping is defined as “a mechanical process that records the routine economic activities of a business” (Edwards J.D., et al. 2011). As it is widely accepted, accounting consists of bookkeeping; however, it also goes well beyond bookkeeping in scope. Accountants examine and interpret economic and financial information, prepare statements, audits, develop and design accounting systems, prepare financial studies, forecasts and budgets and provide plenty of other services.

The **key objectives** of accounting can be summarized as follows.

- Recording

The most basic role of accounting is to record and summarize business transactions and balances. This process is often referred to as “bookkeeping” and is fundamental in managing any financial ventures and investments (read more about bookkeeping in unit 3: Basics of bookkeeping, bookkeeping rules).

This kind of information is not only useful for the managers of a business (to keep track of the financial health and performance of business) but is also important for prospective investors and other stakeholders.

- Planning

Organizations and individuals need to plan how they will allocate their limited resources (e.g. cash, labour, materials and equipment) so that they can reach the competitive demands of the future. An effective manner of doing so is through the use of various forms of budgets.

Budgeting is a prime component of managerial accounting. Budgets permit organizations and individuals to plan for the future by anticipating future needs and resources.

- Decision-Making

Accounting’s other important role is to provide information and analysis for decision-making and control.

Accounting provides a basis for evaluation of the overall performance over a time period that promotes accountability.

The figure below shows the key objective of accounting.



Figure 1: Key objectives of Accounting

b) Branches of Accounting

Accounting is divided into numerous areas of activity - branches. Those regularly overlap and they are often intertwined. However, it is beneficial to distinguish them and learn basic information concerning each area. As Roger Wohlner mentions in *Accounting Basics*, Accounting is divided into the following branches:

1. Financial Accounting

Financial accounting involves recording and classifying business transactions, and preparing and presenting financial statements to be used by internal and external users. Financial accounting is primarily concerned in processing historical data.

2. Management Accounting

Managerial or management accounting emphasizes on the preparation and analysis of accounting information for use by internal users, within a company. Management accounting deals with the needs of the internal users, the management, in preference to strict compliance with IFRSs.

Management accounting involves financial analysis, budgeting and forecasting, cost analysis, evaluation of business decisions, and other similar areas.

3. Auditing

External Auditing is the analysis of financial statements by an independent party with the purpose of examining the fairness of presentation and compliance with IFRSs. Internal auditing emphasizes on evaluating the adequacy of an organisation's internal control structure by testing

segregation of duties, policies and procedures, degrees of authorization, and other controls implemented by management.

4. Tax Accounting

Tax accounting helps to comply with regulations set by tax authorities. It includes tax planning and preparation of tax returns. It additionally involves the determination of income tax and various other taxes, tax advisory services, for example finding ways to limit taxes legally, evaluation of the consequences of tax decisions, and other tax-related matters.

5. Forensic Accounting

Forensic accounting involves court and litigation cases, fraud investigation, claims and dispute resolution, and other areas that involve legal matters. This is one of the popular trends in accounting today.

Other branches of accounting, relevant also to FDI investors, include:

6. Accounting Information Systems

Accounting information systems (AIS) involves the development, installation, implementation, and monitoring of accounting procedures and systems used in the accounting process. It includes the employment of business forms, accounting personnel direction, and software management.

7. Fiduciary Accounting

Fiduciary accounting involves handling of accounts managed by a person entrusted with the custody and management of property of or for the benefit of another person. Examples of fiduciary accounting include trust accounting, receivership, and estate accounting.

c) Accounting Concepts and Conventions

Furthermore, to fully understand how accounting works one has to know the basic accounting concepts. The following list includes a summary of these accounting concepts. The terms are from the article *Basic accounting concepts* (Bragg S. 2017).

- *Business entity concept (veil of incorporation)*: according to this concept the business and its owners are two different independent entities and their transactions are to be kept separate, for accounting purposes.
- *Accruals concept*. Revenues are recognized when earned, and expenses are recognized when assets are consumed. This concept means that a business may recognize sales, profits and losses in amounts that vary from what would be recognized based on the cash received from customers or when cash is paid to suppliers and employees. Auditors will only certify the financial statements of a business that have been prepared under the accruals concept.
- *Prudence concept*. Revenues are only recognized when there is a reasonable certainty that they will be realized, whereas expenses are recognized sooner when there is a reasonable possibility that they will be incurred. This concept tends to result in more conservative financial statements.

- *Consistency concept.* Once a business chooses to use a specific accounting method, it should continue using it on a go-forward basis. By doing so, the financial statements prepared in multiple periods can be reliably compared.
- *Going concern concept.* Financial statements are prepared on the assumption that the business will remain in operation in future periods. Under this assumption, revenue and expense recognition may be deferred to a future period, when the company is still operating. Otherwise, all expense recognition, in particular, would be accelerated into the current period.
- *Matching concept.* The expenses related to revenue should be recognized in the same period in which the revenue was recognized. By doing this, there is no deferral of expense recognition into later reporting periods, so that someone viewing a company's financial statements can be assured that all aspects of a transaction have been recorded at the same time.

Materiality concept. The financial statements should disclose separately items that are individually material or unusual. Transactions should be recorded when not doing so might alter the decisions made by a reader of a company's financial statements. This tends to result in relatively small-size transactions being recorded, so that the financial statements comprehensively represent the financial results, financial position, and cash flows of a business.

2.2 Important / exceptions

I. Limitations of accounting

Regardless of accounting's huge advantages, there are limitations of accounting that every accountant, advisor, businessperson and student must be aware of.

The main limitations of accountancy and financial statements fall into the following categories as shown in the figure below:



Figure 2: Limitations of Accounting

- a) Accounting policies: often accounting policies vary from country to country as there is no global standard and this creates confusion.
- b) Professional judgement: professional judgement is common when applying accounting policies. Because it is subjective, the interpretation of the accounting standards and application will create differences in the judgement.
- c) Verifiability: an audit can provide reasonable but not undeniable guarantees of the accuracy of financial statements.
- d) Using historical costing: using the method of historical cost to measure assets does not manage to account the changes in values over time. This again leads to the trap of making accounting information subjective, as the assets may not have the same value today.
- e) Measurability: financial statements cannot estimate resources that don't have a monetary value. Consequently, these resources will not be assigned a reasonable value.

- f) Predictive value: as financial statements present the accounting picture of a company in a past period, there is often limited insight into prospects and lacks predictive value that is essential for investors.
- g) Fraud & Errors: to make a mistake is human; usually, there is always room for errors and/or fraud in financial statements. This can ultimately undermine the credibility and reliability of the statements and all information.
- h) Cost-benefit compromises: the quality of accounting information can be compromised due to the cost of producing reliable information.

II. Accounting as an information system

Another key role of Accounting is accounting as an Information System. Accounting Information System (AIS) is “a structure that a business uses to collect, store, manage, process, retrieve and report its financial data so that it can be used by accountants, consultants, business analysts, managers, chief financial officers (CFOs), auditors and regulatory and tax agencies” (Fontinelle A., 2018). In particular, trained accountants work with AIS to ensure the highest level of accuracy in an organisation's financial transactions and recordkeeping and to make financial data easily available to those who need access to it legitimately, all while maintaining statistics and data intact and secure.

a. Components of an Accounting Information System

Accounting information systems generally consist of six main parts: people, procedures and instructions, data, software, information technology infrastructure and internal controls.

b. Types an Accounting Information System

There are multiple types or categories of accounting information systems. What a business firm uses depends on the type of business, the size of the business, and the needs and scope of the business.

2.3 Tips from professionals

One of the most common challenges that Accountants nowadays face the rapid technology changes that have a considerable effect on the sector.

As David Emmerman, CPA and Xero Ambassador, said “accountants need to adapt to the new technology that’s coming out there and not be afraid [...] and move forward with everything, [Accountants need to] look at better processes that our clients can really embrace and will allow them to be more successful, which in turn, allows us to be more successful.”

You can find the interview here: <https://youtu.be/MDP75xqvzlg>

2.4 Additional reading (more information and useful links)

You can read more about basic accounting theory, concepts, principles and branches in the following material:

American Accounting Association (1977). *A statement of basic accounting theory*. Sarasota: Evanston, III.

- Bragg S. (2017). Basic accounting concepts. Available on: <https://www.accountingtools.com/articles/basic-accounting-concepts.html> (22.02.2018).
- Edwards J.D., Hermanson R. H., Buxton B. (2011). *Accounting Principles: A Business Perspective, Financial Accounting (Chapters 1 – 8): An Open College Textbook*. Available on: <https://www.saylor.org/site/wp-content/uploads/2011/11/BUS103-TEXTBOOK.pdf> (20.02.2018).
- Fontinelle A. (2018). *Introduction To Accounting Information Systems*. Available on: <https://www.investopedia.com/articles/professionaleducation/11/accounting-information-systems.asp#ixzz57Geo9dKM> (20.02.2018).
- Wohlner R.. *Accounting Basics: Branches of Accounting*. Available on: <https://www.investopedia.com/university/accounting/accounting2.asp#ixzz57GM11FpM> (20.02.2018).
- Xerocon SF 2016 Interviews and Highlights. (2016, August 17). Available on: <https://www.accountingweb.com/hub/xerocon-sf-2016-interviews-and-highlights> (20.02.2018).

2.5 Quiz and Exercise

Which one is **not** a key objective of Accounting?

- Recording
- Decision-Making
- Planning
- **Presenting**

What is considered one of the main branches of Accounting?

- a) **Financial Accounting**
- b) Accounting for FDI
- c) Business Accounting
- d) Basic Accounting

Which is **not** a main limitation of Accounting?

- a) Professional judgement
- b) Verifiability
- c) Fraud & Errors
- d) Financial transactions

Exercise

Accounting Information System (AIS) is “a structure that a business uses to collect, store, manage, process, retrieve and report its financial data so that it can be used by accountants, consultants, business analysts, managers, chief financial officers (CFOs), auditors and regulatory and tax agencies”. After reading this unit, note down how and in which ways Accounting can support FDI Advisors?

3. BASICS OF BOOKKEEPING- BOOKKEEPING RULES

3.1 Overview / theoretical framework

Bookkeeping is the most important part of accounting; it is orientated in the past, and only records business events.

Bookkeeping is the recording on a day-to-day basis of the financial transactions that include purchases, sales, receipts and payments incurred during the business activity of a company or an individual.

Business transactions will be recorded based on supporting documents that describe and explain this transaction. These supporting documents should contain all necessary information that is required for Bookkeeper to work successfully and monitor business changes.

After reading this unit, you will be able to:

- understand the basics of bookkeeping and bookkeeping rules
- realise the differences between accountancy and bookkeeping
- learn what is a Chart of Accounts

a) Introduction

Bookkeeping is a part of accounting in which business transactions are recorded in accounting books using the double entry system. The double entry system based on assumption that every transaction has two parts and on the one hand is increasing one account and on the other hand, is decreasing another account.

b) Accounting vs Bookkeeping

Bookkeeping is the daily recording of business transactions into the accounting system, i.e. the identifying, measuring, recording and classifying of routine business transactions, while the accountant must have a wider range of knowledge and skills.

Bookkeeping includes:

- recording of business transactions
- posting debits and credits
- producing of invoices
- reconciling accounts' balances and ledgers
- preparation of payrolls.

Accounting is a next level process that uses information prepared by a bookkeeper for production of financial statements. Accountants must understand many regulations, in particular, income tax rules, value-added tax, accounting standards, and be able to present all types of accounting information to managers, present financial statements and offer alternative solutions that would improve and optimize business operations. The entire purpose of accounting is to provide useful information to end-users. Accountants should present that information in a way that makes sense to investors, creditors, and anyone else who is looking to make decisions about the company. The accounting process culminates in the creation of the general-purpose financial statements.

To qualify for the title of an accountant an individual should obtain a bachelor degree in accounting or finance. Accountants with sufficient experience and educations can obtain the title of Chartered Certified Accountant from Association of Chartered Certified Accountant. To become a member of ACCA, an accountant must pass ACCA exams, possess relevant professional experience and continue its professional development ever since.

Accounting involves:

- review of work of bookkeeper and posting adjusting entries if needed
- preparation of financial statements
- analysis of financial results, cost analyse
- preparation of tax returns
- communication with the owner and help in understanding the results of different business decisions.

Accounting can be defined as the most important source of information about the company, i.e. a comprehensive system of records in which plans, records, controls and analyses of the assets and operations of the Company can be performed, and on that basis, compiles the accountancy and financial statements.

As a result of accounting, financial statements will be issued that combine together key financial indicators of the company. It will give a better understanding of a company's profitability and will bring awareness of the cash flow in the business. In other words, we can say, that accounting turns the information presented in the ledger prepared by bookkeeper into financial statements that show the bigger picture of the business and company trends. Business owners will often rely on accountants to help with strategic tax planning, financial budgeting for the next periods, compliance with tax filing and tax payments.

c) Chart of accounts

The Chart of accounts appeared in accounting history for the first time at the end of the 19th century, while its more significant application began in the fifties of the last century. A Chart of accounts is a created list of accounts used by the company in its accounting system for recording assets, liabilities, sales, costs, expenses etc. It is usually organised in such a way that assets, liabilities, sales, costs etc., are segregated in order to give an interested party an easy understating of the company's financial structure.

In some countries, a general chart of accounts is defined for accountants, it has a general layout and maybe even regulated by law. In other countries there may be only general guidance and it is left to accountants to design their own chart of accounts, like in Cyprus.

The Chart of accounts is a list with all the accounts of the company. Every account should have a unique code that can be numerical, alphabetic or both.

d) Account Schedule in the Chart of accounts

Every chart of accounts should include the following type of accounts:

- Asset accounts – they will represent resources owned or controlled by the company. Some examples of asset accounts can be cash in hand account, bank account,

inventory account, financial investment account, debtor account (account receivable) etc.

- Liability accounts – they will represent the economic obligations of the company. Some examples of liability accounts are creditor accounts (accounts payable), bank loans accounts, accrued expense accounts, tax liability account etc.
- Capital (equity) accounts – they represent the capital of a company and include share capital account, share premium account, retained earnings account etc.
- Revenue accounts – they represent the company’s income and include sales of goods account, rendering of services account, interest income account, dividends income account etc.
- Purchases accounts – they represent purchases done by the company for the production of goods or services and include purchases of material account, transportation account etc.
- Expenses accounts – they represent expenses that company incurred while running the business and include bank charges account, rent account, depreciation account, salary accounts etc.

The basic example of Chart of accounts can be as in the following table:

Chart of Accounts	Chart of Accounts
Balance Sheet accounts	Profit & Loss accounts
I. Non-current assets	VI. Revenue
Property, plant & equipment	Sales
Land & buildings	Sales of products
Depreciation of land & buildings	Rendering of services
Motor vehicles	Commissions receivable
Depreciation of motor vehicles	Sales of goods
Furniture, fittings & office equipment	Work in progress
Depr of furniture, fittings & office equipment	Income from investment Companies
Intangible assets	Dividends income
Goodwill	Interest income
Computer software	Net gain on trading of Financial Instrument
Amortisation of computer software	Net FV gain on FA trough P&L
Investments	Other operating income
Investments	Rental income
Non-current loans receivable	Rent receivable
Non-current loans receivable	Other income from property
Other receivables	Other operating income
Other receivables	Commissions received
II. Current assets	Royalty income
Inventories	Gain from sale of PPE
Raw materials	Profit from sale of other Investment
Finished goods	Profit from sale of Intangible Assets
Work in progress	VII. Cost of sales
Goods for resale	Cost of sales
Investments	Purchases
Financial assets at FV trough P&L	Packing materials
Trade receivables	Rental expenses
Trade debtors	Rent payable
Provision for impairment of TD	Other expenses
Other receivables	Selling & distribution expenses

Deposits & prepayments	Administration expenses
Loans receivable	Directors' remuneration
Receivable from related parties	Staff salaries
Other debtors	Social insurance etc.
Assets classified as Held for Sale	Rent
Cash at the bank & in hand	Electricity
Cash in hand	Repairs & maintenance
Banks	Telephone & postage
Short-term bank deposits	Stationery & printing
III. Non-current liabilities	Auditors' remuneration
Non-current borrowings	Accounting fees
Bank loans	Legal fees
Other loans	Travelling
Loans from related company	Motor vehicle running costs
IV. Current liabilities	Amortisation of Computer software
Current borrowings	Depreciation
Trade payables	Vessels operating expenses
Trade creditors	Other operating expenses
Other payables	Royalty expenses
Prepayments from client	Incorporation expenses
Accruals	Liquidation expenses
Other creditors	VIII. Finance income & expenses
Taxes & VAT	Other finance expenses
VAT	Bank charges
Corporation tax	Realised exchange loss
Special contribution for defence	Unrealised exchange loss
V. Share capital & Reserves	Finance income & expense
Share capital	Bank interest
Share capital	Interest income
Share premium	Dividend income
Reserves	Realised exchange profit
Retained earnings	Unrealised exchange profit
Statutory reserve	Interest expenses
Capital reserve	IX. Taxation
Translation reserve	Corporation tax
Non-controlling interest	Defence contribution

e) Accounting Principles

In order for the financial statements to serve their purpose, or to give a true and fair view of the company's state of affairs, the accounting principles and assumptions are used and serve as a starting point for the development of accounting standards and policies. Based on *IAS 1 - Presentation of Financial Statements*, the general principles of financial reporting are:

- Going concern
- Accrual basis of accounting
- Materiality and aggregation
- Offsetting
- Frequency of reporting
- Comparative information

- Consistency of presentation
- Matching principle

- **Going concern**

Going concern means that a business will continue its operation in the future for at least the next 12 months, the owner of the business has no intention to liquidate the company or significantly reduce its business activity.

- **Accrual basis of accounting**

The concept of accrual accounting states that income and expenses should be recognized when occurred regardless of when received or paid. This means that the recognition of a business event does not depend on cash payments or receipts, but from the fact of occurrence.

- **Materiality and aggregation**

Based on this principle, it is necessary to distinguish which position or information is significant or material, and whether it should be presented separately in the reports, or displayed grouped with other positions. The measure of the item is significant if its disclosure could affect the user making a business decision based on financial statements.

- **Offsetting**

This principle states that a company should not offset assets and liabilities or income and expenses, unless required or permitted by IFRS.

- **Frequency of reporting**

A company shall prepare a complete set of financial statements at least annually for the purposes of interested users.

- **Comparative information**

The user of the financial report should be able to compare the current report with the reports from the previous periods, as well as with reports of other similar companies.

- **Consistency of presentation**

This principle requires the accounting policies to use recognisable and measurable positions in the financial statements, which are then applied during multiple accounting periods. Otherwise, accounting policies could become instrumental in manipulating the financial statements.

- **Matching principle**

This principle aims to set in line revenue and expenses. Expenses should be recognised in the period the revenue from them were earned. In addition, revenue should be recorded in the period the expenses incurred to receive that revenue were recognised. This principle is a result of the accrual concept.

f) Accounting based on legal and professional standards

Accounting standards are issued by the International Standards Board (IASB) and are adopted by Cyprus. Therefore, all Cyprus companies while preparing their financial statements should follow accounting standards issued by IASB.

When the IASB replaced the International Accounting Standard Committee (IASC) in 2001, it adopted previously issued accounting standards (IASs). At the same time, it started issue other

standards as International Financial Reporting Standards (IFRSs). IFRS cover different aspects of accounting from IAS, so they do not duplicate each other.

International Financial Reporting Standards and International Accounting Standards include:

IFRS Standards

IFRS 1 First-time adoption of International Financial Reporting Standards

IFRS 2 Share-based Payment

IFRS 3 Business Combinations

IFRS 4 Insurance Contracts

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

IFRS 6 Exploration for and Evaluation of Mineral Resources

IFRS 7 Financial Instruments: Disclosures

IFRS 8 Operating Segments

IFRS 9 Financial Instruments

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IFRS 13 Fair Value Measurement

IFRS 14 Regulatory Deferral Accounts

IFRS 15 Revenue from Contracts with Customers

IFRS 16 Leases

IFRS 17 Insurance Contracts

IAS Standards

IAS 1 Presentation of Financial Statements

IAS 2 Inventories

IAS 7 Statement of Cash Flows

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

IAS 10 Events after the Reporting Period

IAS 11 Construction Contracts

IAS 12 Income Taxes

IAS 16 Property, Plant and Equipment

IAS 17 Leases

IAS 18 Revenue

IAS 19 Employee Benefits

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

IAS 21 The Effects of Changes in Foreign Exchange Rates

IAS 23 Borrowing Costs

IAS 24 Related Party Disclosures

IAS 26 Accounting and Reporting by Retirement Benefit Plans

IAS 27 Separate Financial Statements

IAS 28 Investments in Associates and Joint Ventures

IAS 29 Financial Reporting in Hyperinflationary Economies

IAS 32 Financial Instruments: Presentation

IAS 33 Earnings per Share

IAS 34 Interim Financial Reporting

IAS 36 Impairment of Assets

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

IAS 38 Intangible Assets

IAS 39 Financial Instruments: Recognition and Measurement

IAS 40 Investment Property
IAS 41 Agriculture

Accounting standards are the main guidelines for accountants on how to account different business transactions, how to present them in the financial statements and what transactions to disclose for internal and external users.

3.2 Important / exceptions

All companies in Cyprus, irrespective to their size and activities, have to prepare and submit to audited financial statements to the Registrar of Companies and to the tax authorities. This means that big, small, dormant companies –will all need to prepare audited financial statements and submit them to the relevant authorities.

First financial statements can cover up to 18 months from the date of the company's incorporation.

If a company is incorporated before 30th of June of a current year, then its first period for preparation of financial statements will be from the date of incorporation until 31st of December of this current year.

For a company incorporated after 1st of July of a current year the first period for preparation of financial statements will be the period from the date of incorporation will 31st of December of the next year.

Even if the company had no operations for a particular year, was whole year dormant, it is obliged to prepare and submit relevant financial statements.

3.3 Tips from professionals

The accounting system in Cyprus is based on IFRSs and IASs. Since Cyprus introduced International Standards and did not adopt them by issuing local accounting standards made it easier for external users to read the financial statement of Cyprus companies. That is why European banks accept audited financial statements of Cyprus companies and rely on them since they know that Cyprus accountants and auditors follow internationally accepted accounting and audit standards. Also, European banks accept and rely on the financial statements prepared by Cyprus accountants and audited by Cyprus auditors for UBO offshore companies that do not require accounting or audit under local legislation in their countries.

3.4 Quiz and Exercise

Which of the following is not a basic category of a chart of accounts:

1. Assets
2. Capital
3. Money
4. Income

Please choose the correct answer:

- a) all Cyprus companies should prepare and submit to authorities their relevant audited financial statements

- b) only Cyprus companies with business activity during the year should prepare and submit to authorities their audited financial statements
- c) Cyprus companies that were dormant during the year should not prepare or submit their financial statements to authorities

Exercise:

Try to explain the most important accounting principle and elaborate your opinion.

4. ECONOMIC CATEGORIES

4.1 Overview / Theoretical framework

This chapter is designed to introduce the concepts of economic categories, their classification and basic features to the learners.

After acquiring knowledge from this Unit, learners will be:

- experienced in basic concepts of economic categories
- able to identify the characteristics of economic categories and their basic classification.

a) Accounting Categories

Accounting categories and terms are defined by accounting standards. These are the principles and rules of recognition, measurement and classification of business events and the preparation and presentation of financial statements. Accounting standards are not static. They are being continuously complementing and changing, parallel to the development of accounting theory and practice.

Cyprus is applying international financial reporting standards as accounting standards. Accounting standards represent a set of principles and rules of recognition, measurement and classification of business events and principals and rules of the preparation and presentation of financial statements.

According to accounting standards, accounting categories include: assets, liabilities, capital, revenue, expense.

Each category will be briefly described below.

I. Asset

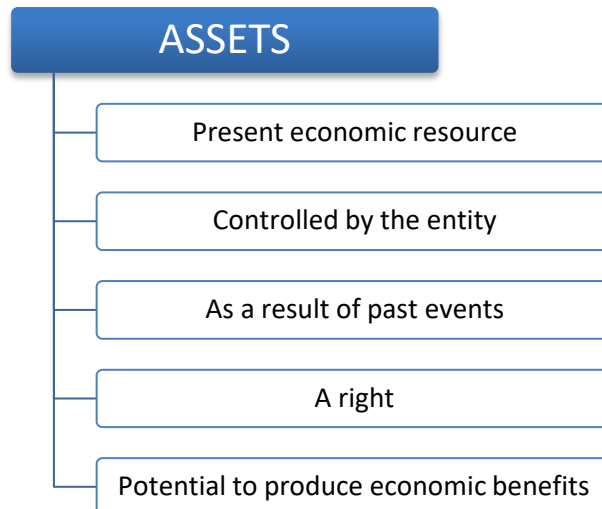
An asset is a resource controlled by the company as a result of past events and from which future economic benefits are expected to flow to the company.

“Controlled by the entity” - means that has an ability to obtain the economic benefits and to restrict the access of others.

“Past event” - means that the event should prevent the acquisition of an asset, like a purchase.

“Future economic benefits” - means that entity expects prospective receipt of cash.

The following figure shows the key features of assets.



An asset may be used individually or in combination with other assets in the production of goods or services that an entrepreneur will sell, exchange for another asset, use to settle obligations or divide among the owners.

Assets are reported on a company's balance sheet, and they are bought or created to increase the value of a company or benefit the company's operations.

An asset can be thought of as something that in the future can generate cash flow, reduce expenses, improve sales, regardless of whether it is a company's manufacturing equipment or a patent on a particular technology.

One of the classifications of assets is based on their physical existence. According to this classification, an asset can be a tangible asset, intangible asset or cash and cash equivalents.

According to the classification of the assets based on their life span or liquidity (the speed they are converted into cash), there are two types:

- non-current assets
- current assets

Non-current assets are such assets with a life span of at least one year or longer.

Current assets are expected to be converted into cash in 12 months or less.

- Non-current assets

A non-current asset is an asset that is expected to provide economic benefit to the company for more than one year. An entrepreneur uses it in his business. During usage, an asset is gradually wearing off and depreciating, but does not change its shape. Non-current assets are typically not very liquid. And because of their high costs, these assets are not expensed, but depreciated, or written off over a number of years.

Non-current assets can be in the form of intangible assets, tangible assets, financial assets and loans with a due date of more than one year.

Intangible assets

Intangible asset is a non-physical asset having a useful life greater than one year. This asset may be in a physical form and in the form of a contract (loan) etc.

Intangible asset includes research and development expenditures, patents and licenses, trademarks, investments in other assets, goodwill and others.

Research and development expenditures are expenses used for the research and development of new products and technologies, results of which are expected to be used for more than one business year.

Patent is a set of exclusive rights granted to an inventor for the invention, which is a solution to a specific technological problem. The patent is recognised for the inventions relating to the product, process or application.

When patent protection is granted, the invention becomes the property of the inventor, which like any other form of property or business asset can be bought, sold, rented or hired for a limited period of time. The rule states that it may not last for more than 20 years from the date of filing the application, after which it becomes a public good.

A patent can be reported on the balance sheet under intangible assets only if it is acquired from others.

Licence is the purchase of a permission, i.e. a license to use one's patented invention or a protected intangible asset. The time right to use or the right to produce a certain amount of product is determined by a license agreement that is legally regulated.

Franchise is a right acquired by paying a fee for a particular business. It is considered to be a fixed intangible asset because as it is pre-paid for multiple business years.

Concession is a contractual right when one party grants another party goods or the rights of their economic usage and the other party pays the fee for those rights.

Trademark guarantees the owner **exclusive right** to place on the market the products and/or services identified and protected by its recognisable sign. The trademark protection in Croatia, as well as in many other countries, is valid for ten years, counting from the date of filing the application. The protection rights may be unlimitedly extended for periods of ten years, provided that the application is filed on time (generally before the previous ten years have expired) and that corresponding fees and charges are paid.

Goodwill is the difference between the value of a company on the stock market at a certain time and its accounting net set of assets. It is an "intangible" fixed company's asset, which enables it to make a higher profit than the normal or classic profit rate, made by another similar type of companies.

Tangible assets

Tangible fixed asset is an asset that has a physical form. It includes land, construction facilities, plants and equipment, tools, operating inventory and transport assets, residential buildings and flats, prepayments for fixed tangible assets, fixed tangible assets under preparation.

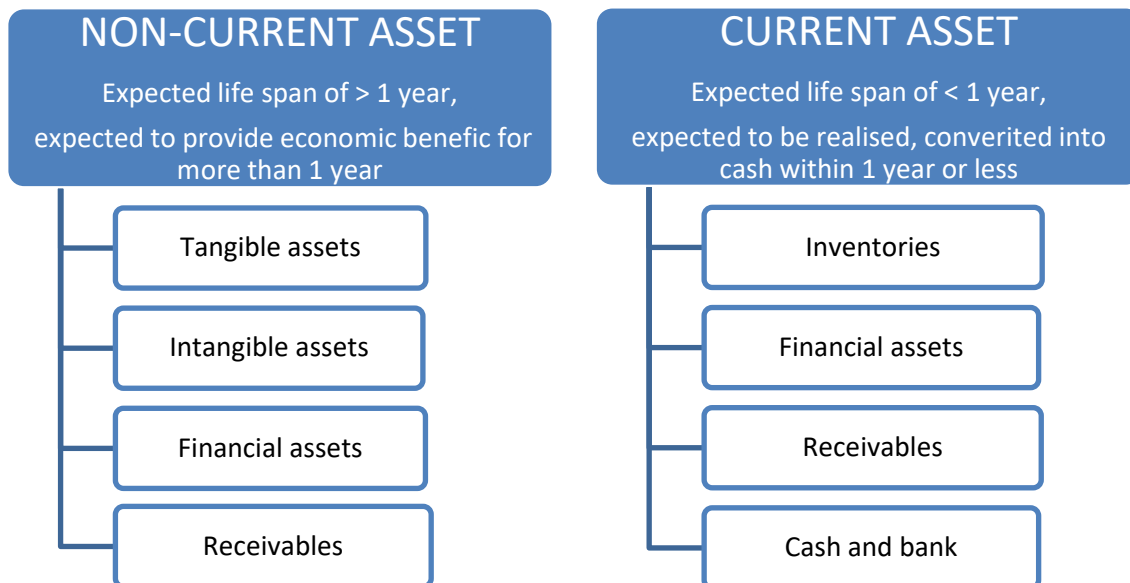
Non-current financial assets

Non-current financial assets are shares in affiliated companies, loans given to other companies and physical persons, for more than 1 year, interests accrued on that loans with the repayment date of more than 1 year, investments in bonds, deposits placed for a period of more than 1 year.

- Current assets

Current assets include inventories, receivables from customers, affiliated companies, employees, government expected to be paid within 1 year, current financial assets like securities and bonds that will be released within 1 year or less, loans receivable with repayment deadline of less than 1 year, given deposits for less than 1 year period, cash and cash equivalents.

The figure shows the comparison between non-current and current assets.

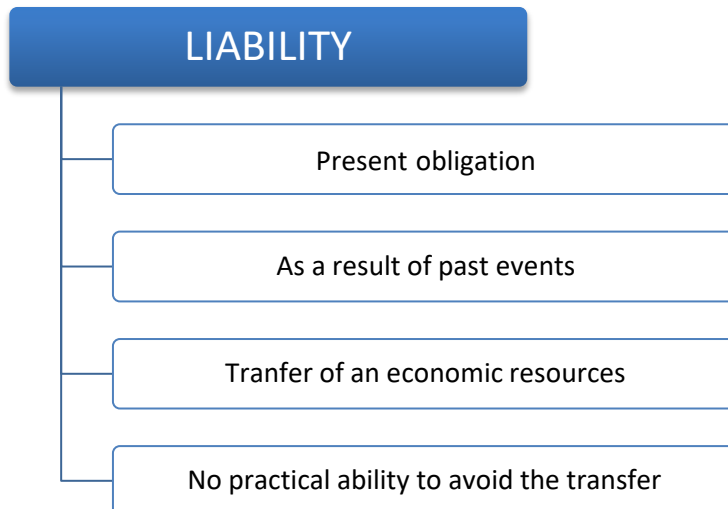


II. Liability

A liability is a company's financial debt or obligations that arise during the course of its business operations. Recorded on the right side of the balance sheet, liabilities include loans, mortgages, obligations towards suppliers, deferred revenues etc.

According to the International Accounting Standards, the liability is defined as the current obligation of the company resulting from past events. The settlement of those liabilities would result in the outflow of resources containing economic benefits.

The following figure shows the key features of liabilities.



Liability is the duty or the responsibility to act or do something in a certain way. Liabilities can be legally enforceable and can be derived from business practices.

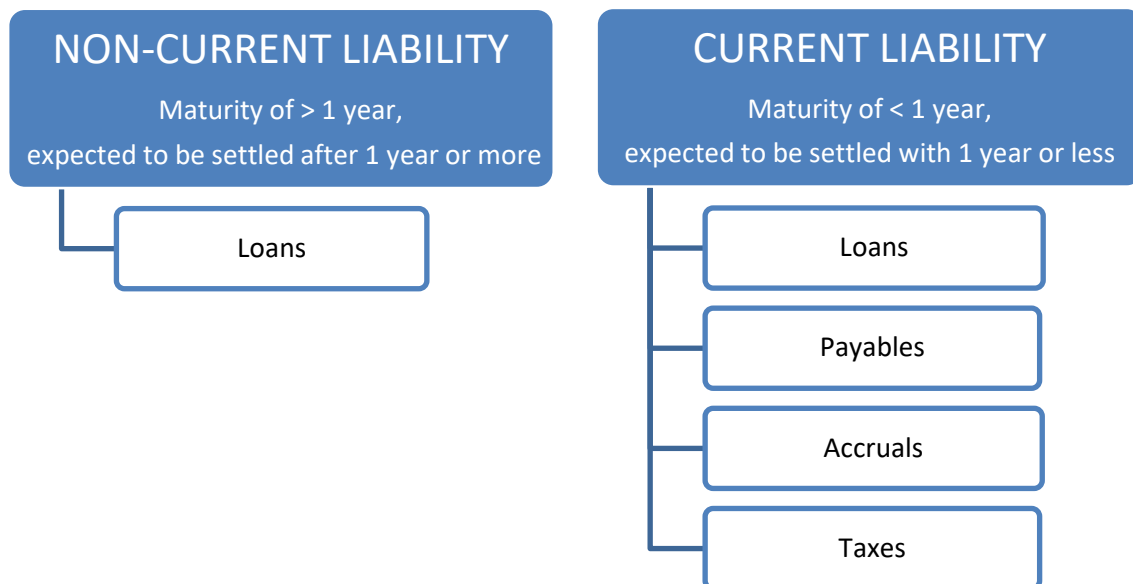
Settlement of the current liability can be accomplished in several ways: by cash payment, by transferring another asset, by providing services, by assigning of liability.

According to the payment deadline, there are two types of liabilities:

Non-current liabilities are those liabilities with a maturity of more than 1 year. Such liabilities usually incurred for the purpose of acquiring long-term assets or refinancing of long-term assets that have not matured. Non-current liabilities include loans payable with the maturity date of more than 1 year from the balance sheet date.

Current liabilities are expected to be settled within one year, counting from the balance sheet date. Short-term liabilities include loans payable with the maturity of 1 year or less, payables to suppliers, payables to authorities (taxes, social insurance), payables to employees, accrued expenses.

The figure shows the comparison between non-current and current liabilities.



III. Capital

Capital refers to financial assets or the financial value of assets, which is left to the owners after all liabilities are settled. In other words, it represents the accumulated wealth of business, constituted by its assets fewer liabilities. It refers to the financial resources that business can use to fund their operations like cash, machinery, equipment and other resources.

In the limited liability company capital is expressed as a “share capital”.

The balance sheet is breaking down liability into the share capital, capital reserves, statutory reserves, revaluation reserves, retained earnings, profit or loss brought forward, the earnings or loss for the current year.

Capital can be invested in several forms:

- cash: by paying to a bank account of the company
- contribution in-kind: by putting a plant, equipment, machinery, other supplies etc. into the company
- rights: by transferring a patent, license or some other right into the company.

There are two primary types of capital: debt capital and equity capital. Both provide of these types of business with funding but there differences between them.

Capital generated by borrowing it from a bank or financial institution is a debt capital. These obtained funding’s will be returned back to the bank or financial institution usually with interest. Many business owners prefer debt capital over equity since it does not force them to loose ownership of their business. On the other hand, debt capital can be more difficult to obtain rather equity capital, especially for a new small business, as banks may be reluctant to lend them money.

Equity capital generated by investors acquiring partial ownership (equity) in the business, buying shares of the company. The main disadvantage of financing of business with equity capital is that the ownership of the company will be partially lost. However, at the same time, in such a case it is not necessary to repay equity capital.

The equity capital of the company includes:

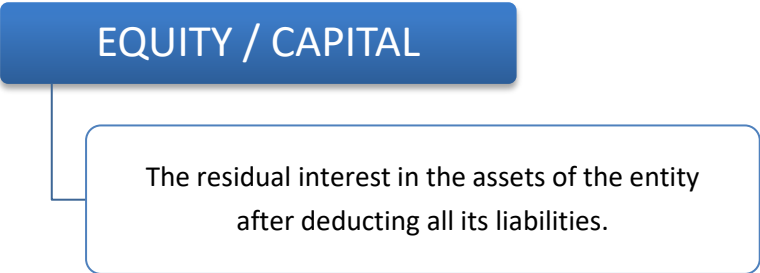
- equity capital brought directly to the company by the owners/investors
- earned capital or retained earnings.

The earned capital is the result of the business activities of the company. It is the difference between income and expense after taxation. The profit that company earned after payment of relevant taxes can be paid to the owners of the company in the form of dividends. Managers of the company can decide to distribute all received profit between company owners or just a part of the profit. Based on the decision of the company’s management, instead of being paid to the owners, the received profit/earned capital can be transferred forward to retained earnings. Therefore, retained earnings are the profit that a company earned to date, less any dividends or other distributions paid to owners/investors.

There are several ways to increase a company’s own capital:

- by issuing of new shares, that new members are joining the company
- by recapitalization, means. by increasing the basic capital to the existing members of the company.

Capital reduction occurs in the following cases:
- current year losses,
- the payment of gains for the current year or retained earnings of previous years to the owners, i.e. the payment of dividends to shareholders in the case of the joint stock companies
- the repayment of the stake from the basic capital to the investor who exits the company
- impairments from revaluation reserves of reduced value of already revalued long-term assets.



IV. Revenue vs Income

Revenues are the assets earned by a company’s operations and business activities. In other words, revenues include the cash or receivable liabilities received by a company for the sale of its goods or services. Revenue is the gross of cash flow, claims or other benefits arising from the regular activities of the company from the sale of goods, provision of services and from the use of resources of other companies that make interest on royalties and dividends.

Revenue is measured by claims from buyers and customers for delivered goods and services performed, and by fees and merits resulting from the use of buyers' and customers' resources. Amounts charged on behalf of third parties, such as certain taxes, are excluded.

Revenue recognition mainly refers to the situation when the income is recognized in the company's profit and loss statement. The amount of the revenue or income deriving from a transaction is usually determined on the basis of an agreement between the parties involved in the transaction. When there are uncertainties regarding the determination of the amount or the related costs, these uncertainties could affect the determination of the time of the revenue recognition.

Revenue recognition requires that the revenue can be measured and that its final collection can be expected at the time of the sale or providing services. The real expectation of the final revenue collection does ensure that payment by itself.

Where there is not possible with certainty to estimate the payment at the time of sale or provision of services, the revenue recognition is delayed. In such cases, it is appropriate to recognise the revenue only when money is received. If there is no uncertainty when it comes to the final collection, the revenue is recognised at the time of the sale even when cash payments are made in instalments.

Revenues are typically separated into the following categories: operating revenue, non-operating revenue or other income.

Operating revenues

Operating revenues are generated from a company's main business activities, usually:

Sales – a sale is an exchange of goods for cash or claim to cash. Sales are usually recognised by manufacturers, wholesalers, and retailers when they sell their inventory to customers.

Rents – rental income is earned by a landlord for allowing tenants to reside in his building or land. Rental contract will be concluded between the landlord and tenant to set details of the rental payments.

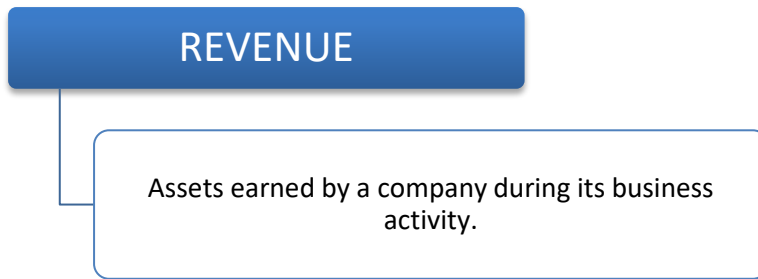
Consulting services – consulting services or professional services include income from providing a service to a client. Consulting or professional service income is usually recognised by law offices after providing the client with legal service.

Non-operating revenues or Other income

Other income includes all revenues generated by a company out of its normal operations. Example of non-operating income for a wholesale company:

Interest income – interest income is the most common form of non-operating income since most of companies earn small amounts of interest accrued by the bank on their bank accounts.

However, if the main activity of the company is receiving and providing loans then interest income will be recognised as operating income since it will represent income form the main activity of the company.

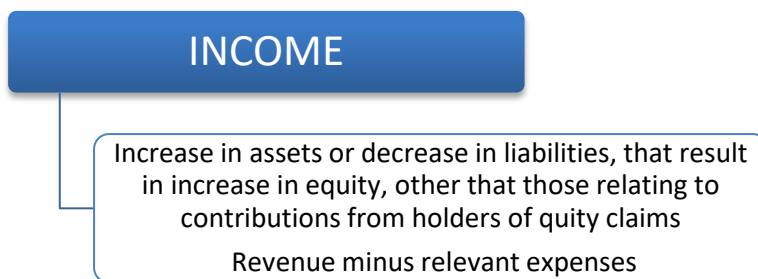


Revenue and income are different accounting categories. Income can sometimes be used to mean revenue, or it can also be used to refer to net income, which is revenue less operating expenses. Therefore, revenue represents a company's sales of goods or services throughout its operation, and net income equals to the total company revenue minus total company expenses.

Types of income include:

Gross income – gross income represents revenue after deduction of costs of sales

Net income – net income is gross income after deduction of a company's expenses



V. Expenses

Expenses are the costs of assets used by a company in its operations to produce revenue. Expenses are decreases in economic benefit during the accounting period in the form of a decrease in an asset or an increase in liability that result in a decrease in equity, other than distribution to owners.

Expenses are recognized in the income statement when the reduction of future economic benefits results from a decrease in assets or an increase in liabilities, and which can be reliably measured. This means that the recognition of expenses occurs at the same time as the recognition of an increase in liabilities or a decrease in assets.

The main types of expenses are operating, financial and other expenses.

Operating expenses are the result of the company's main business activity and their level depends on the volume and type of business. Operating expenses include all costs that are incurred to generate operating revenue (like sales of goods etc). Examples of operating expenses:

Rent – some companies instead of purchasing a space to operate rent a space from another company. These monthly rental payments are recorded as a rent expense in accounting books of the company. In addition, a company may rent equipment or vehicles.

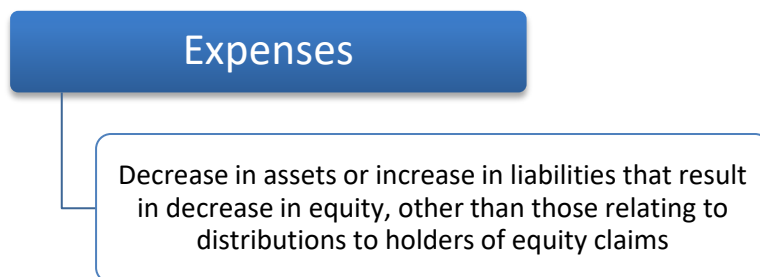
Salary costs – a company has to pay to its employees for performing operation in the company. Some employees produce goods, some perform administrative duties and company pays all of them for their time and efforts. These payments are recorded as salary costs.

Electricity, water, telephone expenses – these expenses are necessary for business operation.

Advertising – advertising expenses are incurred in order to promote a company's goods or services. These expenses are recorded as operating expenses since they help the company to create revenue.

Financial expenses are the result of obtaining, using and reimbursing financial resources. Financial expenses include interest expenses on loans, exchange difference loss, fair value loss or impairment of financial investments.

Other expenses are the result of unplanned downsizing of business assets or unplanned increase in liabilities. Most often they are the consequence of irrationality from the previous period or because of the influence of the. They do not result in new values and they do cause the decrease in business results.



VI. Business result

The business result represents the success of an enterprise expressed by monetary scales. Comparison between income and expenses reveals the financial results. When the income is higher than the expenses, then the financial result is positive (gain). The loss represents a negative financial result when the expenses are higher than the income.

According to accounting regulations, the company establishes a net gain in the amount of difference between the established profit and profit tax. In the case that the established profit before tax is not sufficient for taxes and contributions, a net loss is established in the amount of difference between the amount of tax and the established profit. If before taxation a loss is recognised, before the taxation the amount of the loss is increased for the amount of profit tax, and a net loss is established.

After determining the business results, and based on a written decision of the owner or management, the profit is distributed and the loss compensated. In the case of a loss in the business, it is reimbursed from reserves, retained earnings from previous years etc., in order to enable further business operations. When it is not possible to cover the loss, a bankruptcy proceeding is initiated, followed by the liquidation of the company.

If a company is profitable, then this profit may be distributed to the owners of the company in the form of dividends.

4.2 Important / exceptions

Investment adviser needs to understand the different economic categories in order to be able to talk about business investments.

4.3 Tips from professionals

To read and understand the financial statements, plans, projects etc., it is necessary to understand the concepts of economic categories and to be able to identify their features.

A. Financial report's content:

Statement of financial position

On the face of the financial statements will be shown the following amount:

- property, plant and equipment
- investment property
- intangible assets
- financial assets
- investments
- biological assets
- inventories
- trade and other receivables
- cash and cash equivalents
- assets classified as held for sale
- trade and other payables
- provisions
- financial liabilities
- tax liabilities
- deferred tax assets and deferred tax liabilities
- issued capital and reserves attributable to owners

Statement of profit or loss and other comprehensive income

Other comprehensive income is those items of income and expense that are not recognised in profit or loss in accordance with IFRS Standards. IAS 1 allows an entity to present a single combined statement of profit and loss and other comprehensive income or two separate statements.

Statement of changes in equity

Statement of cash flow

Notes

4.4 Quiz and Exercise

What are accounting standards?

- a) The principles and rules of recognition, measurement and classification of business events and the preparation and presentation of statistical statements.
- b) The principles and rules of recognition, measurement and classification of business events and the preparation and presentation of financial statements.
- c) The principles and rules of recognition, measurement and classification of business events and the preparation and presentation of public notes.
- d) The principles and rules of recognition, measurement and classification of business events and the preparation and presentation of tax declaration.

What is an asset?

- a) An asset is a resource or property having a monetary/economic value, owned by an individual or entity, which is capable of producing expense of the future economic event.
- b) An asset is a resource or property having a monetary/economic value, owned by the state, which is capable of producing some future economic entrepreneurs' benefit.
- c) An asset is a resource or property having a monetary/economic value, owned by an individual or entity, which is capable of producing some future economic benefit.
- d) An asset is a resource which is a result of future business events, owned by an individual or entity, and is capable of producing entrepreneurs' economic benefit.

Which of the following answers is correct?

During usage, a fixed asset is gradually wearing off and depreciating,

- a) but does not change its shape
- b) but progressively turns into income
- c) but makes basic part of supplies
- d) but in time increases companies' value

Current assets include:

- a) money, short-term expenses and supplies
- b) investment in active and non-active securities
- c) long-term asset for which time usage is expired
- d) money, investments in active securities and supplies

What is an expense?

- a) decrease in economic benefit during the accounting period in the form of a decrease in an asset or an increase in liability that results in an increase in equity.
- b) increase in economic benefit during the accounting period in the form of a decrease in an asset or an increase in liability that results in a decrease in equity.
- c) decrease in economic benefit during the accounting period in the form of a decrease in income or an increase in liability that results in a decrease in equity.
- d) decrease in economic benefit during the accounting period in the form of a decrease in asset or an increase in liability that results in a decrease in equity.

How is the loss for the financial year reimbursed?

- a) it is not reimbursed
- b) from reserves, or retained earnings from previous years
- c) from long-term loan
- d) from future financial income

Exercise

Which of the following belongs to non-current and which to current assets?

Loan

Receivables from customers

Inventories

Cash

Shares in affiliated companies

Interests

Securities and bonds

5. RECORDING OF BUSINESS TRANSACTIONS IN ACCOUNTING BOOKS

5.1 Overview / theoretical framework

As we observed in the previous unit, economic categories in accounting are based on several basic concepts related to business activities of a company. Business activities are the main activities of the company that primarily generate revenues, the activities related to the production and sale of goods and services, with the exception of investment and financial activities. In this section, the issues of accounting recording economic categories will be explained. Economic categories primarily refer to assets, liabilities and equity that are included in the financial statements.

After reading this unit, you will:

- become aware on how different economic categories are recorded in accounting
- learn more about long-term assets, short-term assets, liabilities and equity

I. Introduction

The first book about double-entry system was written by an Italian mathematician Luca Pacioli together with Leonardo da Vinci. This book was published in Venice in 1494 and today we still follow double-entry principles set down by Luca Pacioli in his book. The double-entry principle states that every business transaction has equal and opposite effects in at least two accounts, it increases one account and decreases another account.

For entrepreneurs, it is especially important to use and understand double-entry system because it helps to maintain the accuracy of financial reporting, reduces errors and fraudulent activities. Accuracy is achieved because double-entry accounting involves the matching principle through the recording of both the revenue and the expenses in the same time. Error reduction is achieved by checking whether a double-entry is balanced or not. Every double entry should be balanced meaning to have the same amount on both sides – debit and credit. Fraud is reduced by the fact that every double entry leaves a trail, so the users or business owners can track the transaction and see how it occurred and when.

All double entries are posted to the general ledger. Therefore, the general ledger reflects all the financial activities of a company. Business owners can review from where funds came from, where were transferred, how much a company borrowed from third parties compared with assets of the company and cash it has.

The general ledger organises transactions into accounts. There are five major accounts in general ledger:

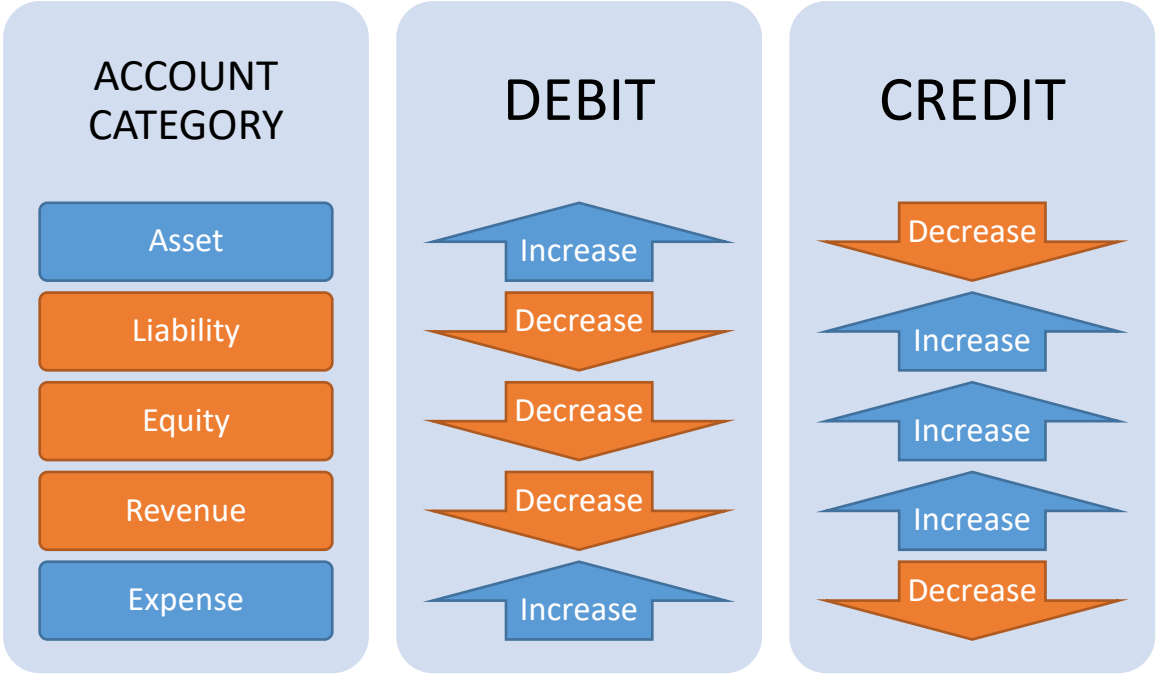
- assets – are the items that company owns
- liabilities – are amounts that company borrowed
- equity – is the capital of the company (value of assets after deducting all liabilities)
- revenue – represent sales of the company
- expenses – represent amounts paid for operating the company.

Every big group of accounts mentioned above will be divided into smaller subgroups.

In double-entry bookkeeping, each journal entry or transaction requires a debit and a credit of equal value. One account received the debit and other account received the credit, but that debit and credit can be split among multiple accounts. Debit represents an increase in asset or decrease in liabilities and credit represents decrease in asset or increase of liabilities. So basically, debit is adding something while credit is deducting something. In bookkeeping accountants are using Dr for indication of debit and Cr for indication of Credit.

Some examples:

- increase in assets like the acquisition of equipment will be shown on debit site (adding of an asset) – Dr Equipment
- settlement of a liability, like loan payable to other company, will be shown on the debit side, since we will reduce our cash (asset) through crediting of cash account.



II. Assets

To carry out its activities, an enterprise needs assets, which represent the resource that the company uses to carry out its business.

According to lifespan, assets are divided into:

- a) non-current assets
- b) current assets

Non-current assets are such assets that are expected to provide economic benefit to the company for more than one year. Non-current assets are also known as fixed assets, long-term assets etc.

An asset should be classified as current:

- if the company expects to realise this asset, or intends to sell or consume it, in its normal operation cycle,
- if it holds the asset primarily for the purpose of trading,
- if it expects to realise this asset within 12 months after the reporting period
- or this asset is cash or cash equivalent.

The operation cycle of a company is the time between the acquisition of assets and their realisation in cash or cash equivalents. Therefore, all other assets will be classified as non-current.

There are many ways to classify assets: non-current and current, intangible and tangible, monetary and non-monetary, liquid and not-liquid etc. Classification of assets helps to the company owners to understand the financial position of the company better.

For reporting purposes, assets are classified for current and non-current with subclassification on the face of the statement of financial position. This subclassification helps to understand possible benefits and its extent that the company may be able to receive or generate from those assets in the future.

a) Non-current assets

Non-current assets consist of:

- Tangible assets (land, building facilities, property, plant and equipment etc.)
- Intangible assets (research and development expenditures, patents and licenses, trademarks, investments in other assets, goodwill etc.)
- Financial assets and investments (shares in affiliated companies, investments in long-term securities)
- Non-current receivables (from affiliated companies, from a third-party loan, deposits and receivables within more than one year).

– Non-current tangible assets

Property, plant and equipment are long-term tangible assets acquired to be used in business operations and the company has no intention to sell them.

However, if the company acquired any equipment with an intention to sell it, then this asset will be treated and posted as inventory within the category of Short-term/current assets.

Example: a cargo vehicle in the car salon is part of the inventory because it was acquired with the purpose of sale within an operation period. However, if the same cargo vehicle is sold to a furniture shop, in order to be used to deliver goods to customers, it will be posted under the category of non-current assets within Property, plant and equipment account because it is expected that this cargo vehicle will be used in operation for more than 12 months.

- Initial recognition of property, plan and equipment

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- it is probable that future economic benefits associated with the item will flow to the company and
- the cost of the item can be measured reliably.

The item of property, plan and equipment that qualifies for recognition as an asset shall be measured at its cost. The cost of an item of PPE can comprise:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discount.
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operation in the manner intended by management (like delivery and assembly costs, cost of testing for functioning, professional fee etc).

- the initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used them during a particular period for purposes other than to produce inventories during that period.

Double entry for the acquisition of PPE will be as:

Dr PPE

Cr Bank or Liability towards supplier

- Measurement after recognition

Every usage of PPE item reduces its value and its useful life due to wearing out and consumption. Moreover, this process is named depreciation of PPE assets. Therefore, depreciation is a monetary measure that reflects the fact that an asset physically deteriorates for different reasons.

The matching concept is important in the understanding of the depreciation concept. It states that costs should be included in the same period as the sales those costs helped to produce. Acquisition of PPE assets happened in one period but it will be used in the production of goods or services that it will help to produce over several future periods.

Calculating and accounting for depreciation starts with determination of how much of the PPE asset cost should be matched against sales in each period. The depreciation charge is usually recognised in profit and loss on a systematic basis over its useful life. Useful life is a period the asset will be used beneficially to the company. In order to show in the financial statements the true value of PPE assets, it is necessary to account for depreciation in order to bring assets to the current value/net book value (initial cost less depreciation).

