





This brochure has been prepared by compiling the information and data of the Statistic Institute, the Cyprus Turkish Investment Development Agency, the Ministry of Economy and Energy, the Ministry of Tourism, the Ministry of National Education and the Ministry of Finance.

**Dear Reader,**

As the Turkish Cypriot Chamber of Commerce, we are proud to publish the “Economy and Investment Environment of the Northern Cyprus”, which contains data and information on the North Cyprus economy and investment environment.

Our chamber, with its internationally recognized status and years of experience, has set itself as a basic principle to serve to raise the welfare level of our country. In this context, the economic and social development of our country, as well as its integration with the world, its competitiveness, and improvement of the investment environment have been the focus of the studies carried out by our Chamber.

The North Cyprus economy, which has typical small island economy characteristics, has a microeconomic structure based mainly on service production, with a small-scale internal market, and limited natural and human resources. While it creates a gross domestic income of 30 billion Turkish Liras, its per capita income is approximately 15 thousand dollars.

The main income sources of our country, which tries to ensure its economic development by accessing foreign markets and increasing foreign demand, are tourism and higher education, primarily the services sector. Our other sectors are mainly affected by the growth of these services sector and they are growing. Our agricultural and industrial sectors will be able to create higher added value in the market in a structure that will provide inputs to other sectors such as tourism and higher

education, and improve the export of local products and niche products with certain comparative advantages.

When we look at foreign trade, imports were over 1.5 billion dollars and exports were at the level of 120 million dollars. Türkiye is the most important commercial partner of the North Cyprus. Its share in imports is 60% and its share in exports is around 50%. The main products in the export of the North Cyprus are halloumi, kashar cheese, curd cheese, citrus fruits, potatoes, and scraps. Petroleum products take the first place in the import of the North Cyprus. Other products that have a significant share in imports are pharmaceuticals, alcoholic and non-alcoholic beverages, soft drinks, food products, and construction materials.

While the average export to Southern Cyprus within the scope of the Green Line Regulation until 2021 was 5 million Euros, it increased to 15 million Euros by 2022. This rise in Green Line trade is promising. In this context, expanding product diversity is important. In addition, some halloumi producers in our country have been entitled to receive a Protected Product of Origin (PDO) certificate. Halloumi trade via the Green Line Regulation is expected to take place both to Southern Cyprus and to the European Union countries this year. It is clear that this will make a significant contribution to our trade and therefore our economy.

The deficit in the trade of goods in the North Cyprus is largely financed by the revenues obtained through the provision of services such as tourism and higher education to foreigners. More than 1 billion dollars of income was obtained from the tourism sector and 950 million dollars from higher education. More than 100 thousand students and more than 1.7 million passengers coming from many countries, especially Türkiye, have a high impact on the country's economy.

The water problem, which has reached the stage of resolution with the unique contributions of the Republic of Türkiye, offers new opportunities for the efficient use of the agricultural potential of Northern Cyprus. Thanks to the water coming from Türkiye, we will have the opportunity to use local water

resources more efficiently, which will make the agriculture sector more productive.

Our country offers various opportunities for cooperation with you. In addition to tourism, higher education, agriculture and agro-industry, special interest tourism, yachting and marinas, informatics, and energy fields also have the potential for cooperation. You will be able to access information and data about the investment environment and opportunities of our country with this publication. Of course, you will consider these opportunities as business people. We know that in the current period, those who cooperate more and make their comparative advantage a component of these cooperations will win. The work that will be shaped by thoughts that unite differences and create a new synergy will be profitable and productive.

As the Turkish Cypriot Chamber of Commerce, we will continue to do our part to pave the way for these collaborations.

Best regards,

Turgay Deniz
President of the Cyprus Turkish Chamber of Commerce

TURKISH CYPRIOT CHAMBER OF COMMERCE

The Turkish Cypriot Chamber of Commerce was founded in 1958, when Cyprus was still under the British rule, to contribute to the economic development of Northern Cyprus by serving its members at home and abroad, through upholding the principles of private enterprise and free and fair trade.