Double entry for depreciation is:

Dr Depreciation expense (profit and loss account)

Cr Accumulated depreciation (balance sheet account)

Some PPE assets have unlimited useful life and do not wear out and therefore, they will not be depreciated. An example of such asset is land: it has unlimited useful life, can be used for a really long period of time, it does not wear out. Nevertheless, the value of the land may change over time. In addition, to reflect the current value of a land owned by the company, the services of professional evaluator are required.

– Long-term intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. An asset is identifiable if it either:

- is separable, capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract; or
- arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Some examples of intangible assets are:

- Research and development expenditure
- Patents, licenses, copyrights, trademarks including brand names and publishing titles
- Goodwill and customer loyalty.

Initial recognition and measurement

An entity controls an asset if the entity has the power to obtain the future economic benefits from the underlying resources and to restrict the access of others to those benefits. The capacity of an entity to control the future economic benefits from an intangible asset would normally occur from legal rights.

The basis for the recognition of intangible assets is found in IAS 38, on the basis of which a company should recognize the intangible asset if:

- it is probable that future economic benefits specifically attributable to the asset will flow to the entity and
- the cost of the asset can be measured reliably.

An intangible asset should be initially recognised at cost. The cost of separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts, and any directly attributable cost of preparing the asset for its intended use (professional fees from bringing the asset to its working condition, costs of testing whether assets is functioning properly etc.).

Double entry for the acquisition of intangible asset would be:

Dr Intangible asset (like Trademark)

Cr Bank/Cash or Liability towards creditor

Measurement after recognition

There are two acceptable bases for the measurement of intangible assets. An entity should choose the cost model or the revaluation model as its accounting policy. If an intangible asset is accounted for using the revaluation model, then all the other assets in its class shall be also accounted for using the same model, unless there is no active market for those assets. A class of intangible asset means the group of asset with a similar nature and use in an entity's operations.

The Cost model provides that after initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses.

The Revaluation model provides that after initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value at the date of the revaluation (measured by reference to an active market) less any subsequent amortisation and any subsequent accumulated impairment losses. Revaluation shall be made regularly that at the end of the reporting period the carrying amount of an asset does not differ from its fair value.

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated amortisation and accumulated impairment losses.

Fair value is the price that would be received to sell an asset or pair to transfer a liability between market participants at the measurement date.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An entity shall assess whether the useful life of an intangible asset is finite or indefinite and if finite, they determine the length of this life. Useful life is the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

An intangible asset shall be regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, the entity cannot foresee the limit to the period over which the asset is expected to generate cash inflows for the entity.

An intangible asset with a finite useful life is amortised and an intangible asset with an indefinite life is not. The depreciable amount of an intangible asset with finite useful life should be allocated on a systematic basis over its useful life. Amortisation starts when the asset is available for use.

The residual value of an intangible asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its life. The residual value of an intangible asset with a finite useful life is assumed to be zero, unless there is a commitment by a third party to purchase the asset at the end of its useful life, or there is an active market for the asset.

Double entry for amortisation of intangible asset would be as:

Dr Amortisation expense (profit and loss account)

Cr Accumulated amortisation (balance sheet account)

R & D expenditures represent expenditure incurred for the research and development of new products and technologies whose results are expected to be used over a period of more than a year. These include investing in research and studies for acquiring innovation at the founding, expert services, appraisers, a meeting room for the founding assembly, and the like.

Investments in patents, licenses, concessions, trademarks, franchises, investment in leased assets, and similar rights are a form of intangible assets that the company uses to earn its income over a period of more than a year.

A patent is a right, which protects the patent owner (inventor) in the economic exploitation of the invention. The patent can be recorded on the balance sheet under intangible assets only if it is acquired from others. Patents are recorded at the cost of the purchase plus all expenses directly attributable to its preparation for the intended use.

A license is the purchase of a right, i.e. permission to exploit someone's patented inventions, protected industrial traditions and the like, protected intangible assets. This purchase indicates the time right to use it or the right to produce a certain amount of a product.

A franchise is a right acquired when one company pays the other one a fee for a particular business. It usually includes a right to sell certain products or provide a franchise service by using a trademark or service mark, organization and the technology of sales or delivering the service. Well-known examples of a franchise are McDonald, Burger King, Pizza Hut and others in the fast-food industry, fashion brands. Usually, the fee is paid in advance for multiple periods or more financial years, and therefore the franchise is characterized as long-term intangible assets.

Investments in rights also include bought intellectual property rights (copyright and publishing rights), customer lists, trademark, know-how, market shares etc. The purchase cost also includes a paid tax that cannot be deducted.

A goodwill signifies a higher value of a company that it has thanks to its reputation and similar factors that cannot be measured or it can be difficult to measure them and which result in a

higher value of the enterprise. This value is reflected in the positive difference between the values of the enterprise as a whole in comparison to the sum of the value of its individual parts. On the balance sheet, a goodwill is recognized only if it has arisen in the process of acquiring and merging of another company. In accordance with IAS 38, an internally generated goodwill does not meet the recognition criteria as an asset and cannot be recognized as intangible assets on the balance sheet of the company, since it is not a resource that can be identified and controlled by a company and the cost of its acquisition cannot be determined reliably (IAS 38, group of authors, 2018).

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance shall not be recognised as intangible assets, since it is impossible to distinguish between expenditure on them with the cost of developing the business as a whole.

– **Non-current financial assets**

Long-term financial assets are investments for the purpose of achieving future economic benefits in the form of interest, gains or certain indirect benefits. Investment returns are expected within a period of more than one year. Long-term financial assets consist of:

- Investments in long-term securities (shares, bonds, treasury bills etc.)
- Long-term deposits
- Shares in affiliated companies
- Shares in the capital of another company, etc.

Financial assets upon acquisition recognised in accounting books at cost and the following double entry will be posted:

Acquisition of financial investment:

Dr Financial investment

Cr Bank/Cash or Liability to pay for acquired investment

At the end of the year, on the last date of the financial statements, financial assets would need to be revalued, in order to be shown at their fair value in the financial statements. If the value of a financial asset will be more than the value it was acquired than financial asset account will be debited, if no, then financial asset account will be credited, like:

Increase in value of a financial asset, revaluation gain:

Dr Financial investment

Cr Revaluation Reserve (gain from revaluation of assets is shown on this account)

Decrease in value of financial asset, impairment loss:

Dr Impairment loss on revaluation

Cr Financial asset

– **Non-current receivables**

Receivables are debts owed to an entity by its customers for goods or services that have been delivered or used but not yet paid for a period of more than 12 months.

Example: If a company provided its client with some services and issued a relevant invoice to him, then the accountant of the company will post the following entry in accounting books:

Dr Debtor (customer) (balance sheet account)
Cr Rendering of services (profit and loss account)

If there is an indication that customer will pay for that services after 1 year then this debtor receivable will be classified as a non-current receivable in the accounts of the company. However, if the customer will pay within a year then this receivable will be classified as current receivable.

b) Current assets

Current assets are types of assets that are expected to be converted into money in a very short period of time or in a business cycle within a year. Therefore, those are relatively liquid assets. Current assets include cash and cash equivalents, accounts receivable, inventory, marketable securities, prepaid expenses and other liquid assets that can be converted into cash within 12 months.

Current assets include the following categories:

- inventories
- current receivables (from customers, affiliated companies, employees, government)
- current financial assets (received short-term securities - checks, bills of exchange etc., short-term loans, deposits and down payments, shares in affiliated companies, etc.)
- cash and cash equivalents (cash and bank, foreign currency etc.)
- prepayments and deferred expenses (prepaid expenses and accrued income).

– Current receivables

Current receivables are those receivables that are expected to be realized within a short period of time, up to one year. The most common short-term receivables are receivables from customers, government receivables.

– Cash and Bank

Cash, as the most liquid asset, is part of the company's current assets, represented with cash and bank balances.

– Current financial assets

Short-term financial assets are cash placements for a period shorter than one year. The recognition and measurement of short-term financial assets are regulated by IAS 39 - Recognition and Measurement Financial Instruments. Current financial assets include loans given to other companies for a period of 1 year and less, purchased securities acquired for sale within a year, given deposits with repayment within nearest 12 months.

c) Liabilities

Liabilities are company's debts or obligations that arise during the business operation of an entity. Liabilities are settled over time through the transfer of economic benefits including

money, goods or services. Liabilities include loans payable, creditors or accounts payable, accrued expenses etc.

Liabilities are a vital aspect of an entity because they are used to finance operations and pay for large expansions. The borrowed funds are used to purchase new and more efficient machines that will result in more efficient production at lower costs. The one who lent the funds to the company becomes a Lender while the company that is obliged to repay the money is a Borrower.

The total assets available to the entrepreneur may originate from two sources:

- I. from creditors - other sources of property, so-called "liabilities"
- II. from the enterprise owner - own sources of assets on the balance sheet are referred to as "capital" or "equity". On the balance sheet, obligations are part of the liabilities and represent "other sources" of the assets of the enterprise.

According to IAS, a liability is defined as an entity's obligations to transfer economic benefits as a result of past transactions or events.

“Transfer of economic benefits” refers to the transfer of cash, or property, the provision of services. “Past events” means that the event occurred before the liability was raised.

Based on maturity, liabilities are divided into:

- a) non-current liabilities - liabilities with a repayment term of more than one year counting from the balance sheet date,
- b) current liabilities - liabilities that are expected to be settled within one year, counting from the balance sheet date.

– **Characteristics of liabilities**

Liabilities are defined as debts or obligations that have arisen from transactions or events in the past and will require settlement in the future. Therefore, the company is now making a commitment to give up the resources in the future.

Accrued liabilities arise when current expenditures for which payments will be made in future periods are recognized.

Examples of accrued liabilities include loans payable, tax liabilities and wage liabilities etc.

- **Advances received/Prepayments**

When a potential buyer transfers funds to the bank account of an entity regarding a future delivery of goods or services, a liability for the recipient of an advance is created: therefore, an entity now have to make a delivery or to return the money. After the delivery of goods or services has been made, the entity settles its liability towards the buyer.

Long-term liabilities are liabilities with a maturity of more than one year. Such liabilities are usually the result of purchases of long-term assets, the purchase of another company or the refinancing of an existing long-term liability which is about to mature.

Unlike non-current, current liabilities are liabilities with a maturity of less than one year and they are a result of regular business transactions. It can be current loans from banks or other company, payable to suppliers, employees.

– **Differences between debts and equity**

Enterprises can be financed from two sources, borrowed or their own. In case they are funded from the borrowed capital, then debts or obligations to return the funds are created. On the other hand, enterprises can be financed from their own resources, and that is called the equity. The main difference between them is that the liability to the creditor should be paid within time frame, and the equity is not due. Furthermore, liabilities have priority over the equity in the case of enterprise liquidation; however, the creditors do not thereby have the right to control the business of the enterprise.

d) Capital

Capital is the equity or own resources of a company's assets. The capital shows the value of the assets that the owners have invested in their company. In the case of a limited liability company, the capital is expressed as "share capital". Own capital represents a permanent source of the company's assets. It is recorded on the liability side of the balance sheet. The value of own capital is equal to the net book value of the company, namely:

$$\text{NET BOOK VALUE} = \text{TOTAL ASSETS} - \text{TOTAL LIABILITIES}$$
$$\text{CAPITAL} = \text{ASSETS} - \text{LIABILITIES}$$

Capital is always in connection with the owners of a company, founders, investors, shareholders. Capital is a counterbalance to assets on the balance sheet. From the formula, we can see that the equity in the liability statement shows how much of net worth belongs to the owners of the company.

In literature, capital is often referred to as equity, net assets, own capital or capital and reserves. Capital consists of: a subscribed /issued share capital, share premium or a capital loss, revaluation reserves, statutory reserves, legal reserves, reserves for own shares, other reserves and retained earnings.

Capital can be invested in several forms:

- money, by paying into the bank account of the company,
- contribution in kind: by bringing the plant, equipment, inventories, etc. into the company,
- rights: by introducing a patent, license or other rights into the company.

Earned equity is the result of the business activities of entrepreneurs. It represents a gain after taxation. We talk about the difference between profit and expense after the profit tax has been paid. If the earned profit of the current year after taxation is not paid to the owners but is retained in the company, then, on the basis of the decision of the company's management, it is transferred to the retained profit or is "redistributed" to retained profit and reserves.

– **Own capital structure**

Based on the balance sheet, the components of own capital are:

- issued capital
- premiums for the issued shares (share premium)
- revaluation reserves,
- reserves (statutory, legal, other)
- retained earnings
- loss carried forward
- gain
- loss for the current year (after taxation)

In the accounting books, the following entry will be done upon the issue of shares of the company:

A Company issued 1.000 shares to its shareholder at Euro 1 each

Dr Shareholder – 1.000 Euro

Cr Share Capital – 1.000 Euro

With this entry shows that issued capital of the company is Euro 1.000 and it shows the liability of the shareholder to pay to the company Euro 1.000 for that issued shares.

If the shares of the company will be issued at a premium then the following entry will be done:
Company issued 1.000 shares at a nominal price of Euro 1,00 per share plus a premium of 0,50 Euro for each share

Dr Shareholder – 1.500 Euro (1.000 shares x 1,00 Euro + 1.000 shares x 0,50 Euro)

Cr Share Capital – 1.000 Euro (nominal value of shares)

Cr Share Premium – 500 Euro (premium for all issued shares)

The company's own capital can be increased in several ways:

- through new members that bring new founding capital into the company,
- by recapitalization or by increasing the share of founding capital to existing members of the company,
- with new share issue,
- by a capital gain by issue shares at a premium.

A decrease in a capital occurs when:

- a loss for the current year has been realized,
- a gain for the current year or the retained earnings for the previous years has been paid to owners or when the dividends are paid to the shareholders,
- a share has been paid out from the founding capital to the investor who exits from the company,
- the diminished value of the previously revalued long-term assets has been compensated from the revaluation reserves.

e) Profit and loss account

The profit and loss account is a report showing the business performance of a company over a particular period of time; it shows the total profit and loss of the business and their difference as a gain (in case of positive business operating or a loss in the case of a negative business operating). The main categories of profit and loss include:

Revenue (or Sales)

Other income

Interest income

Dividend income

Cost of sales (or purchases)
Interest expense
Dividends paid
Royalties paid
Depreciation and amortisation expense
Selling, distribution expense
Administrative expense
Other professional expense
Marketing and advertising expense
Salaries costs
Social insurance expense
Rent expense
Taxes

f) Revenue recognition

Revenues represent one of the most important elements of the financial statements on the basis of which the business performance and measurement in the financial statements are estimated. As regulated by IAS 18-Revenue, the recognition of revenue is based on the basic accounting assumption of the occurrence of an event, on the basis of which revenues and expenses are recognized at the time they were incurred, and not at the time of the actual money receipt or payment. Revenue is earned when the main condition of the agreement between the two parties is fulfilled, i.e. revenue is recognized when it is probable that future economic benefits will flow into the enterprise and when those benefits can be measured reliably. Therefore, regarding the recognition of revenue, the principle of caution is very important requiring that the revenue is recognized only when it is certain while expenditures are recognized even when they are possible.

The revenue account is an equity account with a credit balance, meaning that an increase in revenue is posted on the credit side, since revenue increases equity.

The sale of good or services will be reflected in accounting with the following entry:

Dr Debtor (company's customer)
 Cr Revenue (sales of goods or services)

g) Expenditure recognition

As defined by IAS 1, expenditures are one of the five elements of the financial report and, together with the revenue, are directly related to the measuring of the financial performance. Expenditures can be recognized in the profit statement if the reduction of future economic benefits results in a decrease in assets or in the increase of liabilities that can be measured reliably. This means that the recognition of expenditures occurs at the same time as the recognition of the increase in liabilities or reduction of assets.

Expenses are equity accounts with a debit side, since their balances reduce the overall equity of the company. Therefore, in the company's accounting books expenses will be recorded as:

Dr Expense
 Cr Bank / Creditor (if these expenses were not paid yet)

h) Statement of comprehensive income

According to the International Financial Reporting Standards (IFRS), entrepreneurs, i.e. large enterprises as well as those entrepreneurs whose shares or debt securities are listed or are being prepared for their listing on an organized securities market are obliged to prepare another comprehensive income report. The report mentioned above is, in fact, a supplement to the Statement of profit and loss and includes income and expense items that are not recognized as a gain or loss, but through the capital, i.e. comprehensive gains.

Comprehensive income is a net change in equity for a period not including any owner contributions or distributions. It includes all revenues, gains, expenses, and losses incurred during a period as well as unrealised gains and losses. It gives the external users full information of all the accounts that affect equity of the company during a period.

5.2 Important/exceptions

Every Cyprus company should submit to the Registrar of companies its audited financial statements. Everyone has the right to insight into the publicly available annual financial reports of companies that are obliged to publish them.

Every Cyprus company should also submit to the tax authorities its annual tax declaration that is prepared based on the audited accounts of the company.

5.3 Tips from professionals

Audited financial statements are mainly prepared for external users. These external users typically fall into four main categories:

- Investors
- Creditors
- Competitors
- Regulators

Investors and creditors analyze this set of statements to base their financial decisions on. They also look at extra financial reports like financial statement notes and the management discussion.

The income statement and balance sheet accounts are compared with each other to see how efficiently a company is using its assets to generate profits. Company debt and equity levels can also be examined to determine whether companies are properly funding operations and expansions.

Most investors and creditors use financial ratios to analyze these comparisons. There is almost no limit to the amount of ratios that can be combined for analysis purposes. Investors and creditors usually compare different companies' ratios to develop an industry standard or benchmark to judge company performance.

5.4 Quiz and Exercise

Which categories are related to intangible fixed assets?

- a) Loans and deposits
- b) Patents, licenses, concessions, trademarks and other rights
- c) biological assets and investment in real estate
- d) Tools, drive inventory and transport assets

2) Which categories relate to short-term assets?

- a) Installations and equipment
- b) Tools, operational inventory and transport assets
- c) Biological assets and investment in real estate
- d) Inventories, cash and cash equivalents

Exercise

On the link bellow (pages 36-43), please find an accountant's financial statements for the VASSILICO CEMENT WORKS PUBLIC COMPANY LTD. Read the most important economic categories from the balance sheet and the profit and loss account (e.g. intangible fixed assets, tangible fixed assets, inventories, operating receivables, net sales revenues, tax on profit from ordinary activities etc.). Write down the requested data.

[Link: https://www.stockwatch.com.cy/sites/default/files/april27_2018_vcweng.pdf](https://www.stockwatch.com.cy/sites/default/files/april27_2018_vcweng.pdf)

Balance sheet

Intangible fixed assets:

Tangible fixed assets:

Inventories:

Operating receivables:

Cash:

Share capital:

Liabilities:

Profit and loss account

Net sales revenues:

Other operating income:

Amortisation:

Tax in profit or loss from ordinary activities:

6. USING RELEVANT APPLICATIONS IN PRACTICE - POSTING OF THE MOST COMMON EVENTS IN A COMPANY

6.1 Overview / theoretical framework

In this part, we will examine the relevant practices in the posting of business events using practical examples. The practical examples provide a clear and easy understanding of the process of registering business changes in the company. In order to present the relevant practices in the posting of business changes, each posting contains an explanation that gives the reader an additional insight into the matter.

After reading this unit, you will be able to:

- read and solve practical examples related to the posting of business changes

I. Introduction

Every company in Cyprus should keep its accounting books according to the rule of double-entry bookkeeping. The proper posting of data must meet the following criteria:

- it is based on an appropriate document,
- it relates to the company,
- data are entered in a continuous sequence without leaving a free space,
- no possibility to delete and change the original text and the amount,
- posting of data immediately upon the occurrence of a business event, depending on the time of arrival of a document for bookkeeping,
- respecting the principle of an unchangeable record.

Below presented some examples of posting different business events based on the most important economic categories.

II. Intangible assets

The most common examples of intangible assets are computer software, publishing rights, development expenditures, brands, expertise (know-how), goodwill, patents, licenses, concessions, trademarks and similar rights, franchises, licenses, marketing rights, design.

If we accept one of many definitions of intangible assets that defines it as being non-physical (intangible) and which can be identified, it cannot be expected that a person who has not gone deeper into the analysis or is not professionally involved in financial-accounting activities can understand what can and should be deemed as an intangible asset.

From the accounting aspect, intangible assets are defined by the IAS 38 “Intangible Assets”.

This standard requires the ability to identify assets and control them. The identification of an intangible asset implies its authenticity, which results from the possibility of separate sales, transfer, licensing, leasing or exchange. Also, the control over the means implies the possibility of realizing the future economic benefit that needs to flow from the use of the means.

Intangible assets can be internally developed within the company, but according to the provisions of the abovementioned standards, the research phase and the development phase need to be distinguished. The expenses incurred in the research phase cannot be capitalized

(attributed to the value of the intangible asset) but should be treated as costs incurred in a specific period.

In the development phase, in order to attribute the costs incurred to the assets, the technical feasibility of the intangible asset to be completed must be proven, so that it is available for use or sale, the intent of the entity to complete the intangible asset, the availability of appropriate sources for the completion of the development phase, the possibility of the use or sale of assets, the possibility of reliable measurement of the costs incurred and which are attributed to the intangible assets during the development.

Intangible assets may have limited and unlimited useful life. In the case of limited useful life, the asset is amortized. Unlimited useful life implies the inability to estimate the timeframe when the entity will receive cash inflows from using the asset and the asset will not be amortized.

A very common example in practice is the acquisition of computer software.

Example 1:

On 14/10/2018 a company A acquired a computer software license from Company B at the price of 2.000 euro plus 19% VAT:

In accounting books of company A, the following entry will be done on 14/10/18:

- Dr Computer software – 2.000 euro (to recognise the asset in company accounts)
- Dr VAT Input – 360 euro (to recognise relevant VAT input)
- Cr Creditor/Company B – 2.360 euro (to recognise the liability to pay for the computer software)

Computer software

<i>Dr 2.000 euro</i>	<i>Cr</i>
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VAT Input

<i>Dr 360 euro</i>	<i>Cr</i>
--------------------	-----------

Creditor – Company B

<i>Dr</i>	<i>Cr 2.360 euro</i>
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Example 2:

On 21/10/18 company A acquired a set of 25 trademarks from company D for a total price of 50.000 euro.

In accounting books of the company A the following entry will be done on 21/10/18:

Dr Trademarks – 50.000 euro
 Cr Creditor/Company D – 50.000 euro

Trademarks

<i>Dr 50.000 euro</i>	<i>Cr</i>
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Creditor – Company D

<i>Dr</i>	<i>Cr 50.000 euro</i>
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III. Tangible Assets

Tangible assets are physical, measurable resources, like property, plant, and equipment, used in a company’s operations to produce profit. These assets include anything with a physical nature that is used within a company.

Tangible assets can be divided into two main categories: current and fixed. Current assets are assets that will be consumed in the current period (within one year) like inventory. Fixed assets are long-term assets that will provide value for future periods to come. Some examples include machinery, vehicles, and buildings.

Tangible assets can be damaged, repaired, stolen, and purchased because they are real items that get used in the normal course of business. Management must ensure these resources are guarded and maintained properly in order to preserve their usefulness. Tangible assets can also be used as collateral for loans.

All tangible assets are reported on the balance sheet at their historical cost, but some have special reporting requirements. Long-term fixed assets must be depreciated over their useful lives with the accumulated depreciation reported on the front of the balance sheet.

The plant and equipment are not initially intended for sale in the ordinary course of business but this item of property may be sold due to obsolescence, replacement with a new one, etc. The assets can be sold at a higher or lower price than the book value, therefore, both examples are given.

Example 1:

On 15/10/18 company A concluded a contract with company KM for the acquisition of immovable property with the selling price of 450.000 euro. The contract provides that company

A should settle its liability to company KM within 6 months. For this purpose company A obtained a loan from the Bank equal to 450.000 euro on 21/11/2018 and Bank transferred that borrowed funds directly to company KM the same date.

In accounting books of company A on 15/10/18 the following entry will be posted:

Dr PPE – 450.000 euro (recognising of acquisition of property)

Cr Company KM – 450.000 euro (recognising of obligation to pay to company KM)

On 21/11/18 the following entry will be done:

Dr Company KM – 450.000 euro (settlement of liability towards company KM)

Cr Bank Loan – 450.000 euro (recognition of loan liability)

PPE

<i>Dr 15/10/18 – 450.000</i>	<i>Cr</i>
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Creditor – Company KM

<i>Dr 21/11/18 – 450.000</i>	<i>Cr 15/10/18 – 450.000</i>
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Bank Loan payable

<i>Dr</i>	<i>Cr 21/11/18 – 450.000</i>
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Example 2:

The property was sold at a lower price than the book value. Property of company A was acquired at 300.000 euro 2 years ago. It was amortised at the rate of 4% per annum. Its accumulated depreciation currently is equal to 24.000 euro, therefore, its book value is 276.000 euro. This property was sold to company PLG on 23/10/18 for 250.000 euro.

Upon acquisition of the property the following entry was made in accounts of company A:

Dr PPE – 300.000 euro

Cr Creditor – 300.000 euro

At the end of the first year, the depreciation of 12.000 euro was posted as:

Dr Depreciation expense (P/L) – 12.000 euro

Cr Accumulated depreciation (B/S) – 12.000 euro

The same entry was done at the end of a second year.

On 23/10/18 company A sold this property and made the flowing entry in its accounts:

Dr Debtor/Company PLG – 250.000 euro
 Dr Accumulated depreciation – 24.000 euro
 Cr PPE – 300.000 euro
 Dr Loss on sale of PPE – 26.000 euro

PPE

<i>Dr 300.000</i>	Cr 250.000 Cr 24.000 Cr 26.000
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Accumulated depreciation

<i>Dr</i>	Cr 24.000
-----------	-----------

Debtor – Company PLG

<i>Dr 250.000</i>	Cr
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Loss on sale of PPE

<i>Dr 26.000</i>	Cr
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Example 3:

The property was sold at a higher price than the book value. If we take the previous example but change the selling price to 450.000 euro.

Entries for the acquisition of PPE and its depreciation will be the same as in the example above.

On 23/10/18 company A sold this property and made the following entry in its accounts:

Dr Debtor/Company PLG – 450.000 euro
 Dr Accumulated depreciation – 24.000 euro
 Cr PPE – 300.000 euro
 Cr Gain on sale of PPE – 174.000 euro

PPE

<i>Dr 300.000</i> <i>Dr 174.000</i>	<i>Cr 450.000</i> <i>Cr 24.000</i>
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Accumulated depreciation

<i>Dr</i>	<i>Cr 24.000</i>
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Debtor – Company PLG

<i>Dr 450.000</i>	<i>Cr</i>
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Other operating income – Gain on sale of PPE

<i>Dr</i>	<i>Cr 174.000</i>
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IV. Current assets

A current asset, also called a short-term asset, is a resource expected to be used to benefit a company within a year or the current accounting period.

The most common current assets are cash, accounts receivable, inventory, and prepaid expenses. These are all resources that a company can use in the current period to purchase new assets, pay debts and expenses, or convert into cash.

Examples of current assets include:

- Cash and cash equivalents
- Accounts receivable
- Inventory
- Short-term investments
- Loans receivable within 1 year
- Prepaid expenses (e.g., insurance premiums that have not yet expired)
- Marketable securities

Cash and cash equivalents

During its operation, a company will need to open a bank account in order to receive funds from customers and to settle its liability towards suppliers, or for obtaining of finance from the bank or its shareholders.

Upon incorporation shareholder of the company transferred to the bank account of the company 10.000 euro for shares of the company (representing share capital).

The following entry will be done upon issue of shares to shareholders:

Dr Shareholder’s current account – 10.000 euro
 Cr Share Capital – 10.000 euro

Upon shareholder’s settlement of its liability:

Dr Bank account – 10.00 euro
 Cr Shareholder’s current account – 10.000 euro

<i>Shareholder’s current account</i>	
<i>Dr 10.000</i>	<i>Cr 10.000</i>
<i>Share capital</i>	
<i>Dr</i>	<i>Cr 10.000</i>
<i>Bank account</i>	
<i>Dr 10.000</i>	<i>Cr</i>

Claims

Trade receivables are claims against buyers and others for money, goods or services. For the purposes of financial statements, receivables are classified as short-term or long-term. Short-term trade receivables are those that are expected to be collected within one year or during the current business cycle, depending on which period is longer. All other receivables are classified as long-term.

Receivables are further divided into trade and non-trade receivables.

Trade receivables are amounts owed by buyers for goods sold and delivered services as part of normal business activities. Trade receivables, usually the most significant of the company's assets, may be further classified as receivables from buyers and debentures.

Non-trade receivables may arise from various business events, and can be written promises of both payment and delivery. Some examples of such claims are: advances to officials and employees; advances to daughter-company; deposits to cover potential damages and losses; deposits serving as a guarantee of performance or payment; claims on dividends and interest etc.

Example: A company sold provided legal services to its customer A.G. for 45.000 euro. The receivable from A.G. was not received yet.

The following entry will be done:

Dr Debtor A.G. – 45.000 euro

Cr Provision of legal services – 45.00 euro

<i>Debtor A.G.</i>	
<i>Dr 45.000</i>	Cr
<i>Provision of legal services</i>	
<i>Dr</i>	Cr 45.000

V. Goods - retail

Recording of business events related to retail merchandise in the main book includes:

- Calculation and recording of goods in the main book accounts
- Recognition of revenue from sales of goods and VAT recording
- Deleveraging of a shop for sold goods and recording of the purchase costs of sold goods

It is necessary to recognize sales revenue (item 7603) at the selling price of goods and to recognize expenses (item 710) at the purchase price of the goods sold.

The calculation of the purchase value of the goods sold at the expense of the period (item 710) is done by calculating the VAT rate of the goods sold, for example, a 25% tax rate calculation is 20%.

After that, we need to calculate the amount of margins in the merchandise, using the formula for the average margin of the store that can be calculated in the following way:

Image 2: Average margin

$$\% \text{ store margin} = \frac{\text{Demand-side of account 6681}}{\text{Debit-side of account 663}} \times 100$$

6681- Store margin account
663 – Goods account at the store

Source: Jurić Đ., Purchase and sale of goods in retail trade, Accounting, audit and finances, Zagreb, October 2012

VI. Liabilities

A liability is a debt owed from one company to a person or company that is not an owner of business. In other words, liabilities are debts owed to non-owners or creditors.

They are classified as short-term if:

- it is expected to be settled in the regular business cycle,
- it is due to be settled within twelve months after the balance sheet date,
- it is primarily held for trading,
- the entrepreneur has no unconditional right to postpone the obligation settlement for at least twelve months after the balance sheet date.

When obligations do not meet the above criteria, we classify them as long-term obligations.

The example of recording of long-term obligations:

The company A obtained a loan from company BS in the amount of 250,000 euro, that should be repaid in 5 years time, the funds have been credited to the bank account of company A.

The following entry will be done:

Dr Bank account – 250.000 euro
Cr Loan payable – 250.000 euro

Loan payable

DR	Cr 250.000,00 euro
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Bank account

Dr 250.000,00

Cr

VII. Capital

Capital refers to the financial resources that businesses can use to fund their operations like cash, machinery, equipment and other resources. These are the assets that allow the business to produce a product or service to sell to customers.

There are three types of equity, ie own capital: owner's capital, partnership capital and share capital. Owner's capital is that owned by one person. The owner has unlimited liability for the debts of his company with his entire property (business and personal). Capital owned by partnership companies is partnership capital. Although this type of capital is identical in terms of characteristics, it is possible that some owners have limited liability in the amount of business assets (limited liability partnership). The third type of capital is share (corporate) capital. This capital is divided into shares and has a high degree of capital market mobility. The liability of its owners is limited to the amount of business property.

It's important to distinguish money from capital because they aren't the same thing. Capital is more durable than money and is used to produce something and build wealth. Property rights give capital its value and allow it to generate revenues and build wealth. Equipment, machinery, patents, trademarks, brand names, buildings, and land are a few examples.

Capital is defined as one's own source of financing of assets and is calculated as the remaining assets of an enterprise after deduction of all its liabilities and it consists of :

- subscribed capital
- capital reserves
- revaluation reserves
- fair value reserves
- revenue reserves
- retained earnings or loss carryover, and profit or loss for the current year.

An example of recording in the general ledger:

- Upon incorporation of a company A shareholder P transferred 10.000 euro to the company's cash register, shareholder F transferred equipment on 15.000 euro, and shareholder K transferred shares of other company with the value of 35.000 euro.

The following entry will be done:

Dr Cash – 10.000 euro

Dr Equipment – 15.000 euro

Dr Investment – 35.000 euro

Cr Share capital – 60.000 euro

<i>Share capital</i>	
<i>Dr</i>	Cr 60.000
<i>Cash register</i>	
<i>Dr 10.000</i>	Cr
<i>Equipment</i>	
<i>Dr 15.000</i>	Cr
<i>Financial investment</i>	
<i>Cr 35.000</i>	Cr

6.2 Important / exceptions:

A responsible accountant should commit to providing all his services in good faith, in accordance with the rules of the profession and conscientiously. Unfortunately, if the accountant's responsibilities are not contractually defined, it will be difficult to prove his sole responsibility for the omissions.

6.3 Tips from professionals

Every bookkeeper must continuously improve his skills and knowledge, stick to the legal regulations and the ethics code. It is good to subscribe to relevant publications so that the person is always informed on changes to legislation. On the other hand, the business organization management is interested in the financial position of the company and its profitability. For this reason, the management aims to get the financial statements as often and as quick as possible so it can take actions to repair areas with poor results. Investors will be particularly interested in the annual financial statements because they are the reports used by decision-makers outside the company. For example, if creditors see the balance at the end of the year as "strong", they will be more willing to give credit to the company than if the financial position of the company is weak.

6.4 Quiz and Exercise

Which of the below is regarded as short-term financial assets?

- a) Reserves for own shares
- b) Retained earnings
- c) Investments in securities**
- d) Prepayments for supplies

Exercise 1:

- a) The shareholder transferred 50,000 euro upon incorporation of the company to the company's bank account. Write the appropriate double entry and make the T-accounts.

Assets	
Bank account	
Dr	Cr

Capital	
Share capital	
Dr	Cr

b) The company withdrew 20,000 euro in cash from its bank account and placed them in the cash register. Make your double entry and complete T-accounts.

Assets	
Cash register	
Dr	Cr
Bank account	
Dr	Cr

Assets	
Giro account	

OWNERSHIP CAPITAL AND LIABILITIES	
Equity capital	

MODULE 4 – REAL ESTATE INVESTMENT

Introduction

This module is designed to introduce the concept and main dimensions of Real estate Investment to the learners. It will familiarise learners with some important real estate terms and concepts, national legislation etc.

After completing this module, the learner should be able to:

- know basic real estate concepts and terminology
- explore strategies for investing in real estate
- learn more about the real estate legislation and real estate contracts
- discover the fundamentals of investing in and financing the purchase of real estate
- explore the risks involved in investing in real estate
- learn the basic real estate market economics, etc.

1. THE BASICS OF THE REAL RIGHTS

1.1 Theoretical Framework

Real property is the real estate and the legal consequences of owning a real estate, which sometimes is referred to as a bundle of legal rights that the owner has concerning the real estate.

A real estate owner holds the same rights as the owner of the personal property. These rights are:

- to own it,
- to regulate it,
- to exclude it from others,
- to enjoy it and
- the right to distribute it by selling, gifting, abandoning, or bequeathing it.

This is, in summary, the standard idea of ownership.

Real Estate/Property law is the section of the law that regulates the various forms of ownership and tenancy in real property as well as in personal property, within the national legal system. In some legal law systems, there is a division between movable and immovable property. More specifically, movable property corresponds to personal property, while immovable property corresponds to real estate or real property, and the associated rights, and obligations thereon.

Therefore, when someone is studying or wants to get information about the real rights should first consult the national legislation concerning real estate and the relevant competent authorities.

1.2 Important / exceptions

Usually the law concerning immovable property includes:

1. land;
2. buildings and other erections, structures or fixtures affixed to any land or to any building or other erection or structure;
3. trees, vines, and any other thing whatsoever planted or growing upon any land and any produce thereof before severance;
4. springs, wells, water and water rights whether held together with, or independently of, any land;
5. privileges, liberties, easements and any other rights and advantages whatsoever appertaining or reputed to appertain to any land or to any building or other erection or structure;
6. an undivided share in any property

1.3 Expert Advice

Real estate ownership is limited in many ways by the law. Real estate rights can be restricted to certain aspects of the real estate, such as mineral rights.

The most common problems that real estate owners face are:

- Access: As many plots of land have no access to a public road, owners often need a formal way to access a public road.
- Borderline Disputes: Often owners of neighbouring plots claim that a strip of land on their borderline is part of their plot.
- Bureaucracies: Usually there exists a rigid division of labour, with inflexible rules, regulations, and procedures, and impersonal relationships.

- **1.4 Additional information**

Hadjiioannou, C. A. (2012). Land Law - (immovable property law, Cyprus land registry, private ownership, restrictions, acquisitive prescription, trusts registration, etc). Available on: <http://www.cypruslawdigest.com/topics/real-property/item/168-land-law-immovable-property-law,-cyprus-land-registry,-private-ownership,-restrictions,-acquisitive-prescription,-trusts-registration,-etc> (24.02.2018).

Laws regarding immovable property. (n.d.). Available on: <http://www.cyprus.gov.cy/portal/portal.nsf/gwp.getGroup?OpenForm&access=0&SectionId=citizen&CategoryId=Land%20and%20Property&SelectionId=Laws%20regarding%20immovable%20property&print=0&lang=en> (24.02.2018).

Taxation related to immovable property. (n.d.). Available on: <http://www.cyprus.gov.cy/portal/portal.nsf/gwp.getGroup?OpenForm&access=0&SectionId=citizen&CategoryId=Land%20and%20Property&SelectionId=Taxation%20related%20to%20immovable%20property&print=0&lang=en> (24.02.2018).

VAT Service - VAT Rates. (n.d.). Available on: http://www.mof.gov.cy/mof/vat/vat.nsf/DMLrates_en/DMLrates_en (24.02.2018).

1.5 Exercise and quiz

1. What is not considered a real estate right?

- a) To own a personal property
- b) To exclude it from others
- c) To trespass in another's person property
- d) To distribute the property

2. Immovable property includes the following but one. Which one is it?

- a) The land and buildings in the property
- b) Cars in the property
- c) Trees in the property
- d) Springs or water in the property

Exercise

As an advisor or a potential investor you should be aware of the legal rights of a Real Estate Owner. In the following table note down the rights and next to them common problems you may encounter.

RIGHTS	COMMON PROBLEMS

2. OBLIGATORY LAW OF REAL ESTATE

2.1 Theoretical Framework

As previously mentioned, it is extremely important for anyone that wants to deal with real estate and the real rights to get familiar with the relevant national obligatory law concerning Real Estate.

2.1.1 National context (Cyprus)

As Costas A. Hadjioannou mentions in the article about Land Law in Cyprus, "the underlying principle of Cypriot Land Law is that every interest or right over or affecting immovable property is registered and can be traced in the Registries of the Lands and Surveys Department kept in the District Land Offices (one for each of the five Districts). These include ownership, easements, privileges rights of way, rights reserved, mortgages and encumbrances, contracts of sale, springs, boreholes wells, watercourses irrigation channels and rights thereon, trusts and leaseholds" (Hadjioannou, 2012).

This was a result of the General Survey and Registration carried out in the 1920s. The General Survey lead to the "adoption of survey plans made to scale for the whole of Cyprus on which each piece of land as it was held then is plotted to scale and numbered. Practically all privately owned land was then registered in the name of the owners and title deeds issued. Each registration and title deed relates to a plot on a Government survey plan made to scale and the area covered by the registration, and corresponding title deed is the area of the plot on such survey plan.

Moreover, forest land and government land (known as "chali land") public roads and footpaths, lakes, rivers, streams and natural watercourses are plotted on such plans, and indeed forest land is on the ground marked by distinctive landmarks on its boundaries. No rights can be acquired over such land otherwise than by a decision of the Council of Ministers" (Hadjioannou, 2012).

As it is stated, the only rights that do not appear on the Land Registries are the beneficial interests in trusts imposed by law, e.g. constructive and resulting trusts, contracts of sale not deposited with the Land Registry and easements and rights of way acquired by extended use (i.e. over 30 years) which have not yet been registered. All these, if disputed have to be determined by a Court. However, the title or rights of a bona fide purchaser for value without notice cannot be defeated by trust imposed by law and contracts of sale not deposited with a District Land's Office.

The general survey and registration and the compilation of a Land Registries since the 1920s in Cyprus indicate that the history of each registration and of its associated plot (i.e. previous owners the way they acquired ownership the original plot and subsequent divisions or additions) is easily available. Therefore, mistakes related to wrong registration or wrong plotting (which happens rarely) can be traced and corrected. Furthermore, the various rights acquired or abandoned are traceable and the survey plans enable the demarcation of boundaries with precision.

Furthermore, since the enactment in 1946 of the Immovable Property (Tenure Registration and Valuation) Law CAP 224 no title to immovable property can be acquired by any person by adverse and conflicting possession against the Government or a registered owner.

Thus a holder of a valid title deed issued by a District Land’s Office is for all purposes protected against adverse possession or any other claims. The title deed is a two-page document which certifies that the named holder is the registered owner of the plot number of the Sheet Plan of the location referred therein. The area of the plot, the date of registration and the easements or rights of way or other permanent rights in favour of or over the plot are also included. Other temporary rights such as mortgages and encumbrances can only be discovered by a search in the Land Registry.

Cyprus Real Estate Law Information	
Conditions: Basic Law	<p>In Cyprus the basic law regulating the rights over immovable property is CAP 224 of the Laws as amended ([Law Chapter 224] - The Law on Property -Tenure, Registration and Valuation).</p> <p>You can find the law and all relevant material at the web portal of the Republic of Cyprus here. Most of the Cypriot Laws and Regulations are not currently available in English.</p> <p>Also, you can find the law translated into English here.</p>
Forms of Ownership	<p>1. Full title The full title to immovable property means that the registered owner is entitled to the whole interest in the plot of land and can do whatever he likes with his property subject to any town and country planning restrictions.</p> <p>2. Beneficial Ownership Beneficial Ownership confers on the owner those rights which are provided in the trust deed which is deposited with the Land Registry. He has no title as the registration and the title deed is issued to the trustee who is the legal owner. The title deed expressly states that the property is held on trust.</p> <p>Another form of beneficial ownership is the life interest reservation. This confers on the beneficial owner the right to possess or exploit the tenement for the period of his life while the title is in the name of another. This is usually a course adopted by parents when transferring their land to their children.</p> <p>3. Leasehold Leasehold Ownership confers on the Leasehold title deed holder those rights which are provided in the lease which is deposited with the Land Registry. Such leasehold title deeds can be issued for long leases i.e. 15 years or over and subject to the provisions of the lease, can be sold, transferred or mortgaged at the holder’s option.</p> <p>4. Undivided shares</p>

Ownership in undivided shares is a singular form of ownership. The owner is registered in e.g. 1/3 undivided shares of the plot of land or building covered by the registration. Such ownership is invariably the result of inheritance where the heirs instead of selling the property and sharing the purchase price or alternatively distributing the property they register the property in their names in undivided shares in proportion to their hereditary right e.g. three children of a deceased register a plot in their names in 1/3 undivided share each.

Each undivided shareholder has a right to possession together with the others to the whole of the property without a specific part of the property being allocated to him. They can together lease or sell the property. Each one has the right to transfer by donation or inheritance his share and further has the right to mortgage or otherwise encumber his undivided share. Each undivided shareholder is entitled to sell his undivided shares subject to the other undivided shareholder's option to purchase his shares at the price achieved. Finally, each undivided shareholder is subject to the powers of the Director of Lands and Survey's Department (the Director) to compulsorily divide or sell (if it cannot be divided) the plot on the application of one of the other undivided shareholders.

**Procedure:
Acquiring
Property**

Property may be acquired by:

- straight transfer by the registered owner. Such transfer may be by gift or sale or exchange with other property and is achieved by the signing of a transfer form before a District Land Office.
- inheritance on the application of the Administrator of the estate of a deceased person.
- pursuant to the provisions of an express trust.
- division or distribution.
- a Court Order which is issued in the most common situation in cases of wrong registration, fraudulent transfers, breach of trust, and breach of Contract.

In each situation, the Land Registry will transfer the registration to the new owner and issue a new title deed to him. Transfer fees of 5 - 8% depending on the value are payable for sales, donations to anyone other than a parent, child, brother, sister or spouse.

**Documentation
needed**

On the following link you can find information about the documentation needed regarding immovable property and real estate. Application/ Documents regarding:

- building construction: click [here](#).
- buying and selling property: click [here](#).
- immovable property: click [here](#).
- property mortgage: click [here](#).
- the transfer of property: click [here](#).

**Costs (Fees,
Prices)**

On the following link you can find useful information about the rights and fees: click [here](#). You can also find a description and costs valid until 2018 in the subchapter “**Fees and Charges**”. In summary, the main areas that there are fees are:

A. Transfer of immovable property: fees on transfer of immovable property are imposed by the Department of Land and Surveys in order

to transfer the ownership of the property to the purchaser. **Read more [here](#).**

B. Property taxes: Property tax is imposed on all types of immovable property in Cyprus.

Immovable property tax rates

According to a law proposal voted by the majority of the Cyprus Parliament, the immovable property tax for the remainder of 2016 was reduced to 25% of the total tax arising using the current rates and it was completely abolished from January 2017.

Municipal tax

Proprietors also incur municipal tax on immovable property (Town Rate). This is an annual tax which is levied as a result of property ownership within the limits/boundaries of each municipality, with certain exceptions included in the relevant legislation.

Inheritance Tax

There is no inheritance tax in Cyprus.

Capital Gains Tax

Capital gains tax of 20% is charged on gains upon sale of immovable property located in Cyprus, which is incurred during the year in which the property is disposed of.

Stamp duty

Stamp duty is a tax which is charged on certain types of instruments/agreements which deal with Cyprus-situated immovable property, irrespective of whether executed in Cyprus or outside Cyprus. As from 1st March 2013, the stamp duty levied is 0% for amounts up to €5.000, 0,15% for amounts between €5.000 and €170.000, and 0,2% for amounts over €170.000, up to a maximum stamp duty of €20.000 per instrument/agreement.

Read more [here](#).

C. VAT rates: VAT is imposed on every supply of goods or services at the standard rate of nineteen per cent (19%). No VAT is charged on supplies of goods or services which are exempted under the VAT legislation: leasing or letting of immovable property, the supply of immovable property with the exception of buildings or parts of buildings and the land on which they stand if the application for a building permit was submitted after the 1st May 2004.

Read more [here](#).

Where to apply? The Department of Lands and Surveys

2.2 Important/ exceptions

Fees and Charges

FEES AND CHARGES

Fees and charges laid out in the index below are in accordance to the Laws and regulations in force at the date of publication of this leaflet.

	€
A. APPLICATIONS	
1. Local Enquiries	
(a) For the acceptance of each application	20,00
(b) For <u>each</u> property included in the application	10,00
Additional charges and fees are levied depending on the type of application:	
(i) For <u>each</u> property included in an application for compulsory partition	10,00
(ii) For the valuation of <u>each</u> parcel for which, for the purposes of examination and completion of an application, valuation is required to be undertaken	100,00
(iii) For cadastral field survey work, regarding a boundary dispute application, <u>for each parcel</u> involved.....	160,00
(iv) For cadastral field survey work, regarding a boundary dispute application, arising as a result of a boundary demarcation, <u>for each parcel</u> involved	120,00
(v) For cadastral field survey work, regarding a land parcel division application, or a boundary readjustment application, <u>for each new parcel</u> created:	
(a) For the completion of the application by the Department of Lands & Surveys (DLS).....	110,00
(b) For the completion of the application partly by the DLS and partly by a private licensed surveyor	35,00
(vi) For cadastral field survey work, regarding a building (strata) division application, <u>for each new unit</u> created:	
(a) For the completion of the application by the DLS	100,00
(b) For the completion of the application partly by the DLS and partly by a private licensed surveyor.....	30,00
(vii) For cadastral field survey work, regarding a street widening application, exchange of properties, a compulsory acquisition application, a lease/grant application, or a bore hole registration application, <u>for each parcel</u> :	
(a) For the completion of the application by the DLS	100,00
(b) For the completion of the application partly by the DLS and partly by a private licensed surveyor	40,00
(viii) For cadastral field survey work, regarding applications for the registration of plots, or applications for the amalgamation of parcels <u>for each plot/parcel</u> :	
(a) For the completion of the application by the DLS.....	90,00
(b) For the completion of the application partly by the DLS and partly by a private licensed surveyor	30,00
(ix) For cadastral field survey work, regarding a building registration application:	
(a) For the completion of the application by the DLS.....	80,00
(b) For the completion of the application partly by the DLS and partly by a private licensed surveyor	20,00
(x) For the registration of property by adverse possession on the value (01.01.2013) of each property	1‰
(xi) For the registration of properties in the names of legatees and non-legitimate heirs, on the value (01.01.2013) of each property, on the day of the legator's death	3‰
(xii) For every certificate of registration issued	5,00

<p>2. Applications which do not entail local enquiry (record of easement or restrictive covenant, record of transferred built area ratio, evidence before Court etc).</p> <p>(a) For the acceptance of each application 10,00</p> <p>(b) For each certificate of registration issued..... 5,00</p> <p>(c) For the deposition of a power of attorney that is filed for general use 50,00</p> <p>(d) For the deposition of a document for the administration of the estate of a deceased person 10,00</p> <p>(e) For the determination of the share that corresponds and belongs to a unit of a jointly-owned building (for each unit) 20,00</p> <p>(f) For the determination of the area of a unit of a jointly-owned building (for each unit)..... 20,00</p> <p>(g) For the convening of a General Meeting of the owners of the units of a Jointly - owned building (for each unit) 15,00</p> <p>(h) For the appointment of a Management Committee/temporary Management Committee of a jointly - owned building (for each unit)..... 15,00</p> <p>(i) For the registration of the Regulations for the Regulation and Management of a jointly - owned building..... 50,00</p> <p>(j) Additional fees are levied, depending on the type of each application, e.g. for the record of rights, easements, restrictive covenants, etc (for each property involved) 10,00</p> <p>Note: For some types of applications, the fees are based on the time spent for the provision of the respective service. Per hour spent..... 15,00</p>		
<p>3. (a) For cadastral field survey work, regarding a land demarcation application undertaken by the DLS, for each boundary turning point (BTP)</p> <p>i. Up to 6 BTP 50,00</p> <p>ii. From 7 to 12 BTP (additionally) 30,00</p> <p>iii. More than 13 BTP (additionally) 20,00</p> <p>(b) For cadastral field survey work, regarding a land demarcation application undertaken (partly) by a private licensed surveyor, for each boundary turning point (BTP)</p> <p>i. Up to 6 BTP 15,00</p> <p>ii. From 7 to 12 BTP (additionally) 10,00</p> <p>iii. More than 13 BTP (additionally) 6,00</p>		
<p>4. Certificate of indivisibility (for properties held in undivided shares)</p> <p>For each property..... 50,00</p>		
<p>5. Copies of certificates of registration, mortgage or charge</p> <p>(a) For each copy of a certificate of registration..... 10,00</p> <p>(b) For each copy of a certificate of mortgage 30,00</p> <p>(c) For each copy of a certificate of charge 30,00</p>		
<p>6. Cadastral plan copies</p> <p>(a) For a copy of the whole cadastral plan..... 4,00</p> <p>(b) For a copy of a part of a cadastral plan..... 2,00</p>		
<p>7. Certified copies of various other documents</p> <p>For the preparation and certification of each document:</p>		

	i. For each page from 1 - 20 pages.....	2,00
	ii. For each page for over 20 pages.....	1,00
8.	Search Certificates	
	(a) For the provision of information for the registered property in the name of a specific person, having an identity card number or in the name of a legal person having a registration number,	
	i. For each district, municipality or community	20,00
	ii. For all districts, municipalities or communities all over Cyprus, for which the computerized Land Information System of the DLS applies, for each Search Certificate	50,00
	(b) For the provision of information for the registered property, on a plot which is registered in the name of a specific person, that is owned by a person other than the specific person, for each parcel ..	10,00
	(c) For the provision of information for the registered land on which there are other properties that are owned by a specific person, but the registered land is not owned by the specific person, for each parcel	10,00
	(d) For the provision of information for the registration of units in a jointly owned building, for each unit	5,00
	(e) For the provision of information in relation to a previous registration, of specific property	10,00
	(f) For the provision of information in relation to a subsequent transfer of specific property	10,00
	(g) For the name of the registered owner or registered co-owner of specific registered property, for each property	10,00
	(h) For any other information not mentioned above, for every hour spent	15,00
9.	Application of trappedbuyers	10,00

B. REGISTRATION OF TITLE

Fees are always paid by the transferee (i.e. the person in whose name the property is transferred and registered).

- (a) Upon gift or sale by parents to child, the fees are levied on the value (01.01.2013) of the property to be transferred. No fees 1‰
- (b) Upon gift from spouse to spouse and from relative to relative with in the third degree of kindred, other than upon gift by parent to child, on the value (01.01.2013) of the property transferred..... 1‰
- (c) Upon sale, other than by parent to child and upon gift from relative to relative other than within the third degree of kindred, on the sale price or on the market value of the property transferred:
 - for every euro up to €85.000,00..... 3%
 - for every euro exceeding €85.000,00 but not exceeding €170.000 5%
 - for every euro exceeding €170.000,00 8%

Until December 31st, 2016 :

- 1) No registration fees are paid on the transferred property, when for the same immovable property, Value Added Tax (V.A.T.) was paid.
- 2) Reduction of property transfer fee of 50% for all cases imposed or levied by Chapter 17.

Notes:

- In cases where the purchased property is situated in the occupied by the Turkish troops area of Cyprus, no fees are charged to the Greekcyriot transferee until the political settlement of the Cyprus problem.
- Where in the opinion of the Director, the declared sale price does not represent the real market value (as at the date of the agreement), such market value, on which the fees are payable, shall be determined by the Director of the Department of Lands & Surveys.
- If the transferee does not agree with the decision of the Director regarding the determination of the market value, he/she has to nevertheless pay the fees as assessed on that value and to declare in writing his/her objection/disagreement. In this case, a local enquiry and valuation of the property takes place and the decision is notified to the interested person. The valuation must take place within three (3) months from the date of the transfer. The transferee is entitled to contest the Director's decision by filing an application/appeal against the Director's decision at the appropriate Court.

(d) Upon exchange of property. No fees

Where in the opinion of the Director, the market values of the exchanged properties are not equal on the exchanged date, each transferee shall pay fees on the exchanged property and no fees are paid by the person acquiring the property with the lowest market value, whereas the person acquiring the property with highest market value shall pay according to the chapter's 17 scale, calculated on the difference of the market value between the exchanged properties .

Upon exchange from relative to relative within the third degree of kindred or from spouse to spouse none of the above is valid.

(e) Upon gift from parent to child and relative to relative within the third degree of kindred or from spouse to spouse, in cases where the property to be transferred is situated in the occupied by Turkish troops area of Cyprus, and for which there is no market value on the value of 01.01.2013, no fees is charged until the political settlement of the Cyprus problem 0%

<p>(f) To a trustee to hold the property in trust for another beneficiary, a fee is charged according to paragraphs (a), (b) or (c) above, depending on the kind of kindred between the transferee (beneficiary) and the transferor (settlor).</p> <p>In cases the trust deed has been deposited at the Land Registry Department and the declaration of transfer is declared by another trustee of the same trust or by a person that has acquired property in pursuance to the same trust, fees are charged <u>for each unit of registered property</u></p> <p>In cases the trustee transfers the property that is registered in his name, in the beneficiary's name, the fees are charged <u>for each unit of registered property</u></p> <p>(g) To a trustee to hold the property in trust for the settlor, for the purposes of securing a loan agreement (by mortgaging the property) and of providing a right to the trustee to dispose of the property according to the terms of the trust deed, the fees are charged on the market value of the property</p>	<p>1%</p>	<p>50,00</p> <p>50,00</p>
<p>C. MORTGAGES</p>		
<p>1. Registration of mortgage</p>		
<p>A) i) On the amount advanced under the mortgage.</p> <p>ii) Provided that where the existing mortgage or mortgages are cancelled and on the same day, for the same purpose, with the same mortgagee, but on another property or properties owned by the mortgagor, a new mortgage is declared by the mortgagor, the fees payable shall be 1% on the difference between the amount advanced of the new mortgage and the amount advanced under the previous mortgage or the total amount of the cancelled mortgages, excluding any accrued or non-acrued interest for each of the cases.</p> <p>iii) Provided that where the existing mortgage or mortgages are cancelled and on the same day, for the same purpose, on the same property, with the same or another mortgagee, a new mortgage is declared by the mortgagor the fees payable shall be 1% on the difference between the amount advanced of the new mortgage and the amount advanced under the previous mortgage or the total amount of the cancelled mortgages, excluding any accrued or non-acrued interest for each of the cases.</p> <p>B) No fees are paid:</p> <p>i) Provided that existing mortgage or mortgages are canceled and on the same day, for the same purpose, with the same mortgagee, but on another property or properties owned by the mortgagor, a new mortgage is declared by the mortgagor and the amount of the new mortgage, excluding any accrued or non-acrued interest for each of the cases, is the same or less than the amount of the mortgage canceled or the sum of the amount of the mortgage canceled,</p> <p>ii) Provided that existing mortgage or mortgages are canceled and on the same day for the same purpose, on the same property, either with the same or another mortgagee, a new mortgage is declared by the mortgagor and the amount of the new mortgage, excluding any accrued interest or non-acrued interest for each of the cases, is the same or less than the amount of the mortgage is canceled or the sum of the amount of the mortgage canceled</p> <p>C) Additional fees for issuing of two certificates of registration of mortgage, for each certificate</p>	<p>1%</p>	<p>5,00</p>
<p>2. Transfer of Mortgage</p>		
<p>No fees</p> <p>Additional fees for issuing the certificate of registration of mortgage</p>		<p>5,00</p>

<p>D. ENCUMBRANCES AND PROHIBITIONS (charges)</p> <p>(a) For acceptance of documents that create an encumbrance or a prohibition on immovable property (registration of memo, interim order etc).....</p> <p>(b) For the issue of a certificate of registration of charge.....</p> <p>(c) For the acceptance of documents for prolongation of the period of registration of memorandum (memo)</p> <p>(d) For the deposition of a contract of sale</p> <p>(e) For the deposition of an assignment contract:</p> <p> i. For an assignment by a parent to a child or by a relative to another relative within the third degree of kindred or by spouse to spouse</p> <p> ii. For any assignment other than an assignment that falls under subparagraph (i) above, 0,5% on the sale price as this is determined in the contract of sale, or on the amount that is determined in the contract of assignment, whichever of the two amounts is the higher, with minimum fee €50 and maximum fee €3000.</p> <p>(f) For the deposition of a "vesting" contract</p>		<p>20,00</p> <p>30,00</p> <p>20,00</p> <p>50,00</p> <p>20,00</p> <p>200,00</p>
<p>E. FORCED SALE BY PUBLIC AUCTION</p> <p>(a) For the acceptance of the application for the sale of immovable property</p> <p>(b) For preparing Notices of Sale per District or Municipality or Community</p> <p>(c) For preparing various notifications to all interested parties, for each notification</p> <p>(d) For the distribution of the proceeds of sale (from the sale of property held in undivided shares):</p> <p> i. For an amount not exceeding €10.000,00</p> <p> ii. For an amount exceeding €10.000,00 but not exceeding €100.000,00</p> <p> iii. For an amount exceeding €100.000,00</p> <p>(e) For preparing a final account</p> <p>(f) For issuing a copy of the final account</p>		<p>20,00</p> <p>20,00</p> <p>10,00</p> <p>20,00</p> <p>200,00</p> <p>500,00</p> <p>50,00</p> <p>10,00</p>
<p>F. LEASES</p> <p>1. Registration of lease or sublease</p> <p>(a) Upon lease or sublease from spouse to spouse or from relative to relative within the third (3rd) degree of kindred:</p> <p> - 0,5% on the market value of the lease with minimum fee the amount of €100.</p> <p>(b) In all other cases:</p> <p> - 5% on the market value of the lease with the minimum fee the amount of €100.</p> <p>(c) Upon lease or sublease from parent to child. No fees.</p> <p>Note:</p> <p> Note: Upon lease or sublease registration cases carried until 31 December 2016 the registration fees shall be reduced by fifty percent (50%)</p> <p>(d) Fees for issuing the certificate of registration of lease or sublease</p>		<p>20,00</p>

2. Transfer of lease / sublease	
(a) Upon gift or sale by parent to child or gift from spouse to spouse or from relative to relative within the third (3rd) degree of kindred	50,00
(b) Upon gift other than by parent to child or from spouse to spouse or from relative to relative within the third degree of kindred, on the market value of the lease	5%
(c) Upon sale, other than by parent to child, the fees are charged on: - the sale price or the market value of the lease, whichever amount of the two amounts is approved by the Director	5%
Notes:	
— Fees are levied at the date of the deposit of the application for the registration of a lease or sublease or at the date of acceptance of a transfer of lease. The market value of the lease is determined by the Director of the Department of Lands & Surveys.	
— The lessee, sub-lessee or transferee of the lease is entitled to dispute the value determined by the Director. In such a case, valuation takes place after local enquiry and the result of the valuation is notified to the interested person, the latest within three (3) months from the date of the deposit of the application for the registration of the lease or the acceptance of the declaration of transfer. The interested person is entitled to contest the Director's decision by filing an application/appeal against the Director's decision at the appropriate Court.	
(d) Upon exchange of the lease with another right appertaining to any land or exchange of the lease with other type of immovable property, each party taking part in the transaction is levied a fee of	50,00
(e) Upon sale at a public auction, on the sale price	5%
(f) Upon registration /transfer of the lease by will to a non-legitimate heir(legatee), the fees are charged on the market value of the lease on the day of legator's death	5%
In case the legatee is the child or the spouse or a relative of the legator within the 3rd degree of kindred, for each registration	50,00

Figure 1: Description and costs valid until 2018, (source: Department of Lands and Surveys website).

2.3 Expert Advice

If you want to avoid any legal battles in Real Estate, you should apply the following:

1. Know how the local legal system works
2. Prepare and review the right documentation and keep meticulous records
3. Do not invest in anything without any legal warranty

2.4 Additional information

Hadjiannou, C. A. (2012). Land Law - (immovable property law, Cyprus land registry, private ownership, restrictions, acquisitive prescription, trusts registration, etc.). Available on: <http://www.cypruslawdigest.com/topics/real-property/item/168-land-law-immovable-property-law,-cyprus-land-registry,-private-ownership,-restrictions,-acquisitive-prescription,-trusts-registration,-etc> (24.02.2018)

Laws regarding immovable property. (n.d.). Available on: <http://www.cyprus.gov.cy/portal/portal.nsf/gwp.getGroup?OpenForm&access=0&SectionId=citizen&CategoryId=Land%20and%20Property&SelectionId=Laws%20regarding%20immovable%20property&print=0&lang=en> (24.02.2018)

Taxation related to immovable property. (n.d.). Available on: <http://www.cyprus.gov.cy/portal/portal.nsf/gwp.getGroup?OpenForm&access=0&SectionId=>

[citizen&CategoryId=Land%20and%20Property&SelectionId=Taxation%20related%20to%20immovable%20property&print=0&lang=en](http://www.mof.gov.cy/mof/vat/vat.nsf/DMLrates_en/DMLrates_en) (24.02.2018)

VAT Service - VAT Rates. (n.d.). Available on:

http://www.mof.gov.cy/mof/vat/vat.nsf/DMLrates_en/DMLrates_en (24.02.2018)

2.5 Exercise and quiz

What is not one of the main forms of real estate ownership?

- a) Full title
- b) Transferable Ownership
- c) Leasehold
- d) Undivided shares

Choose one of the approved ways of acquiring property from the below:

- a) Straight transfer by the registered owner
- b) Planting something on the property
- c) Asking about the property from the registered owner
- d) Building on the property

Exercise

Go and search for your country's real estate law information in the sources/links provided in the training material. Then note down all the documentation/procedures needed regarding buying and selling property and note it down here.

3. LAND REGISTRY

3.1 Theoretical Framework

Land registration describes systems where matters concerning ownership, possession or other land rights can be recorded (usually with a governmental agency or department) to provide evidence of title, facilitate transactions and to prevent unlawful transactions.

3.1.1 National context (Cyprus)

Land registration in Cyprus is exercised by the Department of Lands and Surveys, one of the oldest Government Departments of the island. According to the website of the Department of Lands and Surveys of Cyprus, the following are in force concerning land registration in Cyprus.

The system of land registration is a system of Registration of Title (as distinguished from Registration of Title deeds). The legal value of registration lies between an Indefeasible Title and a Defeasible Title. A registered person is deemed to be the undisputed owner of the land and their title to ownership is absolute, subject to the Director's (Director of Lands and Surveys) power to correct errors or omissions under certain circumstances, and the inherent power of the Courts to order an amendment or cancellation of a registration.

Land registration is effected either systematically and is compulsory in areas decided, or sporadically at the instance of private owners. Registration may be either initial or by transfer.

The principal components of the land registration records include the Register, the Cadastral Plan, the Tax Register and the Certificate of Registration.

Registrable interests are freeholds, leaseholds with a term of 15 years or more unexpired and easements. Horizontal ownership is also registrable (flats). Charges (e.g. mortgages, etc.) are also registrable.

3.2 Important/ exceptions

One common problem that a prospective real estate owner or advisor may encounter is title deed delays. For example, according to the figures released by the Cyprus Land Registry, a considerable amount of non-Cypriots is waiting for the Title Deeds to their rightful properties.

What can cause the delays?

- Property developers are not clearing mortgage debts on the land on which they've built properties and which they've subsequently sold to unsuspecting buyers.
- There are bureaucratic delays in the Land Registry or/and other Government departments.
- Planning infringements caused by property developers deviating from the various permissions and permits issued for the construction of their developments.

DEPARTMENT OF LANDS AND SURVEYS												09/07/2015 14:48:54	
LLAR4040												Page 1	
General Statistics - Compulsory Up To Date Registration													
for Applications which create equal or more than "1" new registrations													
ΜΗΜΟΝΙΑΚΕΣ ΥΠΟΘΕΣΕΙΣ													
District	Pending Applications up to 30/06/2015					New Applications	Completed Applications	Issued Titles	Shifted Mortgages	Transferred Titles Deeds			
	Total Appl.	Parcels / Units	Approval Cert.	Bank Consent	Horizontal Division					Period : 01/06/2015-30/06/2015			
					Applications	Units	Period : 01/06/2015-30/06/2015			Transfer Files	Issued Titles		
Nicosia	72	1123	0	0	59	1014	3	1	0	2	0	0	
Famagusta	194	4445	2	0	193	4378	0	1	18	9	0	0	
Larnaca	75	1683	1	0	71	1574	0	0	0	0	0	0	
Limassol	75	1400	0	0	73	1375	0	1	0	2	0	0	
Paphos	118	1853	0	0	114	1832	0	0	0	0	0	0	
Totals	534	10504	3	0	510	10173	3	3	18	13	0	0	

Figure 2: Land Registry figures: Registration of Title Deeds 2015 (source: Department of Lands and Surveys website)

3.3 Expert Advice

Real estate and property are an attractive target for fraudsters because they can be sold and mortgaged to raise money. Properties most at risk are usually empty tenanted or mortgage-free. Foreign direct investors are highlighted as a higher risk of fraud and thus, advisors should help owners protect their property and investments from frauds.

Some tips concerning Land Registry include:

- Make sure the property is registered so you will be compensated for financial loss if you fall victim to a fraud.
- Keep your contact information (once registered) up to date so you can be easily contacted if anything comes up
- Usually, you can have a restriction entered on your property if you feel it might be at risk. A restriction is designed to help prevent forgery by requiring a solicitor or conveyancer to certify they are satisfied that the person selling or mortgaging the property is the true owner.

3.4 Additional reading

- Historical Background-The Department of Lands and Surveys of Cyprus. (n.d.). Available on: <http://portal.dls.moi.gov.cy/en-us/thedepartment/Pages/historical-background.aspx> (24.02.2018).

3.5 Exercise and quiz

What does the Land registry system do?

- a) Checks for real estate frauds

- b) Helps the government to sell property
- c) Records land rights (ownership, possession etc.)
- d) Assists in real estate transactions

Why is it important to make sure that your property is registered?

- a) You will be compensated for financial loss in case of fraud
- b) To be legally the owner of the property
- c) To pay the required taxes to the national government
- d) You will be able to check your property any time

Exercise

List any possible problems you may encounter as a prospective real estate owner or advisor concerning real estate purchase.

4. FUNDAMENTALS OF INVESTING AND FINANCING THE PURCHASE OF REAL ESTATE

4.1 Theoretical Framework

Nowadays, buying real estate is more than just finding a home. The practice of investing in real estate has become increasingly popular over the last years and is now a common investment medium. The real estate market offers vast opportunities for making big profits; however, buying real estate is usually much more complicated than investing in stocks or bonds.

4.1.1 Definition of real Estate Types

There are four main real estate types:

1. **Residential real estate:** this includes both new construction and resale homes. The most common category is single-family homes. There are also condominiums, co-ops, townhouses, duplexes, triple-deckers, quadplexes, high-value homes and vacation homes.
2. **Commercial real estate** includes shopping centers and strip malls, medical and educational buildings, hotels and offices. Apartment buildings are often considered commercial, even though they are used for residences. That's because they are owned to produce profits/income.
3. **Industrial real estate:** includes manufacturing buildings and property, as well as warehouses. The constructions can be used for research, production, storage and distribution of goods. Some buildings that distribute goods are considered commercial real estate. The classification is important because the zoning, construction and sales are handled differently.
4. **Land** includes vacant land, operating farms and ranches. The subcategories within vacant land include undeveloped, early development or reuse, subdivision and site assembly.

4.1.2 Basic characteristics of Instruments of Real Estate Financing

There are various ways and instruments of real estate financing: governmental sources, commercial sources and other. An investor or a builder can obtain financial aid from savings and loan associations, banks, mortgage bankers and brokers, life insurance companies, credit unions, governmental agencies.

Savings and loan associations

The most important objective of these institutions is to offer mortgage loans on residential property. These organisations are known as savings associations, building and loan associations, and cooperative banks and are the primary source of financial assistance to prospective real estate investors.

Some of the most important characteristics of a savings and loan association are:

- It is usually a locally owned and privately managed home-financing institution.
- It receives individuals' savings and uses these funds to make long-term amortized loans to home purchasers.

- It offers loans for the construction, purchase, repair, or refinancing of houses.

Commercial banks

Commercial banks are quite active in real estate financing. In acquiring mortgages on real estate, these institutions usually follow two main practices:

1. Some banks maintain active and well-organised departments whose primary function is to compete actively for real estate loans. In areas lacking specialised real estate financial institutions, these banks become the source for residential and farm mortgage loans.
2. Banks acquire mortgages by directly purchasing them from mortgage bankers or dealers.

Mortgage and mortgage bankers and brokers

A mortgage is a legal document pledging property as security for the payment of a loan. It gives the lender the right to sell the borrower's property and use the money collected to pay off the debt if the borrower defaults on the loan.

Mortgage bankers are companies or individuals that offer mortgage loans, sell them to other investors, and may act as agencies to dispense funds for taxes and insurance.

Usually, mortgage brokers present real estate investors with loans from a variety of sources. Their income is generated from the lender making the loan, just like a bank. Because they can draw from a variety of lenders, they can achieve the best available terms. Notwithstanding legislation that could favour big banks, mortgage bankers and brokers keep the market competitive so that the largest lenders must continue to compete on price and service.

Life insurance companies

Another source of financial assistance is life insurance companies. These companies finance real estate as a form of investment and adjust their portfolios accordingly to reflect changing economic conditions. Individuals soliciting a loan from an insurance company may deal directly with their local branch office or with a local real estate agent who represents an insurance company.

Credit unions

These cooperative financial institutions are created by people who share a common bond—for example, employees of a company, labour union, or religious group. Some credit unions offer home loans in addition to other financial services.

Real estate investment trusts

A real estate investment trust (REIT) is formed when a company (or trust) uses investors' funds to purchase and manage income properties. REITs are purchased and sold on the major exchanges just like any other stock.

Other sources

Individual investors constitute a significant but slightly declining source of money for real estate mortgage loans. Researchers claim that these lenders prefer shorter-term obligations and normally restrict their loans to less than two-thirds of the value of the real property.

4.1.3 Real Estate Investments

There are various ways of investing in Real Estate. There are many people that would love to invest in real estate, but they either lack the whole amount of cash for down payments or they think that buying and owning are the only ways to make money in the real estate market. This isn't necessarily true.

Below there is a list with different ways to invest in the real estate market:

1. Leasing

This is an investment that is as old as the practice of land ownership. In this practice, a person will buy a property and rent it out to a tenant. The owner is responsible for paying the mortgage, taxes and costs of maintaining the property. Upfront, buying a real estate to lease it out may cost the same money when purchasing to flip a property, but the return will be slower. One thing to consider however is the long-term potential. If you are purchasing real property in an up-and-coming area, leasing it out might be the smarter move since value could increase substantially as the area improves. Thus, it will still be a significant long-term investment, depending on the tax write-offs and potential future sales.

2. Flipping real estate

To earn profits from flipping real estate you can either buy low and sell high (this is more successful in a rapidly rising market), or buy a home that needs repair and fix it up before reselling it for a profit ("fix and flip"). For flipping, it is important for the property needs to be substantially undervalued at the point of purchase or remodelled to increase the value enough to turn a profit.

3. Real Estate Investment Group

Real estate investment groups are similar with small mutual funds for investing in real estate. If the investor wants to own a rental property but doesn't want the responsibilities of being a landlord, the real estate investment group may be the solution. A company buys or builds a set of apartments or condos, and then allows investors to buy them through the company. The investor can own one or multiple units of the property, but the company is the one operating the investment group and collectively manages everything (maintenance, vacancy advertising etc.). In exchange for this management, the company takes a percentage of the profits.

4. Real Estate Investment Trust

As mentioned previously, a real estate investment trust (REIT) is formed when a company (or trust) uses investors' funds to purchase and manage income properties. REITs are purchased and sold on the major exchanges just like any other stock.

4.1.4 Real Estate Security Instruments

Insurance is a “system under which the insurer, for a consideration usually agreed upon in advance, promises to reimburse the insured or to render services to the insured in the event that certain accidental occurrences result in losses during a given period” (Greene, 2017). It is a method of handling risk.

Credit insurance: The use of credit nowadays is so frequent and widespread that there exist many types of insurance to cover some of the risks involved. Examples of these risks are listed in the next part of the unit. The purchase of Credit Insurance is on a voluntary basis, but it is a valuable asset for someone investing in real estate.

Mortgage Insurance: another instrument of real estate security is the mortgage insurance. It is an insurance plan that protects the lender if the borrower does not repay a loan. It gives the lender the right to sell the borrower's property and use the money collected to pay off the debt if the borrower defaults on the loan.

4.2 Important/ exceptions

The main **risks** when investing in real estate are the following:

1. **Sponsor risk:** The experience and capacity of the developer, operator or lender can have a substantive impact on whether the sponsor can execute a business plan and deliver targeted outcomes to the stakeholders.
2. **Illiquidity risk:** one of the main drawbacks of investing in real estate since there might be relative difficulty in converting an asset into cash and cash into an asset.
3. **Foreclosure risk:** Attaching to home-loan debts when instalments are not paid for various reasons, resulting in foreclosure with a subsequent loss to the creditor
4. **Risk of loss:** from export credit because of war, currency restrictions, cancellation of import licenses, or other political causes. Loss of savings from bank failure.
5. **Physical asset risk:** unexpected costs may potentially arise due to the condition of the property itself.
6. **Construction risk:** Every time a project involves significant construction (new development /redevelopment of an existing asset) there are risks that the construction project may incur cost overruns, take longer than anticipated to complete or expose previously concealed deficiencies in the physical asset
7. **Leasing risk:** where a current vacancy exists in a real estate asset that the sponsor expects to lease up over time, there is the risk that the lease-up may not occur at all or may occur at a slower rate than the sponsor anticipates.
8. **Cap rate risk:** prevailing cap rates for different asset types move in ranges and are subject to supply and demand for that specific asset type. A minor movement in a cap rate percentage can have a substantial effect on the residual value of an asset and, in turn, the profitability (or loss) of a particular transaction.

4.3 Expert Advice

Before purchasing real estate property, investors or their consultants always need to research the area and determine the average market value of area homes. For example, community factors such as amenities, quality of schools are vital when evaluating real estate.

Also, it is important to detect and mitigate all potential risks related to the investment as real estate ownership comes with a lot of risks.



Figure 3: Real Estate Investment Risk Management Plan

4.4 Additional information

- Amadeo, K. (n.d.). 4 Types of Real Estate and How to Profit from Each. Available on: <https://www.thebalance.com/real-estate-what-it-is-and-how-it-works-3305882> (24.02.2018)
- Greene, M. R. (2017, July 18). *Insurance*. Available on: <https://www.britannica.com/topic/insurance#ref255375> (24.02.2018)
- Mishler, L. & Cole, R. (1995). *Consumer and business credit management*. Homewood: Irwin
- Real Estate Investment, Real Estate Investing. (n.d.). Available on: <http://www.economywatch.com/investment/real-estate-investment.html> (24.02.2018)

4.5 Exercise and quiz

Which is not one of the four main real estate types?

- Residential real estate
- Commercial real estate
- Land
- Organisational real estate

Which is a way to invest in the real estate market?

- Insuring real estate
- Cultivating land
- Flipping real estate
- Harvesting land

Exercise

Fill in the table with the main risks when investing in real estate. Then note down next to each risk the probability of happening in a potential future real purchase and if each risk is acceptable or not, and the necessary steps to reduce the risk.

Risk	Probability	Risk Acceptable (Yes or No)	Steps to Reduce the Risk

5. REAL ESTATE MARKET ECONOMICS

5.1 Theoretical Framework

Real estate economics is the utilization of economic systems to the real estate market. Through real estate economics, the patterns of prices, supply, and demand are described, explained, and predicted. The research concerning real estate trends focuses on the business and structural changes that affect the industry. The resources that the research draws on are on partial equilibrium analysis (also known as supply and demand), spatial economics, urban economics, extensive research and surveys.

The main participants in the real estate market are:

- Owner/user: These investors are both owners and tenants. They purchase houses or commercial property as an investment and also to live in or use as a business.
- Owner- These people are solely investors. They do not use the real estate that they purchase.
- User/renter: These people are solely consumers.
- Developers: These people prepare the land for building.
- Facilitators: This group includes banks, real estate brokers, lawyers, and others that facilitate the purchase and sale of real estate.

5.1.1 Real estate economics standards and procedures

The components of the real estate market regarding economics standards and procedures are unique. These include:

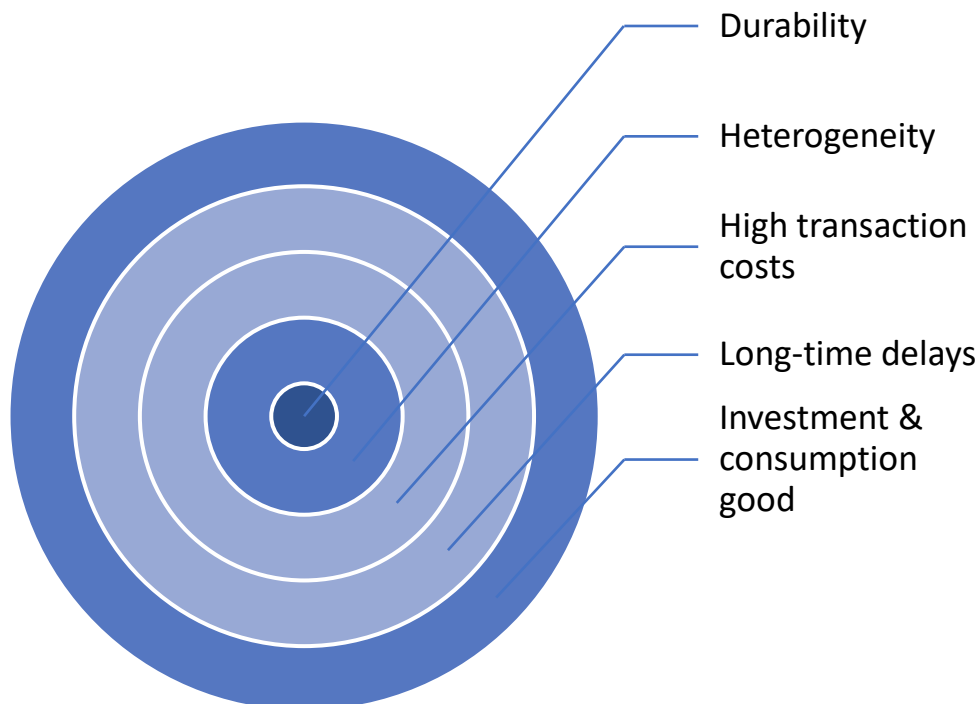


Figure 4: Real estate market economics components

Durability: Real estate is durable and long-lasting. A building can usually last for decades or even centuries, and the land underneath it is essentially indestructible. Because of this, real estate markets are modelled as a stock/flow market.

Heterogeneity: Every unit of real estate is individual and unique regarding its location, the building, and financing. This makes pricing difficult, increases search costs, creates information asymmetry and dramatically restricts substitutability.

High transaction costs: Buying and/ or moving into a house often costs much more than most types of investments and transactions. The costs include real estate fees, legal fees, moving costs, land transfer taxes, and deed registration fees.

Long-time delays: The real estate market adjustment process is subjected to time delays due to the amount of time it takes to finance, design, and construct. Because of these delays, there is potential for disequilibrium in the short run.

An investment and consumption good: Someone can purchase real estate property with the expectation of achieving a return (an investment good), with the intention to use it (a consumption good) or both. This complex nature of the good means that it is not unusual for people to over-invest in real estate.

Immobility: Real estate investments are locationally immobile. This means that there can be no real physical marketplace.

5.2 Important/ exceptions

Real estate markets are typically considered informationally and transactionally inefficient. That is because real estate markets are subject to prolonged periods of disequilibrium, such as in market disruptions.

Real estate appraisals are generally conducted under some set of assumptions about transactional markets and those assumptions are captured in the definition of value used for the appraisal. Therefore, there are some global standards for real estate value.

Market value is the most used type of value in real estate appraisal globally. However, real estate appraisers use numerous other definitions of value in different situations.

Liquidation value is the probable price for real property under the following conditions:

- the consummation of a sale will occur within a specified limited future marketing period
- the market conditions currently predominating are those which interest the investor for the appraisal of the property
- the buyer is prudent and knowledgeable
- the seller is very motivated to sell
- limited marketing effort and time for the conclusion of the sale.

Use value takes into account a particular use of the real property and does not attempt not to determine the highest/ best use of the real estate. For example, the appraisal might focus on the contributory value of the real estate to a business company.

5.3 Expert Advice

As Golhar Abhi mentions in the Forbes article “Timely Tips for the New Real Estate Investor” (2017), there are many factors that a prospective real estate investor should take into account:

1. **Treat the Real Estate Investment like the business it is**
2. **Always start with a plan and good research**
3. **Know your strengths, and your weaknesses**

5.4 Additional information

- Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002)
- Golhar, A. (2017). *Timely Tips For The New Real Estate Investor*. Available on: <https://www.forbes.com/sites/forbesrealestatecouncil/2017/09/05/timely-tips-for-the-new-real-estate-investor/#2558da358443> (25.02.2018).
- Polinsky A. M. and Ellwood D.T. (1979). An empirical reconciliation of micro and group estimates of the demand for housing, *Review of Economics and Statistics*, vol. 61, pp. 199–205.

5.5 Exercise and quiz

What is not one of the main participants in the real estate market?

- a) Owner
- b) Manager
- c) Facilitator
- d) Developer

Which of the below is not considered a global standard for real estate value?

- a) Construction value
- b) Market value
- c) Liquidation value
- d) Use value

Exercise

Through Real Estate Economics, the patterns of prices, supply, and demand are described, explained and predicted. After reading this unit note down at least 4 components that affect directly the real estate market.

6. REAL ESTATE CONTRACTS

6.1 Theoretical Framework

A real estate contract is a contract between parties for the purchase, sale, exchange, or other real estate transaction. The sale of land is usually dictated by the laws and practices of the jurisdiction in which the land is located. These type of contracts are typically bilateral contracts (agreed to by two parties), should meet the legal requirements specified by contract law in general and should also be in writing to be enforceable.

In summary, there are basically four types of real estate contracts: purchase agreement contract, contract for deed, lease agreements and a power of attorney contract (Esajian, 2017). They each have different uses and conditions. In this unit, we will cover the different types of real estate contracts and transfer the foundational knowledge to make informed investment decisions and help investors make sound decisions.

6.1.1 Real Estate Contract Types

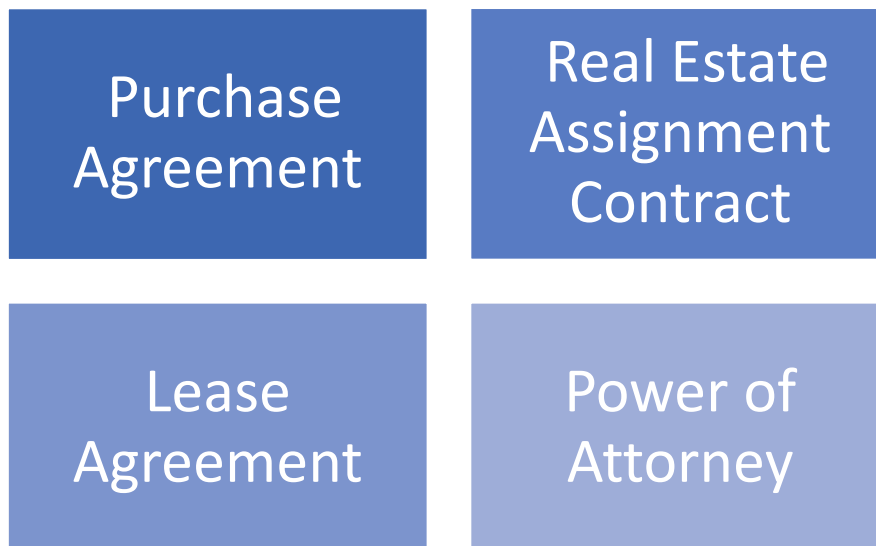


Figure 5: Real estate types of contracts

As previously mentioned, there are four main types of real estate contracts:

1. Purchase Agreement

This is one of the most common types of real estate contracts. As suggested by the name, this is a contract that defines an agreement between the buyer and the seller of a specific real property. This type of real estate contract includes all the standard elements of a contract:

- purchase price,
- identification of the real estate (property)
- party identification
- signatures,
- legal purpose; if the contract calls for illegal action it will be considered void,

- the closing date for the transaction, etc.

2. Real Estate Assignment Contract

A real estate assignment contract is used, principally, in a wholesaling investment strategy, in which you find a distressed property, secure it under contract and “assign” that contract over to a second buyer (usually at a small profit to you).

The concept of real estate assignment contracts is very similar to a regular purchase agreement. Often, an assignment contract simply has the addition of useful extra information. For example:

“[...] you might add the following phrase to a purchase agreement: “John Smith, and/or assigns.” (When people refer to “wholesale real estate contracts,” this is the document they mean.).

The “assigns” part gives you the opportunity to lock up a property with a purchase contract and pass along that property to someone else if you so desire.” (Esajian, 2017).

These additional phrases provide a tremendous amount of flexibility to the investor.

3. Lease Agreement

These real estate contracts draft an agreement between the lessor (also known as the property owner/ landlord) and the lessee (also known as the tenant).

This kind of agreements specifies significant factors such as the rent amount, security deposit, utilities etc. Lease agreements are intended to avoid future issues between the lessor and lessee, and protect both parties if something unforeseen happens.

4. Power of Attorney

Power of attorney documents are a form of real estate contract (though not used exclusively in a real estate context) and can be extremely useful in certain situations.

This is the case specifically when someone is not able to sign a real estate contract, whether because they are out of the country or incapacity, this document gives another party the power to sign on their behalf.

6.1.2 National context: Real Estate Contract National Specifications and Data (Cyprus)

As mentioned in the KPMG’s *Cyprus Real Estate Market Report* (2017), in 2016 there was one of the largest annual increases in the total property sales contracts submitted at the Land Registry noted in Cyprus. Moreover, 2017 saw an even higher number of deeds of sale submitted.

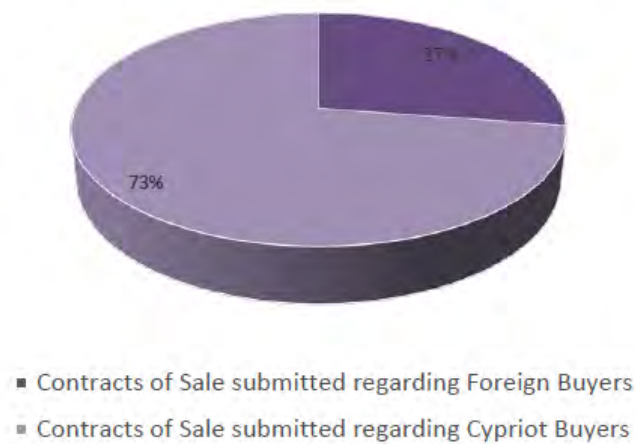


Figure 6: Pancyprian statistics for Real Estate Contracts submitted in 2017 (source: KPMG 2017 Cyprus Real Estate Market Report and Department of Land and Surveys)

This recovery of the real estate market and the increase in transactions is substantially related to the government’s scheme for naturalization of investors by exception. 27% of the total property sales contracts submitted to the Land Registry for the first 6 months of 2017 were related to foreign buyers. In addition, it is noted that foreign investors are interested in prime locations with close proximity to the beach.

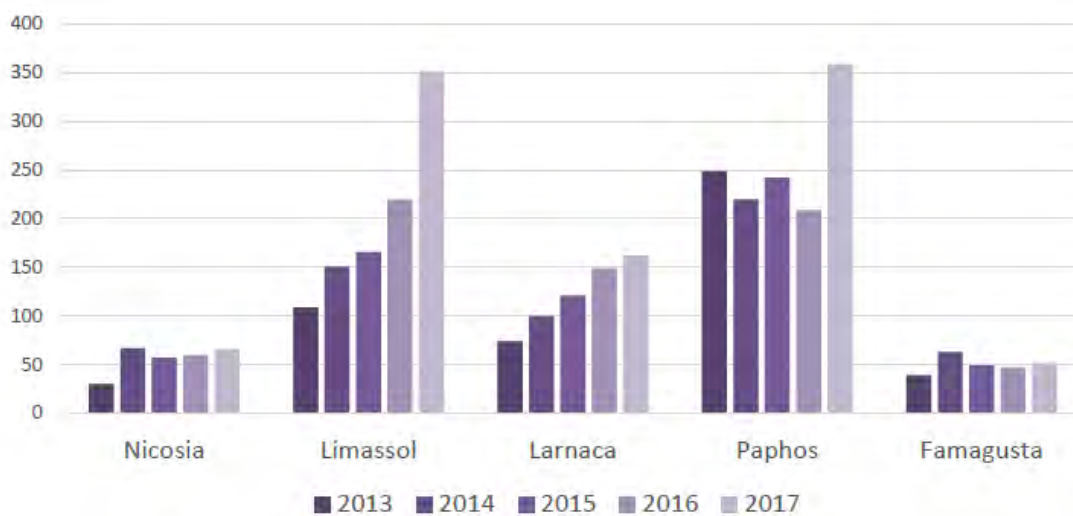


Figure 7: Properties for which Real Estate Contracts were submitted by foreigners (source: KPMG 2017 Cyprus Real Estate Market Report and Department of Land and Surveys)

	PANCYPRIAN	NICOSIA	FAMAGUSTA	LARNACA	LIMASSOL	PAPHOS
TOTAL NUMBER OF PROPERTIES TRANSFERRED (TRANSFERS OF SALE) TO FOREIGN BUYERS						
01/2017	45	7	2	11	14	11
02/2017	62	12	2	16	16	16
03/2017	93	13	3	26	25	26
04/2017	63	12	6	14	18	13
05/2017	85	15	3	17	31	19
06/2017	108	21	7	18	31	31
07/2017	87	12	4	17	30	24
08/2017	75	8	4	10	27	26
09/2017	121	30	6	18	36	31
10/2017	117	22	7	16	43	29
TOTAL NUMBER OF PROPERTIES WITH REGISTERED CONTRACT OF SALES BY FOREIGN BUYERS						
01/2017	93	9	1	25	35	23
02/2017	113	4	2	20	47	40
03/2017	188	8	16	28	56	80
04/2017	127	18	6	20	40	43
05/2017	260	15	11	43	96	95
06/2017	208	12	15	26	77	78
07/2017	251	15	29	41	75	91
08/2017	173	6	22	25	41	79
09/2017	161	15	14	34	50	48
10/2017	266	17	23	39	109	78
TOTAL NUMBER OF FOREIGN BUYERS - (TRANSFERS OF SALE)						
01/2017	54	8	2	13	15	16
02/2017	79	17	3	19	17	23
03/2017	122	16	5	30	29	42
04/2017	78	11	7	18	23	19
05/2017	113	18	4	22	38	31
06/2017	131	24	8	23	31	45
07/2017	115	14	3	27	36	35
08/2017	84	9	4	10	29	32
09/2017	148	35	5	21	44	43
10/2017	142	24	6	19	52	41
TOTAL NUMBER OF FOREIGN BUYERS WHO REGISTERED CONTRACT OF SALES						
01/2017	105	12	1	27	32	33
02/2017	138	5	3	22	53	55
03/2017	209	8	10	42	59	90
04/2017	151	14	6	28	49	54
05/2017	286	18	9	54	84	121
06/2017	206	11	9	37	62	87
07/2017	269	16	18	44	86	105
08/2017	152	5	6	27	40	74
09/2017	187	10	8	38	62	69
10/2017	259	17	9	51	91	91

Figure 8: Pancyprrian statistical data for transfer of sales and contract of sales to foreign buyers for the period 01/01/2017 - 31/10/2017 (source: Department of Lands and Surveys website)

6.2 Important / exceptions

Kimmons in the article *Learn About the Elements of a Legally Valid Real Estate Contract*, mentions that there are some essential elements that make a real estate contract valid. These are the following:

- **Legal Purpose:** It is not allowed to execute a contract that calls for an illegal act. The purpose of the contract must comply with the law and not involve any fraud.
- **Legally Competent Parties:** The parties to a contract must be legally competent to enter an agreement. More specifically, this includes being of legal age and mentally competent at the time of entering the contract.
- **Agreement by Offer and Acceptance:** In real estate, this is represented by an offer to purchase a property by a buyer and the acceptance of that offer by the seller/owner. Most preferably, this is not merely an oral agreement but a written contract with

signatures of all the parties involved. The buyer is offering a price with contingencies and the seller is accepting the offer with contingencies.

- **Consideration:** Consideration is anything of legal value offered and exchanged in the contract. This could be money, services or other valuable goods. The consideration must be defined in the contract. In most of today's real estate deals, money is the consideration. That doesn't mean cash, as there will often be financing involved.
- **Consent:** This predefines that the parties to the contract have consented willingly and knowingly to the terms of the agreement/contract. There cannot be fraud, misrepresentation, a mistake or undue pressure on any party to the contract.

6.3 Expert Advice

A common misconception is that real estate contracts are overwhelming and confusing. This is not the case. The following steps can help you when dealing with real estate contracts:

- try to understand the types of real estate contracts available and how each can benefit an investor
- always read carefully the fine print in any contract

6.4 Additional reading

Esajian, J. (2017). *What Are The Different Types Of Real Estate Contracts?* Available on: <https://www.fortunebuilders.com/types-of-real-estate-contracts/> (25.02.2018)

Kimmons, J. (2017.). *Learn About the Elements of a Legally Valid Real Estate Contract.* Available on: <https://www.thebalance.com/elements-of-a-legally-valid-real-estate-contract-2867174> (25.02.2018)

KPMG Cyprus. (2017). *Cyprus Real Estate Market Report* (Publication). Available on: <https://home.kpmg.com/content/dam/kpmg/cy/pdf/2017-July-December/cyprus-real-estate-report-eighth-edition.pdf> (25.02.2018)

6.5 Exercise and quiz

What does a real estate contract usually not include?

- a) purchase price
- b) party identification
- c) signatures
- d) photographs of the property**

What is not one of the four main types of real estate contracts?

- a) Purchase Agreement
- b) Real Estate Advisor Contract**
- c) Lease Agreement
- d) Power of Attorney

Exercise

A real estate contract is a contract between parties for the purchase, sale, exchange, or other real estate transaction. As discussed in this unit there are some essential elements that make a real estate contract valid or invalid. Note them down briefly.

7. NOTARY’S PAPERS

7.1 Theoretical Framework

A notary public (or public notary or notary) is a public officer that is appointed by a state government “to serve the public as an impartial witness in performing a variety of official fraud-deterrent acts related to the signing of important documents” (National Notary Association, 2018). It refers only to common-law notaries and not civil-law notaries (lawyers who have passed the bar).

The primary duty of a notary officer is to help prevent fraud by witnessing the signing of documents and verifying their authenticity. Other essential functions of a notary are:

- Administer oaths and affirmations
- Take affidavits and statutory declarations
- Take acknowledgements of deeds and other conveyances
- Protest notes and bills of exchange
- Provide notice of foreign drafts

The role of the notarization of documents is to improve public trust in transactions and to deter fraud. As an impartial witness, the Notary ensures that the signers of documents are who they are and that they have entered into an agreement knowingly and willingly. Business dealings between strangers are currently the norm, so notaries create a reliable environment where people can share important documents with full confidence in their authenticity.

If a document requires this acknowledgement, and the parties fail to have it notarized, the transaction may be voidable, allowing a party to back out of the deal on the basis of a technicality, or preventing a party from enforcing their rights under an otherwise lawful transaction.

7.1 National context (Cyprus)

Cyprus Notary Information	
Conditions	In Cyprus the profession of notary does not exist. The duties that usually belong to public notaries in other countries are performed by lawyers in Cyprus who are members of the Cyprus Bar Association. There are also certifying officers in Cyprus who can only deal with only one of the notary’s activities that of authenticating documents.
Procedure	<p>Certifying officers in Cyprus are appointed by the Ministry of the Interior, and they do not need to qualify as lawyers in Cyprus. The regulating body of this profession is also the Ministry of the Interior (BridgeWest, 2011).</p> <p>(a) The certification of signature/s through a certifying officer, who certifies that the person named in the document, has signed in his presence. As Certifying officers in Cyprus are appointed and regulated by the Ministry of Interior, if a document is required to be legalized by apostille as well, then his signature should be beforehand certified by the District officer as well and</p> <p>(b) Legalization by Apostille. Apostille is a certification by the Ministry of Justice and Public Order that is useful for documents drafted in Cyprus that</p>

	<p>are intended to be recognized by foreign authorities. Legalization by Apostille confirms that the signatures on a document are valid so that it can be used in countries outside Cyprus. All countries that have signed the Hague Convention of 5th October 1961, among which is Cyprus, accept Apostille. Alternatively, for countries that have not signed the Hague Convention, legalization of a document can be effected by the local embassy or Consulate of that country in Cyprus.</p> <p>You can find the nearest certifying officer searching online. Currently, there is not an official list of certifying officers.</p>
Timeframe	Provided that the original documents are in order, they can be certified/ apostilled within one working day.
Needed documents	The real estate documents that require notarization
Costs (Fees, Prices)	The fees charged by certifying officers in Cyprus are somewhere around 50 EUR, depending on the document and the transaction's value.

7.2 Important / exceptions

The real estate documents that require a notarization include, but are not limited to:

- closing documents signed by both the seller and the buyer
- purchase agreements
- house rental agreement
- warranty deeds etc.

If a document requires this acknowledgement/ notarization, and the parties fail to have it notarized, the transaction may be voidable, allowing a party to back out of the deal on the basis of a technicality, or preventing a party from enforcing their rights under an otherwise lawful transaction.

7.3 Expert Advice

There are some documents that cannot be witnessed or notarized by a notary public (and this depends on the national regulations concerning notaries):

- Birth Certificates
- Blank or incomplete documents
- Faxed or copied signatures
- Wills
- Documents that the notary is a party to

Therefore, an advisor or an investor should have this in mind when handling official documents.

7.4 Additional information

- BridgeWest. (2011). Cyprus Public Notary (Certifying Officer). Available on: <http://www.bridgewest.eu/article/public-notary-in-cyprus> (26.02.2018)
- National Notary Association (2018). What Is a Notary Public. Available on: <https://www.nationalnotary.org/knowledge-center/about-notaries> (26.02.2018)

7.5 Exercise and quiz

What is the primary duty of a notary officer?

- a) witnessing the signing of documents and verifying their authenticity
- b) finding real estate investors
- c) developing real estate contracts
- d) providing proof for the value of the property

Which is a document that does not require a notarization?

- a) purchase agreements
- b) bank documents
- c) house rental agreement
- d) warranty deeds

Exercise

The role of the notarization of documents is to improve public trust in transactions and to deter fraud. Which are the most important real estate documents that require notarization?

8. PROPERTY RIGHTS FOR FOREIGNERS

8.1 Theoretical Framework

Foreign investors have essentially the right to own or rent immovable property, in accordance with national law and regulations.

According to the 4th Edition of the OECD Benchmark Definition of Foreign Direct Investment foreign direct investment is a category of investment that reflects the objective of establishing a long-lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor (OECD, 2008).

This long-term interest implies the existence of a lasting relationship between the direct investor and the direct investment (enterprise/property) and thus it is important for the rights of foreign investors to be clearly defined and outlined.

National Context (Cyprus)

Cyprus Property rights for foreigners	
Procedure, Documentation needed and where to apply?	<p><u>Non-EU citizens</u> are entitled to freehold ownership of properties; offshore entities may buy premises for their business or as a residence for their foreign employees.</p> <p>Permission to buy property must be sought from the Council of Ministers by written application, submitted by the non-EU purchaser after the agreement is signed. This permission is granted to all bona fide purchasers. In the meantime, however, purchasers may take possession of their property without restriction. The application to the Council of Ministers to acquire immovable property in Cyprus can be made within a reasonable amount of time after signing the contract of sale.</p> <p><u>EU citizens who are permanent citizens in Cyprus</u> do not require permission to buy any immovable property.</p> <p><u>EU citizens who are not resident in Cyprus</u> also need the approval of the Council of Ministers.</p> <p><u>EU citizens with permanent or temporary permits</u> can register as many properties as they wish in their name, provided they have signed a confirmation with the government of Cyprus that they will stay in the country for the following five years.</p> <p><u>Legal entities established in EU countries</u> that have their headquarters and registered office in Cyprus are not required to have a permission to buy any immovable property.</p>

	<p><u>Legal entities established in Cyprus and controlled by citizens of the EU</u> are required to have a permission to buy immovable property in Cyprus, as well as any other legal entities.</p>
Conditions	<p>For non-Cypriots, the process of purchasing properties in Cyprus is simple, especially when compared to other countries.</p> <p>Especially EU nationals and companies established in any EU country are not restricted when buying property in the Republic of Cyprus. However, there are some notable restrictions on the foreign ownership of real estate by non-EU residents.</p> <p>Legal procedures and requirements for acquiring and disposing of real property in Cyprus are complex, but professional help from real estate agents and consultants can provide sufficient help to meet government requirements.</p> <p>There is currently an increasing interest in foreign investments in the Real estate market of Cyprus. This is unquestionably aided by the government’s policies aiming to attract foreign investors, such as the “Scheme for Naturalization of Investors in Cyprus by exception” (read further about the scheme below).</p>
Constitution of Cyprus	<p>Part II of the Constitution of Cyprus (Fundamental Rights and Liberties, articles 6-35) establishes equality amongst all persons, irrespective of their nationality, and safeguards fundamental rights to the same extent as such rights are protected under the European Convention of Human Rights. Both foreign and national investors are offered continuous protection and security in Cyprus and enjoy the same rights and civil liberties, the main aspect of which is the right to access to justice. The right of <u>ownership of property</u> is considered as one of the fundamental rights under the Constitution of Cyprus and as such, it is clearly and absolutely protected by article 23 of the Constitution (Antoniou & Demetriadi, 2014).</p>
International investment protection rules	<p>At an EU level, a comprehensive EU investment policy is implemented, allowing the EU to negotiate investment protection agreements itself. Article 207(1) of the TFEU explicitly mentions foreign direct investment as forming part of the common commercial policy, while the TFEU itself establishes the EU’s exclusive competence on foreign direct investment. International investment law aims to protect the owner of tangible or intangible assets who transfers them from one country to another to generate wealth from their use in that country. The safeguards relating to the <u>protection for foreign investment and proprietary rights</u> afforded by international investment law comprise the requirement of non-discrimination, the prohibition of confiscatory taxation, the standard treatment of foreign investors, and the doctrine of abuse of rights. Cyprus, a renowned international business center, is a signatory to a significant number of the major international conventions and treaties and has incorporated a plethora of acknowledged concepts and practices of</p>

	international investment rules into its national legal order (Antoniou & Demetriadi, 2014).
Important issues: Political situation	It is very important to be aware of the political situation of the island. Purchasing property in the north area (administered by Turkish Cypriots) is a contentious issue in Cyprus. Read the following warning posted on the Ministry of Foreign Affairs website: click here .
Cypriot citizenship-Scheme for Naturalization of Investors	<p>Grant of the Cypriot citizenship to non-Cypriot entrepreneurs/ investors through the “Scheme for Naturalization of Investors in Cyprus by exception”</p> <p>As a part of its policies aiming to attract foreign investors in Cyprus the Council of Ministers, on the 19th of March 2014, revised the "Scheme for Naturalization of non-Cypriot investors by exception" and, thus, established the new financial criteria based on which non-Cypriot entrepreneurs/ investors may acquire the Cypriot citizenship.</p> <p>Here you can find the "Scheme for Naturalization of non-Cypriot investors by exception" in Greek and English.</p>
Immigration permits	<p>The Ministry of the Interior released a revised “fast” track procedure for granting an immigration permit to third-country nationals that intend to take up permanent residency in Cyprus, provided that they fulfil specific criteria.</p> <p>The application form must be accompanied by a title deed or a contract of sale that has previously been submitted to the Department of Land and Surveys, for the acquisition of a house, apartment or any other building situated in Cyprus, of a minimum market value of €300.000 (plus VAT). Furthermore, the applicant must submit proof of payment (at least €200.000 plus VAT) in respect of the property as mentioned earlier (KPMG Cyprus, 2017).</p>

8.2 Important / exceptions

Issues most frequently raised by foreign investors related to the real estate market and their rights include:

- mortgage liability
- lawyers and consultants also acting for vendors or builders therefore not independent
- building taking place without the correct planning permissions/building permits (e.g. electricity or water)
- fluctuations in currency and interest rates affecting mortgages
- payment plans/fees not being included in the initial contract
- difficulty in obtaining certificates of final completion (without which deeds cannot be issued)
- difficulty in obtaining title deeds
- difficulty in obtaining redress after problems are identified

8.3 Expert Advice

Tips for buying real estate property in Europe and protecting the relevant rights for foreign investors:

1. First, check the national property rights for foreigners

Investors in real estate or their advisors are encouraged to first check thoroughly the property rights of the country they are interested in investing and then make informed decisions based on credible information.

2. Check for licensed and regulated advisors

Always check that your advisors/estate agents are licensed and regulated. More specifically, you can check whether they are members of relevant federations/bodies, registered and in compliance with the relevant national law.

3. Consider all risks and be alert

There are several risks for foreigners buying property abroad. You should be alert to the possible risks involved and seek support and guidance from specialists (FDI Advisors, real estate agents, lawyers etc.) along your way.

8.4 Additional information

- Antoniou, A., & Demetriadi, A. (2014). Protection Of Foreign Direct Investments in Cyprus. Available on: <http://www.cypruslawdigest.com/topics/foreign-investments/item/149-protection-of-foreign-investments> (26.02.2018)
- Antonis Loizou & Associates Ltd. (2017, July 28). Increasing interest from foreign investors. Available on: <http://cyprus-mail.com/2017/07/30/increasing-interest-foreign-investors/> (26.02.2018)
- How to buy property in Cyprus. (2013). Available on: <https://www.gov.uk/guidance/how-to-property-in-cyprus#further-information> (26.02.2018)
- KPMG Cyprus. (2017). *Cyprus Real Estate Market Report* (Publication). Available on: <https://home.kpmg.com/content/dam/kpmg/cy/pdf/2017-July-December/cyprus-real-estate-report-eighth-edition.pdf> (25.02.2018)
- OECD. (2008). *OECD benchmark definition of foreign direct investment* (4th Edition ed.). Paris: OECD
- The Department of Lands and Surveys of Cyprus. (n.d.). Available on: <http://portal.dls.moi.gov.cy/en-us/thedepartment/Pages/historical-background.aspx> (26.02.2018)

8.5 Exercise and quiz

What does a real estate contract usually not include?

- a) purchase price
- b) party identification
- c) signatures
- d) photographs of the property

Which is not a frequent issue for foreign real estate investors?

- a) mortgage liability
- b) finding licensed and regulated advisors
- c) fluctuations in currency and interest rates
- d) obtaining title deeds

Exercise

Foreign investors have essentially the right to own or rent immovable property, in accordance with national law and regulations. Using the resources provided try summarize the main property rights for foreigners in your country.

Category of Investor	Property rights

9. REAL ESTATE MARKET IN PRACTICE

9.1 Theoretical Framework

In this age and day, the demand for real estate and land investments continues to increase. The land is a finite resource and therefore its value will constantly be increasing.

In this unit, we will focus on the how real property markets operate in practice and the specific areas: price measurement, professional methods of valuation (appraisal) and possible impact on price formation.

9.1.1 Price Measurement

The measurement of real estate prices is a challenging area. That is mainly due to the fact that there are usually severe data limitations and several complex conceptual issues involved such as adjusting for quality changes.

9.1.2 Real Estate Appraisal

Real estate appraisal is the process of developing an opinion of value for real property. As discussed previously, real estate appraisals are conducted under some set of assumptions about transactional markets and those assumptions are captured in the definition of value used for the appraisal.

Real estate transactions usually require appraisals because they occur infrequently and every property is unique (especially their condition which is a key factor in valuation), in comparison with other investment types like corporate stocks, which are traded daily and are identical. The following elements play a key role in valuation:

- Condition
- Location.
- Upgrades or improvements

Appraisal reports are the main source of mortgage loans, settling estates and divorces, taxation, and other and are sometimes used to establish a sale price for a property.

9.1.3 Professional Methods of Real Estate Appraisal

There are three popular groups of methodologies for determining real estate value and they are independent of each other:

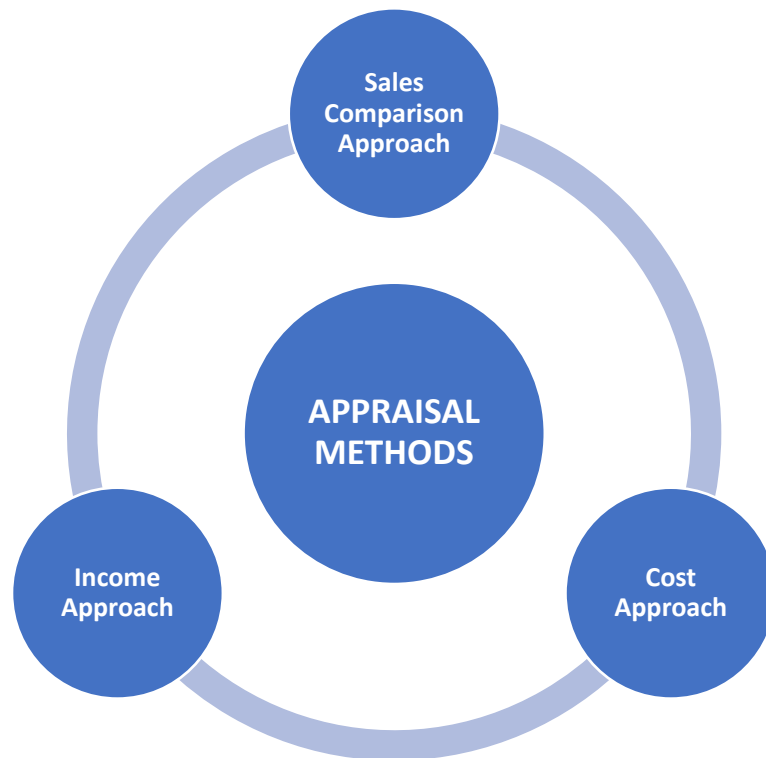


Figure 9: Professional Methods of Real Estate Appraisal

- A. **The sales comparison approach:** this approach is based on the principle of substitution, comparing a property's characteristics with those of comparable properties that have recently sold in similar transactions. Therefore, a rational individual would not offer to pay more for a real property than it would cost to buy a similar substitute one.
- B. **The cost approach:** this approach is based on the fact that a rational individual (the buyer) will usually not pay more/extra for a property than it would cost to build an equivalent one.
- C. **The income approach:** similar to the methods used for financial valuation, securities analysis, or bond pricing. This approach allows consultants and investors to estimate the value of a property by taking the net operating income of the property and dividing it by the capitalization rate. The income approach is typically used to value commercial and investment properties.