The Turkish Cypriot Chamber of Commerce, is the leading business representation organization in Northern Cyprus, representing the general economic interest of more than 5,000 enterprises from a wide range of sectors from trade to manufacturing and from tourism to financial services and construction, amounting to 95% of the Turkish Cypriot economy.

With its internationally recognized status and over 60 years of experience, the Turkish Cypriot Chamber of Commerce aims to protect the rights and interests of Turkish Cypriots in the international arena and carries out activities in international platforms to further the economic and commercial relations of the Turkish Cypriot Community.

Turkish Cypriot Chamber of Commerce;

- is a member of the International Chamber of Commerce (ICC)
- is a member of the European Small Business Alliance (ESBA)
- has an observer status at the Islamic Chamber of Commerce, Industry and Agriculture (ICCIA)
- is an observer member of the Union of Turkic Chamber of Commerce and Industry (TCCI)

It has been authorized by the European Commission to implement the European Commission Green Line Regulation, which came into force in April 2004 and regulates the passage of goods and services from the North to the South of the island. Under the Green Line Regulation, the Chamber is authorized to provide the accompanying document for the sale of goods produced in Northern Cyprus to Southern Cyprus.

The Turkish Cypriot Chamber of Commerce has representative offices in Ankara, Brussels and London.



Northern Cyprus



General Information

Regimen: Constitutional Republic

Head of State: President

Head of government: Prime Minister

Capital: Nicosia

Area: 3.355 km²

Administrative structure: There are 6 districts and 12 sub-districts of these districts. There are 18 municipalities as local governments.

Population: 399.727 (2022)

Official language: Turkish

Religion: Mostly Islam

Currency: Turkish Lira



ECONOMIC INDICATORS

Main Economic Indicators

	2018	2019	2020	2021	2022	2023
GDP (Million TL)	18.324	21.395	21.407	30.144	73.933	...
GDP real growth rate (%)	1,3	0,2	-16,2	3,9	13,3	...
Inflation (%)	30	11,7	15	46,1	94,5	83,6
Budget deficit/surplus (% of GDP)	0,3	-1,3	-5	-4,3	-2,2	...
Export (Million \$)	100,9	82,5	101,1	128,6	125,6	159,5
Import (Million \$)	1.816	1.588	1.221	1.572	2.259	2.817
Employment rate (%)	47,3	48,1	45,9	40,4	46	48,3
Unemployment rate (%)	6,9	6,3	10,1	7,8	6,3	5,1

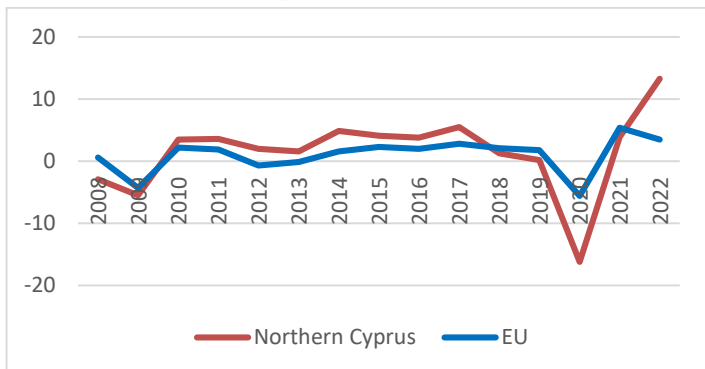
Source: Statistics Institute and Trade Department

Gross Domestic Product

North Cyprus's economy increased by an average of 3.6% between 2010 and 2017, after contracting by 2.9% in 2008 and 5.5% in 2009 as a result of the 2008-2009 global financial crisis. With considerable rises in currency rates in the last months of 2018, the North Cyprus economy grew by 1.3% in 2018 and 0.2% in 2019.