9.2 Important / exceptions

9.2.1 Factors affecting the Real estate sector and Real Estate Prices

Real estate is a multidimensional sector that represents an essential amount of most people's wealth and is driven by several key factors:

1. Construction: costs of construction and material and construction production
2. Interest rates: they have a major impact on the real estate markets
3. Government Policies: related to real estate, ownership etc.
4. Building Permits: the indicator of future activity in the construction sector

- 5. Property Price Indices (see 8.5)
- 6. The economy

9.2.2 Property Price Indices - National context (Cyprus)

The Royal Institute of Chartered Surveyors (‘RICS’) Cyprus Property Price Index is published on a quarterly basis and focuses on quarterly price and rental index that tracks property and rental prices across all districts and main property types in Cyprus. The information provided by RICS is based on the average price and rent of the sub-districts monitored per urban centre per sector.

During the second quarter of 2017, the Cyprus economy showed further signs of stability, with a seasonally adjusted quarterly GDP growth of 0.9% and an annual seasonally adjusted GDP growth of 3.5%. Unemployment remained at relatively high levels, on a continued downward trend to a 10.8% (from the high levels of 17%). Given prevailing economic conditions and the marginally improved confidence in the Cyprus’ banking system, there are relatively higher transactions during the quarter and improved market sentiment. Financial institutions, despite their NPLs, have been more willing to provide access to finance and there is an increasing interest from locals.

The Property Price Index has recorded increases on an annual basis in all cities and asset classes, with significant increases being recorded in Limassol, Nicosia and Larnaca, whilst Paphos and Paralimni have shown smaller annual increases. (RICS, 2017)

Cyprus Property Price Indices	
RESIDENTIAL PROPERTY	<p>i. APARTMENTS</p> <p>The average sale price for an apartment in Cyprus in 2016 was €102.005 while in 2015 it was €100.659 (figure 10).</p> <p>The average monthly rental rates for apartments in Cyprus in 2016 were €342, while the 2015 yearly average was €324 (figure 11).</p> <p><i>Note: Apartment prices and rents according to RICS are based on 85 m2, two-bedroom, medium quality.</i></p> <hr/> <p>ii. HOUSES</p> <p>The average price for a house in Cyprus in 2016 was €333.321 whilst in 2015 it was €327.027 (figure 12).</p> <p>The average monthly rental rates for houses in Cyprus in 2016 amounted to €63 while the yearly average for 2015 was €533 (figure 13).</p> <p><i>Note: Housing prices according to RICS Index relate to semi-detached, three-bedroom houses (250 m2)- medium quality with garden.</i></p>
RETAIL PROPERTY	<p>The average price for retail properties in Cyprus in 2016 was €50.106, while in 2015 it was €49.546 (figure 14).</p>

The average monthly rental rates for retail properties in Cyprus in 2016 amounted to €1.522 compared to €1.524 in 2015 (figure 14).



Figure 13

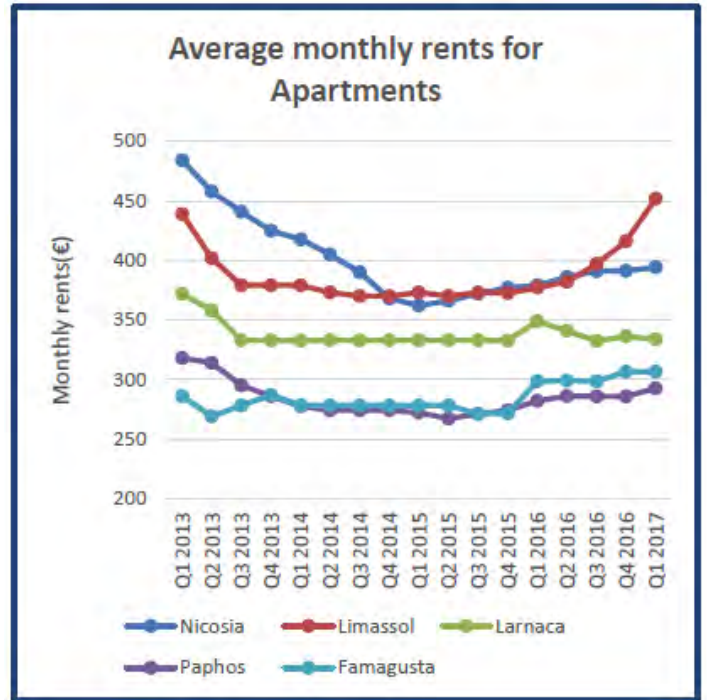


Figure 13

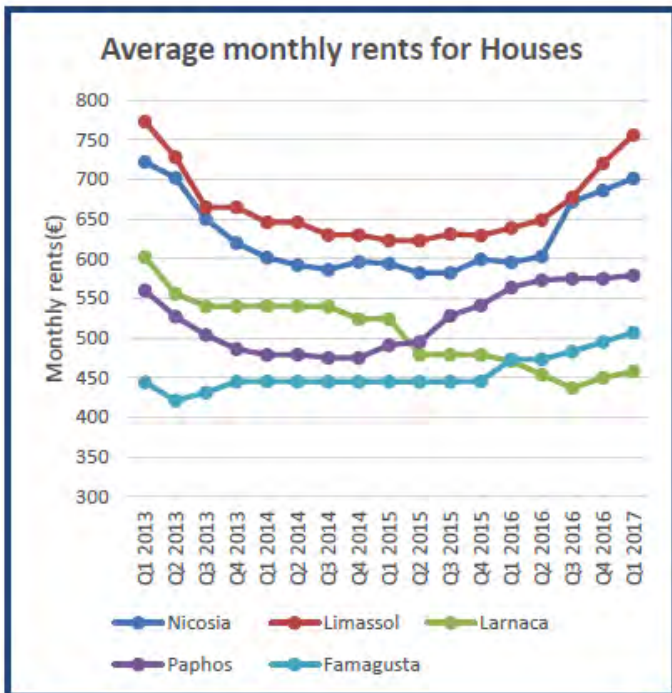


Figure 13

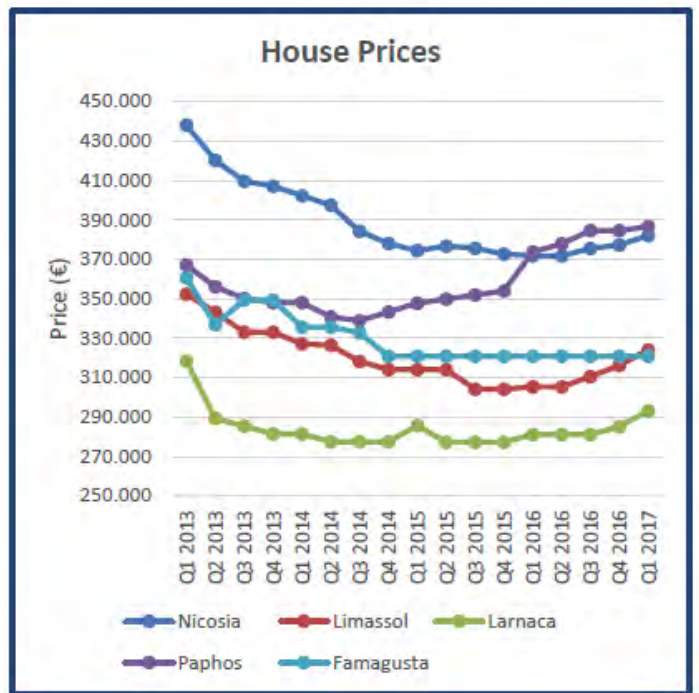


Figure 13

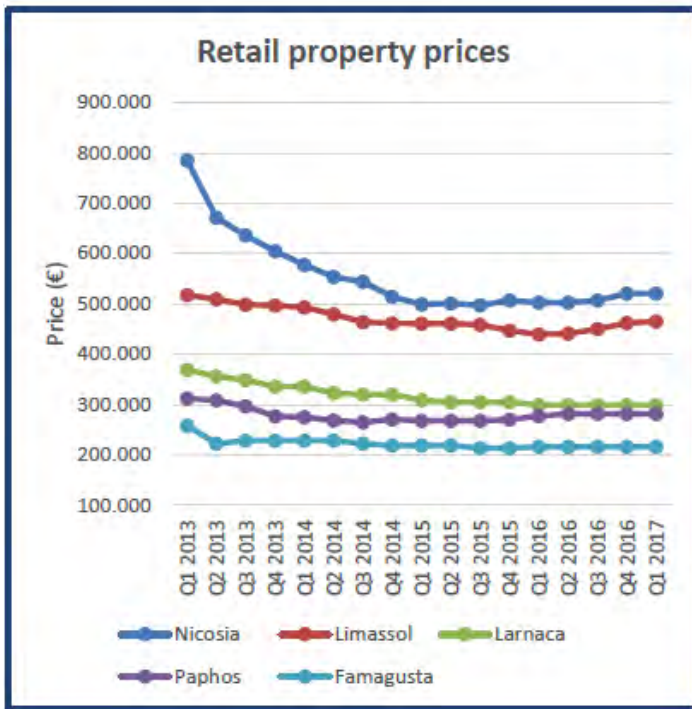


Figure 15

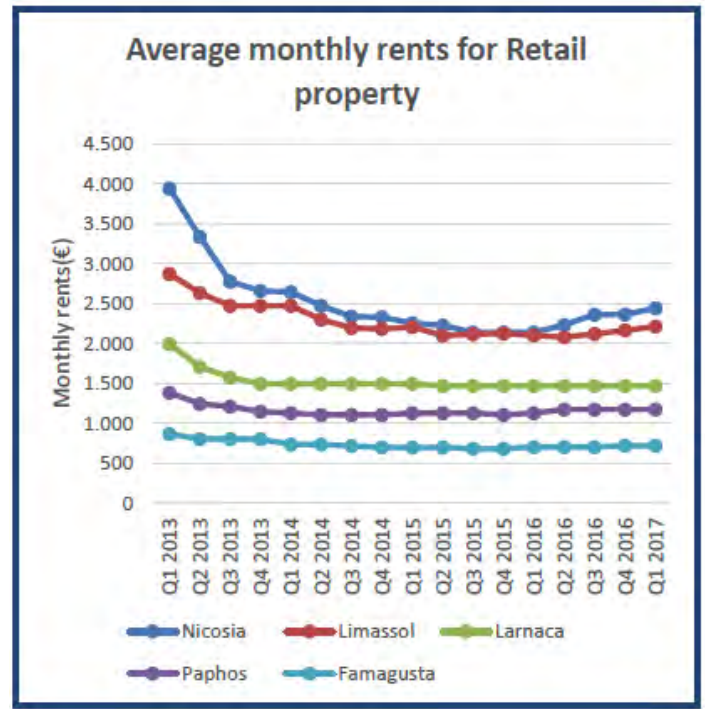


Figure 15

Source: KPMG 2017 Cyprus Real Estate Market Report and RICS

9.3 Expert Advice

Below you can find out useful tips and information regarding real estate appraisal principles and procedures:

- 1) You should always enlist the help of a reputable agent/ FDI advisor when selling or buying real estate. This agent will analyse comparable sales and prepare an estimate of value, which thus will result in pricing the property accurately.
- 2) A real estate appraisal provides opinion on the value of real estate (land and/or buildings). Therefore, always have in mind that opinions are of subjective nature and can be disputed.
- 3) There are many contributing factors that affect the real estate market: ask your agent/advisor to advise you on specific issues.

9.4 Additional information

- *Cyprus Property Price Index Q1 2017* (Publication No. 20). (2017). RICS. Available on: <https://www.rics.org/Global/RICS%20Cyprus%20Property%20Price%20Index%20Q1%202017.pdf> (26.02.2018).
- MDB. (2011, August 21). *Real Estate Appraisal Principles and Procedures* (Video). Available on: <https://www.youtube.com/watch?v=WKBI4NXtAFU> (26.02.2018).

- Pagourtzi, E., Assimakopoulos, V., Hatzichristos, T., French, N.; et al. (2003). "Real estate appraisal: a review of valuation methods". *Journal of Property Investment & Finance*. Emerald Group Publishing. 21 (4): 383–401.

9.5 Exercise and quiz

Which of the elements below does not play a key role in real estate valuation?

- Condition
- Location
- Upgrades or improvements
- Ease of procedures

Which is not considered one of the main professional methods of Real Estate Appraisal?

- The rent approach
- The sales comparison approach
- The cost approach
- The income approach

Exercise

The measurement of real estate prices is a challenging area, as there are usually severe data limitations and several complex conceptual issues involved. An investor and an FDI Advisor should always be aware of the current property price indices. Using the material provided in this unit fill in the table below.

Property Type		Current Property Price Indices	
		Sale price	Rent price
RESIDENTIAL PROPERTY	HOUSES		
	APARTMENTS		
RETAIL PROPERTY			

10. REAL ESTATE BROKERAGE

10.1 Theoretical Framework

A real estate broker is someone that is licensed to arrange and negotiate real estate transactions. The responsibilities of a real estate broker include purchasing homes, land, and commercial properties and writing contracts for listing. In most contexts, a broker is a higher level license than a real estate agent and is authorised to employ real estate agents to work under a broker's supervision.

10.1.1 Real estate broker vs agent

Many people not familiar with the industry of real estate and use the terms real estate agent and broker interchangeably. There are differences among the three, however, regarding the qualifications and the exact services each professional offers.

A real estate agent is:

- a professional in the industry who has taken and passed all required real estate classes, along with the real estate licensing exam in the state in which he or she intends to work.
- it is usually the starting point for most of those going into the real estate field

A real estate broker:

- has continued his or her education past the real-estate-agent level and has passed a state real estate broker license exam.
- real estate brokers can work as independent agents or have other agents working for them
- an associate broker may share in the brokerage profits above and beyond the typical agent commission.

Perhaps the most important distinction between the two is that a broker can work on his or her own, while an agent has to work under a licensed broker.

10.1.2 Real estate brokerage duties and responsibilities

The duties and responsibilities of a real estate broker can be divided into two sections:

a) **Brokers working for sellers:** While many times an agent working on a broker's behalf will take on these duties, the broker often handles transactions for sellers as well. Some of their duties on behalf of sellers include:

- List homes for sale.
- Share the brokerage listings with other broker members to get buyers to the property.
- Share the listing commission with successful buyer brokers.
- Advise the home seller in preparing their home for listing and showings.
- Supervise showing, report to sellers results and feedback.
- Submit any and all offers to the seller for consideration.

- Help the seller to negotiate offers to try and execute a purchase contract with a buyer.
- Work on the seller's behalf in coordinating the transaction process.
- Deliver and explain documents, disclosures and transaction items.
- Work with the seller through to the closing and their move-out from the home.

b) **Brokers working with Buyers:** This is another side of a broker, working with people wanting to buy a property with advice and services to help them to locate the property and complete the transaction. Their duties on behalf of the buyer include:

- Help buyers to locate all properties in their desired area in their price range and meeting their criteria.
- Coordinate and help buyers to visit and view properties.
- When a decision is made to attempt a purchase, help the buyer to craft their initial offer and purchase agreement.
- Work with the buyer on their behalf in negotiations with the seller through their agent/broker.
- Once a purchase contract is executed, coordinate the transaction process on the buyer side.
- Deliver and explain documents in the transaction process.
- Coordinate inspections, reports and repair negotiations.
- Assist buyers through to closing and taking possession.

10.1.3 Real estate brokerage contract

The basic characteristics of a brokerage contract are:

- Every brokerage contract concluded between a natural person or partnership and a real estate broker or agency for the sale, lease or exchange of a chiefly residential immovable containing less than five dwellings must contain a specific expiry date and time. If none are indicated, the contract automatically terminates 30 days after coming into effect.
- It must also include minimum sale/buying price, terms of sale/buying, and commission provisions.
- There are usually no rules in or regulations stipulating a minimum or maximum term for a brokerage contract. The term of the contract must be agreed upon and indicated on the Brokerage contract form before signing.
- The brokerage agency or broker must act according to the client's wishes.
- The client, for his part, must understand that the period needed to promote or search for an immovable and get the best possible price for the seller or an acceptable purchase price for the buyer depends on current market conditions.

Below you can find an example of a real estate brokerage contract:

[STATE THE NAME OF THE OWNER OF THE PROPERTY], referred to as OWNER, in consideration for the services performed to date and to be performed, herewith appoints [STATE THE NAME OF THE BROKER], referred to as BROKER, as the exclusive agent for the sale of the following described real estate, on the terms and conditions set forth below, the following real property:

[PLEASE STATE THE LEGAL DESCRIPTION OF THE PROPERTY]

BROKER agrees to diligently and in accordance with all applicable regulations and laws to seek to find a buyer for the property. This exclusive listing shall expire [PLEASE STATE THE NUMBER OF DAYS OF THE LISTING] days after commencement.

The minimum selling price of the property shall be:
\$ [PLEASE STATE THE MINIMUM SALES PRICE] ([PLEASE STATE THE MINIMUM SALES PRICE] Dollars)

Upon the following terms:

[STATE TERMS]

BROKER may place a sign during the term of this listing on the property stating that it is the broker herein, and OWNER agrees to allow the sign to be kept during the term of the listing and to allow BROKER access to the same for maintenance. During a period when a closing is pending, the BROKER may continue to place a sign indicating the same.

OWNER agrees to pay a commission of [STATE THE PERCENT COMMISSION (SPELL OUT)] percent ([STATE THE PERCENT COMMISSION IN NUMBERS] %) of the sales price, if (1) you procure a buyer who is ready, willing and able to purchase the premises upon the terms stated above; (2) you procure a buyer to whom OWNER, in fact, sells or trade the property; (3) during the terms of the listing, the property is sold through a buyer procured by others. A commission as provided shall be due if BROKER procures a buyer that purchases the property on other terms acceptable to the OWNER.

If the property is sold or otherwise conveyed to a prospect first submitted by BROKER within 4 months of the expiration of the listing period, the commission provided for herein shall be due and payable.

Should a purchaser procured by BROKER default, and if any deposit, escrow or earnest money is forfeited or received by OWNER shall pay fifty percent (50%) of the same to the BROKER as compensation, but in no event, an amount in excess of the commission earned on the transaction had it closed.

OWNER represents and warrants that it has disclosed all defects in the property to the BROKER and BROKER acknowledges an opportunity to fully inspect the premises.

[DATE]

[STATE THE NAME OF THE OWNER OF THE PROPERTY], OWNER

[STATE THE NAME OF THE BROKER], BROKER

10.2 Important/ exceptions

10.2.1 Records to be kept by a real estate company

Usually, a real estate agency has hundreds and hundreds of documents and it is very challenging to provide a specific record-keeping rule: which documents are essential to keep and which not so important and can be thrown away.

The best advice is to keep all records for at least 5 years and major contracts, such as the listing agreement, purchase contract, and disclosure forms for at least 10 years.

Some records that are very important and should be kept long-term are:

- a) The principal documents that are part of the transaction, such as the listing agreement, purchase offer, counteroffers, agency relationship disclosure, property defects disclosure, escrow instructions, and repair agreements.
- b) Backup documents that demonstrate that the property was priced properly and promoted legally. These include comparable sales data, sales brochures on the property, property advertisements, and a list of other properties the buyer was shown prior to this accepted offer. These documents can be invaluable if you're charged with a fair housing violation.
- c) Documents that pertain to the physical condition of the property and land, including land surveys, inspections (current and previous, if the sellers kept them), the preliminary title report, permits, receipts from the seller for repairs made before a sale, and current repair receipts for agreed buyer-requested repairs. These types of documentation will be valuable if questions arise about disclosure of known defects.
- d) Receipts from buyers that they had received any required disclosure, such as pamphlets on lead-based paint, mould, earthquake safety, flood warnings, and so on.
- e) Correspondence, e-mail, faxes, and notes of phone calls and conversations between the principals and the sales associates, as well as with third parties, such as escrow or title agents, inspectors, or repair people. For example, if you received two offers for a property, be sure you have documentation of the date and time offers were received, replied to, and accepted as well as how you presented each offer.
- f) Any prior offers and respective documents/ correspondence.

10.2.2 Consumer protection against unfair commercial practices

When dealing with consumers you must always ensure that you act fairly, you must provide accurate and valid information and should by any means avoid business practices that are unfair, misleading or aggressive.

There are three key types of practices to consider:

1. Practices prohibited in all circumstances: These include cases of:
 - false endorsements/ authorisations (for example falsely claiming that something has been approved by a public or private body)
 - misleading availability (including bait advertising),

- misleading context/ effect
 - pyramid schemes etc.
2. Misleading actions and omissions: 'misleading actions' and 'misleading omissions' that cause, or are likely to cause, the average consumer to take a different transactional decision.
 3. Aggressive practices: aggressive commercial practices can intimidate or exploit consumers, restricting their ability to make free or informed choices

10.3 Tips from professionals

Some useful tips:

1. During any transaction, make sure that all documents are properly signed and dated. Documents should be signed and dated by all parties involved- sellers, buyers, and real estate practitioners.
2. Just before the closing of an agreement, check your files to ensure no critical document is missing. Keep checklists—one for buyers, one for sellers—so that you won't overlook anything.
3. There is often a considerable risk in the operation of a brokerage. To minimise risk, a broker must continuously be updated about relevant and important changes in the legislation and educate and monitor their agents.
4. A good advice regarding real estate records is to keep all records for at least 5 years and major contracts, such as the listing agreement, purchase contract, and disclosure forms for at least 10 years.

10.4 Additional information

- “Consumer Protection from Unfair Trading.” Business Companion. Available on: www.businesscompanion.info/en/quick-guides/good-practice/consumer-protection-from-unfair-trading (06.04.2018).
- Nichols, B. “Documentation: Keep It or Weep.” Realtor Magazine. Available on: <http://realtormag.realtor.org/law-and-ethics/law/article/2004/11/documentation-keep-it-or-weep> (06.04.2018).
- Segal, T. “How Are Real Estate Agents, Brokers, and Realtors Different?” *Investopedia*, 7 Available on: www.investopedia.com/ask/answers/101314/what-are-differences-among-real-estate-agent-broker-and-realtor.asp#ixzz5BhLbguKx (06.04.2018).

10.5 Exercise and quiz

What are the main responsibilities of a real estate broker?

- a) purchasing homes, land, and commercial properties
- b) investigating for frauds in a real estate transaction
- c) searching for investment opportunities
- d) verifying the documents of a transactions

Which is not one of the basic characteristics of a brokerage contract?

- a) minimum sale/buying price
- b) terms of sale/buying
- c) condition of the real estate property
- d) commission provisions

Exercise

Many people not familiar within the industry of real estate confuse the roles of the real estate agent and the broker. What are the main differences between the two?

Conclusion

People always have emphasized on the values and importance of land, since ancient times, so it is easy to understand why land, and consequently real estate, have always been considered as one of the most valuable commodities. Moreover, it is evident that legal systems throughout history have sought to put in place robust means to regulate the rights of ownership of immovable property.

In recent years, the inflation and the instability of the monetary systems and fiscal policies of advanced economies, have led to the increase of the interest in investing in real estate. The vast technological advances in communication, transportation and international trade have made the investment in this field easier and more accessible than in the past.

Finally, it is obvious why real estate benefits the owner, but real estate ownership also helps the wider society. For example, no one would be so interested in spending money to construct a building or something else on land that they did not own. Therefore, it is evident that real estate investments and ownership promote conservation and renewal of resources, and it additionally allows for various social improvements.

MODULE 5 – LABOUR MARKET OFFER AND EMPLOYMENT CONDITIONS

Introduction

Knowledge of labour market situation and active employment policy measures can be crucial information for attracting foreign investor's attention.

Therefore, it should be considered the fact that Cyprus is part of unique European market on which free movement of workers is performed.

Except introducing foreign investor with possibilities of employment, types and procedure of employment and basic legal regulations in employer-employee relation and employer-director relation are relevant.

1. LABOUR MARKET

1.1 Overview/theoretical framework

This Unit is designed to introduce the term of labour market and active employment policy to the learners. It will familiarise learners with employer and labour market relation.

After acquiring knowledge from this Unit, learners will be qualified to:

- I. track labour market trends
- II. apply activities regarding employer-labour market relation

Introduction

The labour market is controlled by labour offer and labour demand. Through the labour market, employers can search and hire employees, and employees can find employment.

The labour market is a term for labour market information, which can access pupils, students, unemployed persons or any other beneficiaries who are in need of support in the process of making a career choice.

Since the business market has opened to global competition, companies, economies and countries are confronted with bigger competition. A company's or economy's competitiveness depends on its opportunity on adjustment to market changes and the possibility of the latest technical and technological achievements use.

The impact of the global economic recession and the Eurogroup decisions of 15 March 2013 have had a negative impact on the Cypriot economy and dealt the labour market a heavy blow. However, in 2017, the labour market has partly recovered and the future indications are forecasted as promising.

Information on unemployment in Cyprus in March 2017 (monthly labour force survey):

- There has been a gradual monthly decrease in registered unemployment over the last 24 months, pointing to an improvement in the economic climate of Cyprus. The unemployment rate has recently decreased for all age groups.
- Unemployment fell in all districts. The highest *decrease* in terms of numbers was reported in the districts of Nicosia and Limassol, mostly accounted for by the recovery of the building sector.
- 75 % of unemployed people in Cyprus are Cypriots, 18 % are citizens of other EU countries, while the remaining 7 % are from other countries.
- Education: half of those registered as unemployed have secondary-level general or technical education (48 %), followed by higher education graduates (32 %) and those with primary education (20 %).
- Unemployed people are concentrated in the wholesale and retail trade (17 %), construction (19 %), hotels / restaurants (16 %) and processing (9 %) and the main categories affected are unskilled workers (22 %), service workers (19 %), new entrants (14 %) and production technicians (14 %).
- Regarding the duration of unemployment, 40 % of all unemployed people have been looking for work for over six months. 5 000 people are looking for work in services, 3 500 in trade and 2 700 in construction.

In general, the labour market indications are positive and this encouraging picture is envisaged to continue due to estimated faster economic growth in the next three years, which it is forecasted to lead to employment growth and more jobs and hence, to a gradual downswing of the unemployment rate (http://mof.gov.cy/assets/modules/wnp/articles/201701/203/docs/labour_market_bulletin_2016en.pdf).

In Cyprus, the Statistical Service is the competent authority responsible for the compilation and the publication of most of the official statistical data in Cyprus and in the fields of employment. The Human Resource Development Authority (HRDA) is also a valuable provider of statistics concerning Integration of the unemployed and inactive into the labour market and forecasts for employment and human resource supply in the Cypriot economy. The HRDA also provides estimates of employment and training needs and monitors the labour market trends.

The Department of Labour in Cyprus is responsible for the promotion and implementation of Government policy in the fields of employment and training of human resources, including the persons with disabilities.

It is crucial for an advisor to monitor changes in the labour market and be informed about the available workforce. This is very important information for foreign investor when making a decision about opening a new company and investing in the foreign country. Therefore, a competent advisor should be familiar with the offer on the labour market.

Labour market supply

Like in the rest of the EU countries, public employment services (PES) are the authorities that connect jobseekers with employers. The Public Employment Services of the Department of Labour operate at central and district level, with four Labour Offices at the Districts of Nicosia, Limassol, Larnaca and Pafos and 2 sub-offices at Paralimni and Polis. At the District Labour Offices, employers are assisted, free of charge, in finding suitable personnel through the notification of their vacancies.

Also, through EURES Cyprus that can provide employers, in particular, small and medium-sized businesses, with a personalised service to access the potential workers available in the European Economic Area (EEA). Most of the jobs on the EURES Job Mobility Portal come from the job vacancies databases managed by the Public Employment Services of the countries participating in EURES. Using a technology called Web Services, the EURES search engine instantly, in real time, interrogates each national database for jobs.

When searching suitable employees, employers can also use other employment agencies services. Cyprus has many private employment agencies and they provide services like the Cyprus PES. Before recommending an agency to the foreign investor, the advisor should carry out a background check of the employment agency. You can also contact the Cyprus Human Resource Management Association for information about employment agencies, and also the Cyprus Chamber of Commerce and Industry (KEBE).

When searching for the adequate workforce, employers should publish job advertisements in which important information the position, competencies, skills, and required level of education is included.

It is not obligatory by law to inform Cyprus PES or any other state institution about any vacancy and results. The employer can find a suitable candidate and hire him without using the services of PES or other employment agency.

Job advertisements can be published in a daily or weekly newspaper, on web pages/platform or in person.

Employment policy measures

In order to decrease unemployment, the Department of Labour of Cyprus leads active employment policy to reach objectives for more and better jobs. The Department of Labour in Cyprus is responsible for the promotion and implementation of Government policy in the fields of employment and training of human resources, including the persons with disabilities. The Department of Labour is responsible:

- to promote full, productive and quality employment by encouraging more participation in employment, and by providing placement services and vocational guidance.
- to promote rational utilisation of human resources, including administrative and coordinating work in the fields of vocational training and education.
- to protect special categories of people in the field of employment, including the securing of conditions of equal treatment and equal opportunities between men and women in employment, the protection of children and young persons, as well as pregnant women and new mothers.
- to guarantee conditions of proper employment of foreign workers, within the smooth operation of the labour market.

Financial support and aid can be diverse. Currently, there are various Programmes for employment incentives with a main objective and purpose to support businesses and individuals in matters related to the increase in productivity, the training of staff and the reduction of unemployment. You can find more information on the website of the Department of Labour, HRDA and [here](#).

Currently, there are three open schemes:

1. Scheme for the Recruitment of Enterprises with Long-Term Unemployed Personnel. You can find the main requirements [here](#).
2. Scheme for Providing Incentives for the Hiring of Unemployed with Disabilities. You can find the main requirements [here](#).
3. Scheme for the Recruitment of Enterprises with Young Graduates of Higher Education. You can find the main requirements [here](#).

The employer can also obtain support in education and training programmes for his future employee(s) from HRDA and other relevant public sector organisations (for example the Cyprus Productivity Centre). Subsidized schemes related to the recruitment and development of personnel are announced during specific periods with a main objective and purpose to support businesses and individuals in matters related to the increase of productivity, the training of staff and the reduction of unemployment. For more information about the Open schemes for the Recruitment and Development of personnel, please click [here](#).

Currently, funding is provided for conducting training programs/seminars for the enterprise (internally) or the participation of employees and executives of various enterprises (externally), through training programs which are implemented by public or private institutions and training organizations. Funding is also provided for various expenses, necessary for planning and implementing those programs, such as the wages of visiting instructors, the cost for each employee/instructor (if employed by the company), the wages of employees for all training hours, various operating expenses, such as rent etc. Also, funding is provided for attending international seminars, where any employee who wishes to attend and gain training in a specific, specialized program, may receive funding for ticket costs, residency costs, attendance costs, etc.

1.2 Important/exceptions

Active employment policy programmes can be the basis for an employer's business expanding. You can find more about the employment policy here:

http://www.mlsi.gov.cy/mlsi/dl/dl.nsf/page1a_en/page1a_en?OpenDocument

1.3 Tips from professionals

When recruiting employers should use the support that Public Employment Services and/or other employment agencies offer for candidate selection.

It is in the employer's best interest to use possibilities offered within active employment policy measures, so FDI advisors should regularly check them and inform investors about them.

1.4 Additional reading

Department of Labour: Mission. (n.d.). Retrieved September 18, 2018, from http://www.mlsi.gov.cy/mlsi/dl/dl.nsf/page0b_en/page0b_en?OpenDocument

EURES - Labour market information - National Level - European Commission. (n.d.). Retrieved September 18, 2018, from <https://ec.europa.eu/eures/main.jsp?catId=2751&countryId=CY&acro=lmi&lang=en®ionId=CY0&nuts2Code=%20&nuts3Code=®ionName=National%20Level>

Labour Market (Rep.). (2016). Retrieved September 18, 2018, from Ministry of Finance website: http://mof.gov.cy/assets/modules/wnp/articles/201701/203/docs/labour_market_bulletin_2016_en.pdf

Statistical Service of Cyprus: History & Objectives. (n.d.). Retrieved September 18, 2018, from http://www.cystat.gov.cy/mof/cystat/statistics.nsf/history_en/history_en?OpenDocument

HRDA and its Mission. Retrieved September 18, 2018, from <http://www.hrdauth.org.cy/el/η-avad-η-avad-και-η-αποστολή-της>

CPC Mission. (n.d.). Retrieved September 18, 2018, from http://www.mlsi.gov.cy/mlsi/kepa/kepa_new.nsf/kepa02_en/kepa02_en?OpenDocument

1.5 Quiz and exercise

Which public institution tracks changes in the labour market?

- a) Ministry of Labour and Social Welfare
- b) Tax Department
- c) Statistical Service
- d) Cyprus Employment Service

Besides the Public Employment Services, who else can employers contact in the process of finding suitable employees?

- a) Agency for entrepreneurship development
- b) Agency for labour market integration
- c) Unemployment agency
- d) Other employment agencies

Which service is not provided to employers, when searching suitable employees from the Department of Labour?

- a) File vacancies
- b) Use a mentor program for vocational training
- c) Provide information on basic provisions of the Labour Legislation
- d) selection of an appropriate candidate

Which is a common goal of all active employment policy measures?

- a) Professional qualification
- b) Decreasing unemployment rate
- c) Seasonal employment
- d) Vocational training

Exercise:

An employer has found the right candidate and wants to hire him/her for the web designer in the company with the salary of €1000 per month.

Candidate's data:

Age: 28

Occupation – education: web designer higher education diploma

Work experience: 6 months on the position web designer

Registered with the unemployment bureau for 8 months

Make research if it is possible for the employer to use any of the current schemes for the Recruitment of Enterprises in order to reduce the employment costs. If yes, which one, for how long, and which are the benefits for the employer?

Write a report.

2. PROVISIONS WHICH REGULATE EMPLOYER–EMPLOYEE RELATION

2.1 Overview/theoretical framework

This Unit is designed to introduce to the learners the National Legal Acts and the European Union provisions on the labour market and work law field.

After acquiring knowledge from this Unit, learners will be qualified to:

- A. identify legal regulation regarding work and labour relation and track any potential changes
- B. use the information in their work with foreign investors

European Union

The European Union seeks to promote social progress and to improve living and working conditions for European citizens.

Regarding working rights, the European Union establishes minimum standards which complement political initiatives made by EU Member States.

The European Union brings into force the laws (Directives) which establish minimum requirements for:

- Work and employment conditions
- Employees' notifying and counselling

However, a higher level of protection can be given to employees', if a Member State decides to.

The EU Labour Law benefits the employers and the society as a whole. It gives a clear framework about the work rights and obligations, provides employees' with health protection, and promotes sustained economic growth.

The European Union encourages free movement of goods, services, capital and workers by the Labour Rights Act.

From the Directive 2014/15/EU of the European Parliament and of the Council of 16 April 2014 on measures facilitating the exercise of rights conferred on workers in the context of freedom of the movement for workers:

“The free movement of workers gives every citizen of the Union, irrespective of his or her place of residence, the right to move freely to another Member State in order to work there and/or to reside there for work purposes. It protects them against discrimination on grounds of nationality as regards access to employment, conditions of employment and work, in particular with regard to remuneration, dismissal, and tax and social advantages, by ensuring their equal treatment, under national law, practice and collective agreements, in comparison to nationals of that Member State.”

EURES

Freedom of workers' movement in the European Union opens new possibilities for finding appropriate employees with specific knowledge and skills.

With that purpose, the web portal EURES (European Employment Service) was developed, which aims to facilitate the free movement of workers within the counties of the European Economic Area. EURES can provide employers, in particular, small and medium-sized businesses, with a personalised service to access the potential workers available in the European Economic Area (EEA).

Partners in the network include public employment services, trade unions and employer organisations.

Most of the jobs on the EURES Job Mobility Portal come from the job vacancies databases managed by the Public Employment Services of the countries participating in EURES. Using a technology called Web Services, the EURES search engine instantly, in real time, interrogates each national database for jobs.

For all Cypriot employers that wish to advertise vacancies in Cyprus, their vacancies have to be managed by the Public Employment Services (DYAK). For more information click [here](#).

National legal regulations

National legal regulations on which employer–employee relations and working contracts are based on a mixture of statutes and case law, as well as the Article 25 of the Constitution which guarantees that “every person has the right to practice any profession or to carry on any occupation, trade or business”.

- Termination of Employment Law 24/67

The Termination of Employment Law constitutes one of the most basic statutes in Cypriot employment law and was amended by Law 89(I)/2016. In Cyprus, protection is afforded against unfair dismissal to all employees, under the Termination of Employment Law 24/67 as amended. The legislation covers all employees, whether in the private sector or public sector, including apprentices.

- Annual Holidays with Pay Law (Law 8 of 1967-2005 and Regulations issued thereunder)

The Annual Holidays with Pay Law was enacted on the 3rd of March 1967 and entered into force on the 1st of August 1967. The main objective of the Law is to secure annual leave with pay to all employees, and provide the means for better utilization of the annual holidays of the employees, especially those with low income.

- Social Insurance Law, (Law 59(I) of 2010 and Regulations issued thereunder)

The Social Insurance Scheme covers compulsorily every person gainfully occupied in Cyprus either as an employed person or as a self-employed person. The insured persons are classified in three categories; employed persons, self-employed persons and voluntary contributors.

The Scheme is financed by contributions payable by the employers, the insured persons and the State. The rate of contribution for the employed persons as from the 1st of April 2009 is 17,9% and for the self-employed persons as from the 6th of April 2009 is 16,9% on their insurable earnings.

The Scheme provides cash benefits for marriage, maternity, sickness, unemployment, widowhood, invalidity, orphanhood, old age, death and employment injury.

- Equal Treatment of men and women in employment and vocational training Law, No. 205(I)/2002

This Law aims at the application of the principle of equal treatment for men and women in respect of employment, access to vocational guidance, vocational education and training and the conditions of their provision, including professional development and the conditions and preconditions of dismissal.

- Protection of Young Persons at Work, No. 48(I)/2001

This Law covers the employment of young persons by any employer.

- Protection of Maternity Law No. 100(I)/97

Maternity rights are secured through the “Maternity Protection Law” 1997 last amendment 2002 (64(I)/2002).

- Social Pension Law (Law 25(I) of 1995-2005)

The purpose of the Social Pension Law is the payment out of the General Revenue of the Republic of a pension to individuals residing in Cyprus, satisfy certain residence conditions, who reach the age of 65 and do not have the right to pension or other similar payment from any other source.

- Protection of Employees Rights in the event of Insolvency of the Employer legislation (Law 25(I) of 2006 and Regulations issued thereunder)

The main objective of the Protection of Employees Rights in the Event of Insolvency of the Employer Law is to provide for the establishment of a Fund to cover the cost for the protection of employees in the event of insolvency of their employer.

- The Minimum Wage Law (Cap.183)

Provides for a definition of the categories of workers covered and sets the minimum wages for some occupations. Currently, it addresses clerks, salespersons, school aides, child and infant minders, nursing aides, care workers and security guards. According to the Minimum Wage Order as of 1 April 2012, the minimum salary is €870 (including national insurance contributions).

2.2 Important/exceptions

Foreign nationals' employment

The employment of foreign workers in Cyprus has increased greatly over the past years following the accession of Cyprus to the EU in 2004, and more importantly, the need for specialised, and highly qualified staff for the many industries that over the last decade have promoted Cyprus as an ideal business environment.

The procedure of EU foreign nationals and EEA member state nationals employment is the same as for Cypriot nationals. They are equal in all rights and obligations.

Cyprus employment law provides protection to foreign nationals in terms of non-discrimination. Under the employment law there is no distinction between a local or foreign worker, and, as such, there can be no discrimination in the terms and conditions of employment.

The granting of work permits for foreign workers is governed by the Aliens and Immigration Legislation, as well as by the decisions of the Council of Ministers and the Ministerial Committee. The competent authority for granting entry permits and temporary or permanent residence permits is the Civil Registry and Migration Department of the Ministry of Interior. All non-EU residents are required to apply for a residence and work permit prior to travelling to Cyprus if they intend to reside or work in Cyprus.

Generally, the criteria for the approval of a work permit are the following:

- a) Unavailability of suitably qualified local or EU personnel who satisfy the specific needs of the employers;
- b) Saving and better utilization of the local or EU labour force;
- c) An improvement in working conditions at the workplace;
- d) Terms and conditions of employment of foreign nationals should be the same as those of Cypriots or EU citizens; and
- e) In cases where work permits are recommended for the employment of foreign nationals with special skills and knowledge which Cypriots or EU nationals do not possess, the employer shall be obliged to name a Cypriot national who will be trained during the period of the foreign national's employment.

(Source: Habari, Y. I. (2015, November 02). Employment of foreign nationals specialized staff in Cyprus | Lexology)

More information about residence and work permit for foreign citizens: see Module 6.

2.3 Tips from professionals

Complexity and broadness of National provisions on employer-employee relation are huge and demand support of a relevant professional. In most cases, it is recommended that the investor hires a lawyer, specified in labour law, when conducting an employment contract.

The investor should be informed that "Undeclared employment" is strictly controlled.

Penalties like unregistered employee, employment contract uncoordinated with legislation, employees' late registrations, under minimum salary, salary and legal obligations un-payment,

employment contract manipulations or even incorrect or not completely filled contract results with high fines, even after company closure.

2.4 Additional reading

CYLaw portal. Access via: <http://www.cylaw.org/nomoi/indexes/113.html>

Habari, Y. I. (2015, November 02). Employment of foreign nationals specialized staff in Cyprus | Lexology. Retrieved September 28, 2018, from

<https://www.lexology.com/library/detail.aspx?g=08830182-7ae8-49f4-8e7f-a39264642edd>

Work and employment conditions and employees' notifying and counselling in EU: Labour Law. Retrieved September 28, 2018, from

<http://ec.europa.eu/social/main.jsp?catId=157&langId=en>.

2.5 Quiz and exercise

The labour relations in Cyprus are defined by...?

- a) Employment law
- b) Work relations law
- c) A mixture of statutes and case law
- d) Collective agreement

Who can benefit from the labour related laws in Cyprus?

- a) Cypriot and foreign nationals
- b) Only Cypriots
- c) Cypriots and EU nationals
- d) EU nationals

What is not one of the criteria for the approval of a work permit in Cyprus?

- a) Unavailability of suitably qualified local or EU personnel who satisfy the specific needs of the employers
- b) Saving and better utilization of the local or EU labour force
- c) Improvement in working conditions at the workplace
- d) Employees' CV

Who is the authority that grants the work permits for foreign workers?

- a) Ministry of Internal Affairs
- b) The Civil Registry and Migration Department of the Ministry of Interior.
- c) Committee for foreign nationals
- d) Ministerial Committee

Exercise:

Investigate in the Employment Law (Cap 182), how many days of paid leave are employees entitled? Write a report (number of days and where did you find the answer).

3. TYPES OF EMPLOYMENT

3.1 Overview/theoretical framework

This Unit is designed to introduce types and procedures of employment and additional useful information in employer-employee relation to the learners.

After acquiring knowledge from this Unit, learners will be qualified to:

- understand and implement different types of employment procedure
- understand the implementation of National legal provisions from work and work relations fields

Introduction

There are few types of employment based on legal regulations on which employment contract between employer and employee can be concluded.

Any kind of employment contract defines obligations and protects the rights of both contracting parties (employee and employer).

- Permanent employment

Employment without the termination date.

- Fixed-term employment

Employment with specified reasons for employment and termination date.

- Seasonal employment

Fixed-term employment with specified termination date.

- Permanent seasonal employment

The occupational record goes even though an employee may not still work. During this period, the employer pays monthly retirement contribution, and health insurance is paid by the state (one of the employment boost measures).

Employment procedure, employers' and employees' obligations

Employment procedure

When searching for the adequate workforce, employers usually develop and post job advertisement in which all data about the position, competencies, skills, and required level of education is written.

Before publishing job Ad, in order to find an appropriate employee, the employer has a possibility to use help from the Cyprus Employment Service to adjust Ad to his needs.

Example: Need for employees application to Cyprus Employment Service
<https://www.pescps.dl.mlsi.gov.cy/CPSWeb/f001w.jsp>

There is no legal obligation for the employer to report Employment Service or any other public institution about job application or its results.

Job advertisement can be published on several web pages:

- Cyprus Employment Service
- Cyprus Government Gazette: <http://www.cygazette.com/Gazette.dll/%7B6B338C7F-CF61-4D7A-B3B4-97287177D933%7D>
- Other employment agencies' web pages

There are following steps after job Ad's expiration date:

- Review of received CV
- Interview and candidate selection

Employers' and employees' obligations

When an employer has chosen a candidate the following steps are required:

Gathering and validation of other documentation of the selected candidate

Documents listed or attached to the Curriculum Vitae of the selected candidate are the candidate's personal statements or documentation, which proves that the conditions of the application are fulfilled.

Additional documentation is required, when the employment contract is signed, for the work evidence (legal service) and accounting needs (salary calculation division).

In order for the employer to ensure that he will have all the necessary documentation in time to fulfil his obligations accepted by signing the employment contract, he/ she has the right to request the complete documentation before signing the employment contract.

Gathering all extra documentation which is obligated in specific business branches

An applicant can have valid certificates from his former employer, for example, sanitary examination certificate (caterer, hairdresser, beautician, etc.), minimum hygienic certificate (caterer) and/or medical examination certificate (construction workers).

If validation date of mentioned documents is expired, the employer's obligation is to obtain employee new certificate.

Mentioned document's expense is paid by the employer.

Presentation and acceptance of Labour regulation

The employer is obligated to give employee Labour regulation, if there is any, to read and sign its acceptance. On the other hand, the employee has to read it and sign Decision of its acceptance.

Employment contract

After the employer is ensured that has all necessary documentation, and it is in order to legal requirements and his business policy, the last step can be fulfilled:

drawing up and signing the Employment contract

There are standard employment contract forms for indefinite and fixed-term period that contain all basic elements and regulations that the contract must have.

If wanted, the employer can make employment contract with more details and regulations.

All regulations included in employment contract must be in accordance with Labour law and other legal regulations foreseen for specific cases or certain profession.

Other employer-employee obligations

Some specific business legislation requires that employees pass additional exams, for example:

- In some industries connected with user/customer's health protection, employee is obligated to make a sanitary examination. Sanitary certificate has to be renewed within the legal deadline.
- Employees in catering industry must pass minimum hygienic exam.
- Construction workers are obligated to do health examination before employment.

Additionally, each employer is obliged to choose a specialist of occupational medicine for his employees, usually according to the working place, filling in the appropriate form verified by a stamp and signature of the responsible person.

Registration in retirement and health insurance system

When hiring the first employee, the employer must make a registration in social and retirement security subject registry.

Next to the registration **form** following documentation must be attached:

Legal entity:

- Decision of registration in the court register
- Decision from Social Insurance Services and Law about the company's business activity in line with the National classification of business activities

Natural person (s.p.):

- Decision of registration in Trade registry
- Identity card copy of the employee
- Confirmation of the beginning of personal insurance on the form
- In case of for foreign citizens – work permit

Registration forms for legal entity and a natural person can be found on the following links:

<http://www.mlsi.gov.cy/mlsi/sid/sidv2.nsf/All/EA272B8693833774C2257B1700407CC9?OpenDocument>

<http://www.mlsi.gov.cy/mlsi/sid/sidv2.nsf/All/3498B3F8A9DDEAF5C2257B17003FC13B?OpenDocument>

The employer or the company's accountant brings in-person employment registration forms at the Retirement and Health Insurance Office.

When registering new employees, in the Retirement and Health Insurance, the following documents are needed:

- Copy of employee's identity card
- Social insurance registration number (if the employee is not registered before, he/she should register before beginning to work).

In case of employee's registration through internet Health Insurance form is not needed, because the registration is managed automatically through the Retirement Insurance system.

Every employer has to register his/her employees in the Social Insurance system from the first day of their job. If not, he/she may pay some penalty money because of any delay in the registration process.

3.2 Employment guidelines

Each employer and employee has to work properly under the Cyprus/EE Law regulations.

You can learn about these regulations extendedly by reading the below guide in Greek:

[http://www.mlsi.gov.cy/mlsi/dl/dl.nsf/160301E3F7D939FEC22580A50026B973/\\$file/%CE%9F%CE%B4%CE%B7%CE%B3%CF%8C%CF%82%20%CE%95%CF%81%CE%B3%CE%BF%CE%B4%CF%8C%CF%84%CE%B7%CF%83%CE%B7%CF%82.pdf](http://www.mlsi.gov.cy/mlsi/dl/dl.nsf/160301E3F7D939FEC22580A50026B973/$file/%CE%9F%CE%B4%CE%B7%CE%B3%CF%8C%CF%82%20%CE%95%CF%81%CE%B3%CE%BF%CE%B4%CF%8C%CF%84%CE%B7%CF%83%CE%B7%CF%82.pdf)

The Department of Labour, a part of the Ministry of Labour, Welfare and Social Insurance of the Republic of Cyprus, is responsible for issues of employment, including equality between men and women.

More specific responsibilities of the Department include, among other things, protection of special groups in employment, public employment services, free movement of European Union workers, employment of workers from third countries, and some aspects of human resource development.

Also, everyone can contact the services of the Ministry of Labour, Welfare and Social Insurance to learn all the legal obligations and rights that he/she may have during his / her work under the agreed employment contract.

Moreover, under the same Ministry, there is the Department of Labour Regulations, when every detail can be provided by the employees, for any employment contract from both sides (employer, natural body, employee).

Below there are links of useful websites where everyone can find a lot of helpful information for the services mentioned above:

http://www.mlsi.gov.cy/mlsi/mlsi.nsf/faq_gr/faq_gr?OpenDocument

http://www.mlsi.gov.cy/mlsi/dlr/dlr.nsf/index_en/index_en?OpenDocument

3.3 Quiz and exercise

Which legislation regulates EU foreign citizens' special status that needs to be included in the employment contract?

- a) Foreign citizen Law
- b) Insurance Law
- c) None – they are equal with domestic employees
- d) Employment Law

Detailed information of work and residence permit conditions and procedures are published on the web page of:

- a) Ministry of Labour and Social Welfare
- b) Ministry of Foreign Affairs
- c) Employment Service
- d) Civil Registry and Migration Department

What does the abbreviation EURES mean?

- a) European Employment Service
- b) European portal for employees' rights
- c) European portal for Human rights
- d) European portal for student mobility

Which is not a type of employment based on legal regulations in Cyprus?

- a) Permanent employment
- b) Non-paid employment
- c) Fixed-term employment
- d) Seasonal employment

Exercise:

What are the steps an employer should follow to hire someone?

Write a report.

ANNEX

5.3.1 a)

Possible documentation in worker evidence and accountancy:

- Job application
- Qualification credentials
- Curriculum vitae
- Identity card copy
- Occupational record document
- Bank account document
- Other documents (sanitary booklet, fire protection certificate, hygienic minimum certificate, health examination certificate, etc)
- Statement of labour regulation acceptance
- Labour contract
- Confirmation of employment registration on retirement insurance
- Confirmation of employment registration on health insurance
- Confirmation of occupational record
- Tax deduction form (it is issued by Tax Department on employee's request, or it can be listed by employer from Tax Department web pages through e-tax department program)

5.3.1 b)

Labour contract must have this basic information:

- Employer's and employee's basic data
- Position name and work description
- Place of work (employee can work on more than one location)
- Start of work date (and end, in case of fixed-term contract)
- Probationary period (not needed in case of fixed-term contract)
- Termination period (not needed in case of fixed-term contract)
- Weekly work time (max. 40 hours per week)
- Gross salary amount
- Salary payment date
- Refund for days of sick leave
- Gross salary allowance (overtime work, night work, feast and public holiday work, work in shifts, difficult work conditions, etc. shown in percentage on gross salary, and stimulation amount which is not obligatory)
- Daily and weekly rest
- Annual leave duration
- Work time schedule (beginning and end of daily work)
- Termination period (not needed in case of fixed-term contract)

5.3.3. Other working contracts possibilities without establishing the employment relationship

There are various possibilities of employment without establishing a working relationship. In this cases it should be considered Labour law provisions and definition of dependent employment.

Dependent employment is done by employees who have signed Labour contract.

In case when there is regular need for certain position, it can not be classified as temporarily or occasional activities done by pupil or student.

- On-call contract (temporary and occasional work)
- Copyright agreement with the certificate from professional association (artistic work)
- Copyright agreement without the certificate from professional association

On this contracts employer does not define daily or weekly working time and it can not last for a long time.

- Student contract

Contract signed with a student center

Pupils or students work must be temporary and occasional. In case of permanent need of position employer is obligated to hire an employee

- Learner on practice

Contract is signed with learner's school

- Professional development without establishing a working relationship

Governmental employment boost. Contract is signed with Employment service and employee.

MODULE 6 –PROCEDURES AND CONDITIONS FOR OBTAINING WORK AND LIVING PERMIT AND FAMILY REUNIFICATION IN HOST COUNTRY

Introduction

The conditions for temporary and permanent residence permit authorization are defined in provisions of The Aliens and Immigration Law and accompanying bylaws. After the harmonisation of the National legislation with European Union legislation, the status of foreign nationals from EEA, Swiss Confederation or Third-country nationals is different. Consequently, there are also differences in the conditions and procedures for acquiring citizenship, work and residence permit.

1. REGULATING STAY AND WORK OF FOREIGNERS IN THE HOST COUNTRY

1.1 Overview/Theoretical framework

This Unit is designed to introduce the terms of foreign citizens and categories of foreigners to the learners. It will familiarise learners with basic characteristics of certain categories and basic conditions, which are required to fulfil in order to obtain permit.

After acquiring knowledge from this Unit, learners will be qualified to:

- recognize the difference between foreign national categories status
- inform foreign citizens of procedure of work and residence permit depending on their status
- introducing process of acquiring temporary work and residence permit to the foreign citizen.

Foreign nationals (alien) categories

Residence and employment permits are granted mainly on a temporary basis and for a specified work position.

The Civil Registry and Migration Department is the competent authority for the first issuance and subsequent renewal of residence permits granted to all non-Cypriots either self-employed or employed by legal persons in Cyprus. The Civil Registry and Migration Department acts in consultation with other competent authorities such as the Registrar of Companies and Official Receiver, the Labour Department of the Ministry of Labour, Welfare and Social Insurance and the Cyprus Police.

The conditions for granting temporary or permanent stay to foreigners are regulated by the Aliens and Immigration Law and accompanying bylaws.

The Law divides the foreigners who wish to stay or work in Cyprus into several categories. In this chapter, we will elaborate on the following categories:

1. EU CITIZENS
2. THIRD-COUNTRY NATIONALS
 - a. Temporary residence permits for third-country nationals: General Employment
 - b. Long-term residence
 - c. Immigration permits
 - d. Employment of non-EU citizens at companies of foreign interests
 - e. EU Blue Card

Source:

<http://www.moi.gov.cy/moi/crmd/crmd.nsf/All/044601A0B7CE6062C2257D2C0037F93F?OpenDocument>

1. EMPLOYMENT OF EU CITIZENS

EU citizens may enter the Republic without an employment contract and search for work for a period of 4 months before applying for a Registration Certificate for EU citizens to the Civil Registry and Migration Department.

EU citizens and their family members must report their presence within 35 days of arrival if staying more than 21 days in Cyprus.

If they do not report their presence fines may incur.

To report their presence, they must go to the Civil Registry and Migration Department (Nicosia) or to the District branches of the Police's Aliens and Immigration Unit (Limassol, Larnaca, Paphos, Famagusta).

The application for issuance of a Registration Certificate of a Union citizen and his/her family members who are also EU citizens (MEU1) is to be submitted by hand to the PSC Cyprus' office or to the Civil Registry and Migration Department (CRMD) - for residents of Nicosia district - or the district Migration Offices the Police for all other districts, along with:

- the original identity card or passport,
- two passport-sized photographs (it is noted that photographs are now captured during the application submission process at the CRMD and the district Migration Offices, with the exception of PSC Cyprus where applications received are forwarded immediately to the CRMD through internal mail),
- confirmation of engagement by the employer or certificate of employment for employed activity or certificate of registration to the Social Insurance Services as self-employed, and
- the application fee of €20,00 for the Union Citizen and €20,00 for each family member, citizen of a Member State.

The registration certificate is issued immediately.

Sources:

- <http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/All/465E53793B591400C22579C2002990A1?OpenDocument>
- https://europa.eu/youreurope/citizens/residence/documents-formalities/reporting-presence/cyprus/index_en.htm

2. THIRD-COUNTRY NATIONALS

I. TEMPORARY RESIDENCE PERMITS FOR THIRD COUNTRY NATIONALS: GENERAL EMPLOYMENT

Third-country nationals must proceed for registration at the appropriate District Office of the Aliens and Immigration Unit of the Police, or the Central Offices of the Civil Registry and

Migration Department in Nicosia, within 7 days from the date of the arrival. Biometric data such as finger prints and photo are collected.

The maximum period of stay for third-country nationals for the purpose of employment is 4 years, with the exception of the livestock farming and agriculture sectors, where the maximum period has been set to 6 years.

The following third-country nationals are exempted from this limitation:

- highly skilled personnel employed in companies with turnover of more than a million or hundreds of thousands euros and with activities within the priorities set for economic development,
- athletes and coaches of individual or team sports,
- religious icon painters (until the completion of a specific project),
- journalists/ correspondents,
- Syrian nationals of Cretan descent – Kurdish (approved catalogues),
- Homogeneous third-country nationals.

II. LONG TERM RESIDENCE

Third-country nationals (including family members of European Union citizens not covered by the Right of Union Citizens and their Family Members to Move and Reside Freely within the Territory of the Republic Law No. 7(I)/2007), who have resided legally and continuously within the controlled areas by the Government of the Republic for five years prior to the submission of the relevant application and who possess valid residence permits.

Exceptions:

1. Students or persons residing in the Republic for vocational training
2. Recognized refugees
3. Persons authorized to reside in the Republic on the basis of subsidiary protection
4. Asylum seekers
5. Persons residing in the Republic on temporary grounds or persons whose residence permit is formally limited
6. Persons enjoying a legal status governed by the Vienna Conventions on Diplomatic Relations of 1961 and 1963, the Convention of 1969 on Special Missions or the Vienna Convention on the Representation of States in their Relations with International Organizations of a Universal Character of 1975

III. IMMIGRATION PERMITS

Currently, there is a new and accelerated procedure for granting Immigration Permit to applicants who are third-country nationals and intent to invest in the Republic of Cyprus. According to the provisions of Regulation 6(2) of the Aliens and Immigration Regulations, the Minister of the Interior decided to issue Immigration Permit to applicants, who are third-country nationals, provided that they fulfill the following criteria:

- I. The applicant should submit a confirmation letter from a financial institution in Cyprus that he/she has deposited a minimum capital of €30.000 into an account, which will be pledged for a period of at least three years. It must be proved that the said amount has been transferred to Cyprus from abroad.
- II. The applicant should prove that he/she has at his/her disposal a secure annual income of at least €30.000. This annual income should increase by €5.000 for every dependent person of his/her family (spouse and children) and by €3.000 for every dependent parent or parent-in-law. This income should derive from abroad, and may include salaries from employment, pensions, dividends from shares, fixed deposits, rents a.s.o. For the calculation of the total amount of the annual income, the spouse's income may also be taken into consideration.
- III. The applicant should submit, together with the application, title deeds or a sale contract in his/her name and/or his/her spouse, which has been officially filed at the Department of Lands and Surveys, of a real estate, of total market value of at least €300.000 (V.A.T. is not included therein) and official payment receipts of at least €200.000 (excluding V.A.T.), irrespective of the delivery date of the real estate. It should be stressed that the full payment of the real estate value shall be settled in an account in a financial institution in Cyprus.

The abovementioned amounts must be proven to have been transferred to Cyprus from abroad.

It is noted that the real estate purchase may be accepted even when made in the name of a legal person, provided that the applicant and/or his/her spouse are the sole shareholders or the ultimate beneficial owners of it, and that this legal person is legally established in the Republic or other member state of the European Union or European Economic Area.

- IV. For the purpose of implementing this policy, the applicant may purchase up to two housing units (apartments or houses), which can be independent, but be purchased from the same development company, or one housing unit and a shop of a surface of up to 100 sq.m., or a housing unit and an office of a surface of up to 250 sq.m., provided that the total market value satisfies the conditions in paragraph c. In the case of a couple, these restrictions apply for the couple and not for each of the persons involved.

The said purchase must be in relation to a property (and the combinations described above) sold for the first time by a development company. In the case of acquiring two dwellings, both must be sold by the same development company. As from 7/05/2013, for the purpose of this policy, applications in relation to the re-sale of dwellings will not be accepted. It should be stressed that sale contracts in relation to a re-sale of dwellings that have been officially filed at the Lands and Surveys Department prior to

07/05/2013 (the date of filing the sale contracts is to be confirmed by the Department of Lands and Surveys), shall be accepted for the purpose of implementing this policy.

It is noted that the alienation of the purchased property without an immediate replacement with another property, as it is described in paragraph c, of the same or/and higher value and in accordance with the conditions of this procedure, (i.e. sold for the first time by a development company), will result to the cancellation of the Immigration Permit pursuant to the provisions of Regulation 6(2) of the Aliens and Immigration Regulations.

Generally, a person can apply to obtain an Immigration Permit on the basis of one of the Categories referred to in Regulation 5 of the Aliens and Immigration Regulations. An Immigration Permit will not be granted to anybody unless the Immigration Control Committee recommends to the Minister of Interior that such person belongs to one of the following Categories:

Category A: Persons who intend to work as self employed in agriculture, cattle breeding, bird breeding or fish culture in the Republic, provided that they have in their possession adequate land or a permit to acquire same, they have fully and freely at their disposal capital of approximately €30,000 (CY£250,000) and such an employment should not negatively affect the general economy of the Republic.

Category B: Persons who intend to work as self employed in mining enterprises in the Republic, provided that they have in their possession a relative permit, they have fully and freely at their disposal capital of approximately €35,000 (CY£200,000) and such an employment should not negatively affect the general economy of the Republic.

Category C: Persons who intend to work as self employed in a trade or profession in the Republic, provided that they have in their possession a relative permit, they have fully and freely at their disposal capital of approximately €60,000 (CY£150,000) and such an employment should not affect negatively the general economy of the Republic.

Category D: Persons who intend to work as self employed in a profession or science in the Republic, provided that they have academic or professional qualifications, for which there is demand in Cyprus. Possession of adequate funds is also necessary.

Category E: Persons who have been offered permanent employment in the Republic, which will not create undue local competition.

Category F: Persons who possess and have fully and freely at their disposal a secured annual income, high enough to give them a decent living in Cyprus, without having to engage in any business, trade or profession. The annual income required should be at least €568,17 (CY£5,600) for a single applicant and moreover at least €613,22 (CY£2,700) for every dependent person, but the Immigration Control Board may demand additional amounts as necessary. Most applicants come under this Category, the majority of them being pensioners or retired persons.

IV. EMPLOYMENT OF NON-EU CITIZENS AT COMPANIES OF FOREIGN INTERESTS

In order for companies of foreign interest, including former offshore companies and Cyprus shipping companies, to employ third-country nationals in Cyprus, the following must apply:

- the majority of the company's shareholders should be third-country nationals and in the case of shareholders whose ultimate owners are foreign companies their final owners (natural persons who are the ultimate beneficial owners) should be declared, in order to receive the approval of the Civil Registry and Migration Department;
- in case where the percentage of foreign participation in the share capital of a company is equal or below fifty percent (50%) of the total share capital, this percentage should represent an amount equal or higher than €71.000.

Eligible companies which fulfil the above conditions may employ third-country nationals in the following positions:

- A) Directors.
- B) Middle Management Executives and other key personnel.
- C) Support Staff.

Please note that companies should not commit themselves to employ third-country nationals for all the following positions before securing a Temporary Residence and Employment Permit from the Civil Registry and Migration Department (CRMD).

A) Directors

The term 'Directors' includes third-country nationals registered as:

- I. Directors or Partners (registered as such in the Registrar of Companies and Official Receiver);
- II. General Managers of branches and subsidiaries of alien companies;
- III. Departmental Managers

The minimum acceptable gross monthly salary for Directors is €3.872, an amount that may be adjusted from time to time, depending on fluctuations in the wage index.

The maximum number of employees permitted in this category is five (5). The CRMD has the discrete authority to decide on the employment of more than five (5) people*.

B) Middle-management staff, executive staff and any other key personnel

In this category the following third-country nationals are included:

- IV. Upper / middle management personnel,
- V. Other administrative, secretarial or technical staff

The minimum acceptable gross monthly salary for this category is between €936 - €3871. Amounts may be adjusted from time to time, depending on wage index fluctuations.

The maximum number of employees permitted in this category is ten (10). The CRMD has the discrete authority to decide on the employment of more than ten (10) people*.

C) Supporting Staff

- All third-country nationals not included in the above categories.
- Companies are expected to fill in positions in this category with Cypriot or European citizens. In the case where there are no qualified Cypriots or European citizens available, a company may employ third-country nationals in posts in this category by following the procedure and submitting the certificates/ supporting documents/ documents described in the list of accompanying documents, after first securing the positive recommendation (sealed employment contract) of the Department of Labour.

There is no maximum number for the employment of third-country nationals under this category, provided that the necessary approvals from the Department of Labour have been obtained. No approval from the Department of Labour is needed for third country nationals who enjoy free access to the labour market.

*For employing a greater number of third-country personnel under the above categories, duly justified and documented requests by the company must be submitted to the Department (CRMD). The requests must include information on the salary offered as well as:

- The company's turnover;
- The ratio of third-country employees to Cypriots / EU Nationals; and
- The company's operating time in Cyprus.

It is stressed that the requests should only concern specific persons whose employment is considered necessary by the company. General requests on the matter cannot be considered.

V. EU BLUE CARD

The Blue Card is an approved EU-wide work permit (Council Directive 2009/50/EC) allowing high-skilled non-EU citizens to work and live in any country within the European Union, excluding Denmark, Ireland and the United Kingdom, which are not subject to the proposal.

In Cyprus, the EU Blue Card is issued for a period of one year. If the employment contract is of shorter duration, the EU Blue Card shall be issued for the duration of the contract plus three months.

An application for a residence and employment permit (EU Blue Card) to work in any company of foreign interests, including international companies must be submitted to the Director of the Civil Registry and Migration Department.

After consultations with other relevant authorities, the Director will decide whether or not to grant a permit.

An application must be filed by the applicant with Cypriot immigration. To apply for a Blue Card, the applicant must:

- have a valid work contract or binding job offer for highly qualified employment with a duration of at least 1 year;
- meet the minimum salary threshold in the Member State concerned (for 2014, Cyprus set the minimum salary threshold at: 23 964 EUR);

- for regulated professions: present documents proving that the national legal requirements are met;
- for unregulated professions: present documents proving that the relevant higher professional qualifications are met
- present a valid travel document, an application for a visa or a visa (if necessary), and a valid residence permit or a national long-term visa (if appropriate);
- present proof of sickness insurance (or proof of having applied for it).
- In addition, the applicant must not pose a threat to public policy in the view of the Member State. S/he may also be required to provide his/her address in that Member State.

Source: https://ec.europa.eu/immigration/blue-card/cyprus_en

1.2 Important/exceptions

Brexit- UK nationals:

- a. UK nationals and their family member who have already exercised or will exercise free movement in Cyprus before 1 January 2021 but, until 31 December 2020 will not have completed continuous residence of five years, will be eligible for residence.
- b. Those who will have completed five years of continuous residence in Cyprus before 31 December 2020 will be eligible to acquire permanent residence.
- c. Those who will not have completed five years of continuous residence in Cyprus will be able to remain in Cyprus to build-up five years continuous residence. Commencement of this five-year period for both cases starts at the moment of exercising free movement rights, which may be at any time before and during the transition period.
- d. UK citizens who want to come to Cyprus after the 31 December 2020 (end of the transition period), will need to meet Cyprus immigration rules.

1.3 Tips from professionals

Since regulations are changing rapidly, the FDI advisor should always check the data on the provided web pages, or directly contact the relevant stakeholders, before giving any information or starting the permit procedure for foreign investors.

1.4 Additional reading

Civil Registry and Migration Department. *BREXIT* (online). Available on: <http://www.moi.gov.cy/moi/crmd/crmd.nsf/All/C482CD407E0903D8C225830E00384072> (26.09.2018.)

Civil Registry and Migration Department. *Migration Section* (online). Available on: http://www.moi.gov.cy/moi/crmd/crmd.nsf/page07_en/page07_en?OpenDocument (26.09.2018.)

POINT OF SINGLE CONTACT, *Residence and Employment Permit* (online). Available on: <http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/All/465E53793B591400C22579C2002990A1?OpenDocument> (01.10.2018).

1.5 Quiz and exercise

If staying more than 21 days in Cyprus, until when do EU citizens and their family members must report their presence?

- a) within 30 days
- b) within 35 days
- c) within 180 days
- d) unlimited

Nationals of which states cannot work and provide services in host country without work and residence permit?

- a) nationals of EEA member states and their family members
- b) nationals of Swiss Confederation and their family members
- c) Cypriot citizens family members who are nationals of EEA member states.
- d) third-country nationals

What is the general maximum period of stay for third-country nationals for the purpose of employment?

- a) 4 years
- b) 1 year
- c) unlimited
- d) 10 years

Where can the temporary residence request for Third-country nationals be submitted?

- a) the Point of Single Contact
- b) the relevant diplomatic mission/consular office
- c) the Central Offices of the Civil Registry and Migration Department in Nicosia
- d) the Ministry of Internal Affairs

The EU Blue Card is issued for:

- a) temporary residence and work in Cyprus for highly-qualified third-country nationals
- b) permanent residence and work in Cyprus for highly-qualified workers
- c) tourist (short-term stay) for highly-qualified workers
- d) short-term Visa for highly-qualified workers

Which of the following requirements a third-country national does not need to fulfil to apply for an EU Blue Card?

- a) have a valid work contract or binding job offer
- b) meet the minimum salary threshold
- c) present proof of school education
- d) present documents proving that the national legal requirements are met

Exercise

Help a high-skilled non-EU citizen whose intention is to stay more than 3 months in the host country to apply for the EU Blue Card. Find the relevant Form to be filled in and write down all the necessary documentation. Write a report.

2. PROCEDURE FOR OBTAINING WORK PERMITS

2.1 Overview/theoretical framework

This Unit is designed to introduce the procedure and conditions for obtaining work permit in Cyprus to the learners.

After acquiring knowledge from this Unit, learners will be qualified to:

- Recognize difference between work and residence permit and the certificate of work registration in Cyprus
- inform and/or lead foreign citizen through process of obtaining temporary work and residence permit

Introduction

Foreign citizens can work in Cyprus based on a work and residence permit. Residence and employment permits are granted mainly on a temporary basis and for a specified work position.

1. EMPLOYMENT OF EU CITIZENS

European Union citizens and family members who are also citizens of a Member State should submit the application for the issue of a Registration Certificate within four months from the date of entry into the Republic.

For the issue of a Registration Certificate the Union citizen must submit the following documents:

1.1 If the purpose of residing in the Republic of Cyprus is **employed activity**:

- (a) Valid Passport or identity card and copies of the same.
- (b) Confirmation of Engagement by the employer (Part III of the application) or certificate of employment.
- (c) Two Passport-sized photographs. - It is noted that photographs are now captured during the application submission process.

If the purpose of residing in the Republic of Cyprus is **self-employed activity**:

- (a) Valid Passport or identity card and copies of the same.
- (b) Certificate of Registration to the Social Securities Services as self-employed.
- (c) Two Passport-sized photographs. - It is noted that photographs are now captured during the application submission process.

1.2. If the purpose of residing in the Republic of Cyprus is for **studying** at a Private or Public Educational Establishment accredited or financed by the Republic, including vocational training courses:

- (a) Valid Passport or identity card and copies of the same.
- (b) Proof of enrolment to study at a Private or Public Educational Establishment accredited or financed by the Republic, including vocational training courses.
- (c) Proof of comprehensive health insurance cover in the Republic.

(d) Declaration or other equivalent means, as the applicants may choose, to assure that they have sufficient resources for themselves and their family in order not to become a burden on the social assistance system of Cyprus during their period of residence.

(e) Two Passport-sized photographs. - It is noted that photographs are now captured during the application submission process.

1.3. If the purpose of residing in the Republic of Cyprus is **other** than the above:

(a) Fixed or adequate income from employment outside the Republic; or

(b) Fixed or adequate income from other legal sources; or

(c) Adequate deposits in financial institutions in the Republic or abroad; and

(d) Proof of comprehensive health insurance in the Republic.

Source:

<http://www.moi.gov.cy/moi/crmd/crmd.nsf/All/69E690A161D174D6C2257D2C0045750B?OpenDocument>

2. THIRD-COUNTRY NATIONALS

A. TEMPORARY RESIDENCE PERMITS FOR THIRD-COUNTRY NATIONALS: GENERAL EMPLOYMENT

The procedure for applying for a temporary residence permit for third-country nationals is the following:

- The Application "MGEN2" or "MNSP2" (if single permit procedures don't apply) for the issue of Entry and Temporary Residence and Employment Permit, is submitted by the employer, to the Civil Registry and Migration Department through the appropriate District Office of the Aliens and Immigration Unit of the Police or at the Central Offices of the Civil Registry and Migration Department in Nicosia.
- The application should be submitted along with:
 - the contract of employment certified by the Department of Labour of the Ministry of Employment and Social Insurances, which is the competent Department for securing that there are no Cypriots or citizens of Member States of the European Union, available or adequately qualified for the specific job or post prior to recommending the employment of third-country nationals.
- The maximum period of stay for third-country nationals for the purpose of employment is 4 years, with the exception of the livestock farming and agriculture sectors, where the maximum period has been set to 6 years. The following third-country nationals are exempted from this limitation:
 - highly skilled personnel employed in companies with turnover of more than a million or hundreds of thousands euros and with activities within the priorities set for economic development,
 - athletes and coaches of individual or team sports,
 - religious icon painters (until the completion of a specific project),

- journalists/ correspondents,
- Syrian nationals of Cretan descent – Kurdish (approved catalogues),
- Homogeneous third-country nationals.

Source:

<http://www.moi.gov.cy/moi/crmd/crmd.nsf/All/BDEF8347CE1FEB98C2257D2C0039FE33?OpenDocument>

3. EMPLOYMENT OF NON-EU CITIZENS AT COMPANIES OF FOREIGN INTERESTS

Eligible companies which fulfil the conditions described in the first chapter may employ third-country nationals in the following positions:

- A) Directors.
- B) Middle Management Executives and other key personnel.
- C) Support Staff.

Please note that companies should not commit themselves to employing third-country nationals for all the following positions before securing a Temporary Residence and Employment Permit from the Civil Registry and Migration Department (CRMD).

The procedure is as follows:

- Fill in all the required documents. You can find the documents [here](#). For the full requirements please read the document "BCS Documents for Checking Company Suitability" [here](#).
- From the list of accompanying documents, choose the one that meets your needs, depending on which permit/ permits you will apply for.
- After studying the list of accompanying documents for both the company's suitability and for obtaining a permit, collect the documents you need to submit.
- Fill in and sign any other forms that may have to accompany the application.
- Fill in all the fields of the application form and sign it. Beware of the parts requiring signatures from third parties.
- Submit the application and the documents to the Central Offices of the Civil Registry and Migration Department.

Attention to the documents that need to be submitted in their original form and duly validated/ certified.

Where the conditions foreseen in the law are met, the third-country national is granted a temporary residence and employment permit. The validity of the permit depends on the duration of the employment contract and can be up to two (2) years, with a right of renewal. Directors, Middle management executives and other key personnel may reside in the Republic without a time limit, provided they hold a valid temporary residence and employment permit.

For support staff, the restrictions applicable to the general employment of third-country nationals in the Republic apply.

Source:

http://www.moi.gov.cy/MOI/CRMD/crmd.nsf/0/e9acf9f2067f527ec2257d2c00396628?OpenDocument&ExpandSection=5#_Section5

2.2 Important/exceptions

Note that all public documents issued abroad must:

- a) bear an official translation into Greek or English from Press and Information Office.
- b) Be certified with APOSTILLE if the country has signed the Hague Convention of 1961 or
 - Certified by the Ministry of Foreign Affairs of the country of origin of the applicant and then by the Embassy/Consulate of Cyprus in his country or
 - The Ministry of Foreign Affairs of the country of origin of the applicant and then the Embassy / Consulate of his country in Cyprus and then certified by the Ministry of Foreign Affairs of Cyprus.
 - In the instance that the country of origin of the applicant has not signed the Hague Convention of 1961 and there is no Embassy /Consulate in the above-mentioned country the documents must be certified by the Ministry of Foreign Affairs of the country of origin of the applicant and then the nearest Embassy / Consulate which is accredited to Cyprus

2.3 Tips from professionals

Since regulations are changing rapidly, FDI advisor should check the data on the provided web pages, or directly contact the relevant stakeholders, before giving any information or starting the permit(s) procedure for foreign investors.

2.4 Additional reading

Civil Registry and Migration Department. *Citizens Of The European Union* (online).

Available on:

<http://www.moi.gov.cy/moi/crmd/crmd.nsf/All/69E690A161D174D6C2257D2C0045750B?OpenDocument> (26.09.2018.)

Civil Registry and Migration Department. *Employees At International Companies* (online).

Available on:

http://www.moi.gov.cy/MOI/CRMD/crmd.nsf/0/e9acf9f2067f527ec2257d2c00396628?OpenDocument&ExpandSection=4%2C8%2C5#_Section4 (26.09.2018.)

Civil Registry and Migration Department. *Migration Section* (online). Available on:

http://www.moi.gov.cy/moi/crmd/crmd.nsf/page07_en/page07_en?OpenDocument (26.09.2018.)

POINT OF SINGLE CONTACT, *Residence and Employment Permit* (online). Available on:

<http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/All/465E53793B591400C22579C2002990A1?OpenDocument> (01.10.2018).

2.5 Quiz and exercise

Which of the following documents does an EU citizen not need to submit for the issues of registration certificate?

- a) valid passport or identity
- b) proof of employment
- c) photographs
- d) driving licence

Which is the application a third-country national must submit for the issue of Entry and Temporary Residence and Employment Permit?

- a) MGEN2
- b) MPF3
- c) HAP5
- d) TUV42

Which of the following answers is correct? The maximum period of stay for third-country nationals for the purpose of employment is years.

- a) 5
- b) 2
- c) 4
- d) 10

For what positions can eligible companies employ non-EU citizens?

- a) Directors, middle management executives and support staff
- b) Directors and middle management executives
- c) Directors
- d) Support staff and middle management executives

For the applications for obtaining work permits, all public documents issued abroad must not comply with which of the following:

- a) bear an official translation into Greek or English from Press and Information Office.
- b) be certified with Apostille if the country has signed the Hague Convention of 1961
- c) be certified by the Ministry of Foreign Affairs of the country of origin of the applicant and then by the Embassy/Consulate of Cyprus in his country
- d) be certified by the Ministry of Interiors

Exercise:

Help your client who is a non EU citizen and will be employed at a company of foreign interests as a Middle Management Executive to submit a request for entry permit, registration and first temporary residence permit and write down all the necessary documents. Write a report.

3. PROCEDURE FOR OBTAINING VISA, PERMANENT PERMIT AND CITIZENSHIP

3.1 Overview/theoretical framework

This Unit is designed to introduce the learners to the procedures and conditions for obtaining a visa, permanent permit and Cyprus citizenship for foreign nationals.

After acquiring knowledge from this Unit, learners will be qualified to:

- pass on the information on the procedures for obtaining visa, permanent permit and Cyprus citizenship to foreign nationals

Procedure for Obtaining a Visa

A visa is a conditional travel authorization granted by a country to a foreigner, allowing them to enter, remain within, or to leave that country. Visas typically include limits on the duration of the foreigner's stay, territory within the country they may enter, the dates they may enter, the number of permitted visits or an individual's right to work in the country in question.

EU citizens do not require a visa to enter Cyprus, but they must carry a valid passport or their national identity card provided there is a photo and the citizenship is declared on the card.

The different categories of visas applicable in Cyprus are:

- Short-stay or tourist visas, including multiple-entry visas.

When someone is travelling to the Republic of Cyprus for reasons other than immigration, and your visit does not exceed three months, you might need a travel visa. The travel visa gives you the right for a continuous visit or several visits to Cyprus. The duration of visits in total should not exceed three months in any half of a year from the date of the first visit. In general, the short-stay Cyprus visa is issued for one or several visits.

In case you need to come to Cyprus often, (business trips etc.) it is possible to get a multiple-entry visa for several visits. The total duration of the visits should not exceed three months in any half of a year from the date of the first entry. The multiple-entry Cyprus visa is valid for one year. In exceptional cases, it might be valid for more than a year but no more than five years for certain categories of persons.

To see more information on how to obtain a short-stay visa click [here](#) or [here](#).

- Long-stay visas

If you are planning to stay in Cyprus for more than three months, you will have to apply for a long-stay visa:

- Cyprus Residence Visa
- Cyprus Work Permit
- Cyprus Student Visa

- Airport transit visa (ATV)

This visa category entitles aliens who are required to have such a visa to pass through the international transit area of Cypriot airports without actually entering the national territory of Cyprus, during a stop-over or transfer between two stages of an international flight. The requirement to have this visa is an exception to the general right to transit without a visa through Cyprus.

Here you can see the list of the countries whose citizens are required Cyprus Airport Transit Visa:

<http://www.mfa.gov.cy/mfa/mfa2016.nsf/All/D1CF6811D536ECB0C2258022003F75C5?OpenDocument>

- Transit visas

If you are travelling from one country to another country and you have to pass through the territory of the Republic of Cyprus, to do so you might need a Transit Visa. This visa may be issued for one transit, or exceptionally for several transits. The duration of each transit case should not exceed five days. The transit visa is issued provided that the entry of the traveller into the territory of the destination country is guaranteed and that the route taken normally requires transit through Cyprus.

- Group visas

This is a transit visa or a visa limited to a maximum of thirty days, which may be affixed to a group passport - except where national legislation provides otherwise - issued to a group of travellers formed prior to the decision to travel. The group visa is issued, provided that the members of the group enter the territory, stay there and leave it as a group.

Group visas may be issued to groups of between 5 and 50 people. The person in charge of the group should possess an individual passport and, where necessary, an individual visa.

Source:

- <http://www.moi.gov.cy/moi/CRMD/crmd.nsf/All/6537752D9FC166A0C2257D2C00382AD7?OpenDocument>
- <https://www.cyprusvisa.eu/>

Procedure for obtaining immigration permit (permanent residence)

A person can apply to obtain an Immigration Permit on the basis of one of the Categories referred to in Regulation 5 of the Aliens and Immigration Regulations.

For the granting of an Immigration Permit, an application is submitted on the form M.67 to the Civil Registry and Migration Department directly or through the District Aliens and Immigration Branches of the Police. The application should be accompanied by the appropriate documents, depending on the Category for which it is submitted.

Currently, there is a new and accelerated procedure for granting Immigration Permit to applicants who are third-country nationals and intent to invest in the Republic of Cyprus.

The procedure for the submission and examination of an application is the following:

- The application should be submitted on Form (M.67) to the Civil Registry and Migration Department or to the District Offices personally or through post or through a representative. It is noted that the applications submitted to District Offices shall be transferred to the Civil Registry and Migration Department directly, without any processing.
- Applications which are submitted in Cyprus, personally or through a representative or by post, shall be filed in an ordinary file (the applicant should ensure that each relevant document of the application must be numbered with blue ink, from the first page to the last). Inside the file there shall be included a check list of all necessary documents, which must be submitted with the application form, which must be completed by the applicant or by a representative of the applicant.
- The application shall be examined by the Civil Registry and Migration Department and shall be submitted to the Minister of the Interior, through the Permanent Secretary of the Ministry, for a decision. For the purposes of the specific type of immigration permit, no personal interviews are necessary, except when the Permanent Secretary decides that an interview is necessary.
- The Ministry of the Interior shall inform the applicant or the representative of the applicant and the Civil Registry and Migration Department, about the decision of the Minister of the Interior.
- The Immigration Permit shall not be cancelled, provided that the applicant will visit Cyprus one time at least, every two years period.

Provided that the criteria described in the first chapter are fulfilled and no further questions arise with respect to the Criminal Record of the applicant, or Public Order, the application shall be examined by the Minister of the Interior in a positive spirit and the Immigration Permit shall be granted.

It is estimated that when applying the procedure described above, the period for the examination of the application, shall not exceed a period of 1-2 months.

The following documents, which must accompany the application form, can be found on the website of the Ministry of the Interior: www.moi.gov.cy

- Application Form M.67
- Check List
- Affidavit
- Statement to the effect that the Applicant is not employed in Cyprus.

Source:

<http://www.moi.gov.cy/moi/crmd/crmd.nsf/All/3C7DAE434B8C3953C2257D2A0039F247?OpenDocument&highlight=BLUE>

Procedures for obtaining citizenship

The terms “permanent residence” and “citizenship” are often confused with one another. Although both confer rights to live legally in the host country, in our case, Cyprus. A lawful permanent resident is someone who has the right to live in Cyprus indefinitely.

Naturalization is referred to as the process for which a non-citizen of a country, in this case Cyprus, may become a citizen of that country, gains the citizenship. The applicant/citizen (and eventually his wife & children) will be able to hold a Cyprus passport and have all the benefits of a Cyprus citizen.

Applications for the acquisition or renunciation of Cypriot citizenship as well as for the grant of a certificate of citizenship determination are submitted at the Civil Registry and Migration Department, the District Administration Offices and the diplomatic missions of the Republic (embassies and consulates). Subsequently, all the applications are processed by the Citizenship Section of the Civil Registry and Migration Department.

The accompanying documents of all the applications should be duly authenticated, i.e. they should bear the stamp «APOSTILE», if they are issued by countries that have signed the Hague Convention, otherwise they should be sealed by the Ministry of Foreign Affairs of the issuing country and the diplomatic mission of the Republic of Cyprus in the issuing country

There are three categories:

- Acquisition of citizenship due to Cypriot origins
- Acquisition of citizenship as a spouse of a Cypriot citizen (Type M125)
- Naturalization

The category that is more relevant for foreign investors is usually the third one, naturalization that is subsequently divided into:

- **Scheme for naturalisation of investors in Cyprus by exception**

One of the main objectives of the economic policy of the Republic of Cyprus is to further encourage Foreign Direct Investment and to attract high net worth individuals to settle and do business in Cyprus. Key factors that make Cyprus an attractive destination for investment, is the highly specialized human capital, the reliable legislative and regulatory framework, the stable tax system and the safety and stability conditions prevailing in the country.

Within this framework and taking into account the strong investor interest, the Government of Cyprus has established and revised a "Scheme for Naturalization of non-Cypriot investors by exception" on the basis of subsection (2) of section 111A of the Civil Registry Laws of 2002-2015, with specific incentives, terms and conditions and control procedures in order to prevent abuse.

On the basis of the Scheme, a non-Cypriot citizen, who meets one of the following economic criteria (A), either personally or through a company/ companies in which he/ she participates as a shareholder – in proportion to his holding percentage, or through investments done by his/her spouse or jointly with the spouse or even as a high-ranking senior manager of a company/ companies that meets one of the economic criteria (A), may apply for the acquisition of the Cypriot citizenship through naturalization by exception.

A high-ranking senior manager may apply, provided that he/she receives such a remuneration that generates for the Republic tax revenues of at least €100,000 over a three year period and provided that this tax has already been paid or prepaid.

The applicant should have made the necessary investments during the three years preceding the date of the application and must retain the said investments for a period of at least three years as from the date of the naturalization.

Criteria:

- 1) Investment in real estate, land development and infrastructure projects
- 2) Purchase or Establishment or Participation in Cypriot Companies or Businesses
- 3) Investment in Alternative Investment Funds or financial assets of Cypriot companies or Cypriot organizations that are licensed by CySec
- 4) Combination of the aforementioned investments

For the evaluation of the applications the “Application by an alien for a certificate of naturalization” ([M127](#)) must be submitted along with the following documents:

- Clean Criminal Record: Certificate of Clean Criminal Record from the country of origin and the country of residence (if different).
- Residence in the Republic of Cyprus:
 - (a) Contract of Sale.
 - (b) Title Deeds or Proof of Registration of the contract with the Lands and Surveys Department.
 - (c) Proof of payment of the agreed purchase price.
 - (d) Copy of the wire transfer to a Cypriot commercial banking institution in the name of the seller or the seller’s company.
 - (e) An evaluation certificate from an independent registered land surveyor, if required by the Ministry of Interior or the Ministry of Finance.
- Criteria regarding the investment (when applicable):
 - (a) Certificate of Registration of the company/ companies by the Registrar of Companies.
 - (b) Certificate of shareholders by the Registrar of Companies or certificates evidencing that the applicant is the beneficiary owner of the company/ companies.
 - (c) Audited accounts of the company (or companies) for the last three years preceding the year of the application.
 - (d) If the applicant is a high-ranking senior manager, the submission of the employment contract and the receipt from the Department of Inland Revenue are additionally required.
 - (e) If the investment is made by the spouse of the applicant or jointly, a marriage certificate is required.

Furthermore, depending on the case, additional documentation may be required

You can find more details about the criteria that have to be fulfilled and the documentation here: <http://www.moi.gov.cy/moi/crmd/crmd.nsf/All/DABB1713307D8C4CC2257D2C0045433C?OpenDocument>

- **Naturalization based on years of residence**

The “Application by an alien for a certificate of naturalization” ([M127](#)) can be submitted by foreign nationals, who have completed seven years of legal residence in the Republic prior to the date of application. In cases of aliens who are either parents or children of Cypriot citizens the time required is five years rather than seven.

In any case, the applicant must have resided legally and continuously in Cyprus during the twelve months preceding the date of the application.

Accompanying documents:

- Birth certificate of the applicant
- Certificate of clean criminal record of the applicant
- Marriage certificate
- Copies of all the pages of all the passports of the applicant showing his/her arrivals and departures in Cyprus
- Detailed statement of arrivals and departures completed by the applicant
- Copies of newspaper advertisements in two consecutive publications which report that the applicant has filed an application for naturalization.
- Two passport size photographs
- Photocopy of receipt for the amount of 500 euros paid as fees

Source:

<http://www.moi.gov.cy/moi/CRMD/crmd.nsf/All/E84172965E9BEEC6C2257D1E0025C46A?OpenDocument>

3.2 Important/ exceptions

It is important to note that, in the case of the naturalization process, where, following a periodic inspection, it has been established that a criterion, term or condition of the Scheme has been breached, the granted naturalization may be revoked.

3.3 Tips from professionals

FDI advisors should check the resent data on relevant authorities’ webpages or directly contact the responsible office (Ministry of Interior), before giving any information or starting the permit application procedure for the foreign investor.

3.4 Additional reading

More information for obtaining Cyprus citizenship:

Civil Registry and Migration Department. *Scheme For Naturalization Of Investors In Cyprus By Exception* (online). Available on:

<http://www.moi.gov.cy/moi/crmd/crmd.nsf/All/DABB1713307D8C4CC2257D2C0045433C?OpenDocument> (26.09.2018.)

Civil Registry and Migration Department. *Naturalization Based On Years Of Residence* (online). Available on:

<http://www.moi.gov.cy/moi/CRMD/crmd.nsf/All/F03BEB8DF3591BC1C2257D2C00453383?OpenDocument> (26.09.2018.)

Civil Registry and Migration Department. *Migration Section* (online). Available on:

http://www.moi.gov.cy/moi/crmd/crmd.nsf/page07_en/page07_en?OpenDocument (26.09.2018.)

CyprusVisa, *General information about Cyprus visa* (online). Available on:

<https://www.cyprusvisa.eu/> (01.10.2018.)

3.5 Quiz and exercise

A person who has a Cyprus Visa permit, has a permit for ...?

- a) family reunification
- b) employment in the Republic of Cyprus
- c) entering the Republic of Cyprus and remain there for a limited period of time
- d) permanent residence in the Republic of Cyprus

For how long is a multiple-entry Cyprus visa valid for?

- a) two years
- b) one year
- c) two months
- d) six months

For which of the following countries its citizens are required Cyprus Airport Transit Visa:

- a) Armenia
- b) Afghanistan
- c) Colombia
- d) Mongolia

For which third-country nationals does the accelerated procedure for granting Immigration Permit apply to?

- a) people who intent to invest in the Republic of Cyprus
- b) high qualified people
- c) workers who are permanently posted by a foreign employer to carry out work in the host country in which is situated its establishment.
- d) people who have family in the Republic of Cyprus

The accelerated procedure for granting Immigration Permit might take approximately how long?

- a) 5-10 days
- b) 3 months
- c) 4 months
- d) 1-2 months

A foreign to be granted permanent residence does not have to submit proof for which of the following:

- a) valid health insurance in the host country
- b) has an employment contract for an indefinite time
- c) has the means to support himself
- d) has a valid foreign passport

Which category of naturalization is the most relevant to foreign direct investors:

- a) acquisition of citizenship due to Cypriot origins
- b) acquisition of citizenship as a spouse of a Cypriot citizen
- c) naturalisation of investors in Cyprus by exception
- d) naturalization based on years of residence

Exercise

Help a potential investor that is a third-country citizen to apply for an immigration permit (permanent residence) so s/he can start running a business in Cyprus.

Write report: (Forms to be filled in and documentation to attach).

4. CONDITIONS AND PROCEDURES FOR FAMILY REUNIFICATION IN THE HOST COUNTRY

4.1 Overview/theoretical framework

This Unit is designed to introduce additional conditions which must be fulfilled (along with the general conditions) by foreign national family members in order for family reunification in Cyprus.

After acquiring knowledge from this Unit, learners will be qualified to:

- identify differences in the procedure of family reunification in Cyprus
- inform and lead foreign national family member through the procedure of obtaining residence permit with the aim of family reunification

Family reunification refers to the entry and residence of the family members of an EU citizen or a third-country national residing legally in the Republic, in order to preserve family unity.

A. Family reunification of family members of a European Union citizen who are also citizens of a Member State- Registration Certificate

For the issue of a Registration Certificate to family members of a Union citizen who are also citizens of a Member State the following documents must be submitted:

- (a) Valid Passport or identity card and copies of the same.
- (b) A document attesting to the existence of a family relationship.
- (c) Where appropriate, the registration certificate of the Union citizen whom they are accompanying or joining.
- (d) In the case of a spouse of a Union citizen and direct dependants under 21 or who are dependants of the citizen and those of the spouse, proof of existence of a family relation and that said family members are dependants.
- (e) In some cases, a document issued by the relevant authority in the country of origin or country from which they are arriving certifying that they are dependants or members of the household of the Union citizen, or proof on the existence of serious health grounds which render the personal care of the family member by the Union citizen absolutely necessary.
- (f) Proof of the existence of a consistent relationship with the Union citizen.
- (g) Two Passport-sized photographs. - It is noted that photographs are now captured during the application submission process.

The application fees payable are €20 for the Union citizen and €20 for each family member citizen of a Member.

Failure to comply with the registration requirement shall render the person concerned liable to a financial penalty up to €2,562,90.

You can find the application (MEU1) [here](#).

Source:

<http://www.moi.gov.cy/moi/crmd/crmd.nsf/All/69E690A161D174D6C2257D2C0045750B?OpenDocument>

B. Family reunification of family members of European Union citizens that are not European Union citizens - Residence Card

The application for the issue of Residence Card is submitted by Family Members of a Union citizen who are not citizens of a Member-State (MEU2), within four months from the date of entry into the Republic of Cyprus. You can find the application [here](#).

For the issue of Residence Card the Non-EU citizen Family Members of a Union citizen must submit the following documents:

- (a) Valid Passport.
- (b) A document attesting to the existence of a family relationship.
- (c) Where appropriate, the Registration Certificate of the Union citizen whom they are accompanying or joining.
- (d) In the case of a spouse of a Union citizen and direct descendants under 21 or who are dependants of the citizen and those of the spouse, proof of existence of a family relation and that the said family members are dependants.
- (e) In some cases, a document issued by the relevant authority in the country of origin or country from which they are arriving certifying that they are dependants or members of the household of the Union citizen, or proof of the existence of serious health grounds which render the personal care of the family member by the Union citizen absolutely necessary.
- (f) Proof of the existence of a consistent relationship with the Union citizen.
- (g) Two Passport-sized photographs. - It is noted that photographs are now captured during the application submission process.

The Residence Card shall be valid for five years from the date of the issue or for the envisaged period of residence of the Union citizen, if this period is less than five years.

The fees payable are €20.

Failure to comply with the registration requirement shall render the person concerned liable to a financial penalty up to €562,90.

Source:

<http://www.moi.gov.cy/moi/crmd/crmd.nsf/All/C190E3AA6A53A579C2257D2C00458A48?OpenDocument>

C. Permanent residence of Union citizens and their family members - Permanent Residence Card

The application for the issue of a Permanent Residence Certificate is submitted by a Union citizen and family members also Citizens of a Member State, after a five-year period of uninterrupted legal residence in the Republic of Cyprus.

The application for the issue of a Permanent Residence Card is submitted by a Union Citizen Family Members who are not citizens of a Member State, within one month after the expiration of validity of the Residence Card.

The validity of the residence card shall not be affected by temporary absences not exceeding six months in a year, or by absences of a longer duration for compulsory military service or by one absence of a maximum of 12 consecutive months for important reasons such as pregnancy and childbirth, serious illness, study or vocational training, or a posting in another Member State or a third country.

Once acquired, the right of permanent residence shall be lost only through absence from the Republic of Cyprus for a period exceeding two consecutive years.

The right of permanent residence in the Republic of Cyprus shall be enjoyed before completion of a continuous period of five years of residence by:

(a) Employees or self-employed persons who, at the time they stop working, have reached the age laid down by the Cyprus Social Insurance Law in force for entitlement to an old age pension or employees who cease paid employment to take early retirement, provided that they have been working in the Republic of Cyprus for at least the preceding twelve months and have resided in Cyprus continuously for more than three years.

(b) Employees or self-employed persons who have resided continuously in the Republic of Cyprus for more than two years and stopped working in Cyprus as a result of permanent incapacity to work. Notwithstanding the above, if such incapacity is a result of an accident at work or an occupational disease entitling the person concerned to a benefit payable in full or in part by the Social Insurance Services or other benefit payable by in full or in part by a different authority by virtue of another relevant law, no condition shall be imposed as to the length of residence;

(c) Employees or self-employed persons who, after three years of continuous employment and residence in the Republic of Cyprus, work in an employed or self-employed capacity in another Member State, while retaining their place of residence in the Republic of Cyprus, to which they return at least once a week.

For the purposes of entitlement to the aforementioned rights, periods of employment spent in the Member State in which the person concerned in working shall be regarded as having been spent in the Republic of Cyprus. Periods of involuntary unemployment duly recorded by the Labour Department, periods away from work for reasons not of the person's own making and absences from work or cessations of work due to illness or accident shall be regarded as periods of employment.

Irrespective of nationality, the family members of an employee or a self-employed person who are residing with him in the territory of the Republic of Cyprus shall have the right of permanent residence, if the employee or self-employed person has acquired himself the right of permanent residence in the Republic of Cyprus—

If, however, the employee or self-employed person dies while still working but before acquiring permanent residence status in the Republic of Cyprus on the basis this Law (article 14(1)), his family members who are residing with him in the Republic shall acquire the right of permanent residence on the condition that:

(i) The employee or self-employed person had, at the time of death, resided continuously on the territory of the Republic for two consecutive years.

(ii) The death resulted from an accident at work or an occupational disease.

For this application, the fees payable are €20 for each person and two passport-sized photographs must be submitted.

The Republic of Cyprus shall issue family members who are not citizens of a Member State entitled to permanent residence a Permanent Residence Card valid for 10 years that shall be renewable automatically every 10 years from the date of issue upon request of the person concerned and with the payment of a fee of €20.

The application for a Permanent Residence Card must be submitted within one month from the expiration of the validity of the Residence Card.

Failure to comply with the requirements to apply for a Permanent Residence Card shall render the person concerned liable to a financial sanction up to €2562,90.

You can find the application (MEU3) [here](#).

Source:

<http://www.moi.gov.cy/moi/crmd/crmd.nsf/All/D1D71A1CD6E43223C2257D2C00459524?OpenDocument>

D. Family reunification for Third-country Nationals

According to the Aliens and Immigration Legislation, third-country nationals residing lawfully in the Republic of Cyprus have the right to family reunification with their family members, given that the sponsor:

- has stayed lawfully in the Republic for a period of at least two (2) years.
- is holding a residence permit with a duration of at least one (1) year.
- has reasonable prospects of obtaining the right of permanent residence.

The applicant or advisor should fill in the relevant application and submit it along with its supporting documents at the Civil Registry and Migration Offices in Nicosia. To check which supporting documents are needed you can advise the table below:

<u>BEFORE THE ARRIVAL OF THE FAMILY MEMBER(S)</u>	
1	Gather all accompanying documents for the type of application for the family member(s).
2	Original medical examination results for sponsor's family members (AIDS, Hepatitis B and C, Syphilis and Tuberculosis) from the country of origin/ residence: <ul style="list-style-type: none"> a) As far as Tuberculosis is concerned, for children under the age of 15, no X-ray examination is necessary. The Mantoux Skin Test is also accepted. b) The Mantoux Skin Test is not required for application for entry to Cyprus, for children under the age of 6.
3	Copies of the sponsor's and family members' passports, valid for at least two years from the date of application.
4	Marriage Certificate. The couple must be married at least one year before submitting the application.
5	Family members' Birth Certificates: <ul style="list-style-type: none"> c) Spouse must be 21 years or older. d) Children must be below the age of 18 and must not be married.
6	Court decision on the adopted minor children of the sponsor and of his/her spouse, if applicable.
7	Court custody decision of minor children, if applicable.
8	Original Criminal Record Verification for sponsor's family members. This is not necessary for children under the age of 16.
9	House/ apartment title of ownership, or rental agreement, duly stamped, of the sponsor:

	e) Receipts of rent, if applicable. f) House/ apartment description.
10	Valid contract of employment of the sponsor duly signed and stamped for the minimum duration of 18 months from the date of application , or of open duration.
11	Sponsor's Income Tax Returns, for all years of residence in the Republic.
12	Sponsor's certificate of contributions to the Social Insurance Fund, for all years of residence in the Republic – Form YKA B-9 .
13	Sponsor's V.A.T. returns, for all years of residence in the Republic (this is only applicable when the sponsor is the only shareholder).
14	Sponsor's Income Declaration, for sources of income other than employment, if applicable, accompanied by affidavit.
15	Sponsor's bank accounts' statements.
16	Sponsor's utility (phone, electricity or water) bills.
17	Original letter of guarantee issued by a bank or cooperative institution in Cyprus with validity of 10 years covering possible repatriation expenses. The amount depends on the country of origin.
18	Authorisation for payment by bank transfer (FIMAS).
<u>AFTER THE ARRIVAL OF THE FAMILY MEMBER(S)</u>	
19	Copy of the family members' passport's or other travel document's page showing the latest arrival in the Republic and visa
20	Original family members' Entry Permit (M70)
21	Certificate of School Enrolment/ Attendance, if applicable
22	Original medical examination results for sponsor's family members (AIDS, Hepatitis B and C, Syphilis and Tuberculosis) conducted in Cyprus: g) Medical examinations must be validated by a Doctor. h) As far as Tuberculosis is concerned, for children under the age of 15, no X-ray examination is necessary. The Mantoux Skin Test is also accepted. a. The Mantoux Skin Test can be performed at, or validated by the Public Hospitals' Pulmonary Clinics. i) Medical examination results are not requested for children under the age of 6 that were born in Cyprus.
23	Valid health Insurance Policy for the sponsor and his family members: j) Coverage for inpatient/ outpatient treatment and transportation of corpse. k) Automatically renewable

Source: Ministry Of Interior, Civil Registry and Migration Department

You can find the application for family reunification [here](#).

Source:

http://www.moi.gov.cy/moi/crmd/crmd.nsf/0/3849e56d425da4efc2257d2c00371c45?OpenDocument&ExpandSection=5%2C4%2C2%2C1#_Section5

4.2 Important/exceptions

Family members for the purpose of family reunification applications are considered the following:

1. The sponsor's spouse, given that the marriage was conducted at least one (1) year before the submission of the application and that the spouse is over 21 years old.
2. The minor children of the sponsor and of his/her spouse, including children adopted in accordance with a decision taken by the competent authority in Republic or a decision taken by the competent authority of another State or a decision which is automatically enforceable due to international obligations of the Republic
3. The minor children, including adopted children, of the sponsor, as defined in point (ii), where the sponsor has custody and the children are dependent on him/her.
4. The minor children, including adopted children, of the sponsor's spouse, as defined in point (ii), where the sponsor's spouse has custody and the children are dependent on him/her.

All minor children mentioned in points above must be under the age of eighteen (18) and not married.

Parents: The investor's parents may also apply for citizenship after the investor has acquired his/ her citizenship, provided that they are owners of a private residence of at least €500,000 (+VAT). The investor and his/ her parents may collectively acquire one residential property of a total value of at least €1m (+VAT).

4.3 Tips from professionals

Since conditions are changing rapidly, FDI advisor should check the valid data on web pages, or direct contact the responsible authority (Ministry of Interior or consulate) before giving any information or starting the family reunification process.

4.4 Additional reading

Civil Registry and Migration Department. *Citizens of the European Union* (online).

Available on:

<http://www.moi.gov.cy/moi/crmd/crmd.nsf/All/69E690A161D174D6C2257D2C0045750B?OpenDocument> (26.09.2018.)

Civil Registry and Migration Department. *Family Reunification for Third-country Nationals* (online). Available on:

http://www.moi.gov.cy/moi/crmd/crmd.nsf/0/3849e56d425da4efc2257d2c00371c45?OpenDocument&ExpandSection=5%2C4%2C2%2C1#_Section5 (26.09.2018.)

Civil Registry and Migration Department. *Family Members of European Union Citizens that Are Not European Union Citizens* (online). Available on:

<http://www.moi.gov.cy/moi/crmd/crmd.nsf/All/C190E3AA6A53A579C2257D2C00458A48?OpenDocument> (26.09.2018.)

Civil Registry and Migration Department. *Permanent Residence of Union Citizens and Their Family Members* (online). Available on:

4.5 Quiz and exercise

Which document is not required for the application of family reunification of family members of an EU citizen who are also citizens of a Member State?

- a) tax application of the previous year
- b) a valid Passport or identity card
- c) a document attesting to the existence of a family relationship
- d) passport photographs

The application for the issue of a Permanent Residence Certificate submitted by a Union citizen and family members also Citizens of a Member State, should be done after a period of:

- a) three years of uninterrupted legal residence in the Republic of Cyprus
- b) one year of uninterrupted legal residence in the Republic of Cyprus
- c) five years of uninterrupted legal residence in the Republic of Cyprus
- d) two years of uninterrupted legal residence in the Republic of Cyprus

Where should the applicant submit the application for family reunification for Third-country Nationals?

- a) the Foreign Consular Office in the Republic of Cyprus
- b) a police station in the Republic of Cyprus
- c) the Ministry of Foreign Affairs of the Republic of Cyprus
- d) the Civil Registry and Migration Offices in Nicosia.

Exercise

Your client is interested in applying for a Residence Card for his/her family members. The investor is a third-country national residing lawfully in the Republic of Cyprus. Investigate if there are any applicable criteria for the investor and guide your client: where can they apply and find the relevant forms to fill in. Write a report.

5. PUBLIC AND OTHER INSTITUTIONS PROVIDING SUPPORT AND GUIDANCE

5.1 Overview/ theoretical framework

This Unit is designed to introduce to the learners public and other institutions providing support and information to foreign nationals during their residence in Cyprus.

After acquiring knowledge from this Unit, learners will be qualified to:

- inform foreign national of public and other institution providing support
- connect foreign nationals with public and other institutions in line with their needs
- use services and information of public and other institutions

The most important public and other institutions providing support to foreign nationals while their residence in Cyprus, are:

Ministry of Foreign Affairs

http://www.mfa.gov.cy/mfa/mfa2016.nsf/index_en/index_en?OpenDocument

Ministry of Interior

http://www.moi.gov.cy/moi/moi.nsf/index_en/index_en?OpenDocument

Ministry of Finance -Tax Department

<http://www.mof.gov.cy/mof/tax/taxdep.nsf/index/index?opendocument>

The Civil Registry and Migration Department

http://www.moi.gov.cy/moi/crmd/crmd.nsf/index_en/index_en?OpenDocument

Ministry of Labour, Welfare and Social Insurance

http://www.mlsi.gov.cy/mlsi/mlsi.nsf/index_en/index_en

Point of Single Contact Cyprus

The PSC Cyprus portal serves businesses and entrepreneurs, whether established in the Republic of Cyprus or in other EU member states, interested in pursuing their business aspirations in the services sector of Cyprus.

<http://www.businessincyprus.gov.cy>

Invest Cyprus

Invest Cyprus promotes the enhancement of the country's competitive environment, advocating reform and maximising FDI.

<https://www.investcyprus.org.cy/>

Other useful information

Intellectual Property

It is a fact that in today's world the enhancement of products and production processes is a key to the survival of large global companies that invest vast resources in research and development of new products and technologies.

In such an environment, intellectual property has become the most valuable item in a company's asset and one of very important components in the business world in general.

In the Republic of Cyprus, the courts and authorities adhere strictly to the legal provisions of to ensure the protection of the rights intellectual property against infringement and piracy.. More specifically, intellectual property is usually divided into two main categories:

- Industrial property, i.e., patents, industrial designs, geographical indications and designations of origin, plant and seed varieties, trademarks, service marks, and trade names; and
- Copyright and related rights.

The Department of Registrar of Companies and Official Receiver (DRCOR) is the competent authority in Cyprus for keeping the register of Patents, Trade Marks and Industrial Designs. As Cyprus is a signatory of both the European Patent Convention (EPC) and the Patent Cooperation Treaty (PCT), the DRCOR acts as a receiving office of European and International applications. National patents are granted according to the Cyprus Patent Legislation.

Source: http://www.mcit.gov.cy/mcit/drcor/drcor.nsf/index_en/index_en

Legal verification of documents

Public documents issued abroad may be used in the Republic of Cyprus (unless otherwise provided by bilateral or multilateral agreements) if they are legalized in accordance with the regulations of the country of issuance and verified.

All public documents issued abroad must:

- a) bear an official translation into Greek or English from Press and Information Office.
- b) be certified with APOSTILLE if the country has signed the Hague Convention of 1961 or
 - Certified by the Ministry of Foreign Affairs of the country of origin of the applicant and then by the Embassy/Consulate of Cyprus in his country or
 - The Ministry of Foreign Affairs of the country of origin of the applicant and then the Embassy / Consulate of his country in Cyprus.
 - In the instance that the country of origin of the applicant has not signed the Hague Convention of 1961 and there is no Embassy /Consulate in the above-mentioned country the documents must be certified by the Ministry of Foreign Affairs of the country of origin of the applicant and then the nearest Embassy / Consulate which is accredited to Cyprus

Recognition of foreign education qualifications in Cyprus

In accordance with the Lisbon Recognition Convention (1997) all member states of the European Union have established National Councils for the recognition of higher education qualifications. The need to form such councils arose out of the spirit of a united education policy aiming to aid member states in developing control mechanisms regarding criteria for quality and duration of studies for professional and scientific purposes. Under this context, the Cyprus

Council for the Recognition of Higher Education Qualifications (K.Y.S.A.T.S.) was established.

The Council of Recognition of Higher Qualifications (KYSATS) was established in 1996.

According to the relevant legislation which regulates its operation, KYSATS examines educational qualifications which:

- a) are awarded by recognized institutions or
- b) concern educationally evaluated-accredited programs of studies.

Source: <http://www.kysats.ac.cy>

5.2 Important/exceptions

At a small cost, supplementary health insurance (besides basic health insurance) can cover high medical expenses – the FDI advisors should recommend it to their clients.

5.3 Tips from professional

In all procedures, the FDI Advisor needs to check which documents need to be translated or supported with Apostille to prevent unnecessary expenses, prolongation or rejection in the specific case.

5.4 Additional reading

A guide to education in Cyprus (Publication). Retrieved from Ministry Of Education And Culture website. Available on: <http://www.moec.gov.cy/odigos-ekpaidefsis/documents/english.pdf> (26.09.2018).

Department of the Registrar of Companies and Official Receiver. *Intellectual Property* (online). Available on: http://www.mcit.gov.cy/mcit/drcor/drcor.nsf/legislation_en/legislation_en?OpenDocument (26.09.2018.)

5.5 Quiz and exercise

Where can foreign investors find more information when exploring their business aspirations in the services sector of Cyprus?

- a) Legal department of Ministry of Foreign Affairs
- b) Foreign Investors Council
- c) Public notary
- d) Point of Single Contact Cyprus

Which official body is authorized for the registration of intellectual rights?

- a) Department of the Registrar of Companies and Official Receiver
- b) Public Institute for Intellectual Rights
- c) Association of Innovators
- d) State association of Intellectual Property

Which authority is responsible for the recognition of educational qualifications in Cyprus?

- a) The Ministry of Education
- b) The Employment service
- c) The Council of Recognition of Higher Qualifications (KYSATS)
- d) The Agency for Vocational Education and Adult Education

Exercise

Investigate how a foreign citizen can legalize their public documents in the Republic of Cyprus.

ANNEX

6.3. Procedure for obtaining visa, permanent permit and citizenship

Advantages of the European citizenship

Until recently, it was rather difficult to obtain Cypriot citizenship. However, the situation has changed, and today a Cypriot passport can be obtained legally and with very quick and easy procedures – in just three months after investing the money in a Cypriot property.

The advantages of Cypriot citizenship are:

- The Cypriot authorities do not require to pass a language proficiency test or be resident on the island for a significant amount of time.
- Cyprus doesn't prohibit dual citizenship, so you will not have to relinquish your original status.
- As Cyprus is an EU Member, you become also an EU citizen.
- Freedom of movement without a visa in the EU member country
- You and your family can live and work freely in any European country
- The whole family will be eligible for European standards of medical care
- You will have ease of registering companies abroad and doing business on an international level

Source: https://www.kiprinform.com/en/cyprus_interesting/cypriot-citizenship/

6.5. Public and other institutions providing support and guidance

Recognition of foreign higher education qualifications

The title of the same specialty of the public universities of the Republic or other public higher education institutes in Cyprus is taken as a reference point for the recognition of qualification equivalence or equivalence and correspondence, depending on the case.