The COVID-19 pandemic has had a significant impact on North Cyprus as well as all countries. North Cyprus's economy decreased by 16.2% in 2020, when the pandemic peaked and company closures occurred, although it grew by 3.9% in 2021. The TRNC economy will continue to grow in 2022 and has grown by 13.3%.

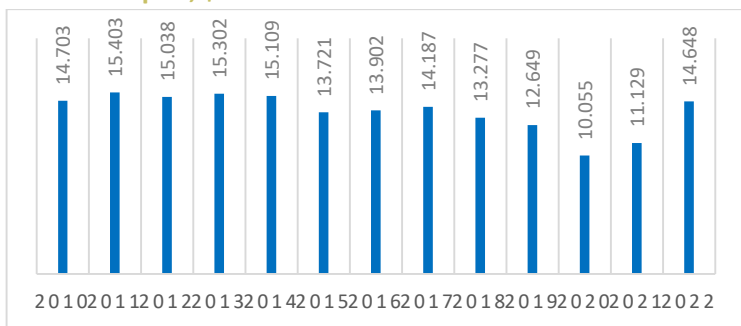
Real GDP Growth Rate, %



Source: Statistics Institute and Eurostat

North Cyprus progressed from the middle low-income level to the middle/ high-income level in the 1990s, and by the middle of the 2000s, from the middle/high-income level to the high-income level. While the GDP per capita in North Cyprus reached its greatest nominal level of 15,302 dollars in 2013, it fell to 13,277 dollars in 2018 owing to currency fluctuations. GDP per capita fell by 5% in 2019 and 20.5% in 2020, totaling \$10,055. The GDP per capita for 2021 has been set at 11,129 dollars. In 2022, the GDP per capita in TRNC was announced as 14,648 dollars.

GDP Per Capita, \$



Source: Statistics Institute

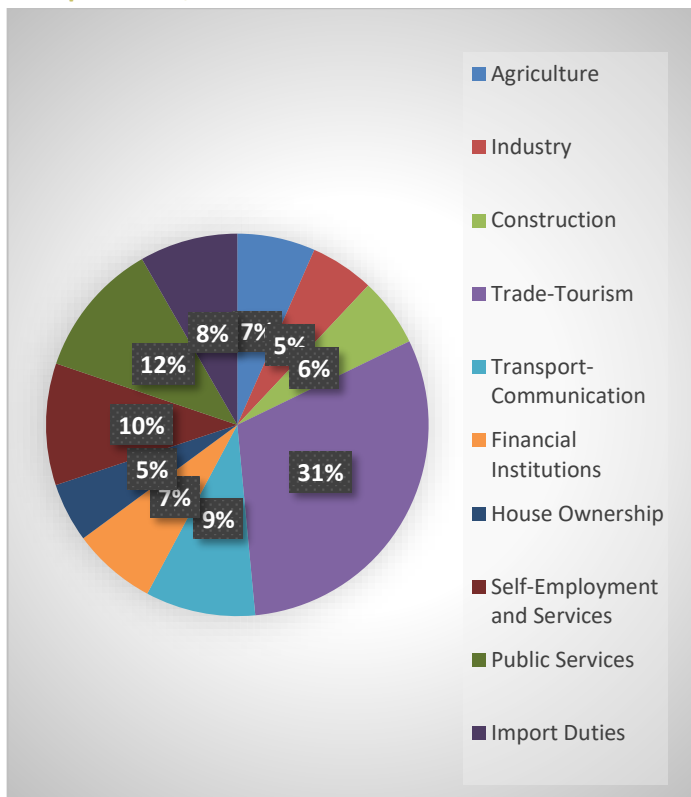
GDP by Economic Sectors and Economic Activity Groupings at Current Year Prices, Million TL