Should a qualification of the same specialty be not awarded by the above mentioned institutions, the title of the same specialty of recognised education institutes of foreign countries is taken as a reference point, especially those of the European Union with priority given to Greek institutions.

The Council of Recognition of Higher Qualifications (KYSATS) awards two types of recognition:

1. **Equivalence**, awarded if the duration of studies, the conditions of admission, evaluation, promotion and graduation of students and the teaching and learning procedures meet the requirements of the University of Cyprus or the other State Higher and Tertiary Education Institutions of Cyprus. Furthermore, the whole programme of studies has been conducted in recognised educational institution/institutions or it has been conducted in an educationally evaluated-accredited programme of study and a substantial part of the studies has been conducted in the institution which awards the qualification. Equivalence is also awarded, under certain conditions, for non traditionally awarded degrees such as those obtained from Open Universities, distance learning or external programmes.

2. **Equivalence and correspondence**, awarded if, in addition to the prerequisites for recognition of equivalence, the specific programme of studies includes at least two thirds of the required subjects including the compulsory subjects of the corresponding programme of the institution which is used as the basis for evaluation. For certain programmes of studies the Council may require the attendance and success in examination in additional subjects in order to award equivalence and correspondence.

As a point of reference for the recognition of a qualification, the corresponding programme of the public universities of Cyprus or the other Public Tertiary Education Institutions of Cyprus is taken into account. In case there is no corresponding programme in the above Institutions then the corresponding programme of Higher Education Institutions of other countries and particularly of the European Union countries is taken as the reference.

The procedure of recognition of qualifications, involves the appointment by KYSATS of committees, comprised of specialists in the subjects related to the disciplines submitted for recognition. The specialists are university professors. The committees submit their recommendations to the Council of KYSATS which decides about the equivalence or equivalence and correspondence of the specific qualification.

In case the applicant is not satisfied with the decision of the Council, he/she has the right to apply for re-evaluation of his/her application within a month from the date that has been informed of the Council's decision.

Source: <http://www.kysats.ac.cy/index.php/en/genikes-plirofories/anagnorisi-titlon-spoudon>

MODULE 7 –POSSIBILITIES FOR FUNDRAISING

Introduction

This module is designed to introduce Possibilities for Fundraising to the learners and guide them through several opportunities (national and European).

After reading this module, you will be able to:

- know basic fundraising concepts and terminology
- explore strategies for diversifying your funding
- learn how to find state and EU funds
- learn how to get a business loan from the bank

1. STATE FUNDS (including Funding schemes regarding the establishment/further development of business operations through National Programs)

1.1 Theoretical Framework

Funding Programmes and Schemes are extremely important for an FDI Advisor as they aim to facilitate all interested citizens in identifying the appropriate funding opportunity under European Programmes and Funds or national funds, so as to realize a project, an idea or a proposal. Therefore, the knowledge of the different and various programmes and the range of beneficiaries are essential for an FDI Advisor.

In the following unit, we will explore the various State funds, so as to realize a project, an idea or a proposal, and the important parameters of fundraising.

1.2 Important: Fundraising and Funding Schemes through National Programs

1.2.1 National Context (Cyprus)

The National Grant Schemes are designed and approved at national level and are funded solely by national funds. The aim of these projects is the implementation of various state policies and priorities e.g. strengthening employment, promotion of tourism, etc. The implementation and management of these projects are taking place exclusively in Cyprus, under the responsibility of the relevant ministries/agencies of the broader public sector.

The programmes can be divided into the following thematic categories:

- Programmes of the Ministry of Agriculture, Rural Development and Environment: National Grant Schemes concerning the areas of Agriculture, Rural Development, Environment and Climate Change.
- Programmes of the Cyprus Tourism Organisation: National Grant Schemes concerning the Tourism area.
- Programmes of the Ministry of Education and Culture: National Grant Schemes concerning the areas of Education, Training, Culture, the Audiovisual sector, Media etc.
- Programmes of the Ministry of Energy, Commerce, Industry and Tourism: National Grant Schemes concerning the areas of Energy, Commerce, Industry, Land Development, Small-Medium Enterprises and Competitiveness, Telecommunications Research, Technological Development and Innovation etc.
- Programmes of the Ministry of Finance: National Grant Schemes concerning the areas of Economy-Finances.
- Programmes of the Ministry of Interior: National Grant Schemes concerning the areas of Social Affairs & Human Rights, Regional Development, Rehabilitation of Architectural Heritage etc.
- Programmes of the Ministry of Labour, Welfare and Social Insurance: National Grant Schemes concerning the areas of Education, Training, Employment etc.
- Programmes of the Youth Board of Cyprus: National Grant Schemes concerning the areas of Youth and Culture.

- Research Promotion Foundation (RPF) Programmes: National Grant Schemes concerning the areas of Research, Technological Development and Innovation.

If you are interested in finding more information for funding opportunities you can visit the following portal which is a central point for all programmes and calls for proposals, both at European and national level:

- [Information Portal for European and other Funding Programs](#)

The Portal for Funding Programmes has been created with the aim to facilitate all interested citizens in identifying the appropriate funding opportunity under European Programmes and Funds or national funds, so as to realize a project, an idea or a proposal. The different programmes cover a wide range of beneficiaries: the applicant could be an employee, an unemployed person, an NGO, an SME, a local authority, a research center, an educational institution, a public sector entity, etc. Through the Portal, you can be directly informed about the publication of new funding programmes and calls in the area of your interest such as Employment, Competitiveness, Energy and Environment, Education, Culture, Research, Youth, Rural Development etc. Also, the Portal can facilitate your search for partner organisations for cooperating in submitting a proposal, where this is required by the terms of the programmes. In addition, through the Portal, you can be linked to the more specialized websites, where you will find more information and documentation on the specific programmes/calls and on the competent contact points that can provide you with more detailed information for each call.

The Portal aspires to function as a first stop and a central information point for all programmes funded by European and/or national funds. The objective of the Portal is to facilitate citizens in identifying the appropriate funding opportunities from the European and national programmes and schemes, as well as to facilitate a comprehensive and direct dissemination of information in relation to the programmes and the calls for proposals. The ultimate goal is the greatest possible utilization of available resources from European and national funds, which is expected to stimulate growth and job creation.

Funding Programs Example

Funding Program	Cyprus Entrepreneurship Fund (CYPEF)
Program Name	Financial Instruments available by intermediaries in Cyprus
Description	<p>The Cyprus Entrepreneurship Fund (CYPEF) aims to facilitate access to finance for SMEs (Small and Medium Enterprises) through the provision of Financial Risk-Sharing Products and the provision of loans with favourable financing terms.</p> <p>Cyprus Entrepreneurship Fund was established to facilitate access to finance for SMEs. CYPEF is financed through a €70 million loan provided by the European Investment Bank (EIB) to the Republic of Cyprus based on a financing agreement (as amended in May 2017). This amount is supplemented by capital of an equal value, contributed by financial intermediaries / commercial banks participating in the CYPEF program, namely the Bank of Cyprus with a participation of €60 million and Ancoria Bank Ltd with a participation of €10 million.</p> <p>As a result of the participation of the Republic of Cyprus (€70 million) and the above-mentioned banks, the total loan portfolio expected to be granted to Cypriot SMEs, throughout the period of application of the CYPEF programme amounts to at least €140 million. The European Investment Fund (EIF) acts as the administrator of CYPEF on behalf of the Republic of Cyprus on the basis of a mutual agreement (Mandate Agreement). DG EPCD acts as a contact point and supervising authority for the implementation of CYPEF in order to comply with the provisions of the Mandate Agreement.</p> <p>CYPEF is implemented in cooperation with the aforementioned intermediary Financial Institutions / Commercial Banks, selected through a call for expression of interest procedure, by which loans to beneficiary SMEs are granted on very favourable terms in relation to interest rate, grace period and repayment period. The selected financial institutions co-finance 50% of each loan and the remaining 50% is covered by the Republic of Cyprus.</p> <p>Loan applications by SMEs are submitted to the aforementioned Banks</p>
Eligibility for Participation	SMEs (Small and Medium Enterprises)
Call Total Budget	€140,000,000
Financing percentage by EU or other bodies	Bank of Cyprus – maximum loan for each firm up €1,5 mln. Ancoria Bank Ltd – maximum loan for each firm up €600,000 (Under certain conditions loan amount can reach €1.5 mln)
Call Closing Date	01/06/2019
Responsible authority	DG EPCD Bank of Cyprus

	Ancoria Bank
Link	http://www.fundingprogrammesportal.gov.cy/easyconsole.cfm/page/prog/pr og_id/2660/lang/en

1.3 Expert Advice

What advice is necessary when developing a first funding strategy?

Ideally, a strategy should cover all areas of potential fundraising for reference. Not everything can be progressed in the same timelines! Therefore, it is more effective to try and cover as many areas of prospective funding programmes as possible.

Also, another key point is the presentation of the organisations/products. From a simple leaflet to an elaborate website, these are the things that speak and convey the values of the organisation/business and which the potential supporter will review.

- You should pay attention to the small details, as these are the ones that will make all the difference to your case!
- You should dare to apply for funding opportunities!
- You should search for the available funding opportunities: different programmes cover a wide range of beneficiaries and projects!

1.4 Additional reading

Information Portal for European and other Funding Programs. Available on: <http://www.fundingprogrammesportal.gov.cy/> (22.02.2018).

1.5 Exercise and quiz

What is not an important category of Fundraising and Funding Schemes through National Programs?

1. Programmes concerning Education And Culture
2. Programmes concerning Energy, Commerce, Industry and Tourism
3. Programmes concerning Finance
4. Programmes concerning Films

What are useful suggestions for developing a funding strategy?

- 1) Paying attention to the small details and keep looking for opportunities available
- 2) Waiting for someone to inform you about future opportunities
- 3) Not applying because of time limitations
- 4) Disregarding the importance of state funds

Exercise

If, as an advisor or a potential investor, the word fundraising sounds very complicated, we get it. Nonetheless, the government backs, funds or supports a number of programs that can help you find growth capital, even start-up funds, for your business. **After reading this unit, go through the links/information provided and try to find a state funding programme that would apply to your business and fill in the table below.**

Funding Program	
Program Name	
Description	
Eligibility for Participation	
Call Total Budget	
Financing percentage by EU or other bodies	
Call Closing Date	
Responsible authority	
Link	

2. EU FUNDS (including Funding schemes regarding the establishment/further development of business operations through EU Programs)

2.1 Theoretical Framework

The EU has several different funding programmes that you may be able to apply for, depending on the nature of your business or project. There are two different types: direct funding and indirect funding.

The EU makes funding available in different forms, including grants, loans and guarantees, subsidies, prizes and public contracts.

2.1.1 Indirect funding

Indirect funding is managed by national and regional authorities and comprises nearly 80% of the EU budget, mainly through 5 big funds that come under the umbrella of the European Structural and Investment Funds.

The funds and the respective links are:

- European Regional Development Fund – funds for regional and urban development. The ERDF aims to strengthen economic and social cohesion in the European Union by correcting imbalances between its regions. The ERDF focuses its investments on several key priority areas. This is known as 'thematic concentration': Innovation and research; the digital agenda; Support for small and medium-sized enterprises (SMEs); the low-carbon economy.
- European Social Fund – funds for social inclusion and good governance. The ESF invests in people, with a focus on improving employment and education opportunities across the European Union. It also aims to improve the situation of the most vulnerable people at risk of poverty.
- Cohesion Fund – funds for economic convergence by less-developed regions. The Cohesion Fund is aimed at Member States whose Gross National Income (GNI) per inhabitant is less than 90 % of the EU average. It aims to reduce economic and social disparities and to promote sustainable development.
- European Agricultural Fund for Rural Development – funds for rural development in the EU.
- European Maritime and Fisheries Fund– funds for coastal communities in diversifying their economies and projects that create new jobs and improve quality of life along European coasts

2.1.2 Apply for funding

To access EU grants, you should apply via the relevant regional or national authorities (known as managing authorities) in the member state where you are registered.

2.2 Important

There are various useful portals and websites that gather the information regarding EU Funding:

- [Overview of EU funding programmes](#): here you can search for programmes implemented through the Multiannual Financial Framework which support EU policies - including amounts and legal bases.
- [How EU funding works](#): here you can find information on the different types of EU funding available, the application process, eligibility and rules.
- [Enterprise Europe Network](#): The Enterprise Europe Network helps businesses innovate and grow on an international scale. It is the world's largest support network for small and medium-sized enterprises (SMEs) with international ambitions.
- [Information Portal for European and other Funding Programs](#): a portal which is a central point for all programmes and calls for proposals, both at European and national level (Cyprus).
- [Startup Europe](#): here you will find a central meeting point for startups in Europe to access all the information they need to grow and thrive in Europe.
- [Access to EU finance](#): this site will help you to apply for loans and venture capital supported by the European Union.
- [Access to finance for SMEs](#): this site offers practical information for SMEs looking for financing as well as useful data and surveys

Funding Program Example

Funding Program	InnovFin SME Guarantee Facility (InnovFin SMEG)
Description	<p>The InnovFin SME Guarantee Facility - managed by EIF - is, in addition to InnovFin Equity, part of “InnovFin – EU Finance for Innovators”, an initiative launched by the European Commission and the EIB Group in the framework of Horizon 2020.</p> <p>The programme aims to enhance investment in innovation, through facilitating the access to finance for eligible (see Eligibility for Participation) innovative enterprises, by providing them with debt financing on more favourable terms. The InnovFin SME Guarantee benefits from the support of the European Fund for Strategic Investments (EFSI), which is a central pillar of the European Commission's Investment Plan for Europe, whose purpose is to help support financing and implementing productive investments in the European Union and to ensure increased access to financing.</p> <p>InnovFin SMEG is one of the financial instruments of the Horizon2020 Programme, who contribute to the implementation of the EU policies aiming to enhance Research and Innovation, in complementarity with the grants provided under this EU Programme.</p> <p>The European Investment Fund (EIF), acting as the implementing body for InnovFin SMEG at EU level, provides guarantees (and counter-guarantees) to</p>

	<p>selected financial intermediaries with the view to cover defaulted amounts incurred in new originated portfolios under this instrument. A guarantee rate of up to 50% per eligible transaction applies.</p> <p>These facilities may take the form of a term loan or a revolving facility and may finance tangible or intangible assets (including goodwill), working capital or business transfers.</p> <p>The duration of the facility varies from 12 months up to 10 years.</p> <p>The InnovFin SME Guarantee Facility will be deployed by eligible local banks, leasing companies, guarantee institutions, etc. which are selected after a due diligence process following the launch of a Call for Expression of Interest. Once selected by EIF, these local partners act as financial intermediaries.</p>
Eligibility for Participation	<p>Research-based and innovative SMEs and Small Mid-caps established and operating in one or several EU Member States and Horizon 2020 Associated Countries.</p> <p>SMEs and Small Mid-caps should not breach ethical principles referred to under Horizon 2020 or focus on any of EIF restricted sectors.</p>
Call Total Budget	€140,000,000
Call Closing Date	31/12/2020
Responsible authority	<p>National Authorities</p> <p>EU Contact Point: InnovFin_SMEG@eif.org</p>
Link	http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/innovfin-guarantee-facility/

2.3 Tips from professionals

1. Check where and to which institutions you should send your request or proposal.

The majority of the EU budget (80%) is managed at the national level, and checks and annual audits are carried out by national authorities.

2. A lot of EU funds are managed on a country level through national, regional and local bodies.

These bodies can provide useful information and support. Don't be discouraged to communicate with them and request further information.

3. However, some EU funds are managed by the EU.

There are several web pages dedicated to grants, public contracts and other EU funding opportunities managed by EU institutions and bodies.

2.4 Additional reading

Access to EU finance. Available on: <https://europa.eu/youreurope/business/funding-grants/access-to-finance/> (22.02.2018).

Access to finance for SMEs. Available on: https://ec.europa.eu/growth/access-to-finance_en (22.02.2018).

Enterprise Europe Network. Available on: <https://een.ec.europa.eu/> (22.02.2018).

European Structural and Investment Funds. Available on: http://ec.europa.eu/regional_policy/en/funding/ (22.02.2018).

How EU funding works. Available on: https://ec.europa.eu/info/funding-tenders/how-eu-funding-works_en (22.02.2018).

Information Portal for European and other Funding Programs. Available on: <http://www.fundingprogrammesportal.gov.cy/> (22.02.2018).

Overview of EU funding programmes. Available on: https://ec.europa.eu/info/funding-tenders/funding-opportunities/funding-programmes/overview-funding-programmes_en (22.02.2018).

Startup Europe. Available on: <http://startupeuropeclub.eu/eu-funds-and-support/> (22.02.2018).

2.5 Exercise and quiz

Which are the two main types of EU funding programmes?

- a) General and specific funding
- b) Direct funding and indirect funding
- c) Voluntary and obligatory funding
- d) Pre and post funding

In the website How EU funding works you can find all the following information besides one. Which one is that?

- a) Different types of EU funding available
- b) The application process
- c) Personal contact details of officers
- d) Eligibility criteria

Exercise

The EU has several different funding programmes that you may be able to apply for, depending on the nature of your business or project. Visit at least one of the various useful EU Funding portals and websites and try to find an EU Funding programme applicable to you.

3. LOANS FROM BANKS

3.1 Theoretical Framework

This unit presents typical or the most common procedures for an SME to issue a loan from the bank. After reading this unit, you will be able to:

- acquire knowledge on the most common procedure for issuing a loan from the bank,
- to understand the procedure in the context of bank formalities,
- understand the procedures for loan issuing in Cyprus.

3.1.1 Basic information on how to get a business loan from the bank

To get a bank loan approved is not the easiest process. In light of recent economic troubles across the world, lenders are looking for a lot more in a loan applicant and are much stricter. It is vital therefore to be ready to present a comprehensive, complete package for review if you want your loan to get approved.

It is important to note that concerning bank loans there are no specific rules. Each applicant is handled on a case-by-case basis and according to the bank's rules and regulations.

Usually, the procedure of applying for a bank loan includes the following steps:

1. Assessing Capital Requirements-Pre-Qualification
2. Preparing Bank Loan Applications-Required Documents
3. Applying for a Bank Loan
4. Closing the Bank Loan
5. Bank Loan Service and Reporting
6. Bank Loan Analysis

The following is a list of the most important documents needed for a loan.

Loan Application Form: Despite the technological advancements, many banks still require potential borrowers to fill out paper applications in order to get funding.

Business Plan: Anyone looking to secure a business bank loan should have a business plan. This document provides a detailed description of what the business is and where the owner hopes to take it.

Personal Credit Report: Your lender will obtain your credit report as part of the application process. Inaccuracies on your credit report can hurt your chances of getting a business loan approved.

Business Credit Report: If you are already in business, be prepared to submit a credit report for your company. There are many practical ways to increase your business credit score. For example, clearing up past-due debts is one step to achieve a better business score.

Income Tax Returns: Most banks require applicants to submit personal income tax and business income tax returns for the previous years.

Legal Documents: Banks may require potential borrowers to submit the following documents:

*Franchise agreements

*Business licenses and registrations required

*Copies of contracts with any third parties

3.2 Important

National context and information on the loan procedure

National bank business loan- Bank of Cyprus	
Aim & Procedure	To start or develop your business, to buy goods or to increase your business turnover or even to renovate your rented business premises.
Where to apply?	Local Bank Branch
Conditions - Loan amount	The loan amount depends on the needs of your business. The minimum loan amount varies depending on the plan of your choice as follows: <ul style="list-style-type: none"> - €5,000 for plans with a floating interest rate - €7,000 for plans with a fixed interest rate - €20,000 for a plan for the purchase of goodwill or for the renovation of business premises that are not owned by you
Pricing	The pricing of the loan varies depending on the security. For example, if you offer a mortgage on a property you will benefit from a lower interest rate than if only personal guarantees are provided.
Costs (Choice of interest rate)	Fixed rate for 3 or 5 years; thereafter the interest rate fluctuates. Fluctuating interest rate for the whole of the loan term. For the fluctuating interest rate, you can choose the Bank Base Rate for home loans or the Euribor 6m. Find out more on the current interest rates here
Timeframe :	Minimum repayment term <ul style="list-style-type: none"> o Eight (8) years for plans with a fixed interest rate o One (1) year for plans with a floating interest rate Maximum repayment term <ul style="list-style-type: none"> o Twelve (12) years o Eight (8) years if the security is a personal guarantee.
Documentation needed	- Business Plan - Personal Credit Report - Business Credit Report: If you are already in business - Income Tax Returns - Relevant Legal Documents
Link	http://www.bankofcyprus.com.cy/en-gb/business/-/financing/business-loan/

3.3 Expert Advice

The following information includes 5 important steps that one needs to follow to ensure a bank loan can be processed and have higher chances to be approved:

1. Understand your options and preferences

Before heading to a bank, check out the loan packages on their website and check what competitors are offering. It is essential to be aware of the kind of loan you are searching for,

the terms you can afford, and your goal for paying off the loan. Also, always check out the fine print before going choosing to proceed.

2. Ask questions

When you find the most interesting loan package, contact the bank immediately to find out in advance what the requirements are for loan eligibility.

3. Realize your limitations and boundaries

If you are pursuing a loan, you ought to already be aware of your credit score records. Also, consider your financial limitations when planning to apply for a loan. You should apply for the loan based on your financial capacity to make repayments you can afford.

4. Create a checklist

It is very efficient to create a checklist of the appropriate documentation needed for the loan application.

5. Have the right expectations

Applying for a loan when you are not fully ready is never a good idea. Throughout the process, make sure to clarify the sequence of events so you'll have an idea of what to expect and when.

3.4 Additional reading

Arora, R. What You Need for a Small Business Loan. Available on: <http://www.foxbusiness.com/features/what-you-need-for-a-small-business-loan> (22.02.2018).

Business Loan. (n.d.). Available on: <http://www.bankofcyprus.com.cy/en-gb/business/-/financing/business-loan/> (22.02.2018).

5 Tips For Getting Your Bank Loan Approved. Available on: <https://www.forbes.com/sites/investopedia/2013/07/03/5-tips-for-getting-your-bank-loan-approved/#2fcc3a3e2a95> (22.02.2018).

3.5 Exercise and quiz

The below are the most important documents needed for a loan. Which one is not?

- a) Loan Application Form
- b) Personal Credit Report
- c) Legal Documents
- d) Photographs

What is a good advice to ensure a bank loan will be processed?

- a) Realizing your limitations and boundaries
- b) Not searching in depth for your available options
- c) Having unrealistic expectations
- d) Presenting false documents

Exercise

Getting a bank loan approved is not the easiest process. After reading this unit, write down the steps/ procedure of applying for a bank loan and next to each step write down any barriers/obstacles that you may encounter and how will you be able to tackle them. You can use the table below.

STEPS	BARRIERS

Conclusion

All in all, it is evident that there are various funding opportunities and programmes both at a national and at EU level. However, it is vital to research and be prepared before applying either to a funding opportunity or for a bank loan.

Furthermore, fundraising is usually a very demanding and time-consuming process. Nonetheless, if you are properly prepared then you will be able to spend less time fundraising, and more time building or expanding a business. This module manages to introduce the learners to a wide range of possibilities for fundraising (national and European) and offers practical information on where and how to find the most important information when searching for funds.

MODULE 8 – BASICS OF COUNSELLING AND NEGOTIATION

Introduction

Various skills and techniques are needed when providing advice, information and/or knowledge for foreign investors, including negotiation and communication ones. To use them on professional level, they should be improved through specialized educational or training programs. This module covers the content of relevant basic techniques and skills, their useful application and recommendations for further development on the individual basis.

1. COUNSELLING SKILLS

1.1. Overview / Theoretical framework

This Unit is designed to introduce counselling skills and techniques. It will familiarise you with the basic features of the adviser's profession.

After acquiring knowledge from this Unit, you will be able to:

- understand the profession and role of the adviser
- identify the difference between advising and counselling
- apply basic counselling skills and techniques.

Introduction

PROFESSIONAL ADVISER is an expert professionally trained and qualified to give information, explanations and advice in specific areas or for specific needs to an individual, group of people or organization. He is an expert in a particular area, capable of offering swift and comprehensive insight and complex services, while in other areas he is professionally trained or instructed to the level of expertise required for providing services. In the case of more complex services that are not in his area of expertise, professional adviser uses and/or proposes the services of other professionals.

The adviser helps in research, planning, decision-making and implementing them by providing information and suggestions, staying neutral, objective and focused on the ultimate interest of his client.

ADVISER FOR DIRECT FOREIGN INVESTORS has some additional roles. He is an expert professionally trained and qualified in specific areas to provide information, explanations and advice, and can offer advisory services to people across different linguistic, cultural and geographical regions. The communication sensitivity that prevents any misleading interpretation is hugely important. Cultural diversity should always be taken into account, with special attention to differences in education, age, gender, as well as in a political, religious and racial affiliations.

Giving advice and advising/counselling are two different processes.

Giving advice is a process which involves less listening and more talking, instant response to questions, explaining, giving directions and information.

Advising/counselling is a process which involves more listening, asking and not talking, as well as helping the client to reach the point where he is capable of finding his own solutions by implementing certain techniques.

Example:

One financial adviser can use his **professional expertise** to help his clients to manage and increase their assets.

Another financial adviser, using his **counselling skills**, can help a client to secure financial independence (empowering him or her to become more confident and realize what he or she wants).

A Foreign direct investment adviser is an ideal combination of both, as he is qualified for giving advice as well as for counselling.

Adviser's skills and traits

The counselling skills are not only acquired through knowledge but through experience as well. Skills on their own are not sufficient to allow the adviser to successfully complete the counselling process to the client's satisfaction. The adviser should also possess certain traits that, in addition to the acquired skills, make him an accomplished expert.

Important	adviser's	skills	and	traits:
communicative				
calm				
neutral				
sensitive	to		ethical	values
considerate				
friendly				
tactful				
curious				
objective				
polite				
witty				
relaxed				
resourceful				
adaptable				
with		positive		attitude
influential				
pleasant-looking.				

A skilled adviser who will gain the trust and confidence of the client needs to have additional qualities:

- organizational skills in gathering and sharing information with the client
- responsibility for the accuracy of gathered and shared information
- good connections with experts and institutions out of his own area of expertise.

The basic counselling skills include: listening, empathy, understanding, focusing on the client, tolerance, consideration, a broad view, an ability to cooperate and accept, a broad culture, a fresh and ongoing curiosity, interest in the client, an understanding personality, a good verbal communication, accepting responsibility, an excellent memory, an awareness and expertise in the field in which counselling is provided.

Listening is the main skill. It is the most important activity, consistently applied throughout the entire counselling process.

In counselling process, the Advisor should apply following skills:

listening - following the body language - writing notes

listening - asking questions - writing notes

listening – asking more questions (being confident about received information)

listening - following the body language - writing notes

no interrupting the client (no speeding the process – no asking questions in advance)

no promising – providing high quality information

no making decisions – offering opportunities and solutions.

1.2. Listening

Listening skills are taught. The high art of efficient listening is obtained by training and experience. Professional listening is not a simple process that is commonly used in everyday communication.

Listening means paying full attention to the client, being mindful and fully focused not only on the client's words, but also on the message conveyed through them. Listening also includes paying attention to body language and facial expression.

Listening leads to asking the right questions at the right time. By asking the right questions, the client is encouraged to specify and expand his verbalised ideas.

Listening means paying attention to every little detail, and the most important thing in listening is to learn how to remain silent, how to observe, and how to ask questions in order to get all necessary information.

Paying attention and asking questions

Paying attention is the most difficult skill to learn as it requires a lot of experience and practice in keeping your thoughts focused while listening to the other person. If it is necessary, notes should be taken during listening. This is especially preferable in the beginning of doing a counselling job. It is also very important **to listen to the client's speech.**

Questions should not be asked in advance. They should be related exclusively to what the client just has said. The adviser has to wait patiently for the client to move on to another topic.

If the client does not go to a new topic, the adviser should write down any questions related to that topic, and ask them at the end of the client's presentation. The adviser should also not suggest to the client to move on to a different subject prematurely. Otherwise, the client may lose focus and miss some important information.

Issues related to the subject that the client has not spoken about should be asked at the end of the presentation only if the adviser is missing crucial information that could help him to explain to the client more details about a topic or to answer his questions.

Jurković M. (2017) lists seven different types of questions which can be asked but one must have a clear idea why the question is formulated in a certain way and at a particular time.

Open questions are usually used to encourage the other person to open so that you can collect the information you need (they often start with why, what, where, what and how).

Examining questions can be used to clarify something that has already been said, or to learn more about the subject. This form of questions can be useful in creating relationships, but it should not be overused, as it may make the interlocutors feel uncomfortable as if they were questioned or even attacked.

Closed questions require the answer "yes" or "no".

Reflecting questions are often used to check and clarify one's own understanding. This style sends the question back to the speaker and to what he has just said and allows the interlocutor to fully analyse all the information received and his own knowledge on a particular situation.

Main or suggestive questions should be used with caution because they indicate that certain answer should be given in response, which is contrary to the concept of active listening.

Hypothetical questions allow an assessment in what way a person could respond or what he/she thinks about a possible situation.

Paraphrasing questions are one of the best ways to check one's own understanding of the information received from the speaker.

The quality questions will result in quality answers and information, which would help adviser to offer good solutions. When asking questions, the adviser should use **vocabulary understandable to the client** in order to make sure that the client understood questions. Questions should not be too personal even if they might be related to the current client's situation. During the client's presentation, the adviser should ask only about the information required for providing proper guidance and answers.

After the presentation, the client should first receive the information and answers solely related to the areas of his interest. Later, the adviser can ask more questions in order to **redirect** the client to additional areas and possibly offer some other options, ideas and solutions.

Premature questions and answers

If:

- the client still has not completed his sentence/thoughts on a subject
- information is not specified
- the adviser does not ask enough questions,
- and in that way implies that she or he has no interest in the client's plan or project,

by offering a quick response during the interview the adviser disputes and undermines the seriousness and complexity of the client's project.

In those cases, the client may get an impression that the adviser considers his plan or project to be simple, insufficient, incomplete or even insignificant. The client may also think that he has received quick, superficial and incomplete answers from the adviser. That could result in the client becoming insecure and doubtful.

Quick and premature answers by the adviser show his lack of expertise and awareness. It would be more professional to ask additional questions and to listen.

Only after the client completes his full presentation, the adviser will provide him with information and solutions. The client will then accept adviser's help with more confidence, knowing that he has received all the necessary information and has full insight into a problem. The client will be assured that the adviser has listened carefully to the whole conversation and that he will offer complex solutions, advice and instructions.

The adviser should keep in mind that the client is a foreign investor, whose decisions and further steps should protect and enhance his investment, on which depends the safety and quality of life not only of a foreign investor, but also of all future participants and their families.

That is why it is crucial to listen carefully and to gather as much information as possible.

Empathy - Understanding - Acknowledgment

Empathy is the ability to understand and share the feelings of another. Empathy is learned over time. It is neither sympathy nor highlighting one's own emotional state. With empathy we show our concern and understanding for the client's situation.

By showing empathy, the adviser **sends a message** to the client that he put himself in his situation and therefore he is able to consider the ideas and motives in the same way the client does.

With a nod of the head, a smile, writing notes or by verbal confirmation, the adviser makes clear that he fully understands the client's most important information, wishes and needs.

The adviser has to clearly **confirm**/verbally repeat the key information received from the client in order to ensure him he was listening to her/him carefully and fully understood.

The acknowledgment of the client's information indicates care and respect for him and proves that the adviser is doing his job responsibly. By acknowledgment, the adviser confirms that she/he cares for others.

Unclear parts of the conversation should be clarified - the adviser should repeat them and ask the client to confirm that he understood everything properly. Only after the confirmation, the adviser can ask additional questions in order to receive more information, which the client could possibly forget to convey.

1.2 Important / Exceptions

The adviser is personally responsible for his own **emotions**. He cannot allow at any moment his counselling to be controlled by his emotions. Mutual reactions are of crucial importance.

1.3 Tips from professionals

Positive, i.e. correct reactions are learned through exercise. The adviser should always be in charge of the situation regardless of anything unexpected or unpleasant happening during the counselling session. The adviser should always have the freedom to lead a conversation in an appropriate direction.

1.4 Additional reading

If you want to learn more about communication and empathy, important advisor's skills, here is the list of the recommended further reading:

Importance of empathy in communication:

Alma Career grupacija. "*Komunikacija s razumijevanjem – empatija*".(online). Available on: <https://www.moj-posao.net/Savjet/68085/Komunikacija-s-razumijevanjem-empatija/4/> (20.02.2018.)

Advices how to exercise empathy:

Centar Uspjeha. Portal za osobni i profesionalni razvoj. "*Empatija – kako bolje razumjeti drugog*« (online). Available on: <http://www.centaruspjeha.com/empatija-kako-bolje-razumjeti-drugoga/> (20.02.2018.)

More about elements and types of empathy:

SkillsYouNeed. "*What is Empathy*" (online). Available on: <https://www.skillsyouneed.com/ips/empathy.html> (24.08.2018.)

The book which describes a special communication tool, empathic communication, built on the understanding of communication.

Holter Brudal L., Amazon. "*Empathic Communication. The Missing Link*" (online). Available on: <https://www.amazon.com/Empathic-Communication-Lisbeth-Holter-Brudal-ebook/dp/B00PA0SWB4> (20.08.2018.)

A book about unique relationship between communication and culture and about communication and behavior in relationship with people from different cultural backgrounds. Samovar L.A., Porter R.E., McDaniel E.R. (2013.). *Komunikacija između kultura*. Jastrebarsko, Naklada slap

Samovar L.A., Porter R.E., McDaniel E.R., Amazon. "*Intercultural Communication*" (online). Available on: <https://www.amazon.com/Samovars-Porters-McDaniels-Intercultural-Communication/dp/B0045N7RIG> (24.08.2018.)

1.5. Quiz and Exercise

Relating to counselling, ADVISING (giving advice) is a process in which there is:

- a) listening and talking in equal proportion
- b) more listening and less talking
- c) less listening and more talking
- d) listening and answering questions

Relating to giving advice (advising), COUNSELLING is a process in which the Advisor:

- a) listens, asks question, remains silent
- b) doesn't give answers
- c) listens and responds immediately
- d) asks questions and gives answers

Relating to counselling in ADVISING, the Advisor:

- a) forces the client to make a decision with special techniques
- b) doesn't respond
- c) gives responses promptly, interprets, gives instructions and information
- d) doesn't ask questions

Which of the following answers is not correct?

A skilful advisor needs to have these additional qualities:

- a) organizational skills in gathering and sharing information
- b) responsibility for accuracy of gathered and shared information
- c) good connections with experts and institutions out of his own area of expertise
- d) organizational skills in administration

Basic counselling skills are not:

- a) empathy, understanding, focusing on the client
- b) tolerance, an ability to cooperate and accept
- c) compassion, assessing and criticizing the client
- d) being understanding and accepting responsibility

What is the most important activity, consistently applied throughout the entire counselling process??

- a) writing
- b) listening
- c) answering questions
- d) smiling

Listening means paying full attention to the client, being mindful and fully focused not only on the client's words, but also on the message conveyed through them. Listening also includes:

- a) focus on writing
- b) paying attention to body language and facial expression
- c) paying attention on client's look
- d) constant smiling

Which of the following answer is not correct?

The most important thing in listening is to learn to:

- a) remain silent
- b) observe
- c) ask questions in order to get all necessary information
- d) focus on writing

What kind of vocabulary advisor should use when asking questions?

- a) client's vocabulary
- b) gentle vocabulary
- c) professional vocabulary
- d) vocabulary trainers

What is the purpose of asking questions?

- a) speeding the counselling process
- b) showing interest
- c) to gather more information
- d) showing respect

How does the client perceive premature questions and answers?

- a) impressed with advisor's skill
- b) satisfied with quick advising
- c) stops talking and writes down the answers
- d) becomes insecure and doubts the advisor's expertise

What is empathy?

- a) ability to influence on emotional state of another person
- b) ability to understand and share the feelings of another person
- c) expression of sympathy
- d) ability to show the suffering

What does the advisor show with empathy?

- a) expertise in consulting
- b) concern and understanding for the client's situation
- c) decency
- d) sympathy

Exercise:

Ask your co-worker / friend to tell you a short story (10 sentences) about some person's life or an event. Don't interrupt the speaker. Just listen.

After his speech, write down everything you remember/notice (including details).

Ask your co-worker / friend to compare your notes with his or her story.

Write a report. What did you miss: Regardless the story, what extra did you remember or notice? Write these down.

2. COUNSELLING IN PRACTICE

2.1 Theoretical framework

In this Unit you will learn about practical counselling skills and techniques. It will familiarise you with the Advisor's role in the counselling process and the client's possible motives and reasons.

After acquiring knowledge from this Unit, you will be able to:

- apply body language in counselling
- apply basic communication and speech in counselling
- apply other counselling skills and techniques.

Introduction

Clients seek help from advisers for direct foreign investments for two reasons:

Some of them have already made a decision and know exactly what they want but need advice and help to accomplish it. The adviser should approach those clients in a very simple and direct way. It is assumed that those clients will provide the adviser with accurate and precise information and present their needs and wishes. Once the consultant listened to the client and after asking additional questions got all the necessary information, he would be able to provide the client with all the necessary information and offer him solutions.

The brief listening session will most likely be followed by constructive conversation.

Another category of clients wants "something" and knows approximately what exactly, but they are not sure until they get all the information. Therefore, they investigate different possibilities: who? how? and where? The adviser should apply his best listening and communication techniques on those clients. He should also see into the client's motives in order to be able to help them find ideas and solutions.

Motive for seeking advice

Several different motives for seeking advice:

Some investors are motivated only by the expansion of the market and profits, so they are focused solely on the **job**.

The others want to invest in real estate for **personal reasons** because of residence, family reunion and pleasant casual or permanent stay.

The third types are clients who already reside in the host country and therefore **seek ideas** and

opportunities to invest in some jobs in order to be able to afford a longer stay. It is possible that the adviser would be contacted by the investor's family members for the same reason.

How to help a customer to create a job?

A foreign investor adviser is not a career adviser, but as some clients or their family members would also need to start up their own businesses, it would be helpful if the adviser would use some of his skills to help the client.

Some clients would be happy to do "anything" because they want to become independent or to be able to stay in the host country. They have some financial resources, but have no business ideas or are not familiar with legal or personal possibilities. Some of them would have unrealistic plans or unachievable objectives that need to be analysed and adapted.

A foreign investor adviser is not trained to be a career adviser but can offer to the client basic help on how to assess his abilities and opportunities.

The advisor can help the client by setting up targeted questions. The client should write down questions and answers in order to get an insight into the full picture of his abilities, wishes and needs. That might help in creating business start-up ideas.

Some questions for getting business start-up ideas:

Knowledge, skills and activities:

Knowledge gained through education?

Skills gained from previous experiences?

Which of your skills have you not used so far?

Knowledge of foreign languages?

Do you have a hobby?

Artistic talents (writing, painting, music)?

Internet and computer proficiency, familiarity with internet based tools?

Do you drive (car, motorbike)?

What do you usually do in your spare time?

What do you like to do the most?

What are your friends and family members doing?

Provided you have enough money and experience / knowledge, what would you most like to do?

Possibilities:

Working time

Business space

Available finances

Possession of existing equipment

Skills managing finances

Other:

Independent work or a team work

Indoors or outdoors

Traveling
Jobs that requires a lot of thinking
Administration (working with documents)
Sorting, stacking, neatness
Manual work
Working with machines
Working with data
Driving by car
Working with animals
Working with people
Which categories of people: men, women, children, youth, elderly people etc.
Troubleshooting
Organising
Talk to the people
Helping people
Teaching
Guidance
Decision making
Influencing people
Taking risks

The analysis of questions and answers would provide the platform for decision making. In the next step, the adviser will establish a list of possible jobs and activities that fit into the answers provided. When the client narrows a selection of job start-ups, the adviser will help with suggestions, solutions and all the necessary information to start a business.

In order to help the client in making the final decision, in this phase of counselling the adviser for direct foreign investments also offers information that are usually used to attract foreign investors, thus further encourages and directs the client to make the final decision of launching a business in the host country.

Place

A carefully prepared meeting place can help greatly in maintaining concentration especially in the case of a less experienced adviser. It is very important to remove everything that could cause distractions - outside noise, radio, phones, other people, unexpected visitors, objects in front of the adviser and behind the client.

It is desirable to use armchairs, so that both the client and the adviser can relax. If chairs without armrest are used, they should not stay too close to each other so that the clients would not have to cross/move their hands in order to avoid touching. By crossing hands or pulling them backwards people are automatically closing/withdrawing from communication.

Time control

Time is very important as it is precious and irreplaceable. The power is in the hand of those who control it. Time should be well planned and others should not be allowed to waste it.

If the adviser lets the client divert from the topic, it extends the scheduled meeting time by introducing subjects that are not beneficial, therefore the time is wasted for both parties. As a person who leads counselling, the adviser should be the one who evaluates the productivity of time.

Adding some extra time in conversation is not beneficial to either the adviser or the client. The client will get tired or overwhelmed with too many information. The adviser should evaluate whether to extend ongoing meeting or to schedule another one.

Conversation

To communicate does not mean to talk, but to converse. It is the ability to focus on the interlocutor, the ability to listen, respond and suggest.

It is necessary to take care of the client's needs and to direct the conversation towards his wishes and needs. The client must feel that she or he is **important**. Only then they will become willing to listen.

Excessive remarks or examples should be avoided, as well as the adviser's personal examples and problems.

If there is suddenly silence or the adviser does not have the answer ready, the client should be given a general question which would allow him or her to move on to another topic. The client will open the topic that matters to him or her.

A good Advisor should keep the conversation alive, not too slow and boring or interrupted by long pauses. It should also not be going from one unfinished topic to another. On the other hand, a conversation should not be too intense, fast, disturbing or too loud. The adviser should know how to calm the client if he is upset or disappointed with the unexpected answers.

A skilful communication can also result in the client, although not completely satisfied with the answers, leaving completely satisfied with the adviser's services.

In communication, the adviser must keep in mind that both parties are equal interlocutors and that none of them should take over the conversation.

Mirroring

Some clients might be excited and at the same time have fear of the unknown, some are uncomfortable with the idea of making decisions, and some are probably too decisive or worried that they cannot immediately get all the information. Some are not happy because they cannot get the quick answers or the solutions they are used to get in their countries.

The advisor must not allow to being affected by the client's mood as people tend to mirror each other.

The advisor should remain calm, relaxed, confident and should keep on assessing how his body language will mirror the client's mood and when will he use certain behaviour to redirect him into a positive direction.

If the advisor intends to redirect the client towards a positive direction, he should inform the client beforehand that he understands the client's current condition. As soon as the advisor is relaxed, the client will relax too.

The advisor needs to mirror his message to the client. Mirroring should never show what the advisor assumes that the client feels.

Body language

The client's body language

The client's behaviour should not distract but help the adviser's concentration. With his body language and facial expression, the client emphasizes his information. A body language is a powerful tool that helps the adviser to realise what is very important to his client, what he is emotionally attached to, what the areas of his confidence and doubts are, what he is afraid of, which are the issues he is insecure, worried or excited about. All these are signals that indicate a client's real needs, wishes and plans, as well as his personal attitude or expectations. Body language partially reveals the character and personality of the client.

The advisor's body language during listening

With his manners and certain movements, the adviser should **draw the attention** of the client and at the same time show his concern, professionalism, courtesy and full attention.

The adviser should be relaxed, leaning backwards. He should not fold hands because it sends a message that he is not open to information or that he disagrees with the client. His notes should be kept away from the client so that it would not distract him. On the other hand, by writing notes the adviser shows that he is listening carefully, recording all the information and that they have the same importance to the adviser as to the client himself.

Every once in a while, the adviser should lightly nod to reassure the client that he actively follows the conversation and understands everything. At the same time, he should use the confirmation words "yes", "understand". He can also use words or questions that would encourage the client to expand or clarify information: "Tell me more about it".... "For example" "What do you mean by that?".... "Why do you plan that?" .

If the client leans towards the adviser, the adviser should lean towards the client. If the client becomes impatient, the adviser should lean back, relax and smile. The adviser should not frown if he did not understand something or agree with it. He should ask an additional question or write it down and then later on ask for an explanation or express his opinion about the matter.

The hands should always be kept slightly opened. It symbolises an open space that should invite the client to relax, show trust and bring his ideas, thoughts and feelings forward.

The adviser should be aware of moments when it is appropriate to smile. It is also not advisable to rest head on hands, to scratch, roll a pen in hand, play with some object, or watch what is happening around while listening.

The attention of the adviser should be entirely focused on the client and notes.

Every once in a while, the adviser should check whether he sits upright and relaxed.

The adviser's body language during giving advice

While he is talking and giving information to the client, the adviser often uses his hands. When he wants to show to the client where to sit, where to look or what to pay attention to, the palm of his hand should always be facing **up**. The palm facing down signalizes authority and superiority, while finger pointing signalizes aggression. Both gestures are considered rude.

The hands should indicate calmness, relaxation, readiness to listen and communicate. If the adviser has to show data on the board or paper, a pen should be used instead of a finger or a whole palm. By raising a pen, and never with fingers, the client's attention can be redirected to the other area.

General impression

Hands

Handshake is a very important gesture. One should always use one hand only. The handshake needs to be adjusted to the client's style and strength. Documents, folders and briefcases are always kept in the left hand so that the right hand can be free for a handshake, for showing the direction to the client, for moving the chair, for greeting etc.

The hand (fingers) on the cheek will convey a positive acceptance. All other gestures in which hand touches the head are not a positive sign.

Dress code

Dress code, smile and gestures make a stronger impression on the client than what the adviser is saying at that moment.

Dressing should be appropriate, neither too relaxed nor too formal. Fashion is changing along the time, but different countries have different customs. The eye is always the first to see and judge. The adviser's main goal is to approach the client at the same level. Therefore, dressing should be moderate, in order not to distract the client or to put him off.

The client should not feel inferior because of the adviser's excessively expensive or inadequate

looks. One could get the impression that the adviser is hiding his incompetence behind the "picture of a successful person".

The client should also not get the impression that the adviser does not care at all about how the client will perceive him and that he does not care about his appearance. Ignoring an appropriate dressing code tells the client that he is not important. The client might get impression that the adviser has an extremely high opinion of himself and therefore is not bothered with his appearance, thinking he is superior with his information and knowledge.

Giving advice

After the adviser heard the client, collected and recorded all the information, clarified and received the client's confirmation that everything is properly understood, he can start offering information and answers.

The adviser advises the client by:

- providing detailed information in accordance with the topics the client was talking about
- suggesting directions and guidelines about taking next steps
- delivering the facts and necessary information which would enable the client to make a decision.

It is important that the adviser has **carefully** listened and clarified all possible doubts. He does not have to always have a ready answer. Sometimes he will have to seek a solution from an expert. The client will be satisfied if he gets some answers immediately, as well as the dates when he will get answers on other questions, accurate instructions about receiving further expert assistance and more information.

Making Decision

The adviser must not make decisions for the client. Instead, he helps the client to make his own decisions. However, if the client persists in the attempt to make the advisor his decision-maker, the advisor's duty is to help the client make his own decision by asking him additional questions, providing some additional information and indicators. If the advisor skilfully explores the client's motive, it will be an excellent guideline for the answers and the solutions he would offer.

THE BASIC RULE: The advisor provides information and solutions, the client decides.

If the client is still hesitant, it means he is either scared to make decisions or is unsure due to lack of information. In that case, if the client is not exhausted, under any kind of emotional pressure or overloaded with excessive information, the advisor will repeat the information and point out to possible solutions and answers. Otherwise, he would suggest a new meeting.

Regardless of the amount of pressure the client puts in his effort to persuade the advisor to make a decision for him, the advisor should always strictly follow the basic rule:

The advisor provides information and solutions, the client decides.

2.1. Important / Exceptions

The advisor does not have to be an expert in all areas. He is not a magician and does not have to know all the legal regulations and their current amendments, but is obliged to **check** on all changes or to consult with the expert before giving the information to the client. However, if the advisor is an expert in a particular area, then he has to **regularly get information and continue to learn**, and to be ready to independently and correctly advise the client. A responsible advisor will always contact a specialist for the areas he is not qualified for or does not have sufficient experience.

The advisor for foreign direct investments is the person whom the investor has to trust and can contact not only in the initial phase when deciding on the investment, but the person whose counselling services he can use occasionally or permanently for the duration of his reside or work in the host country.

The advisor for direct foreign investments should be a **link** between the investor and other key professionals, while at the same he should be able to provide as much basic information as possible on his own.

The role of **the advisor for direct foreign investments** is **demanding, complex** and **responsible** as it encompasses a large area of activities for which he needs:

- a wide knowledge range
- active daily awareness
- monitoring of administrative changes
- monitoring of legal regulations
- following market trends
- active co-operation with other experts from the field of counselling
- fluency in foreign language/languages.

2.2. Tips from professionals

Communication with individual with limited communication ability (individuals in stress, under crisis, with emotional difficulties, hearing or speech impairment, visually or other physically impaired persons) should be adapted to the interlocutor (loudness, vocabulary, questions, body language and environment need to be adapted depending on the interlocutor's limitations (possibility of moving, approach, lighting, noise...)).

The complex role of **the advisor for direct foreign investments** includes an excellent knowledge and awareness in all areas of the foreign investor's interest, which would help him to make the final decision.

If a foreign investor has the opportunity to get information about:

- type, procedures and costs of opening a company
- legislation requirements and the costs regarding running the business
- accounting

- real estate investments
- labour market offers and conditions and employment conditions
- procedures and conditions for obtaining work and living permit and family reunification in host country
- the possibilities of using loan and EU funds
- positive sides, advantages and offers of host countries

from one person only and **all in one place**, he will make a decision on investing in the host country faster, safer and with more positive results.

The main objective for **the advisor for foreign direct investments** is a long-term satisfactory interest of both foreign investors and the host country.

2.3. Additional reading

To learn more about professional counsellor, active listening, body language and communication skills, the following literature is recommended:

The book which shows readers how to be affective counselor in each aspect of the counseling process with a lot of examples.

Hackney H.L./Cormier S. (2012.), *Savjetovatelj – stručnjak: Procesni vodič kroz pomaganje*, Zagreb, Naklada Slap

Hackney H.L./Cormier S.(2012.), *The Professional counsellor: A process Guide to Helping*, Cambridge, Pearson

This book is a powerful tool for anyone wanting to win in a turbulent world that will only continue to move faster.

Kotter J.,(2009.), *Smisao hitnosti*, Zagreb, Lider Press

Kotter J.,(2008.), *A Sense of Urgency*, Brighton, Harvard Business Review Press

More about active listening

Skills You Need Ltd. "Active listening" (online). Available on:
<https://www.skillsyouneed.com/ips/active-listening.html> (20.02.2018.)

The Authors examine each component of body language and give you the basic vocabulary to read attitudes, minds and emotions through behavior.

Pease A./Pease.B.,(2011.), *Velika škola govora tijela – Neverbalno izražavanje, kulturološki uzorci sporazumijevanja i čitanje između redaka*, Zagreb, Mozaik knjiga

Pease A.,SCRIBD, "Govor tijela" (online). Dostupno na:
<https://www.scribd.com/doc/53271441/GOVOR-TIJELA>

(Pease A./Pease.B. (2006.), *The Definitive Book of Body Language*, London, Bantam

Pease A.,Secret-solution, "Body Language – How to read others' thoughts by their gestures" (online). Available on: <http://www.secret-solutions.com/download/other/BodyLanguagebyAllanPease.pdf> (20.02.2018.)

More about communication skills. In this book the six basic verbal communication models and the 12 non-verbal messages are presented.

Wetherbe J.C., Wetherbe B., (2005.), *Vještine komuniciranja – Dakle, u čemu je stvar?*, Ljubljana, Orbis

Wetherbe J.C., Wetherbe B., (1996.), *So, what's your Point?*, Arisona, Mead Publishing

The Authors demonstrates the inherent connection between recent technological developments and modern business practices. Each new edition addresses the most essential changes in technology and how they impact the business world, while still covering timeless business skills such as listening, presenting, and writing.

Bové C.L./ Thill J.V. (2013.) *Suvremena poslovna komunikacija*, Zagreb, Mate

Bové C.L./ Thill J.V., Amazon, “*Business Communication Today*“ (online). Available on:

<https://www.amazon.com/Business-Communication-Today-Courtland-Bov%C3%A9/dp/0133867552> (24.08.2018.)

Book about communication in conflict or stressful situation, How to avoid stress or pressure.

Kovpak D./Kamenukin.A. (2013), *Na krivoga ste se namjerili:Vještine komunikacijske samoobrane u životu i poslu*, Velika Gorica, Planet Zoe

An arsenal of powerful questions that will transform every conversation.

Sobel A./Panas J., Amazon. “*Power Questions: Build Relationships, Win New Business, and Influence Others*“ (online). Available on: <https://www.amazon.com/Power-Questions-Relationships-Business-Influence/dp/1491514302> (20.08.2018.)

2.4. Quiz and exercise

What should an advisor do when the client knows exactly what he wants, but he doesn't know how?

- a) check if the client really knows what he wants
- b) give him simple and precise information and directions
- c) investigate the client's motive
- d) insist on other possibilities

What is the first thing to do when the client investigates different possibilities for investment without having concrete ideas?

- a) investigate the client's motive
- b) suggest immediately several possibilities
- c) investigate the client's financial opportunities
- d) investigate the client's family situation

Why is very important when preparing a meeting place?

- a) that the Advisor can show his status
- b) to have enough space for moving during the consultation
- c) that the client feels important
- d) to remove everything that could cause distractions

Who should control time during counselling to be productive?

- a) counsellor's advisor
- b) the client
- c) the client and the advisor

d) the advisor

When advising, communication should be:

- a) with long pauses
- b) humorous
- c) directed towards Advisor's expertise
- d) directed towards clients wishes and needs

What does the Advisor need to mirror?

- a) what she assumes that the client feels
- b) what she wants the client to think about her
- c) what she thinks that the client wants to see
- d) what message she wants to convey to the client

What answer is not correct?

From the client's body language an Advisor can recognize a client's:

- a) emotional state
- b) health condition
- c) character and personality
- d) personal attitude and expectation

What is the basic rule in giving advice?

- a) the advisor decides if this is the client's wish
- b) the advisor asks questions, the client gives the answers
- c) the client provides solutions, the advisor decides
- d) the advisor provides information and solutions, the client decides

What is important for high self-confidence?

- a) high self-discipline
- b) proof of the long standing professional experience
- c) a big ego
- d) expensive clothes

Exercise:

Prepare a short speech (10 sentences). Subject: real estate, description of the house, surroundings and location. Read the text several times and try to memorize it.

Ask three people to sit and to take different positions. They should keep silent until you finish your speech.

Give a speech and follow the body language of your audience.

At the end of the speech, describe what you concluded from their body language and then listen to their comments. Write a report (your conclusion and their comments).

3. TYPES OF PERSONALITIES

3.1. Overview / Theoretical framework

In this Unit you will learn about types of human personality. It will familiarise you with different types of personality and personality blends.

After acquiring knowledge from this Unit, you will learn how to:

- recognize personality types
- adapt to the different personality types.

Introduction

Personality is the combination of characteristics and qualities and includes: temperament, intellect, physical appearance, character and behaviour that are peculiar to a specific person and form an individual's distinctive character. The individual shows personality through the way of accepting the environment and through the way of representing himself/herself in the environment.

In order to successfully approach the client and to be able to share information in a manner acceptable and understandable to the client, the advisor should recognize his personality type.

How to recognize the client's personality type?

Littauer (2000) describes in a simple way four basic types of personality: Popular Sanguine, Powerful Choleric, Perfect Melancholy and Peaceful Phlegmatic. Each of these four types is a unique mix of different personality traits, allowing for a full spectrum of personalities.

Popular Sanguine

Popular Sanguine is a cheerful, busy, excited personality type with prominent gestures; chatty, able to talk about any subject at any time, creative and entertaining, witty, charming, optimistic; he/she loves recognition, bright colours; he/she is interested in fun, activities, other people; he/she likes to be accepted, popular; he/she likes attention, praises and easily makes friends.

Popular Sanguine does not like boredom, criticism, too much data and details or a strict time schedule; he/she does not take care of spending; he/she is often distracted, unorganized and hypersensitive.

Powerful Choleric

Powerful Choleric likes to be in control; he/she is capable of taking leadership in any situation; he/she has a good sense of effectiveness; he/she is quick to respond, with a high self-confidence and superior attitude in behaving and dressing; he/she likes to command; he/she is impatient, dominant, makes fast and correct decisions, effective, trustworthy; he/she believes in success, likes praises and cooperates effectively with people who support him/her; he/she loves challenges, sensational and powerful things.

Powerful Choleric does not let others to make decisions; he/she does not like ineffectiveness and when things go slow; he/she does not like losing control over the situation and does not submit to authority.

Perfect Melancholy

Perfect Melancholy is a stable, well-organized, compassionate person with high standards; he/she has a refined approach to others; a perfectionist, a good organizer, creative, serious and emotional, self-critical, neat, cautious, with long-term goals, sensitive to others' emotions, analytical, detailed; he/she seeks perfection in everything and is exceptionally interested in the details; he/she loves serious and constructive people.

Perfect Melancholy does not like casualness, superficiality, disorder, unpredictability, indecision, low standards; he/she is scared of making mistakes and does not like people who are late.

Peaceful Phlegmatic

Peaceful Phlegmatic is a calm, polite, relaxed, balanced, stable, unbiased and collected personality type; he/she does not make impulsive decisions; he/she is subjective, likes simplicity and relaxation, light life; he/she avoids conflicts and problems and easily let others do their jobs and make decisions; he/she is strong and steady.

Peaceful Phlegmatic does not like tension, conflicts, problems, risks, challenges, surprises, too stressful situations; he/she is hesitant, does not like setting goals; he/she is not fond of noisy and loud people; sometimes he/she lacks good ideas and needs to be prompted by others.

Personality blends

Aforementioned basic personality types are in most cases combined. The most common is the blend of two different personality types that may appear in an equal proportion (percentage) or one personality type prevails.

Littauer&Littauer (2000) elaborate on four basic combinations of personality types:

Natural blends: outgoing, optimistic, outspoken

POPULAR SANGUINE	POWERFUL CHOLERIC
-------------------------	--------------------------

People/relationships-oriented	Work/task-focused
Witty, easy-going	Decisive, organised
Leading	Leading
Artistic, emotional	Unemotional, strong-willed
People/relationships-oriented	Work/task-focused
Outgoing, optimistic, outspoken	Outgoing, optimistic, outspoken

Natural blends: introverted, pessimistic, soft-spoken

PEACEFUL PHLEGMATIC	PERFECT MELANCHOLY
People/relationships-oriented	Work-task/focused
Not goal-oriented	Goal-oriented
Analysing	Analysing
Unemotional, strong-willed	Artistic, emotional
Introverted, pessimistic, soft-spoken	Introverted, pessimistic, soft-spoken

Additional blends: people/relationships-oriented

POPULAR SANGUINE	PEACEFUL PHLEGMATIC
Outgoing, optimistic, outspoken	Introverted, pessimistic, soft-spoken
Leading	Not goal-oriented
Witty, easy-going	Analysing
Artistic, emotional	Unemotional, strong-willed
People/relationships-oriented	People/relationships-oriented

Additional blends: work/task-focused

POWERFUL CHOLERIC	PERFECT MELANCHOLY
Outgoing, optimistic, outspoken	Introverted, pessimistic, soft-spoken
Leading	Goal-oriented
Decisive, organised	Analysing
Unemotional, strong-willed	Artistic, emotional
Work/task-focused	Work/task-focused

"**The personality blend** is someone upbeat and energetic, combining the fun-loving, charming nature of the Popular Sanguine and the drive of the Powerful Choleric. The Popular Sanguine's side tones down the intensity of the Powerful Choleric side. The Popular Sanguine's wit reduces the extremely dominant need for power and fear that the world will collapse if everything is not

finished today. The vitality of the Powerful Choleric will drive on Popular Sanguine to complete what he/she has started."

Littauer F./Littauer M., (2000.), *Osobnost slagalica: razumijevanje ljudi s kojima radite*, Varaždin, Katarina Zrinski, page 98-99.

Understanding personalities is a result of getting knowledge about one's own personality and the personality of other people and categorizing them into one of the following groups:

Basic Sanguine	Basic Choleric	Basic Melancholy	Basic Phlegmatic
Sanguine/Choleric	Choleric/Sanguine	Melancholy/Sanguine	Phlegmatic/Sanguine
Sanguine/Melancholy	Choleric/Melancholy	Melancholy/Choleric	Phlegmatic/Choleric
Sanguine/Phlegmatic	Choleric/Phlegmatic	Melancholy/Phlegmatic	Phlegmatic/Melancholy

3.2. Important / Exceptions

The ability to recognize personality types allows the advisor to better understand his client; it helps him to easily adjust and make his choice of communication, key information and the way of presenting them, which shortens the process of successful counselling.

3.3. Tips from professionals

If you want to be able to recognize and understand other's personality, you should know your own.

[Personality plus test](#)

Veraja M., SCRIBD, "Test osobnosti" (online). Dostupna: <https://www.scribd.com/document/81573079/Test-Osobnosti> (20.02.2018.)

Personality plus, test According to Florence Littauer (online). Available: http://www.gotoquiz.com/personality_plus_1 (20.02.2018.)

3.4. Additional reading

If you want to understand the People you work with, read recommended book, please.

The Authors describe the different characteristics of the four basic personality types and their combinations.

Littauer F./Littauer M.(2000.), *Osobnost slagalica: razumijevanje ljudi s kojima radite*, Varaždin, Katarina Zrinski

Littauer F./Littauer M.(1992.), *Personality Puzzle: Understanding the People You Work with*, Ada, Fleming H. Revell Company

3.5. Quiz and Exercise

Personality is a:

- a) system of values of an individual
- b) human trait of communication
- c) combination of characteristics that make an individual different from others
- d) characteristic of adults

What trait is not an integral part of personality?

- a) temper
- b) intuition
- c) behaviour patterns
- d) physical appearance

What of following is one of the four basic personality types?

- a) psychotic
- b) melancholy
- c) lethargic
- d) sanguine

The ability to recognize the personality type doesn't help the advisor for:

- a) better understanding the client
- b) determining the financial situation of the client
- c) better choice of adjustment
- d) easier choice of communication style

Which of the following is not a characteristic of popular sanguine:

- a) cheerful
- b) stable
- c) witty
- d) excited

Which of the following is not a characteristic of powerful choleric:

- a) impartial
- b) impatient
- c) dominant
- d) effective

Which of the following is not a characteristic of perfect melancholy:

- a) unpredictable
- b) stable

- c) self-critical
- d) perfectionist

Which of the following is not a characteristic of peaceful phlegmatic:

- a) kind
- b) calm
- c) decisive
- d) relax

What personality is described best with the word „colourful“?

- a) melancholy
- b) choleric
- c) sanguine
- d) phlegmatic

What personality is described best with the word „challenge“?

- a) melancholy
- b) choleric
- c) sanguine
- d) phlegmatic

Which of the two following personalities have common characteristics: introverted, pessimistic, soft-spoken; analysing:

- a) melancholy and phlegmatic
- b) choleric and melancholy
- c) phlegmatic and sanguine
- d) choleric and phlegmatic

Which of the two following personalities have common characteristics: outgoing, optimistic, outspoken?

- a) melancholy and phlegmatic
- b) choleric and melancholy
- c) phlegmatic and sanguine
- d) choleric and sanguine

Exercise:

Choose four people (co-workers/friends/family members).

Define each person with 5 characteristics which describe this person the best. (Write them down).

Let them describe themselves with 5 characteristics too. (Write them down).

Based on what is written, add to each person his personality or personality blend.

Ask them to complete a personality test.

Personality plus test

Compare the test results with your evaluation.

Write a report for each person: your 5 and their 5 characteristics, your evaluation and the test result.

4. NEGOTIATION

4.1 Overview / Theoretical framework

This Unit is designed to introduce the art of negotiating to the learners. It will familiarise you with the types of negotiation, the characteristics of a successful negotiator and the different psychological profiles of the negotiator.

After acquiring knowledge from this Unit, you will be -able to:

- identify the type of negotiation
- identify the psychological profile of the negotiating party.

Introduction

Negotiation is a communication process intended to reach a beneficial outcome for two or more negotiating parties.

Negotiation is an art that requires knowledge, understanding and practice. Persuading and negotiating are forms of communication. Persuasion is always focused on achieving one's own goals while negotiating is aimed at the best possible outcome for both parties.

The experienced negotiator knows that the outcome will have long-term consequences for the other side.

First of all, the negotiator must clearly define his goals. For the successful negotiations, the negotiator has to determine what exactly makes his position favourable and unfavourable.

The course of the negotiation may also alter if some unexpected factors such as the client's behaviour, new information, time, place or unplanned event occur. Therefore, a successful negotiator must have the ability to adapt and change his approach. At the same time, she or he must be able to keep moving towards the goal.

A foundation for the successful negotiation encompasses a good strategy, knowledge of negotiating techniques and body language, well-prepared topics, materials, atmosphere, early prevention of any anticipated disturbance (phone calls, visitors), as well as predetermined the lowest and the highest goal.

Types of negotiation

The negotiation type depends on the motive, goal and desired or anticipated length of business co-operation. One negotiating party may try to reach either one-sided or mutual interests, or it

can be more or less ready to compromise. According to those criteria, the main negotiation types are as follows:

Distributive negotiation – “Win-Lose”

In a distributive negotiation, one side often adopts an extreme position in an attempt to reach its personal goals, using a combination of pressure and blackmail, while the other side is left with no much options but to agree to less than expected. Such negotiations lead to dissatisfaction in further collaboration and partnerships, which is not sustainable in the long run.

Integrative negotiation – “Win-Win”

In the integrative negotiation double win solution is achieved. Both parties seek to find an arrangement that is in the best interest of all. The negotiators are open to the agreement, they respect opinions of the other side and take into account their mutual interests. This type of negotiations guarantees a long-term collaboration.

The "Give-Get" principle is the fundamental principle of good negotiations. It indicates the readiness of both negotiators to give something in order to get something, which results in an equilibrium in receiving/giving.

Negotiations with the assistance of a third party

There are various reasons for bringing a third party in negotiations in some situations:

- One party is not skilful in negotiating and needs the negotiator's help
- Both or more parties need the help of a third party (negotiator) because they differ in their opinions and are not able to reach a satisfactory outcome
- Both sides need the help of a third party (expert, advisor) because they do not have all necessary information.

Psychological Profile of the Negotiator

The negotiator should always remain truthful to himself. If he changes his personality during the sale, the other party will recognise insincerity and fakery at the end of the negotiations. That is why it is important not to change yourself but instead your negotiation strategy or method.

It is crucial to pay attention to the personality of those who are negotiating at the other end. Identifying their personalities might help in choosing better negotiating strategies (to make a positive impact on another person, to identify motives of the other party, intentionally and unintentionally hidden, to attract more interest to their own goals and to turn the interests of the other party to their advantage, to become a more pleasant interlocutor etc.).

Petar S. (2001) classified negotiators in seven psychological types:

Dominant

Rough, always want to have control, tough personality, jumping fast off the topic, ignoring arguments of the interlocutor, prone to conflict, turning easily from negotiator into persuader.

Extroverted

Superficial approach to negotiation, very similar to the dominant type – they replace roughness with speed, charm and seemingly irrelevant details, and egoism with general phrases about the common interests.

Introverted

Reluctant to confide in others, have a tendency to control, suspicious, they do not like and avoid negotiations and expect full achievement of their goals. A lot of patience is required in dealing with them.

Disingenuous

Pleasant, polite, nice, look like unskilled negotiators who would agree on all the conditions, just to bring an unpleasant situation to an end. If negotiations continue for a long time, they are extremely dangerous because they are able to turn the interlocutor into a subordinate party.

Actors

Glamorous, with impressive looks, seem to prefer the form of negotiating to its subject, acting as if they do not care about the final result, as long as everything looks good from the outside.

Philosophers

Keen on introducing radical changes into existing negotiating rules. They are similar to the dominant negotiators. Their main feature is unpredictability. They change their opinion and appear as if they do not know what they want, but the reality is different. When negotiating with them, one should have control, clear goals and impose the arguments as a basic prerequisite for negotiation.

Guards

Often conservative, they possess simple philosophy and traditional values. They take the role of the negotiators most deeply and personally. Their goal is to achieve a positive result in negotiations which will benefit both parties. If the other side crosses the limit and misbehave, they might become unpleasant.

4.2 Important / Exceptions

Negotiator must always be true to his personality.

4.3 Tips from professionals

Negotiation is a two-way process for which a successful negotiator should possess the following characteristics:

- to have the ability to adjust quickly
- to be lenient to a certain level
- to be open to an exchange of opinions
- to try to think as the other party
- to take care of his behaviour (being aware of how the other side perceive him)

- to listen to the interlocutor (not only himself)
- to have a balance between being resolute and relaxed

and to keep on applying the "Win/Win" and "Give/Get" negotiation principles.

4.4 Additional reading

If you want to know more about negotiation, here is the list of the recommended further reading:

More about negotiation:

Petrić P..Zajednički odvjetnički ured PETRIĆ &KAJIĆ. "*Pregovaranje*" (online). Available on: <https://www.linkedin.com/pulse/strategije-pregovaranja-petar-petri%C4%87> (22.02.2018.)

Basics of successful negotiation:

Petar.S.(2001.) *Pregovarajte s crnim vragom i zadržite bijela krila: Osnove uspješnog pregovaranja*. Rijeka, Andromeda.

Description of essential work within the negotiating process.

Nierenberg G.I.,Amazon. "*The Fundamentals of Negotiating*" (online). Available on: <https://www.amazon.com/Fundamentals-Negotiating-Gerard-I-Nierenberg/dp/0801528682> (20.08.2018.)

4.5 Quiz and exercise

Which of the following expressions cannot be linked with the term of negotiation?

- Win/Lose
- Win/Win
- Get/Lose
- Give/Get

2. What is the fundamental principle of good negotiations?

- Win/Lose
- Win/Win
- Get/Lose
- Give/Get

3. Which word is not describing a dominant negotiator?

- tough personality
- traditional values
- rough
- always want to have control

4. Which type of negotiators are keen on introducing radical changes into existing negotiating rules?

- a) dominant
- b) extroverted
- c) philosopher
- d) disingenuous

Exercise

Ask your co-worker/friend to negotiate with you about buying/selling a vehicle.

One will be the costumer and the other the buyer.

Ask your co-worker/friend to estimate your way of negotiating.

Write a report about the time and type of negotiation, and comments of your co-worker / friend: in which part of negotiation you were good and in which part you were bad.

5. NEGOTIATION IN PRACTICE

5.1 Overview / Theoretical framework

This Unit is designed to introduce the negotiation techniques and their main features.

After acquiring knowledge from this Unit, you will be familiar with essential negotiation in practice.

Introduction

The preparation and negotiation techniques play a very important role in the complex negotiation process. Regardless of whether it is an independent negotiator in two-way communication or it is a third party involved in the negotiation process, it is essential to use the negotiation techniques. In practice, negotiation can take place on the street, on the bus or at any other place, but that will certainly not be the case in a business negotiation involving complex structural elements.

Steps in negotiation process

Preparation, goals and facts:

The negotiator needs to know exactly what he or she wants. In accordance with his wishes and needs, he should set the highest and lowest goal and stick to them. This helps in preparing the strategy that would keep him within the given framework during the negotiations. It is advisable to set a higher goal in order to make compromises. The negotiator should know what the other party wants so that he would be able to mutually compromise within the given frames. If the negotiations reach the lowest point and the negotiator is forced to compromise further, he must say "no" and give up.

Negotiation techniques

The conditions for a high-quality and unobstructed negotiation are ensured by implementing the negotiating techniques.

The space for negotiation

Psychic space

A reasonable space between the negotiator and the interlocutor should secure a decent distance. Getting too close can create an unpleasant feeling with the interlocutors.

Physical space

Negotiation indoors requires a neat, clean and warm space. The room should not be transitory. If it is too small, it can create a sense of anxiety and discomfort, and if it is too big, it can create a sense of distance (disconnection) in the interlocutors.

“Reading” the interlocutor

“Reading »the interlocutor implies: searching for the real meaning behind the words spoken, active listening and observing the body language.

Conversation control

Voice Control: Behaviour of the other party in the negotiations will affect the voice of the negotiator. The voice reveals real emotions (uneasiness, fear, indecision, premature joy etc.). One should listen to their own voice and try to control it. Thoughts and voice should stay in harmony.

Proper use of the voice leads to more successful negotiations.

Speech Control: Speech needs to be understandable and appealing. It is important to stress/emphasize the key words. The vocabulary should also be adjusted to the interlocutor. It is better to avoid redundant words from speech and take into account the dynamics (speech speed and pauses).

Notes and conclusions

In most cases, it is necessary to keep notes while negotiating instead of trying to recall the details later. Compared to the speed of speech and thoughts, the notes are slower. That is why both negotiating parties should check them from time to time. The written conclusions made during the conversation confirm the safety of the facts agreed.

The written word is a good tool for attracting attention and creating "the thinking image" of the interlocutor.

Neutrality

As agreements in the negotiations are progressively established, they must be confirmed by neutral remarks ("This is good. ", " We will come back to this later" etc.). The conversation should be focused on the terms and conditions of the negotiation.

Variability

Everything is variable, including the interlocutor's fixed condition. The negotiator should neither give up nor immediately accept the new condition. Instead, he can buy time by writing notes, phoning, delaying. This time can be used for coming up with new elements, preparing to ask additional questions etc.

Preparation of conclusion

A largest part and the final phase of the negotiations is the preparation of a conclusion. If both parties met their interests, the negotiation was successful and is likely to repeat in future. The

conclusion point will be reached only if both parties benefited from the negotiation.

Developing trust

If the negotiator feels important, relaxed and satisfied, if he is convinced that he is trustworthy, competent, well-organised and efficient, he will also be able to convince the interlocutor.

The negotiator must not be mysterious, should not leave the interlocutor in suspense, create tension, discomfort, anxiety, addiction, fear, stress, and must not encourage aggressiveness.

A good negotiator is familiar with different psychological types, so he attends negotiations relaxed, free of all other thoughts or prejudices, he knows the subject of negotiation inside-out, he is well-prepared and knows the facts, he is skilful in expressing his opinion, successfully recognises the opinion of the interlocutor and thereby successfully concludes the negotiation. A successful negotiator does not leave leadership to the other side and is highly confident.

Negotiation is a complex process in which knowing the interlocutor's personality, reputation, communication and negotiation techniques are of equal importance.

The negotiator's behaviour must be acceptable to the interlocutor.

"Two factors can help to create the right communication: - projection - the way you approach others, or more precisely, the trust, credibility and influence that you "pass" on to others, - understanding – the ability to understand the opinion of the interlocutor so that he can also see that you are trying to understand them."

Source:

Petar S. (2001) *Pregovarajte s crnim vragom i zadržite bijela krila: Osnove uspješnog pregovaranja.* Rijeka, Andromeda.

5.2 Important / Exceptions

One should not underestimate the complexity of negotiating. It is a very broad topic that is not fully covered in this Unit.

There are a lot of tactical methods: psychological attack, the impute of possibly misleading information, high demands, misrepresentation of the main goal, fictitious negotiations, changing subjects, pressure and many others.

There are some critical moments that occur in the negotiation process: threats and blackmail, lack of interlocutors' interest, deadlocks, limited time etc.

Negotiation is the trading of concessions.

5.3 Tips from professionals

Set clear goals.

When negotiating, promise only what you can do.

Fully commit yourself to the interlocutor.

While communicating, look the interlocutor in the eye.

Speech needs to be clear, short and understandable.

Listen to the interlocutor patiently.

Avoid interrupting the interlocutor while he speaks.

Observe the body language.

Concentrate.

Be flexible, ready to adjust, and keep in mind your lowest goal.

Analyse the situation from the perspective of the interlocutor.

Pay attention to areas of common interest.

Control your emotions.

Do not underestimate the interlocutor.

Avoid conflicts.

Carefully state the disagreement.

Compromise progressively.

Be open, but not without defence.

Stand up for your goals.
Be professional.

Your face and your voice are your main tools.

Negotiation is based on **communication**.

Apply active listening skills in the negotiation process (see Units 8.1. and 8.2.).

5.4 Additional reading

From the books in additional reading you can learn more about negotiation skills and negotiation practice.

Essential understanding of the negotiation process for beginners:

Haydock R.S., Amazon. “*Negotiation Practice*” (online). Available on: <https://www.amazon.com/Negotiation-Practice-Roger-S-Haydock/dp/0471894877> (20.08.2018.)

More about negotiation skills:

Kelchner L., Chron. “*Top Ten Effective Negotiation Skills*” (online). Available on: <https://smallbusiness.chron.com/top-ten-effective-negotiation-skills-31534.html> (20.08.2018.)

Basics of negotiation:

Lewicki R.J., Sounders D.M., Barry B. (2009), *Pregovaranje*, Zagreb, Mate

Lewicki R.J., Sounders D.M., Barry B., Amazon. "Negotiation" (online). Available on: <https://www.amazon.com/Negotiation-Lewicki-Abramowitz-Memorial-Professor/dp/0078029449> (20.08.2018.)

5.5 Quiz and Exercise

Describe a good physical space for negotiation.

- a) the room should not be transitory
- b) the room should be very big
- c) the room should be small and intimate
- d) the room should be connected with the kitchen

Why is voice control important?

- a) it helps on concentration
- b) it is easier to write notes
- c) communication proceeds faster
- d) it reveals real emotions

Which of the following answers is not correct.

Speech control is important and:

- a) speech needs to be understandable and appealing
- b) speech needs to be comprehensive and detailed
- c) keywords need to be emphasized
- d) the vocabulary should be adjusted to the interlocutor

Why are notes important?

- a) it calms down a dominant negotiator
- b) it slows down communication
- c) it confirms the safety of the agreed facts
- d) it emphasizes the advisor's authority

Exercise 5:

Ask your co-worker/friend to act as a real estate seller who wants to sell a property but he or she is too chatty, he speaks about irrelevant details and from time to time he changes the subject.

Write a report about your conversation and the result of the negotiation (write your comment and comment of your co-worker).

6. BASIC NEGOTIATION STRATEGIES

6.1 Overview / Theoretical framework

This Unit is designed to introduce the negotiation strategies, their positive and negative sides. It will familiarise you with the importance of additional negotiation power.

After acquiring knowledge from this Unit, you will be able to recognize different negotiation strategies.

Introduction

The choice of negotiation strategy depends on the motive, subject and goal to be achieved, and the negotiation strategy depends on the mode of action.

Types of negotiation strategies

There are two types of negotiation strategies: spontaneous and organised.

Spontaneous negotiation consists of a series of common, everyday images, which are applied when there are no technological sequences, tactics and methods; it looks “sloppy” and is unsuccessful most of the time. Although an everyday activity, negotiation is far from being simple.

Organised negotiation calls for planning, preparation, reflection during a discussion, control, correction, and constant focus on the goal.

Tudor G. (1992) points out the additional negotiating power (everything that the negotiator does in order to strengthen his position), and states seven main sources of additional negotiating power:

- having knowledge (about the real negotiating situation)
- not to become entirely dependent on a single partner
- not to show the importance of an agreement
- not to show dependency on the partner
- lowering the acceptable compromise point to the lowest value (when the point we consider to be the lower threshold is deliberately lowered, a greater internal reserve is gained, which increases negotiating power)
- determining an additional alternative solution
- increasing the time reserve

"The additional negotiating power manifests itself in a fruitful manner: you become stronger in appearance, more ready to combine, more convincing in discussion and more respectable as an opponent. All this may be enough to hope for a better result."

Source:

Tudor G. (1992). *Kompletan pregovarač: umijeće poslovnog pregovaranja*. Zagreb. MEP Consult. str.17.

To achieve a successful negotiation that ensures a quality agreement, a rational use of time, energy and resources, as well as a contribution to good interpersonal relationships, the negotiator will apply the best negotiating strategy: the principled negotiation.

Principled negotiation results in a quality agreement that meets the needs of both negotiating parties; it consumes time rationally and is characterised by good interpersonal relationships. Negotiator successfully accepts unplanned mutual solutions and enables long-term business relationship.

Hard negotiation benefits only one side. The hard negotiator must be somewhat toned down. The positive side of the hard negotiation is that the lowest set goal is protected. This negotiation is also used for terminating the relationship.

Soft negotiation retains good interpersonal as well as long-term business relationships, but most of the time delivers an agreement of the value that does not fully meet the demands of either party. The positive side of the soft negotiation works well in the known and stable situation, which is part of an old business relationship or when the compromise is less important than the lasting relationship.

Positional negotiation brings a one-sided solution and one-sided benefit, while limiting creativity. In the positional style of negotiation some important negotiating steps are skipped, demands are prematurely claimed and a position is retained. Then the arguing starts, followed by disputes, potential backdown and a bad compromise. The positional negotiator defends not only his interest but his demand as well. The positive side is that it provides the opportunity for an extremely tactical action.

Fictitious negotiation results in an agreement that is not meant to be achieved or implemented at all. The real goal of the negotiation is hidden. On the outside it does not differ from any other negotiations. The signals are: delaying the start of the meeting, unproductive action, absence of concrete compromise solutions, no suggestion is good enough, it is never the right moment, dissociation from the powers, unclear and imprecise conditions in the proposal of the written agreement.

Regardless of what strategy the negotiator chose, it is essential to check the competence of the negotiating team at the very beginning of the negotiations; the negotiation time and the agenda should be limited; the agreement should be written in short and clear sentences and the implementation of obligations should be ensured.

6.2 Important / Exceptions

Regardless of the choice of negotiation strategies, the following must be checked: the competences of the negotiation team, the time limitations of negotiating and the agenda.

6.3 Tips from professionals

How to avoid hard negotiation?

- repress excessive self-confidence of the interlocutor on time
- shock the interlocutor by announcing an extreme request, not letting him to do it first
- keep self-control and control of the interlocutor
- promptly alert the interlocutor that the hard competition is not an option.

How to avoid soft negotiation?

- defend one's own interests from the very beginning of negotiations
- not to accept the offer, but demand more
- not to offer compromise at the first deadlock
- not to discover the lowest goal, but demand more than needed
- maintain a professional and not a friendly relationship
- not to insist on the deal, but let the other party relent first.

How to avoid positional negotiation?

- make clear immediately that only one solution would not be enough
- prohibit a quick final solution making until mutual safety is checked, as well as some other, possibly better options
- determine the time limit with the sentence: "The first demand must not be presented for another half an hour. Until then, about the situation, the interests..."
- ignore the premature request.

How to avoid fictitious positional negotiation?

- occasionally make sure whether the interlocutor wants to make a deal and intend to implement it
- check the information
- insist on the accuracy of the work and negotiations
- offer further talks on the principles of principled negotiation.

6.4 Additional reading

If you want to learn more about negotiation strategies and successful negotiation, see the list of recommended books.

Practical Book about negotiation strategies, techniques and tactics.

Tudor G. (1992). *Kompletan pregovarač: umijeće poslovnog pregovaranja*. Zagreb. MEP Consult.

The Author describes basics of successful negotiation, process management in negotiation, negotiation situations and types of negotiators.

Petar S. (2001). *Pregovarajte s crnim vragom i zadržite bijela krila: Osnove uspješnog pregovaranja*. Rijeka, Andromeda.

Different books about negotiation skills, principals, unpredictable situations and different examples:

Dheeraj V. WallStreet Mojo. “10 Top Best Negotiation Books of All Time”(online). Available on:
<https://www.wallstreetmojo.com/top-best-negotiation-books/> (24.02.2018.)

The Author explains the importance of planning, dynamics and strategies, how to understand the psychology, tactics and behaviours of negotiation, and how to conduct successful win-win negotiations.

Gates S.,Amazon. “*The Negotiation Book: Your Definitive Guide to Successful Negotiating*” (online). Available on: <https://www.amazon.com/Negotiation-Book-Definitive-Successful-Negotiating/dp/1119155460> (20.08.2018.)

6.5 Quiz and Exercise

Which of the following answers is not a negotiation strategy?

- a) alternative
- b) principled
- c) fictitious
- d) positional

How to avoid soft negotiation?

- a) immediately offer concessions
- b) reveal the lowest goal
- c) insist on making an agreement
- d) not to accept the offer, but demand more

How to avoid positional negotiation?

- a) extend the time of negotiation process
- b) ignore premature request
- c) insist only on one solution
- d) insist on work precision

Exercise:

Ask your co-worker to act as a client and negotiate with him or her about the price of your accounting services. She or he will have high expectations, big requests, asking for benefits etc. (hard negotiator).

Write a report and describe: which strategy did you use, what did you accomplish

MODULE 9 – BASICS OF BLENDED LEARNING

Introduction

The module is intended for mentors who are not familiar with blended learning. You will get to know the technological and pedagogical aspects of distance learning and practical aspects of the implementation of blended learning.

After the successful completion of this module, the participants will be familiar with different types of companies, their characteristics, the procedures for setting up a particular type of business, and the related costs. They will acquire all the necessary know-how to conduct the necessary procedures in less demanding business forms themselves.

1. TECHNOLOGICAL ASPECTS OF DISTANCE LEARNING

Introduction

In order to implement modern ICT-enabled distance learning, it is necessary to establish an appropriate virtual learning environment, a learning platform comprised of a system of applications, including learning content and data, enabling access to open learning resources.

1.1 Theoretical framework

Participants enter the virtual learning environment through a web-based educational portal, requiring only a computer with Internet access and a web browser. They do not need to install additional software on their home computers.

LMS (Learning Management System) enables:

- designing and implementing modules in the framework of Distance Learning or Blended Education (e-modules);
- setting up e-classrooms for individual modules;
- development and publication of online learning content of individual e-modules;
- personalized access to learning resources and data;
- monitoring of the implementation of e-subjects;
- monitoring students' learning achievements;
- learning;
- knowledge examination;
- communication and cooperation through forums;
- e-library with recommended additional sources of information;
- administration, management and control;
- informing students;
- evaluation of education.

1.2 Important / Exceptions

Within the framework of the "FDI advisors" project we use the "Moodle" learning platform, available at the following web address: <https://fdi.replika.si/>.

1.3 Tips from professionals

The FDI Advisors e-portal allows you to assign rights to individuals and groups of users and perform various roles (teacher, author, mentor, tutor, administrator, student). It is accessed with a password, which enables the assertion of allocated rights and access to those resources that individual users need. Individualization of the learning environment enables individuals to

protect their own personal information, while the provider can protect the data used and the copyrights.

During the implementation of the blended learning process, you will need to focus on the activities underlined above, as the rest have already been completed or are implemented by participants or the portal administrator.

1.4 Additional information

Additional information about Moodle is available at: <https://moodle.com/> (20th October 2018).

1.5 Questions and Exercise

Do participants in blended learning need a special application on their smartphones?

- a) No, they can learn via a computer without additional software.
- b) No, but learning is also possible through the application on the phone.
- c) Yes, the only access to Moodle e-classrooms is via smartphones.
- d) Yes, learning through smartphones is more effective.

Which of the following is usually not enabled by e-learning platforms?

- a) Monitoring students' learning achievements
- b) Learning
- c) Oral examination of knowledge
- d) Knowledge testing

Exercise

In the e-classroom, create a new conversation (forum) titled: Module 9 - Exercise 1 - your username.

Take a screenshot and delete the forum.

2. PEDAGOGICAL ASPECTS OF DISTANCE LEARNING

Introduction

Establishing a virtual learning environment is undoubtedly a necessary condition for the implementation of distance learning. Einstein once said: "I never teach my students. I am only trying to establish a learning environment that provides the conditions in which they can learn." However, in modern didactics, we are no longer satisfied with the learning environment alone. It is also necessary to establish a pedagogical model of the implementation of education or training.

Rapid development of ICT and research in the field of learning also brings about changes in education and training. We are talking about learner-centered design or learner-centered education. Teaching methods are changing. Students are provided with modern learning resources that enable new and more effective learning methods.

In the following, we will present theories of learning that form the basis of modern distance learning, as well as the basic concepts of online learning materials intended for participants in training for advisors to foreign direct investors.

2.1 Theoretical framework

Depending on the technology used and the place where it is carried out, the training or education is divided into:

- Conventional face-to-face learning;

- Blended learning;

- E-learning.

In this way, we can carry out the entire training program or individual modules or chapters.

Conventional learning is predominantly face-to-face learning. Use of ICT and additional e-learning opportunities, i.e. online learning, which can be made available to learners for self-learning, are improvements and acquisitions that are also enabled in conventional education by technology and the development of didactic methods.

In the following, we will therefore describe blended education as it presents the model on the basis of which we designed the implementation of training for advisors to foreign direct investors.

Blended learning

Blended learning or hybrid learning is usually defined as a form of learning where we combine conventional learning and distance learning, i.e. e-learning. The concept of blended learning enables participants and mentors to take advantage of the best of both methods - conventional and electronically supported - while allowing the development of new learning strategies.

Blended learning is often referred to as a combination of conventional lessons in school and e-learning from home, from work, libraries, etc. However, this term is also used more widely to indicate the most diverse combinations in the process of teaching and learning (Singh, 2003):

from conventional classroom-based learning to independent e-learning,
from synchronous learning to asynchronous learning,
from independent learning to collaborative learning,
from structured learning to free learning (i.e., from linear to non-linear learning),
from learning the theory to its implementation in practice.

Horton (2000) gives the following division of courses or subjects carried out by using ICT:
from instructed-led, facilitated to self-paced, self-directed,
from synchronous (mentor and participant are simultaneously involved in the process) to
asynchronous (mentor and participant are involved in the process with a time delay).

However, these classifications do not mean that it is possible to choose only two extreme options. There is an entire range of options in between. A combined e-course can change the form from guided education to self-learning, and these alternatives can also be exchanged.

E-learning is usually carried out asynchronously, because technology enables a quality learning process, wherein it is not necessary that the mentor and the participant are always coordinated in time. Nevertheless, certain activities are performed synchronously – e.g. real-time discussions, teleconferencing, video conferencing. Certain forms of counselling, consultation, knowledge testing and collaborative learning are implemented in this way.

Guided e-training

Guided training means that the mentor directs the learning process.

In e-training, basic learning materials are available for each module, i.e. e-materials through which the participant acquires the basic knowledge of the subject. Learning Process Management or the learning course management requires the mentor to perform the following tasks before or during the implementation of the module (Horton, 2000; Horton, 2011):

1. Planning

creating a curriculum and setting up learning objectives,
elaboration of a work timetable defining the requirements and activities and deadlines for their completion,
defining the rules of conduct,
publication of learning objectives and expectations (required knowledge, acquired competencies).

2. Implementation

monitoring the work of participants and observing their progress,
helping participants progress in the right direction,
promoting communication and cooperation between participants,
active participation, promotion and management of interactive discussions,
answering questions and directing learning,
examining and evaluating participants' products, providing content feedback and recommendations related to learning activities or received products,

evaluating the work of the participants.

The purpose of the facilitation of the scaffolding is to help participants allocate learning appropriately and increase the effectiveness of learning. Research shows that the students' learning outcomes depend on their self-regulatory processes, such as goal setting, self-examination, self-evaluation, use of strategies, planning and time management, search for help and social negotiations (Zimmerman and Schunk, 2001). Dabbagh and Kitsantas (2005) have proven that with various tools of the learning platform (LMS system) we can support these processes. In any case, the technology only provides a suitable environment. Support for learners is more efficient if the course implementation is appropriately conducted or directed by the mentor.

In the framework of conducting training of advisors to foreign direct investors, e-learning of subjects will be managed. We will use a combination of conventional learning in the form of lectures or workshops aimed at:

- getting to know the basic concepts of the modules,
- learning about e-learning materials,
- becoming familiar with examples from practice,
- motivating the participants,
- discussion of the key content of the modules;

and independent long-distance e-learning.

Blended learning course for FDI advisors

The module usually starts with a meeting in the classroom where participants get to know the mentor and the basic concepts of the modules. Work is then continued through the learning platform. If needed further classroom meetings can be organized (depending on the requirements of each module), however the assessment of knowledge is carried out via the e-platform.

Horton (2000) proposes that the schedule of learning activities be made on a weekly basis. We plan the activities for the entire implementation of the training. Synchronous activities, i.e. meetings in real time (in a lecture room, in the form of teleconferencing or videoconferencing, in a chat room), are defined for each week, as well as the learning materials to be studied and the activities to be performed (tests, tasks) by the participant. All of the proposed activities have defined implementation deadlines. This serves primarily to motivate and support participants in order to achieve better learning outcomes and reduce the risk of participant drop-out.

Promoting communication and collaborative learning is also a very important component of the guided implementation of the subject. The foundations of this lie in the constructivist learning theories presented in the continuation.

Constructivist theories of learning

The design and implementation of e-learning should be based on the theoretical starting points of learning theories rather than on existing practice (Dalsgaard, 2002). Many researchers recommend the observation of constructivist and socio-constructivist learning theories (Squires & Preece, 1999; Ardito et al., 2005).

Constructivist learning theories and methods of teaching are based on assumptions about the manner of human learning. They are based on the premise that an individual does not accept knowledge from the outside, but constructs it by him-/herself, through his/her own activity and through the process of giving meaning to his/her own experience (Marentič Požarnik, 2000).

Psychologists Jean Piaget (1896-1980) and Lev Vygotsky (1896-1934) laid the foundations of the theory of constructivism in the field of learning and teaching. The difference between their approaches is mainly that Piaget's work was to a greater extent based on the processes by which an individual constructs knowledge of the world on the basis of his/her own experience. Vygotsky is the founder of the so-called social constructivism, since he emphasizes the role and significance of social interaction, i.e., dialogue in the building of knowledge and understanding (Marentič Požarnik, 2000).

With the development of ICT, constructivism has become an important framework of educational theory and the discourse of pedagogical practice.

Development psychologist Jean Piaget is one of the most important cognitive development theorists. Piaget argues that an individual constructs new knowledge from his/her own experience through the interconnected processes of organization, accommodation and assimilation (Piaget, 1971). Learning is therefore an active construction of knowledge. Individuals build new knowledge on previously acquired knowledge and experience. Thus, we can conclude that in order to enable successful distance learning, it is important to take into account the knowledge of the individual, to stimulate active learning, and to constantly verify and consolidate knowledge.

Vygotsky and Piaget both emphasize the student's active role in the learning process. While Piaget emphasized self-learning, Vygotsky stated that learning is carried out through social interaction. According to Vygotsky, students develop cognitive abilities by being part of the social environment in which they operate. The students' cognitive development is influenced by teachers and competent peers. With the help of a teacher and peers, a student achieves more than he/she would if he/she solved the problems independently (Vygotsky, 1978). Based on these premises, various learning methods have been developed. In e-learning and long-distance education, collaborative learning is particularly highlighted. An important factor in the student's development is, of course, the teacher whose task is to implement scaffolding. The term scaffolding serves as a metaphor, denoting various assistance to the student aimed to support learning.

Regarding e-learning, especially in connection with the development and implementation of e-materials and e-subjects, we are talking about learner-centered learning and the use of methods through which the learner is directed and lead toward knowledge and competence.

According to these findings, the importance of social software, as well as the importance of cooperation and communication between the mentor and participants in the learning process, is emphasized in the modern ICT-enabled distance learning. Collaborative distance learning in the technological sense is carried out using tools to implement forums, chat rooms, teleconferences, video conferencing, messaging systems, etc. In addition, communication is enabled by wikis, blogs and social software.

E-learning materials for distance learning

E-materials represent a fundamental source of knowledge in e-learning.

We can use different learning materials in distance education. Participants can have access to conventional digitized material, e.g. in PDF format, in virtual learning environments on the

website of the school. However, such types of materials have already become obsolete from the point of view of technology and pedagogy. With "two-dimensional" materials, it is not possible to significantly change the methods of teaching and learning, and distance education with old methods of work does not give adequate results. Modern e-materials should not be merely a transposition of traditional materials into an electronic format but should be adapted to the media through which it is being accessed.

Modern technology and average ICT equipment available today enable participants to use multimedia and interactivity. These are technical factors that can influence the increase in comprehensibility and visibility, as well as active learning.

2.2 Important / Exceptions

In the training of advisors to foreign direct investors, we will use all sources of knowledge, including conventional and digitized conventional materials, also adding modern e-materials on the Moodle platform.

E-material is:

Clear content, written with simple and understandable phrases where the author uses scaffolding.

Enriched with multimedia add-ons that enhance intelligibility and visibility and enable the adapting to different learning styles.

Enriched with interactive elements that promote active learning, such as interactive questions, tests, links to other sources, etc.

We have already mentioned that learning is more effective with acquired and refreshed knowledge, and that the participant needs feedback. Therefore, interactive questions for regular knowledge testing are integrated into e-materials, and each e-learning material is completed with a test for knowledge testing.

2.3 Tips from professionals

Within the framework of the FDI advisors' platform, a computer-based collaborative learning environment (forums, communication channels, etc.) has been established. The task of the mentor is, inter alia, the implementation of counselling and the promotion of communication between students as well as collaborative learning.

Encourage discussion in forums!

Regularly monitor the progress of the participants and motivate those who have declined in their learning process!

2.4 Questions and tasks

Depending on the technology used and the place where we conduct education or training, the education or training is divided into:

- a) Conventional learning in the classroom, blended learning, learning in an e-lecture room;

- b) Conventional face-to-face learning, learning in libraries, e-learning;
- c) Conventional face-to-face learning, blended learning, e-learning;
- d) Classroom learning in the classroom, blended learning, e-learning, group learning.

Asynchronous learning means that the mentor and the participant are involved in the process with a time delay.

- a) No
- b) Yes

What is not the task of a mentor in guided blended learning?

- a) monitoring the work of participants and observing their progress
- b) providing individual instruction
- c) promoting communication and cooperation between participants
- d) answering questions and directing learning

Exercise:

In the course of training of advisors to foreign direct investors, the method of guided e-learning is being recommended. What is the purpose of the introductory conventional lectures?

3. IMPLEMENTATION OF BLENDED LEARNING

3.1. Theoretical framework

A smaller part of the program is carried out face to face (in lecture rooms), while the major part is in the form of e-learning.

Face-to-face meetings in the lecture room

For most modules, we organize only one face-to-face meeting in the classroom, preferably at the beginning. However, for individual modules, several face-to-face meetings can be set; if it makes sense, several modules can be combined into one meeting.

Pedagogical activities

Since a participant studies the basic learning material alone, and builds knowledge on a higher level with the help of a mentor, the mentor's work is more creative than in the conventional form.

A mentor plays the most important role in conventional meetings, where he/she must act primarily as a motivator. Other pedagogical work is carried out mainly long-distance, with the help of e-portal and communication tools. Distance learning is often asynchronous.

Tasks of the participants

The participants' workload includes:

- organized work, such as lectures, seminars, exercises and other forms of organized study;
- individual study work, such as the study of e-materials, other literature, research work, preparation and performance of tests.

Scheduling the modules

Depending on the scope of modules, plan for work to be carried out is set and defines:

- duration of implementation of a particular module in number of days (recommended time from 3 to 14 days, depending on the scope of the module);
- e-materials, i.e. basic study literature, which needs to be studied in a given period;
- all other activities of participants (e.g. processing of e-materials, self-evaluation with knowledge tests, final test) and deadlines for their completion.

Module execution

The execution of the module is carried out in accordance with the foreseen timetable.

The time for the implementation of a module shall be regarded to mean the time determined for organized pedagogical and student work. As a rule, it starts with an introductory lecture, continued with the independent work of participants through the web application, and ending with a test through the application.

Participants only have two tries to pass the test.

Between the beginning (introductory lecture) and the conclusion (test), the following are appropriately distributed:

guided and independent learning from e-materials and other learning resources,
collaborative learning through a forum or other tools,
synchronous and asynchronous consultations.

Module execution consists of the following components:

1. Introductory meeting

The introductory meeting in the classroom is intended for the meeting of the mentor and participants, learning about the subject matter, study literature and the work method. The mentor presents an overview of the subject matter and the work schedule, defines the requirements and activities as well as deadlines for completing including activities. It also publishes learning objectives and expectations and defines rules of behaviour and acting in the course.

2. Activities of the participants

Participants study the learning materials and participate in various forms of collaborative learning and communication.

3. Activities of the mentor

The mentor regularly monitors participants' activities, encourages cooperation and communication. In particular, asynchronous communication is foreseen, and if necessary, long-distance synchronous communication is organized at least once a week. The mentor monitors students' work, directs and observes their progress, actively participates, promotes and leads interactive discussions, answers questions, directs the learning, checks students' work, and provides feedback and recommendations related to learning activities or received products. At the end, the mentor evaluates and grades students' work (test).

Communication and cooperation

An important factor in training is communication between mentors and students, as well as communication between students. It is technologically supported through communication and collaboration tools that are integrated into the virtual learning environment of the school.

For asynchronous communication, we use e-mails or messaging system and forums.

For synchronous communication, we use a forum (if it is an agreed, fixed term - e.g., office hours); telephoning over the Internet, and a teleconferencing or videoconferencing system, such as Skype.

With the help of forums, teleconferencing or videoconference systems, a collaborative learning environment is established.

E-classroom

Modules are carried out in special virtual spaces called the e-classrooms, where everything that is necessary for learning is available to a student:

learning content,
communication and cooperation tools,
exercises and tests;

various reports on the activities carried out, etc.

The communication and collaboration tools are directly accessible through the e-classroom.

3.2. Important / Exceptions

At the first conventional meeting, participants are first trained in e-learning. Training involves learning about virtual learning environment, i.e. the educational portal and its functions, the importance and purpose of the communication and cooperation tools, the manner of implementing modules, the way of learning from online learning resources, etc.

3.3. Tips from professionals

With the help of forums, teleconferencing or videoconference systems, a collaborative learning environment shall be enabled. Use them as often as possible, as in most cases they represent one of the strongest motivating factors for stimulating the participants.

3.4. Questions and exercises

How many conventional lectures are recommended for the training of advisors to foreign direct investors?

- a) Four
- b) Three
- c) Two
- d) One

What is the most important role of a mentor in the process of training advisors to foreign direct investors?

- a) Correct presentation of teaching materials at conventional meetings
- b) Motivation of participants in conventional meetings
- c) Quick answers to questions from participants
- d) Accuracy

Exercise:

How would you implement Module 1 for potential FDI advisors?

MODULE 10 – NATIONAL VOCATIONAL QUALIFICATIONS

Introduction

Within this module, mentors of FDI advisors will get familiar with national vocational qualification system and documentation needed for qualification certification.

1. NATIONAL VOCATIONAL QUALIFICATION SYSTEM

1.1 Theoretical Framework

In Cyprus skills and knowledge acquired through non-formal learning can be assessed and certified through:

- the national qualification standards framework: a top policy level framework and procedure. Cyprus has developed a comprehensive national qualifications framework called the Cyprus qualifications framework (CYQF) to improve permeability, both horizontal and vertical, within its education and training systems. CYQF incorporates all levels and types of qualifications from all subsystems of education and training and from primary to higher education.
- the Human Resource Authority of Cyprus, the relevant authority for the training and development issues in Cyprus. The system of vocational qualifications (SVQ) being developed by the Human Resource Development Authority of Cyprus (HRDA) is an integral, but distinct, part of CYQF.

National Qualifications Framework of Cyprus

The Council of Ministers approved in 2012 the establishment of the CyQF and the adoption of the 8 levels of the European Qualifications Framework.

The National Committee for the Development and Establishment of a National Qualifications Framework in Cyprus, which consists of the Permanent Secretary of the Ministry of Education and Culture (President of the Committee), the Permanent Secretary of the Ministry of Labour and Social Insurance and the General Director of the Human Resource Development Authority or their representatives.

The CyQF includes the development and implementation of the procedures that relates to the Quality Assurance and the award of Qualifications. It is also the «tool» for the categorization of the qualifications according to skills, knowledge and competencies.

It operates as a reference framework, enabling the validation and comparability of qualifications and hence the mobility of workers and learners. It is an attempt to encompass the diversity of life long learning, formal, non-formal and informal learning.

The framework is not yet operational. The Cyprus NQF will be established by the Ministry of Education and Culture as an in-service department and will be implemented gradually. Stakeholders responsible for accreditation of qualifications will continue to work according to the existing legislative framework but new legislation is required for CYQF to clarify how stakeholders will work together. A decision of the council of ministers is expected and a new legislative framework will be introduced if required (Cypriot Ministry of Education and Culture, 2015).

The Human Resource Authority of Cyprus

The Human Resource Development Authority of Cyprus (HRDA) is a body governed by public law, founded by the 21 Law of 1974 under the name of Cyprus Industrial Training Authority. Mission of the HRDA is to create the prerequisites for planned and systematic training and development of the human potential of Cyprus at all levels and in all areas to meet the needs of the economy within the framework of the social and economic policy of the state.

The system of vocational qualifications (SVQ) being developed by the Human Resource Development Authority of Cyprus (HRDA) is an integral, but distinct, part of CYQF.

From 1 April 2017, HRDA has revised the provisions of the project "Expansion and Operation of a Vocational Qualification System" (SVQ). The aim is to upgrade human resources through the evaluation and certification of candidates' professional qualifications. The target audience are workers, unemployed and economically inactive people.

By validating the results of prior learning and certifying the qualifications of candidates, it is easier to secure work for the unemployed people, and for the professional development of the employees. Additionally, companies that promote the certification of their employees' professional qualifications achieve the upgrading of their human resources and consequently increase their productivity and competitiveness. There is no financial burden on the participants in the evaluation and certification process.

System of Vocational Qualifications (recognizing non-formal and informal learning)

HRDA commissioned independent consultants to study the 'Feasibility and potential for recognising prior formal, non-formal and informal learning within the SVQ'. The study was completed and presented in late October 2013. The SVQ as an integral part of the National Qualifications Framework, grants Professional Qualifications Certificates that are linked to the European Qualifications Framework.

The purpose of the System of Vocational Qualifications is to upgrade human resources through the assessment of knowledge, skills and competences of a person based on a Standard, in real working conditions and/ or acceptable simulation conditions for the purpose of certifying his/ her professional qualifications. The Vocational Qualification Standards (hereinafter referred to as ROPs) provide guidance lines for training and development of the candidate, as well as his preparation for evaluation. The SVQ provides an opportunity for interested persons to obtain a Certificate to one or more Professional Qualifications, depending on qualifications and experience they have.

Centers for Qualification - Assessment and certification of professional qualifications

The identification and documentation of the candidate's learning outcomes, taking into account their previous formal, non-formal and informal learning, is carried out by HRDA-approved Centers for Qualification. These Centres, which also undertake the evaluation of candidates' professional qualifications, are certified Vocational Training Centers (Vocational Training Centers) and have or have entered into an agreement with one or more certified Vocational Training Structures (VET) with specialization in fields corresponding to the Professional Fields in which they are active in assessing professional qualifications.

The evaluation of the professional qualifications of the candidates is carried out by a two-part group of Vocational Qualifications Assessors based on Standards of Professional Qualifications developed by the HRDA.

Qualification of professional qualifications is carried out by the HRDA based on the evaluation reports of the Vocational Qualification Appraisers. The Professional Qualifications Certificates awarded to the successful candidates are part of the Cyprus Qualifications Framework (EQF), which are reliable and credible career paths, also facilitating the mobility of their holders within the European Economic Area Space.

The suggested validation process comprises four stages, which are described briefly below.

Stage 1: Identification of learning outcomes acquired through formal, non-formal and informal learning

The determination of learning outcomes is carried out in an approved Centre and includes the following:

- Informing the candidate about the provisions of the SVQ and the criteria for the inclusion of candidates in the SVQ
- Acquire an overview of the candidate's qualifications and experience
- Guidance of the candidate through a dialogue and review process to find out level of knowledge, skills and abilities
- Advising the candidate to identify the appropriate professional qualifications to which the experience and level of knowledge, skills and competence correspond
- Preparing the candidate for his/ her assessment by referring to activities, training and development where this is deemed necessary as a result of the identification of the learning outcomes
- Record Stage 1 results on the relevant Form (EP4).

Stage 2: Documentation of learning outcomes

This stage aims at the accumulation and control of one's certifications, qualification documents etc. that will prove the sufficient knowledge and competence for the vocational qualification in question. The documentation of the individual's learning outcomes will be realised through the portfolio method. This method will include all knowledge, skills and competences, developed from various areas of activities, from the workplace to leisure time. The individual will be again supported by an Internal Assessor.

The documentation is conducted in an approved Centre and includes the following:

- Provision of evidence from the candidate of learning outcomes identified in Stage 1
- Ensure the evidence are consistent with the learning outcomes identified in Stage 1 and provide satisfactory documentation
- Record Stage 2 results on Form EP4
- Preparation of the candidate application (Form 3) for inclusion in the evaluation process and certification of his/ her professional qualifications

Stage 3: Assessment

The Assessment process is carried out in an approved Centre by Assessors, following the approval of the HRDA, and includes the following:

- Submission to the HRDA, through the approved Centre, of the application for a candidate for certifying his/her professional qualifications
- Check the compatibility of the application with the Candidate Criteria
- Making a decision whether or not to approve the candidate's application for the evaluation procedure and certification of professional qualifications
- Evaluation of a candidate based on a specific professional qualification by a two-tier team of Assessors
- Performing audits for quality, and transparency assurance purposes

Stage 4: Certification of Professional Qualifications

The certification of professional qualifications is decided by the HRDA and includes the following:

- Verification and validation of the results of the evaluation of professional qualifications of the candidates.
- Award of a certificate of professional qualification.

Individuals will obtain a full or part of a vocational qualification if they have been successfully assessed and have passed the written examination, where this is needed. In the current SVQ, certification is focused on assessing individuals mainly through observation in real working conditions and oral/written questions. The new route for the recognition of prior learning will place emphasis on the documentation of knowledge and competences. It is proposed that under the new route, the recognition process should not exceed five months.

1.2 Important/exceptions

Citizens of the Republic of Cyprus or citizens of any other European Free Trade Association Member State or people who legally reside in the areas controlled by the Republic of Cyprus can participate in the programme.

Certification of Candidates

After completion of the evaluation process and within 15 days, the forms are submitted to the HRDA:

- Internal audit template (Form EΠ8).
- Forms of Assessors of Vocational Qualification:
 - Evaluation reports for candidate (Form EΠ 7).
 - Corrected special tasks, where applicable.
 - Corrected test specimens where applicable.

The HRDA grants a Certificate of Professional Qualification to persons assessed with success in all required areas of work and all methods of examination of a specific qualification.

1.3 Expert Advice

A major role in the Verification and Certification Process is played by the Advisor/Assessor. With an SVQ Advisor able to properly motivate and provide guidance through the process, the candidate has a much better chance to complete the procedure in a short time and with success. With this goal in mind, an NVQ Advisor shall be a positively oriented person radiating his/her positive attitude towards candidates and firmly adhering to the ethical principles such as respect, impartiality, transparency, confidentiality, accuracy and conscientiousness.

Should FDI advisors' mentors become SVQ advisors?

Yes, in case the organization in which they are employed, becomes an HRDA-approved Centre for Qualification. If that is not the case, with this module they obtain the basic information about the system, portfolio, to be able to suggest the training participants to obtain the formal certificate and to support them in portfolio preparation.

1.4 Additional information

For further information on the system of vocational qualifications, providers including their role and significance, consultants including their role, significance and tasks, check the following websites:

- <http://www.cyqf.gov.cy> (National Qualifications Framework of Cyprus)
- <http://www.hrdauth.org.cy/el/%CE%B7-%CE%B1%CE%BD%CE%B1%CE%B4-> (HRDA)

Interested parties should contact the HRDA or the HRDA-approved HRDA for Qualification. Candidates' applications are submitted to the HRDA through the Centers for Qualification. The approval of stakeholder participation in the evaluation process is the responsibility of the HRDA and is based on defined conditions and criteria.

1.5 Quiz

What is the framework for the certification of skills and knowledge acquired through non-formal learning in Cyprus?

- a) National Vocational Qualification System
- b) Non-formal Recognition Initiative
- c) Cyprus qualifications framework
- d) Cyprus National Qualification framework

What does SVQ stand for?

- a) System of Vocational Qualifications
- b) Seasonal Vocational Qualifications
- c) System of Varying Qualifications
- d) Standard Vocational Qualifications

Which body is responsible for the system of vocational qualifications (SVQ)?

- a) Human Resource Development Authority of Cyprus
- b) Cypriot Ministry of Education and Culture
- c) Ministry of Labour and Social Insurance
- d) Department for Qualifications Framework

2. PORTFOLIO ELEMENTS

2.1 Theoretical Framework

The **Personal Portfolio** is a record of individual's achievements related to the candidate's work and training. In this folder, the activities and successes are presented proving the candidate's competencies and qualifications. These achievements may be realized through any (formal, informal, occasional) learning or (working, life) experience.

In addition to the contents-selecting guidelines, a student preparing his/her portfolio shall also be familiar with the criteria for assessing the quality of his/her achievements.

In practice two types of portfolios are distinguished:

- Used in pedagogical practice, the first portfolio type is being prepared by a student continuously through the entire educational process, possibly at a particular subject, and, as such, its structure is not the same in all cases;
- The other portfolio type is intended to prove one's competence to pursue a particular profession (e.g. obtain a National Vocational Qualification Certificate).

This chapter is focusing on the structure and content of a portfolio that shall be developed in the National Vocational Qualification Certification Process (NVQ).