Economic sectors and economic activity groups	2018	2019	2020	2021	2022
Agriculture	1.139	1.171	1.280	2.526	4.895
Industry	1.538	1.676	2.064	2.274	3.965
Construction	1.081	1.235	2.055	2.248	4.281
Trade-Tourism	3.814	4.747	2.747	4.154	22.677
Transport-Communication	1.339	1.565	1.371	2.764	6.900
Financial Institutions	1.486	1.717	1.686	2.679	5.271
House Ownership	896	1.102	1.357	2.207	3.686
Self-Employment and Services	2.890	2.819	2.755	4.272	7.638
Public Services	2.461	3.442	4.146	4.671	8.512
Import Duties	1.678	1.921	1.948	2.350	6.108
GDP	18.324	21.395	21.407	30.144	73.933

Source: Statistics Institute

In 2022, trade-tourism ranked first in GDP with 30,7%, then, public services with 11,5% and self-employment and services with 10,3%. House ownership with 5% and industry with 5,4% are the sectors with the lowest share of GDP.

Shares of Economic Sectors and Economic Activity Groups in GDP, 2022

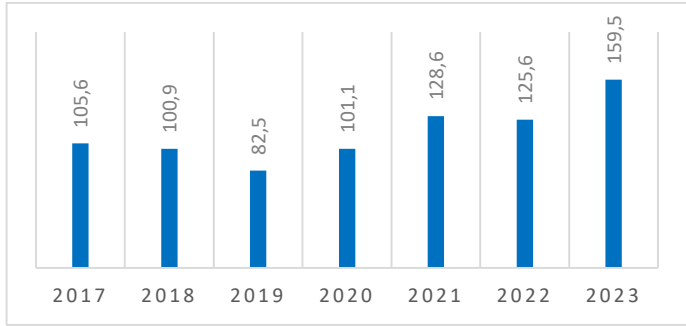


Source: Statistics Institute

Export

While exports decreased by 2.3% in 2022 compared to the previous year, it increased by 26.9% in 2023, reaching 159.4 million dollars. In 2023, an increase is observed in the exports of almost all export products.

Export by Years, Million \$



Source: Trade Department

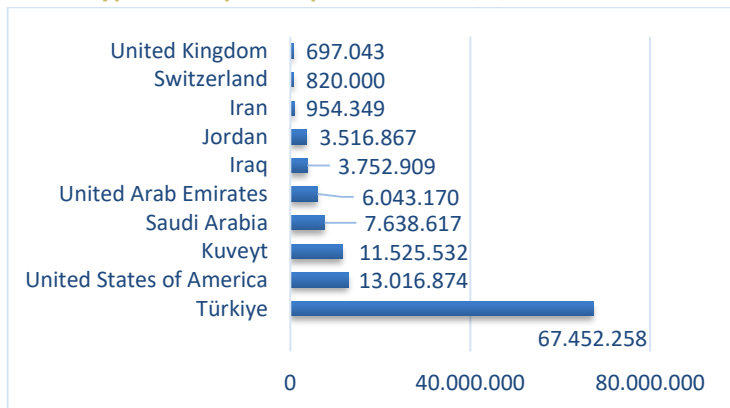
Export Products, \$

	2018	2019	2020	2021	2022
Dairy Products	44.917.383	41.643.994	45.750.109	49.866.382	52.959.979
Cream	2.685.120	2.541.197	2.992.692	2.462.429	2.259.188
Yogurt	...	...	15.787	20.451	20.049
Cheese/Curd Cheese	5.382.412	3.408.405	2.443.490	6.325.557	6.245.687
Kashar Cheese	2.615.080	304.213	1.988.020	315.841	8.193
Halloumi	32.900.791	32.964.982	36.869.097	37.030.574	44.430.392
Egg	1.333.980	2.425.197	1.441.024	3.711.530	1.724.364
Citrus	16.329.447	18.989.343	27.411.968	28.730.283	24.282.888
First Grade Oval Orange	...	...	62.784	88.307	...
Oval Orange	230.630	178.833	226.476	22.629	...
First Grade Valencia Orange	6.987.808	9.480.786	7.507.496	10.257.478	7.329.490
Valencia Orange	1.011.752	929.005	3.656.276	2.823.900	871.021
First Grade Tangerine	4.685.001	7.352.503	10.477.057	12.372.159	14.978.429
Tangerine	2.877.022	780.459	4.856.370	2.309.312	271.674
First Grade Lemon	10.676	47.899	87.823	499.235	373.591
Lemon	313.642	154.677	448.561	158.351	60.776
First Grade Grapefruit	52.463	...	...	168.767	189.430
Grapefruit	160.453	65.181	89.125	30.145	...
Coffee	443.578	521.582	256.963	453.984	723.107
Carob	830.551	1.092.667	1.474.805	3.926.536	1.604.804
Olive Oil	4.159	8.678	26.838	228.754	34.430
Concentrate Products	3.182.185	1.618.782	2.295.214	1.513.757	3.500.595
Meat and meat products	2.493.784	2.483.991	2.851.864	1.976.613	...
Scraps	6.734.144	5.397.541	6.447.919	15.242.395	14.587.529
Shotgun Shells and Equipment	201.096	16.230	1.147.311	14.796.324	12.840.021
Cigarettes	...	37.600	432.721	1.229.693	621.705
Scrap Papers	481.495	590.348	537.207	1.189.183	1.400.144
House Paints	...	4.481	432.601	1.269.466	1.760.926
Tobacco	353.236	525.209	601.410	630.850	592.630
Raki	9.002.911	682.074	198.416	613.938	1.103.875
Skins	688.627	606.874	473.236	510.571	690.824
Garment	2.570.902	1.081.593	333.814	311.603	262.117

Source: Trade Department

In 2023, North Cyprus exported 79,6% of its total exports to Türkiye, 15,5% to Middle Eastern countries, 1,6% to EU countries, and the remainder to other European, Far East countries, and other countries.

North Cyprus's Top 10 Export Partners, \$, 2022



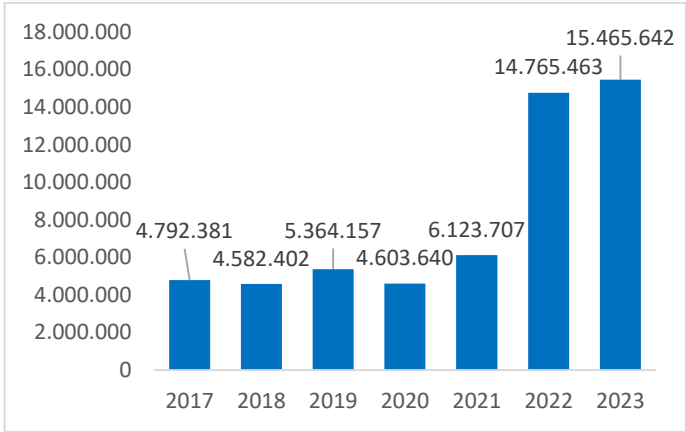
Source: Trade Department

Exports Under the Green Line Regulation

Within the scope of the Green Line Regulation, the sale of products produced in North Cyprus to Southern Cyprus is possible with the Accompaniment Certificate issued by the Turkish Cypriot Chamber of Commerce. For the products in question to receive the Accompaniment Certificate, they must be grown entirely in North Cyprus or, in case their raw materials come from abroad, a new product must be obtained by processing in North Cyprus and providing sufficient contribution.

Within the scope of the Green Line Regulation, the cost of the products sent to South Cypriot in 2021 was 6,123,707 € while it increased to 14,765,463 € in 2022 and 15,465,642 € in 2023.