2.1.1 Personal portfolio

A personal portfolio is a collection of an individual's competence achieved by any

- (formal, non-formal, occasional) learning or
- (working, life) experience.

In the NVQ Verification, Examination and Certification Process, the documents on candidates' achievements in formal and non-formal education, working or other experience and the competencies and qualifications acquired are classified systematically based on the corresponding occupational standard and the Catalogue of Standards of Professional Skills. The structure of the portfolio is the same for all types of NVQs. The difference is in the content provided by each individual Catalogue of Standards of Professional Knowledge and Skills.

In the NVQ Verification, Examination and Certification Process, the portfolio serves as an instrument based on which the NVQ commission can get the picture of the candidate, his/her work experience, education and training. This should always be kept in mind by both the candidate and his/her advisor when creating the candidate's portfolio.

The role of a personal portfolio is multi-layered:

- It shall demonstrate the candidate's competence (skills and achievements), regardless of how it has been acquired;
- the candidate becomes aware of the formally acquired knowledge and those of his/her skills (competences) acquired in an unplanned, occasional manner, and may often be unaware of;
- it systematically classifies (or introduces order to) the review of the candidate's achievements with the creation of his/her professional curriculum vitae as a result;

- it raises and strengthens the candidate's self-esteem, encourages to continue learning, stimulates his/her motivation for further development in his/her career;
- the candidate is encouraged to become more active in further learning and to plan it independently.

The personal portfolio prepared by the NVQ candidate assisted by his/her NVQ Advisor consists of the following elements:

- compliance with special terms and conditions;
- presentation;
- work experience;
- education and training.

Presentation

The presentation of the candidate is based on his/her curriculum vitae. The format preferred is the Europass CV. Both the instructions and the form are available on the following website: <https://europass.cedefop.europa.eu/>

Enabling a systematic and transparent personal presentation, this form is recommended not only in the context of the NVQ, but also for other purposes. The Europass CV provides an objective base for comparison to anyone making the selection between different candidates.

Work experience

In the NVQ Validation, Examination and Certification Process, the previous work experience of the candidate are also of big importance. Evidence about it may include the candidate's work booklet, work contract(s), reference letter(s), job description(s), statement(s) by the employer(s)...

Education and training

The candidate shall submit the certificates listed in his/her curriculum vitae. They should be related to his/her qualifications.

The following certificates apply:

- Certificates of attendance and/or completion of an education or training programme;
- school certificates;
- diplomas;
- other evidence of the studies completed, etc.
- certificates issued by education and training providers on successful completion of education or training;
- a certificate;
- a licence,
- a company training certificate, etc.

References

Should a candidate state in his/her curriculum vitae to already have work experience in the professional area in question and is able to obtain reference letters from his/her former employers or clients, he/she is strongly encouraged to do so.

The candidate is also encouraged to document his/her work experience related to the professional qualification he/she is acquiring.

In this respect, the following evidence is considered:

- a practical work done at the workplace (product, model, program, etc.);
- a written product prepared by the candidate at his/her workplace (e.g. a completed project, a plan, a development task, a research, a study, a paper, an analysis, an essay, an evaluation report, etc.);
- a service provided at the workplace.

The candidate can also use other means to prove his/her work experience. These may include competition awards, deliverables, authorship or co-authorships of books or other publications.

The candidate shall **unambiguously** prove that the deliverable, product or service, is in fact his/her own work even when it was a result of teamwork (project). The authorship can be proved by written statements by employers or project managers, awards, patents, photographs, etc.

Sometimes it is difficult to decide what a portfolio should include. With their extensive schooling and work experience, the adults hold large records of their skills and competences.

To make a proper selection, the candidate should consider what knowledge and competences can be proved by a certain document or what a specific document tells about him/her as a person. It is recommended that portfolio includes relevant evidence; that is, the ones that directly or indirectly related to the occupational field in question.

When it comes to achievements from a completely different area, it may sometimes prove useful to quote these as well – but care should be taken. Such evidence should not be oversized. Above all, the selection of a portfolio content depends on the criteria by which the documents will be assessed by the members of the NVQ Commission.

2.2 Important/exceptions

In the Cyprus qualifications framework there is still not specific procedures and guidelines about the preparation and development of a Portfolio.

Authenticity (credibility)

For those pieces of evidence that are included in the personal portfolio, it is necessary to determine whether they actually refer to the candidate. If a deliverable is included in the candidate's personal portfolio, it is necessary to establish whether the product is really his/her work. In doing so, any reference letters from employers or persons who followed up the candidate in the process of making the product or during the working process may help.

The authenticity of documents can also be established based on the information contained in a document. The letters issued by legal entities show the official company header with the corresponding company details. A letter issued by a state institution shall show a stamp. The letter shall be clearly legible and show its reference number and the date of issuing the document. If a reference letter is provided by a company, it should also show contact details of

the person able to confirm the credibility of the document in case of doubt. If a reference letter is provided by the candidate's client, a natural person, the author's contact details are desirable.

All these documents should include the following items:

- information on the institution having issued the document;
- information on the candidate to whom the document was issued (name and surname and at least one additional information related, e.g. birth date);
- signature of the institution's responsible person.

For assessing articles or other printed documents, the date and place of their issuing shall be provided.

After checking the documents, the NVQ advisor assisting the candidate in drawing up a personal portfolio may add a note "Copy Equal to the Original" on copies of official documents and sign when the original has been provided by the candidate.

Validity

The evidence and the deliverables included in a portfolio shall be still valid not time-barred. The evidence shall prove that the knowledge acquired by the candidate is still applicable and that he/she is able to perform required tasks properly. How long a certain deliverable or work certificate is valid is difficult to determine in general. In some disciplines, knowledge or skills may become obsolete within a year or two (e.g. computer sciences), while, in other areas, knowledge, skills, and technology may change at a lesser pace. Therefore, it is necessary to assess the evidence and the deliverables in view of the candidate's current job.

Though some of the evidence and the curriculum vitae supporting the documents attached might be of an older date, it is important for the candidate to provide other evidence proving him/her to be still performing these particular tasks. In particular, it is necessary to consider each candidate separately and to evaluate the validity of the evidence in the context of his/her entire personal portfolio. Meanwhile, the validity cannot be assessed by means of formal evidence, that is, the evidence allowing the applicant to claim an education level (school certificates, diplomas) or by which his/her level of qualification and thus the salary grade is recognised by the company employing him/her, since the rights arising from these certificates can never become obsolete.

Relevance

For each piece of evidence submitted, the extent to which it complies with the requirements set in the Catalogue of Standards of Professional Skills.

The occupational standard defines the typical jobs within the qualification the candidate intends to have certified. The Catalogue of Standards of Professional Skills stipulates the methods of verifying and certifying the skills for the selected qualification. At this point, it should be noted that the evidence may relate to several areas of work listed in the occupational standard in question, and not just one.

A good reference letter shall clearly state the areas of work within the candidate's activity and be clearly referring to the areas of work listed in the corresponding occupational standard. It shall also be noted the preference to those training certificates providing the details on the training programme content, the candidate's competences, the methods of knowledge examining possibly included in this programme to those just stating the training name and number of hours. When comparing the deliverables, acknowledgements, articles, or any other

printed documents, attention shall be paid on whether the deliverables refer to the content of the occupational standard.

Having assessed the individual evidence included in the personal portfolio, the commission evaluates the personal portfolio as a whole. Based on the evidence provided, the members of the commission may recognise either the candidate's individual areas of work or his/her entire qualification.

Sufficiency

Sufficiency refers to the amount of evidence provided. On this basis, the NVQ commission can establish whether the evidence is sufficient for the candidate to prove mastering a certain competence independently and in different circumstances. For this purpose, the areas of work within the corresponding occupational standard (especially operational work) are compared with the evidence assessed to make the expert judgement whether the candidate is able to master the required competencies independently. Based on this evidence, the commission can decide which of the competencies to recognise.

Diversity

As a criterion, diversity serves to signify how diversified the evidence is and in how complex way a candidate's qualification is presented. Thus, the evidence can either be indirect (reference letters provided by previous or current employers, special awards or mentions, articles written by the candidate, pictures or videos on products or work performed by the candidate, a training certificate) or direct (deliverables or the candidate's own work, e.g. computer program, training manual, educational programme, article in press, video).

Complexity

Complexity serves as a complementary criterion. Should the NVQ commission remain unconvinced whether to recognize or not a qualification based on the candidate's personal portfolio. The NVQ commission may in such case assess the candidate's "complementary" knowledge and skills that are not required by the Catalogue of Standards of Knowledge and Skills, but they are nevertheless valuable. In general, the so-called soft skills, such as work accuracy, self-discipline, teamwork capacities, or relations with colleagues are relevant, while more specific skills such as foreign languages, communication skills, ability of teamwork can also be considered.

2.3 Expert Advice

The objective of consultancy to students - NVQ applicants - is to help them build up portfolios that represent their capacities and achievements and set up a transparent and relevant documentation.

Every FDI advisors' mentor should create his/her own personal portfolio since the process and the possible challenges can hardly be understood without personal experience in doing so.

When giving advice to his/her student, the mentor should always present the criteria following which the candidate's achievements will be assessed and provide the student the proper guidance to consider these criteria in the process.

2.4 Additional information

All the information related to the system of vocational qualifications in Cyprus can be found here:

- <http://www.hrdauth.org.cy/el/%CE%B7-%CE%B1%CE%BD%CE%B1%CE%B4-> (HRDA)
- <http://www.cyqf.gov.cy> (National Qualifications Framework of Cyprus)

2.5 Quiz and exercise

What is a personal portfolio?

- a) A collection of an individual's competence achieved by any (formal, non-formal, occasional) learning
- b) A collection of an individual's (working, life) experience.
- c) A collection of an individual's competence achieved by any formal learning or working experience.
- d) A collection of an individual's competence achieved by any (formal, non-formal, occasional) learning **or (working, life) experience.**

Which are the basic elements of a personal portfolio?

- a) Documents that prove compliance with special terms and conditions, presentation of the candidate (CV), proof of work experience, proof education and training.
- b) Documents that prove compliance with special terms and conditions, presentation of the candidate (CV), proof education and training.
- c) Documents that prove compliance with health conditions, presentation of the candidate (CV), proof of work experience, proof education and training.
- d) Documents that prove compliance with special terms and conditions, presentation of the candidate (CV), proof of work experience.

What evidence is not considered valid as previous work reference?

- a) a written product prepared by the candidate.
- b) an award.
- c) an email conversation with a client.
- d) reference letters from his/her former employers or clients.

Exercise:

Step 1:

Imagine you want to obtain a vocational qualifications certificate for “Providing Vocational Training”.

Prepare your portfolio based on the Catalogue of Standards of Professional Knowledge and Skills for the requirements of “Providing Vocational Training”.

Step 2:

Evaluate your portfolio based on the assessment criteria for “Providing Vocational Training” and assess if you:

- a) You can immediately submit an application for the certificate
- b) Need some additional training
- c) Can prove your knowledge through the exam

SOLUTIONS

MODULE 1

Chapter 1

- a)
- b)
- b)
- d)

Answer:

If the income is of maximum EUR 36,300, the sole trader is taxed with 25%:

EUR 32,000 * 25% = EUR 8,000 tax base

8,000 EUR * 25% (income tax) = 2000 EUR

Note: Tax base in the case of income tax is determined by what the tax authorities consider as taxable income, the minimum amount of annual income that can be taxed.

Chapter 2

- c)
- a)
- d)
- c)

Answer:

- Application for Name Approval here and the One Stop Shop Application Cover for Name Approval here.
- Declaration form (HE1, a affidavit (sworn) statement of the lawyer and signature from the Registrar of the District Court);
- Form concerning the registered office address (HE2);
- Details regarding the directors and secretary (HE3);
- List of persons who consent to act as directors of the public company (HE5, in case of a public company);
- Original Memorandum and Articles of Association (by law must be written by a approved/registered lawyer);
- One Stop Shop Application Cover for Legal Entities Registration (applicable for submission to One Stop Shop).

Chapter 3

1. a)
2. b)
3. c)

Answer:

- A written report signed by the authorized person showing:
- (i) the name and legal form of the overseas company, as well as the name of the branch, if that is different from the name of the company;
- (ii) the head office and the address (postal or other) of the overseas company, as well as the address (postal or other) of the place of business;
- (iii) the object and subject of business of the overseas company and the place of business;
- (iv) where applicable, the register abroad (with relevant number of entry) of the overseas company, where its basic data has been entered;
- (v) its subscribed capital where this exists;
- (vi) where applicable, information in relation to the winding-up of the overseas company, the appointment of liquidators, personal data and the powers of the liquidators, as well as the completion of the liquidation, bankruptcy, bankruptcy compromise or other analogous procedure to which the overseas company is subject;
- (vii) in the case of an overseas company of a non-member state of the European Union, the law of the state, governing the company. List of submitted documents by a foreign company (AE1);
- List of directors and secretary of a foreign company (AE2);
- Data of the foreign company's authorised representatives residing in the Republic of Cyprus (AE3);
- A certified copy of the parent company's charter or statutes or memorandum and articles of association in an official language of the Republic of Cyprus (with official translation in the Greek or English language in a different case). The certification should be made: (1) by a Government official to whose custody the original is committed, (2) by a notary Public, (3) by a company's officer before a person with authority administered under oath.

Chapter 4

1. a)
2. a)

Answer: 50 EUR per month.

Chapter 5

- 1 c)
- 2 a)

Answer:

The advantages are:

- lower the risk which occurs when launching a new business on a new market,
- is the fastest way of getting your business up and running, since registration procedures have already been completed

- reduce start-up costs (already existing inventory, patents, customers, etc.),
- immediately produce cash flow due to ongoing business activities.

The disadvantages/potential risks when buying an existing business are:

- hidden problems (debts that you may not be able to repay, already signed hidden contracts, other possible complications),
- the purchasing cost may be much higher than the cost of starting a new business.

MODULE 2

Chapter 1

- a)
- a)

Answer:

Cap.113 – PART IV Chapter 118-123.

Chapter 2

1. b)
2. d)
3. a)
4. c)
5. c)

Answer:

No.

Chapter 3

1. d)
2. b)

Answer:

Correct form uploaded:

ΣΥΜΠΛΗΡΩΜΑΤΙΚΗ ΑΙΤΗΣΗ ΕΓΓΡΑΦΗΣ ΣΤΟ
ΦΟΡΟ ΠΡΟΣΤΙΘΕΜΕΝΗΣ ΑΞΙΑΣ

ΥΠΟΥΡΓΕΙΟ ΟΙΚΟΝΟΜΙΚΩΝ



ΣΗΜΑΝΤΙΚΕΣ ΣΗΜΕΙΩΣΕΙΣ	
1. Να υποβληθεί στα κατά τόπους Επαρχιακά Γραφεία του Τμήματος 2. Να συμπληρωθεί με ΚΕΦΑΛΑΙΑ ΓΡΑΜΜΑΤΑ (εκτός του ηλεκτρονικού ταχυδρομείου). 3. Τα πεδία με Π, Σ, Ν είναι υποχρεωτικά για φυσικά πρόσωπα (Π), συνεταιρισμούς (Σ) και νομικά πρόσωπα (Ν) αντιστοίχως. 4. Συμπληρώστε ΟΛΑ τα πεδία που σας αφορούν 5. Όπου υπάρχει επιλογή με κουτί <input type="checkbox"/> σημειώστε V ανάλογα και όπου υπάρχει <input type="checkbox"/> συμπληρώστε ανάλογα.	
Α. ΣΤΟΙΧΕΙΑ ΦΟΡΟΛΟΓΟΥΜΕΝΟΥ	
1. Σκοπός Εγγραφής (Π, Σ, Ν) Επιθυμώ ή έχω υποχρέωση να εγγραφώ για σκοπούς ΦΠΑ : <input checked="" type="checkbox"/> δεν έχω αριθμό μητρώου Φ.Π.Α. ούτε διαθέτω αριθμό μητρώου Α.Φ.Τ. για άλλους φόρους. <input type="checkbox"/> διαθέτω ή διαθέτω στο παρελθόν αριθμό μητρώου Φ.Π.Α. που είναι/ ήταν ο <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="checkbox"/> διαθέτω ή διαθέτω στο παρελθόν αριθμό μητρώου άλλων φόρων Α.Φ.Τ. που είναι/ ήταν ο <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	Επ. χρήση
2. Όνομα (Π): <u>JOHN</u>	
3. Επίθετο (Π): <u>DOE</u>	
4. Όνομα Νομικού προσώπου / Συνεταιρισμού (Σ, Ν) :	
Σε περίπτωση συνεταιρισμού επισυνάψτε το έντυπο ΦΠΑ102. (Το έντυπο αυτό πρέπει να υποβάλλεται όποτε υπάρχει αλλαγή στην ιδιοκτησία / μερίδια του συνεταιρισμού)	
5. Εμπορική Επωνυμία: <u>JOHN DOE LTD</u>	
6. Τηλέφωνο επικοινωνίας σε σχέση με το έντυπο αυτό (Π, Σ, Ν):	
Β. ΕΓΓΡΑΦΗ Φ.Π.Α.	
(για το ειδικό καθεστώς Ταξί συμπληρώστε το έντυπο ΦΠΑ210 αντί της αίτησης αυτής)	
1. Χρησιμοποιείται μηχανογραφημένο σύστημα τήρησης λογαριασμών; <input type="checkbox"/> Ναι <input checked="" type="checkbox"/> Όχι	
2. Έχετε ήδη πραγματοποιήσει συναλλαγές; <input type="checkbox"/> Ναι Πραγματοποίησα την πρώτη μου συναλλαγή στις / <input checked="" type="checkbox"/> Όχι αλλά προτίθεμαι να αρχίσω στις <u>10/01/2019</u> .	
3.1. Εγγραφή για σκοπούς ΦΠΑ <input type="checkbox"/> α) Η αξία των φορολογητέων συναλλαγών μου έχει τους τελευταίους 12 μήνες ή σε λιγότερο διάστημα από το τέλος του μήνατου έτους υπερβεί το όριο εγγραφής. <input type="checkbox"/> β) Αναμένω ότι η αξία των φορολογητέων συναλλαγών που θα πραγματοποιήσω στις επόμενες 30 ημέρες ΜΟΝΟ θα υπερβεί το όριο εγγραφής. <input checked="" type="checkbox"/> γ) Από τις <u>10/01/2019</u> παρέχω/θα παρέχω υπηρεσίες σε υποκείμενα στο φόρο πρόσωπα σε κράτη μέλη της Ευρωπαϊκής Ένωσης. <input type="checkbox"/> δ) Από τις/...../..... λαμβάνω/θα λαμβάνω υπηρεσίες από την Ευρωπαϊκή Ένωση ή/και Τρίτες Χώρες. <input type="checkbox"/> ε) Έχω δικαίωμα εγγραφής και δεν ισχύουν τα (α)-(δ) πιο πάνω.	
3.2. Από ποια ημερομηνία θα εγγραφείτε στο Μητρώο Φ.Π.Α.; <u>01/01/2019</u> <input type="checkbox"/> Υποχρεούμαι να εγγραφώ από την πιο πάνω ημερομηνία <input checked="" type="checkbox"/> Θα ήθελα να εγγραφώ από την πιο πάνω ημερομηνία	
3.3 Εγγραφή για επιχειρήσεις που πραγματοποιούν πωλήσεις εξ αποστάσεως στη Δημοκρατία Αναμένω να κάνω €..... πωλήσεις μέσα στους επόμενους 12 μήνες. <input type="checkbox"/> α) Πραγματοποιώ τέτοιες πωλήσεις η αξία των οποίων έχουν υπερβεί το όριο εγγραφής στο ημερολογιακό έτος. Έχω υπερβεί το όριο στις/...../..... <input type="checkbox"/> β) Έχω ασκήσει την επιλογή να θεωρείται η Δημοκρατία ως ο τόπος παράδοσης τέτοιων πωλήσεων μου στο (Κράτος Μέλος ΕΕ) στις/...../....., παρόλο που δεν έχω υπερβεί το όριο εγγραφής της Δημοκρατίας. Η πρώτη φορολογητέα συναλλαγή στη Δημοκρατία έγινε στις/...../..... <input type="checkbox"/> γ) Έχω πρόθεση να πραγματοποιήσω τέτοιες πωλήσεις οι οποίες υπόκεινται σε ειδικό φόρο κατανάλωσης στην Δημοκρατία. Προτίθεμαι να κάνω την πρώτη τέτοια πώληση στις/...../..... και <input type="checkbox"/> δ) Προτίθεμαι να ασκήσω την επιλογή να θεωρείται η Δημοκρατία ως ο τόπος παράδοσης τέτοιων πωλήσεων μου. Υπολογίζω η πρώτη φορολογητέα συναλλαγή στη Δημοκρατία θα γίνει στις/...../..... και θα ήθελα να εγγραφώ από τις/...../.....	

Chapter 4

1. b)
2. b)
3. c)

Answer:

Cost type	Cost amount [€]
Accounting	150
Bank charges	10
Office space rent (40 m²)	500
Marketing/promotion costs	100
Additional costs (e.g. the Internet, electricity...)	100
Payroll costs for an employee earning €1,000	2230
Total	3090

Chapter 5

1. a)

Answer:

He/she needs a license for organizing tourist packages.

For every implementation of the tourist arrangement at home and abroad, the provider must provide a tourist companion or tourist guide with an appropriate license for each organized group.

Chapter 6

1. d)
2. b)
3. a)

MODULE 3

Chapter 1

1. c)
2. b)

Answer:

On the Internet, please find the Law on Value Added Tax. Application of standard and lower VAT rates are explained in Article 38, as: 5% - lower rate: eg. bread, milk, medicines and medical aids, books and others; 13% - lower rate, eg. accommodation, food preparation, newspapers, magazines, oils, baby food, water, sugar, concert tickets.

Chapter 2

1. d)
2. a)
3. a)

Answer:

Accounting Information System (AIS) is a structure that a business uses to collect, store, manage, process, retrieve and report its financial data so that it can be used by accountants, consultants, business analysts, managers, chief financial officers (CFOs), auditors and regulatory and tax agencies. In particular, AIS can support FDI Advisors to ensure the highest level of accuracy in an organisation's financial transactions and recordkeeping and to make financial data easily available to those who need access to it legitimately, all while maintaining statistics and data intact and secure.

Chapter 3

1. c)
2. a)

Answer:

Several important principles are applied in accounting. The principle of the occurrence of an event is important because balance sheet elements are recognized when a business event occurs, not when cash or cash equivalents are received. These assumptions are the basis for the compilation of all financial statements, other than the cash flow statement.

Chapter 4

1. b)
2. c)
3. a)
4. d)
5. d)
6. b)

Answer:

Non-current: Loan, shares in affiliated companies, interests

Current: Cash, receivables from customers, securities and bonds, inventories

Chapter 5

1. b)
2. d)

Answer:

Balance sheet

Intangible fixed assets: 12481000
Tangible fixed assets: 472,331,856
Inventories: 23996000
Operating receivables: 6400000
Cash: -
Share capital: 30932000
Liabilities: 57964000

Profit and loss account

Net sales revenues: 102467000
Other operating income: 1071000
Amortisation: 15000
Tax in profit or loss from ordinary activities: 3384000

Chapter 6

1. c)

Answer:

Assets	
Bank account	
Dr 50.000	Cr

Capital	
Share capital	
Dr	Cr 50.000

Assets	
Cash register	
Dr 20.000	
Bank account	
	Cr 20.000

MODULE 4

Chapter 1

1. c)
2. b)

Answer:

RIGHTS	COMMON PROBLEMS
To own a property	Access
To regulate a property	Borderline Disputes
To exclude a property from others,	Bureaucracies
To enjoy a property	Fraud in the system
To distribute a property by selling, gifting, abandoning, or bequeathing it.	

Chapter 2

1. b)
2. a)

Answer:

Cyprus- In the following links you can find relevant information:

- Buying and selling property: click [here](#).
- Transfer of property: click [here](#).

Chapter 3

1. c)
2. a)

Answer:

Title deed delays. What can cause the delays?

Property developers are not clearing mortgage debts on the land on which they've built properties and which they've subsequently sold to unsuspecting buyers.

There are bureaucratic delays in the Land Registry or/and other Government departments.

Planning infringements caused by property developers deviating from the various permissions and permits issued for the construction of their developments.

Fraud. Real estate and property is an attractive target to fraudsters because it can be sold and mortgaged to raise money. Foreign direct investors are highlighted as a higher risk of fraud and thus, advisors should help owners protect their property and investments from frauds.

Chapter 4

1. d)
2. c)

Answer:

Risk	Probability	Risk Acceptable (Yes or No)	Steps to Reduce the Risk
Risk of loss	10%	YES	Search prior to the investment about any possible threats (currency restrictions, cancellation of import licenses, or other socio-political causes).
Illiquidity risk	30%	YES	What can you do if there is relative difficulty in converting an asset into cash and cash into an asset?
Foreclosure risk	60%	NO	Do not proceed in the investment.

Chapter 5

1. b)
2. a)

Answer:

Durability: Real estate is durable and long-lasting. A building can usually last for decades or even centuries, and the land underneath it is essentially indestructible. Because of this, real estate markets are modelled as a stock/flow market.

Heterogeneity: Every unit of real estate is individual and unique regarding its location, the building, and financing. This makes pricing difficult, increases search costs, creates information asymmetry and dramatically restricts substitutability.

High transaction costs: Buying and/ or moving into a house often costs much more than most types of investments and transactions. The costs include real estate fees, legal fees, moving costs, land transfer taxes, and deed registration fees.

Long-time delays: The real estate market adjustment process is subjected to time delays due to the amount of time it takes to finance, design, and construct. Because of these delays, there is potential for disequilibrium in the short run.

An investment and consumption good: Someone can purchase real estate property with the expectation of achieving a return (an investment good), with the intention to use it (a consumption good) or both. This complex nature of the good means that it is not unusual for people to over invest in real estate.

Immobility: Real estate investments are locationally immobile. This means that there can be no real physical marketplace.

Chapter 6

1. d)
2. b)

Answer:

A real estate contract must fulfil at least the following:

Legal Purpose: It is not allowed to execute a contract that calls for an illegal act. The purpose of the contract must comply with the law and not involve any fraud.

Legally Competent Parties: The parties of a contract must be legally competent to enter an agreement. More specifically, this includes being of legal age and mentally competent at the time of entering the contract.

Agreement by Offer and Acceptance: In real estate, this is represented by an offer to purchase a property by a buyer and the acceptance of that offer by the seller/owner. Most preferably, this is not merely an oral agreement but a written contract with signatures of all the parties involved. The buyer is offering a price with contingencies and the seller is accepting the offer with contingencies.

Consideration: Consideration is anything of legal value offered and exchanged in the contract. This could be money, services or other valuable goods. The consideration must be defined in the contract. In most of today's real estate deals, money is the consideration. That doesn't mean cash, as there will often be financing involved.

Consent: This predefines that the parties to the contract have consented willingly and knowingly to the terms of the agreement/contract. There cannot be fraud, misrepresentation, a mistake or undue pressure on any party to the contract.

Chapter 7

1. a)
2. b)

The real estate documents that require a notarization include, but are not limited to:

- closing documents signed by both the seller and the buyer
- purchase agreements
- house rental agreement
- warranty deeds

If a document requires this acknowledgement/ notarization, and the parties fail to have it notarized, the transaction may be voidable, allowing a party to back out of the deal on the basis of a technicality, or preventing a party from enforcing their rights under an otherwise lawful transaction.

Chapter 8

1. d)
2. b)

Answer:

Category of Investor	Property rights
Non-EU citizens	Are entitled to freehold ownership of properties; offshore entities may buy premises for their business or as a residence for their foreign employees. Permission to buy property must be sought from the Council of Ministers by written application, submitted by the non-EU purchaser after the agreement is signed. This permission is granted to all bona fide purchasers. In the meantime, however, purchasers may take possession of their property without restriction. The application to the Council of Ministers to acquire immovable property in Cyprus can be made within a reasonable amount of time after signing the contract of sale.
EU citizens who are permanent citizens in Cyprus	Do not require permission to buy any immovable property
EU citizens who are not resident in Cyprus	Need the approval of the Council of Ministers
EU citizens with permanent or temporary permits	Can register as many properties as they wish in their name, provided they have signed a confirmation with the government of Cyprus that they will stay in the country for the following five years.
Legal entities established in EU countries that have their headquarters and registered office in Cyprus	Do not require permission to buy any immovable property
Legal entities established in Cyprus and controlled by citizens of the EU	Require permission to buy immovable property in Cyprus, as well as any other legal entities.

Chapter 9

1. d)
2. a)

Answer:

Property Type		Current Property Price Indices	
		Sale price	Rent price
RESIDENTIAL PROPERTY	HOUSES	€33.321	€63
	APARTMENTS	€102.005	€342
RETAIL PROPERTY		€350.106	€1.522

Chapter 10

1. a)
2. c)

Answer:

A real estate agent is:

a professional in the industry who has taken and passed all required real estate classes, along with the real estate licensing exam in the state in which he or she intends to work.
it is usually the starting point for most of those going into the real estate field

A real estate broker:

has continued his or her education past the real-estate-agent level and has passed a state real estate broker license exam.

Real estate brokers can work as independent agents or have other agents working for them

An associate broker may share in the brokerage profits above and beyond the typical agent commission.

Perhaps the most important distinction between the two is that a broker can work on his or her own, while an agent has to work under a licensed broker.

MODULE 5

Chapter 1

1. c)
2. d)
3. b)
4. b)

Answer:

The employer can use the Scheme for the Recruitment of Enterprises with Young Graduates of Higher Education. This regarding Scheme provides the opportunity for businesses to recruit inexperienced young graduates, through funding. The subsidy covers a percentage of the wage costs of the graduate and the trainer, as well as the cost of operating expenses of the training, for a period of six months.

Chapter 2

1. c)
2. a)
3. d)
4. b)

Answer:

Under the Hours of Employment Law (Cap 182), it is provided that the minimum annual leave is 20 days for those working a 5-day week and 24 days for those working a 6-day week. A precondition for annual leave is that the employee works for 48 weeks within the year. If the employee did not, the annual leave decreases depending on the weeks he worked. During the period of the annual leave, the employee is paid by the Central Leave Fund. The employer's contribution to the Central Leave Fund is 8% of the total earnings of the employee.

The employer is allowed to exercise discretion on whether the employee will go on leave but in no case can the employer reduce the period of leave.

The following are not considered as annual leave: public holidays, maternity or parental leave, absence due to accident or illness, absence from work due to a strike or lockout, time given as notice period for termination of employment, leave on the grounds of force majeure.

Chapter 3

1. c)
2. d)
3. a)
4. b)

Answer:

The recommended steps are:

- A. Post job advertisement
- B. Review of received CVs
- C. Interview and candidate selection
- D. Gathering and validation of other documentation of the selected candidate
- E. Presentation and acceptance of Labour regulation
- F. Drawing up and signing the Employment contract

MODULE 6

Chapter 1

1. b)
2. d)
3. a)
4. c)
5. a)
6. c)

Answer:

An application for a residence and employment permit to work in any company of foreign interests, including international companies must be submitted to the Director of the Civil Registry and Migration Department. You can find the application [here](#).

The application must be accompanied by:

1. a copy of your passport;
2. all relevant certificates proving your qualifications;
3. the contract of employment, stating your annual salary;
4. a bank guarantee;
5. a medical examination certificate;

6. a full medical insurance certificate;
7. a certificate of criminal record.

Chapter 2

1. d)
2. a)
3. c)
4. a)
5. d)

Answer:

The procedure is as follows:

- Fill in all the required documents. From the list of accompanying documents, choose the one that meets your needs, depending on which permit/ permits you will apply for.
- After studying the list of accompanying documents for both the company's suitability and for obtaining a permit, collect the documents you need to submit.
- Fill in and sign any other forms that may have to accompany the application.
- Fill in all the fields of the application form and sign it. Beware of the parts requiring signatures from third parties.
- Submit the application and the documents to the Central Offices of the Civil Registry and Migration Department.

The documents in this specific case are:

1. Before the arrival of the third-country national:

1. Copy of valid passport or other travel document with validity of at least two (2) years from the date of the submission of the application.
2. List of Company's third-country personnel per category [Directors and Middle Management Staff /Key Personnel]
3. Brief Curriculum Vitae (CV) (including copies of academic qualifications)
4. Original letter of guarantee issued by a bank or cooperative institution in Cyprus with validity of 10 years covering possible repatriation expenses. The amount depends on the country of origin.
5. Original blood analysis results showing that the third-country national does not bear/suffer from HIV, syphilis, hepatitis B and C and a chest x-rays for tuberculosis (TB) from the country of origin
6. Original Certificate of Criminal Record from the country of origin (if the applicant resides in a country other than the country of origin, the certificate should be issued from the country of residence)
7. Receipt of payment of the annual company fee to the Registrar of Companies
8. Authorisation for payment by bank transfer (FIMAS)

2. After the arrival of the third-country national

9. Copy of the passport's or other travel document's page showing the latest arrival in the Republic and visa
10. Original Entry Permit (M70)

11. Original blood analysis results showing that the third-country national does not bear/suffer from HIV, syphilis, hepatitis B and C and a chest x-rays for tuberculosis (TB) certified from a Doctor in Cyprus.
12. Title deed or rental agreement of a house/apartment duly certified by the relevant president of the community (mukhtar)
13. Certificate of Health Insurance for medical care that covers inpatient and outpatient care and transportation of corpse (Plan A)
14. Employer's liability insurance with an automatic renewal
15. Original contract of employment duly signed and two (2) copies duly stamped

Chapter 3

1. c)
2. b)
3. b)
4. a)
5. d)
6. b)
7. c)

Answer:

Currently, there is a new and accelerated procedure for granting Immigration Permit to applicants who are third-country nationals and intent to invest in the Republic of Cyprus.

The procedure for the submission and examination of an application is the following:

- The application should be submitted on Form (M.67) to the Civil Registry and Migration Department or to the District Offices personally or through post or through a representative. It is noted that the applications submitted to District Offices shall be transferred to the Civil Registry and Migration Department directly, without any processing.
- Applications which are submitted in Cyprus, personally or through a representative or by post, shall be filed in an ordinary file (the applicant should ensure that each relevant document of the application must be numbered with blue ink, from the first page to the last). Inside the file there shall be included a check list of all necessary documents, which must be submitted with the application form, which must be completed by the applicant or by a representative of the applicant.

The following documents, which must accompany the application form, can be found on the website of the Ministry of the Interior: www.moi.gov.cy

- Application Form M.67
- Check List
- Affidavit
- Statement to the effect that the Applicant is not employed in Cyprus.

Chapter 4

1. a)
2. c)

3. d)

Answer:

The investor should fulfil the following criteria:

- has stayed lawfully in the Republic for a period of at least two (2) years.
- is holding a residence permit with a duration of at least one (1) year.
- has reasonable prospects of obtaining the right of permanent residence

If yes, then submit the application for family reunification along with all supporting documents. He/she can find all the important information [here](#).

Chapter 5

1. d)

2. a)

3. c)

Answer:

Public documents issued abroad may be used in the Republic of Cyprus (unless otherwise provided by bilateral or multilateral agreements) if they are legalized in accordance with the regulations of the country of issuance and verified.

All public documents issued abroad must:

- a) bear an official translation into Greek or English from Press and Information Office.
- b) be certified with APOSTILLE if the country has signed the Hague Convention of 1961 or
 - Certified by the Ministry of Foreign Affairs of the country of origin of the applicant and then by the Embassy/Consulate of Cyprus in his country or
 - The Ministry of Foreign Affairs of the country of origin of the applicant and then the Embassy / Consulate of his country in Cyprus.
 - In the instance that the country of origin of the applicant has not signed the Hague Convention of 1961 and there is no Embassy / Consulate in the above-mentioned country the documents must be certified by the Ministry of Foreign Affairs of the country of origin of the applicant and then the nearest Embassy / Consulate which is accredited to Cyprus.

MODULE 7

Chapter 1

1. d)

2. a)

Answer:

Funding Program	Cyprus Entrepreneurship Fund (CYPEF)
Program Name	Financial Instruments available by intermediaries in Cyprus

Description	<p>The Cyprus Entrepreneurship Fund (CYPEF) aims to facilitate access to finance for SMEs (Small and Medium Enterprises) through the provision of Financial Risk-Sharing Products and the provision of loans with favourable financing terms.</p> <p>CYPEF is implemented in cooperation with the aforementioned intermediary Financial Institutions / Commercial Banks, selected through a call for expression of interest procedure, by which loans to beneficiary SMEs are granted on very favorable terms in relation to interest rate, grace period and repayment period. The selected financial institutions co-finance 50% of each loan and the remaining 50% is covered by the Republic of Cyprus.</p> <p>Loan applications by SMEs are submitted to the aforementioned Banks</p>
Eligibility for Participation	SMEs (Small and Medium Enterprises)
Call Total Budget	€140,000,000
Financing percentage by EU or other bodies	<p>Bank of Cyprus – maximum loan for each firm up €1,5 mln.</p> <p>Ancoria Bank Ltd – maximum loan for each firm up €600,000 (Under certain conditions loan amount can reach €1.5 mln)</p>
Call Closing Date	01/06/2019
Responsible authority	<p>DG EPCD</p> <p>Bank of Cyprus</p> <p>Ancoria Bank</p>
Link	http://www.fundingprogrammesportal.gov.cy/easyconsole.cfm/page/prog/pr og_id/2660/lang/en

Chapter 2

1. b)
2. c)

Answer:

European Regional Development Fund – funds for regional and urban development. The ERDF aims to strengthen economic and social cohesion in the European Union by correcting imbalances between its regions. The ERDF focuses its investments on several key priority areas. This is known as 'thematic concentration': Innovation and research; the digital agenda; Support for small and medium-sized enterprises (SMEs); the low-carbon economy.
http://ec.europa.eu/regional_policy/en/atlas/programmes/

Chapter 3

1. d)
2. a)

Answer:

STEPS	BARRIERS
Assessing Capital Requirements- Pre-Qualification	Not being qualified because of minor issues
Preparing Bank Loan Applications- Required Documents	Difficulty in obtaining some documents
Applying for a Bank Loan	Rejection from the Bank (alternative)
Closing the Bank Loan	Rigid procedures
Bank Loan Service and Reporting	Not having all needed documentation/proof
Bank Loan Analysis	Difficulty with advisors, accountants etc.

MODULE 8

Chapter 1

1. c)
2. a)
3. c)
4. d)
5. c)
6. b)
7. b)
8. d)
9. a)
10. c)
11. d)
12. b)
13. b)

Answer:

Check how many facts did you miss and how important they are and compare with the original story.

For a good result, you should have also written down information about the speaker's body language.

Chapter 2

1. b)
2. a)
3. d)
4. d)
5. d)
6. d)
7. b)
8. d)
9. a)

Answer:

How much were you distracted with the behaviour of your listeners? Did you give the whole speech or did you miss something? Did you estimate the body language of the listeners in a good way? In the case the answers are “no”, repeat the exercise but choose another subject.

Chapter 3

1. c)
2. b)
3. d)
4. b)
5. b)
6. a)
7. a)
8. c)
9. c)
10. b)
11. a)
12. d)

Answer:

In recognising people's personality, experience is necessary. So, if you have managed to estimate for each person at least one of their personality blends, your answer is good.

Chapter 4

1. c)
2. d)
3. b)
4. c)

Answer:

If you managed to accomplish Distributive negotiation "Win/Win", then you successfully applied the principle of quality negotiation.

Chapter 5

1. a)
2. d)
3. b)
4. c)

Answer:

If you successfully took the lead and redirected conversation in the desired direction and if you wrote important information about the property, you solved the exercise correct.

Chapter 6

1. a)
2. d)
3. b)

Answer:

If you applied elements of avoiding hard negotiation:

- repress excessive self-confidence of the interlocutor on time
- shock the interlocutor by announcing an extreme request, not letting him to do it first
- keep self-control and control of the interlocutor
- promptly alert the interlocutor that the hard competition is not an option

and accomplished at least minimum of your expectation, then your result is good.

MODULE 9

Chapter 1

1. a)
2. c)

Answer:

Create a new forum in the Moodle platform, take a screenshot and then delete it.

Chapter 2

1. a)
2. b)
3. b)

Answer:

The purpose of the introductory conventional lectures is:

- getting to know the basic concepts of individual modules,
- learning about e-learning materials,
- getting familiar with examples from practice,
- motivating,
- discussing the key content of the modules.

Chapter 3

1. d)
2. b)

Answer:

The course of Module 1 execution consists of the following components:

1. Introductory meeting

The introductory meeting in the classroom is intended for the meeting of the mentor and participants, learning about the subject matter, study literature and the work method. The mentor presents an overview of the subject matter and the work schedule, defines the requirements and activities as well as deadlines for completing including activities. It also publishes learning objectives and expectations and defines rules of behaviour and acting in the course.

2. Activities of the participants

Participants study the learning materials and participate in various forms of collaborative learning and communication.

3. Activities of the mentor

The mentor regularly monitors participants' activities, encourages cooperation and communication. In particular, asynchronous communication is foreseen, and if necessary, long-distance synchronous communication is organized at least once a week. The mentor monitors students' work, directs and observes their progress, actively participates, promotes and leads interactive discussions, answers questions, directs the learning, checks students' work, and provides feedback and recommendations related to learning activities or received products. At the end, the mentor evaluates and grades students' work (test).

MODULE 10

Chapter 1

1. c)
2. a)
3. a)

Chapter 2

1. d)
2. a)
3. c)

Answer:

1. Gather and develop all necessary content of your portfolio. Generally you must provide the following evidence related to the qualification:
 - Certificates of attendance and/or completion of an education or training programme;
 - school certificates;
 - diplomas;
 - other evidence of the studies completed, etc.
 - certificates issued by education and training providers on successful completion of education or training;

- a certificate;
- a licence,
- a company training certificate, etc.

2. Contact HRDA or HRDA-approved Centres for Qualification

GLOSSARY

Account – is a record in the general ledger that is used to reflect debit and credit account. For instance, an entity will have a Cash account where all cash transactions will be recorded.

Accounting equation - is also called balance sheet equation, represents the relationship between assets, liabilities and owner's equity of an entity, and is written as $\text{Assets} = \text{Liabilities} + \text{Capital}$. It is the foundation for the double-entry bookkeeping system.

Accounting is a framework that measures business activities, forms data and information into reports and makes that information accessible to decision-makers.

Accounting Policies – the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements (IAS 8.5).

Accounting Principles – are general rules and concepts that govern the field of accounting.

Advising: a process of enabling to make choices; it does not include giving advice

Advisor: a person qualified to provide advice and/or advisory services

Agent – An authorized person that manages or transacts business for someone else.

Alien: means a person who is not a Cypriot national.

Amenities – The features that may enhance the value of a property.

Amortize – To pay a debt in periodical amounts until the total, which may include any interest, is paid.

Annual report/Annual financial accounts - a report prepared to provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users in making economic decisions. This report is presented to and approved by shareholders of an entity on the annual general meeting.

Annual return- the return required to be made, in the case of a company having a share capital, under section 118, and, in the case of a company not having a share capital

Apostille: is (extra) authentication or legalization of public documents which are used in international legal circulation.

Appraisal – A qualified person's/organisation's opinion of the value of a property.

Appreciation – The value increase of a property.

Assessment/ Assessed Value – Official valuation of a property for tax schemes.

Assets - a resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.

Assets- the economic resources a business has, including inventory, office furniture and supplies purchased for use, any trademarks or copyrights it owns.

Balloon Payment/Mortgage– A mortgage with monthly payments often based on an amortisation schedule.

Bankruptcy – Declare legally unable to pay your debts. Bankruptcy can impact negatively your credit and ability to borrow money.

Banned migrant: means a person who is a banned migrant under the provisions of this Law

Bottom Line- the total amount a business has earned or lost at the end of the month (the last financial figure on a ledger).

Broker – An independent business party/person that sets real estate office policies.

Business entity – an established organisation

Buyer Agent – An agent who represents a buyer in a real estate transaction.

Candidate - a person chosen from the employer for the purpose of employment

Cap. 113- the Companies' Law, being the core statutory law for corporate law in Cyprus.

Cash Flow- the overall movement of funds through the business each month, including income and expenses.

Cash flows – inflows and outflows of cash and cash equivalents.

Cash register - indicates a place in a company where cash transactions are performed.

Centers for Qualification are HRDA- approved Centers for Qualification in Cyprus.

Certificate- is a valid document proving the National Vocational Qualification.

Chargeable income means the aggregate amount of the income after deducting of expenses allowed for tax purposes.

Claim - means the relationship between buyers and sellers in which the seller is seeking debt settlement for the goods or services sold.

Client: a person seeking advice

Closing – The point at which real estate formally changes ownership. Closing costs are fees paid for services associated with a home's closing such as title insurance, surveying fees, recording fees, deeds, and affidavits.

Commission – Compensation paid to a real estate agent (usually by the seller) for services rendered in connection with the sale, exchange, or lease of a property.

Communication: the imparting or exchanging of information by using verbal (conversational) or nonverbal (physical) signs/movements

Competitive Market Analysis – A method of determining the value of a property by comparing the prices paid for similar properties.

Condominium (Condo) – Individual ownership of a part of a building, with common areas shared by all owners.

Conventional Loan – A fixed-rate, fixed-term loan not insured by the government.

Co-operative (Co-op) – An arrangement in which a corporation made up of residents owns a building. The buyer holds a proprietary lease, rather than real property, and a corresponding number of shares in the corporation.

Corporate Income Tax – a tax that a company has to pay on its profits

Corporation tax – the tax imposed on the income of an entity. The corporation tax rate is set at 12.5%.

Corporation tax, also known as company income tax or corporate tax, is a direct tax imposed on the chargeable income of a company.

Cost - the amount of cash and cash equivalents paid or fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

Counter Offer – A new offer as to price, terms, and conditions, made in response to a prior, unacceptable offer. A counteroffer terminates an original proposal.

CPC - Cyprus Productivity Centre

Currency - is paper and coins issued by a state or a bank, in circulation serves as a means of exchange and a legal means of payment. Each country usually has its own currency. Payments between countries are made in currencies at a particular exchange rate.

Currency exchange rate – the rate at which one currency will be exchanged for another.

Customer – is a person or an entity that buys goods, services, product or and idea from third parties (seller, supplier).

Customs tax is a tax imposed on goods when traded across international borders. The purpose of Customs Tax is to protect each country's economy, residents, jobs, environment etc., by controlling the flow of goods into and out of the country.

CYQF- is the Cyprus qualifications framework.

Debt - means the amount of money that the debtor has to settle.

Deed – A legal document that transfers ownership of a property from one party to another.

Depreciable amount – the cost of an asset less its residual life. Where residual value is an estimated amount that an entity could receive from the sale of this asset at the end of its useful life.

Depreciation is the systematic (usually annual) allocation of the depreciable amount of an asset over its useful life, i.e. is the reduction of the balance sheet value of an asset in order to reflect the fact that during usage this asset loses its value for a variety of reasons and it has limited useful life.

Distance learning or distance education- is a form of education during which a student and a teacher are separated in space, potentially also in time, and which is conducted with the help of information and communication technologies.

Dividend – is a portion of the company's profits paid to shareholders in proportion to their holdings of a particular class of shares. The amount of dividends is determined and declared on the annual shareholders' meeting.

Down Payment– A percentage of the purchase price the buyer pays in cash.

Dual Agent – An agent that represents both parties in a transaction.

EEA - European Economic Area

EEA: European Economic Area, which includes EU countries, Iceland, Liechtenstein and Norway.

E-learning- is an education that is conducted through electronic media (most often the Internet and the World Wide Web) and can be carried out within the frame of conventional education, in blended learning or distance education.

E-materials- are multimedia learning materials that are accessible via the Internet (most often via the World Wide Web or mobile devices).

Empathy: the ability to understand and share the feelings of another

Employee – a person who signed an employment contract and performs activities at employers' directions

Employee: a person who signed Labour contract and works on the employers' order

Employer – a legal or natural person who employs workers

Equity– The difference between the current market value of a property and the claims—such as the unpaid portion of a mortgage—that exist against it.

EU - European Union

EU: European Union

EURES - network between European Commission and Public Employment Services in EEA State Members which promotes labour mobility

European citizen: means any person who is a national of a Member State of the European Union and includes persons who are nationals of a State party to the Agreement on the European Economic Area, signed at Oporto on 2 May 1992 and ratified by the concerning the Agreement on the participation of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Malta, the Republic of Hungary, the Republic of Republic of Poland, the Republic of Slovenia and the Slovak Republic in the European Economic Area and the Final Act (Ratification) Act 2004.

Exclusive Listing– A written agreement in which the seller appoints an agent to market the property for a specific period.

Expenditure or expense- is a cost incurred by the entity in the course of its business activity to earn income.

Expenses- business expenses are the costs the company incurs each month to operate, including rent, legal costs, utilities, employee salaries, and marketing and advertising costs. Businesses are often encouraged to keep expenses low to remain financially solid.

Facial expression: motions or positions of the muscles of the face

Forbearance Agreement – An agreement between a mortgage holder and a borrower that specifies a loan payment plan and halts the foreclosure action if the borrower meets the requirements and the agreement terms.

Foreclosure– The legal process through which a property that is mortgaged as security for a loan may be sold to pay a borrower's loan.

Foreign employer: a legal or natural entity who has business address in EEA.

Foreign national - any person who is not a national of Cyprus, and has EEA, Swiss Confederation or third country citizenship, or is a person without citizenship

Foreign national: a person who is not Cypriot citizen, but has EEA, Swiss Confederation or Third-country citizenship, or is a person without citizenship.

GDPR - General Data Protection Regulation

Gesture: a movement of part of the body used to express an idea or meaning (non-verbal communication)

Giving advice: a process in which an advisor talks less and immediately gives a lot of information

Goods - a product of human labour intended for sale.

Gross National Product (Eng. gross national product) is the value of all goods produced and services provided by domestic. The economy during a specific period of time (usually one year).

Gross Profit is the difference between revenue and the cost of production of goods or providing of services, before deducting additional selling and administrative expenses.

Guaranty – A pledge made by one person (the guarantor) to ensure that another person (the obligor) will fulfil an obligation to a third party (the obligee).

HRDA - Human Resource Development Authority

HRDA- is the Human Resource Development Authority of Cyprus.

Income tax – is the tax on the income of individuals arising from their employment, their business and their investments income.

Inspection – The examination of a property by the buyer, agent, title insurance company, or another interested party.

Interlocutor: a person who takes part in a conversation or dialogue.

Invoice - a document issued by the seller to the buyer for the products sold or services rendered.

Labour market - labour offer and demand

Liabilities - is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow of entity's resources (cash).

Liabilities- includes any debt accrued by a business in the course of starting, growing and maintaining its operations, including bank loans, credit card debts, and monies owed to vendors and product manufacturers.

Lien – A charge or claim by one party on the property of another as security for the payment of a debt.

Listing – A written agreement between a property owner and a real estate broker authorising the broker to find a buyer.

Listing Agent – An agent representing the seller.

Long-term assets or Non-current assets- are assets that are not intended to be turned into cash (to be sold) or consumed within one year of the balance sheet date.

Long-term liabilities - are financial obligations of an entity that become due more than one year after the balance sheet date.

Loss - represents the negative business result of an entity realized in a certain period of the year, in other words, company expenses are higher than its revenues.

LTD – Company Limited by Shares

Market Value– The price a property will have on the open market.

Migrant: means a foreigner who, without being permanently settled there, enters the republic in order to live there permanently

Mirroring: The behaviour in which one person subconsciously imitates or consciously attempts to emulate the gesture, speech pattern, or attitude of another

Mortgage – A legal document pledging property as security for the payment of a loan. It gives the lender the right to sell the borrower's property and use the money collected to pay off the debt if the borrower defaults on the loan.

Mortgage Insurance – An insurance plan that protects the lender if the borrower does not repay a loan.

National Vocational Qualification- is formally recognised based on National Vocational Standards and is either obtained through any proven educational programs or through the National Vocational Qualification Verifying and Certifying Process.

Negotiator: a person who negotiates

Net cash flow is a profitability measurement that is calculated as the difference between cash inflows and cash outflows over a given period.

Nod (head): A nod of the head is a gesture in which the head is tilted in alternating up and down and in many cultures (but not universally, i.e. Greece) it indicates agreement, acceptance or acknowledgment.

Notes contain information in addition to that presented in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flow.

Notice of Default – An official notice filed and recorded by a designated trustee at the request of a lender indicating lender has commenced a foreclosure action.

Offer – A proposal to purchase a property at a particularised price and terms.

Open House – A standard real estate practice of showing "For Sale" houses to the public during established hours.

Operating costs – costs involved in running a business

Owner of Record– The person named in the public record as the owner of a property or mortgage.

Permanently installed: means (a) a person who is a national of the Republic; (b) a person holding a valid permanent residence permit issued under the provisions of any Regulations issued under the Aliens and Immigration Law or who are entitled to the issuance of any such certificate.

Personality: a set of characteristics that distinguish an individual and are shown through his/her behaviour

Personality: the combination of characteristics or qualities that form an individual's distinctive character expressed through the behaviour

PES - Public Employment Services

PLC – Public Company Limited by Shares

Portfolio- is an assembly of student's achievements realized through (formal, informal, occasional) learning or (working, living) experience.

Posted worker - employee who by the employer's directions stays and works in another country

Posted worker: an employee who works and resides in foreign country

Price - the monetary value of a good, service or resource established during a transaction. The basic factors affecting the price formation are related to the offer, supply, needs and purchasing power of the consumer.

Profit - is a financial gain, the difference between the amount earned and the amount spent during buying, operating or producing something.

Profitability is the ability of an entity to use its resources to generate revenue in excess of its expenses.

Qualified Buyer – A buyer who has demonstrated the financial ability to afford the asking price of a home. Prequalifying with a lender can expedite the home buying transaction.

Real estate – land and any additions/improvements, for example, buildings, sidewalks etc. considered permanently attached to the land.

Retained earnings - are the profits that an entity has earned to date less any dividends or other distributions paid to shareholders.

S.p. – Sole proprietor

Salary - is a fee for work done. It is paid to employees on the basis of an employment contract signed by the director on behalf of the company with an employee. Salary is paid monthly as an advance of annual remuneration for work. At the end of the business year, a final salary calculation for each employee is done.

Sales - represents a change in the ownership of goods between the seller and the buyer.

SE – European Company

Selling Agent – The agent that finds a buyer. A selling agent may be representing the buyer or the seller.

Short Sale– Sell a home through a negotiation process with the bank or lender, who agree to accept less than the full debt amount, so that the debt can be 'paid off' short.

Social security – pension and disability insurance, health insurance, unemployment insurance and maternity leave

Special contribution for the defence is imposed on dividends, passive interest income and rental income received by Cyprus companies and individuals being both Cyprus tax residents.

Statement of Cash Flows – contains information on how much cash is generated and used by an entity during a given period of time.

Statement of comprehensive income - shows revenue and expenses on a particular day.

Statement of Financial Position – displays the entity's assets and how these assets are financed, through debt (liabilities) or equity (capital) at a specific date.

Statement of Income Balance - Profit and Loss Account.

Supplier - is a business partner that supplies goods or services to a company.

SVQ- is the system of vocational qualifications in Cyprus.

Tax – a taxpayer’s financial burden

Tax number - an identification mark assigned to a taxable person

Tax Register - a unified, computerised database of taxpayers connected with other records

Temporarily installed: means a non-resident alien who is entering the Republic of the Republic for any purpose other than that of that State of residence.

Third-country national: means a person who is not a European citizen

Title – Lawful ownership of property.

Title Insurance – An insurance policy that protects against losses arising from title defects such as forged or misfiled documents.

Tolerance: the ability or willingness to tolerate the existence of opinions or behaviour that one dislikes or disagrees with

Total revenue - represents all income of the enterprise.

VAT - Value Added Tax or tax assessed on the value added to goods and services.

VAT is an indirect tax that applies to all commercial activities including production and distribution of goods and rendering of services.

Virtual Learning Environment (VLE)- is a learning environment that allows you to carry out learning activities, while enabling access to study materials, informing, signing up for exams, socializing of students. For the distribution of learning content and the implementation of organized e-learning, a platform for e-learning or a Virtual Learning Environment is needed. The prevailing learning technology that enables the organization and implementation of e-learning is the Learning Management System (LMS). LMS enables the organization and execution of courses, including their splitting up into modules and lessons; conducting knowledge tests; discussions ... LMS systems are usually not the only software used, as many services and platforms are available on the World Wide Web that enable education and training or individual activities within the educational process. The Virtual Learning Environment therefore consists of an LMS system, various applications, as well as other services and platforms that are accessible over the Internet as a cloud service.

Visa: means the authorization granted or the decision taken, unless otherwise provided by any provision of this Law, by the consular authorities of the Republic, which is required for the entry of an alien in the Republic.

Vocational qualification- is a professional or vocational competence necessary for the pursuit of a profession or individual assignments within a profession at a certain level of complexity.

Walk-Through – A final inspection of a property before it changes ownership.

Worker - see "Employee"

Worker: substitute for "employee" Alien - see "Foreign national"

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