Green Line Exports by Years, €



Source: Turkish Cypriot Chamber of Commerce

Main Products in Green Line Exports, 2023

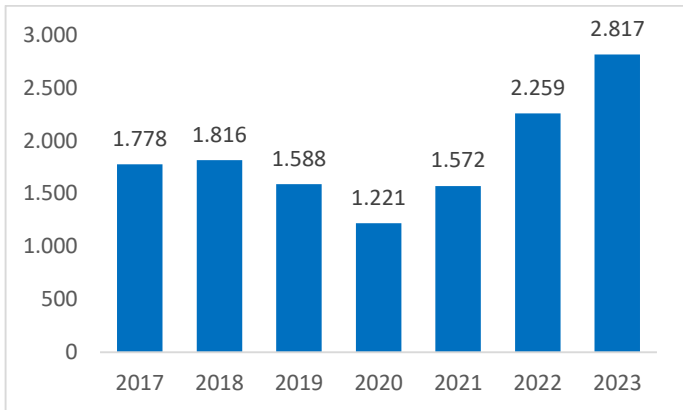
	Tutar (€)	Yeşil Hat ticaretindeki payı (%)
Prefabricated Container	3.790.159	25
Construction Materials	3.674.288	24
Wooden Furniture	3.010.210	19
Plastic Products	2.243.634	15
Waste/Scrap Products	712.625	5

Source: Turkish Cypriot Chamber of Commerce

Imports

Having a typical island economy, North Cyprus meets most of its needs from other countries. Imports, which were 1.572 million dollars in 2021, increased to 2.259 million dollars in 2022 and 2.817 million dollars in 2023.

Import by Years, Million \$



Source: Trade Department

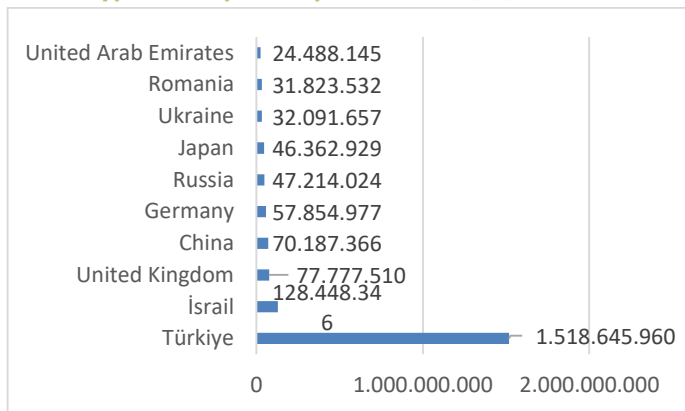
Import Products, \$

	2018	2019	2020	2021	2022
Fuel	173.757.404	170.426.746	89.834.999	169.378.112	299.046.692
Vehicle	117.489.229	118.245.836	125.960.074	110.673.459	155.273.052
Construction iron	63.172.997	41.358.655	30.664.348	50.744.492	68.520.457
Animal Feeds and Additives	30.756.458	29.376.853	31.035.892	46.330.744	38.287.036
Garment	45.127.845	48.273.184	29.429.222	34.764.130	49.229.290
Telephone Devices	27.999.948	25.821.985	28.225.404	29.675.034	1.177.301
Medicines	32.494.983	36.189.135	30.195.611	29.390.314	35.114.063
Mobile Phones	26.860.924	24.629.988	26.901.750	28.448.715	40.815.320
Alcoholic beverages	39.293.540	38.649.583	18.057.361	28.403.797	44.307.008
Barley	28.554.090	6.923.006	676.996	27.112.088	35.667.590
Industrial machines	30.185.739	25.174.323	3.042.929	23.713.066	42.902.934
Cigarettes	24.907.573	25.312.163	21.965.837	23.165.231	27.579.890
Information Processing Machines and Accessories	16.200.172	15.247.946	19.644.717	22.737.468	19.771.765
Corn	14.970.392	16.735.079	18.046.697	21.710.520	24.275.425
LPG Gas	19.096.704	17.061.596	13.640.267	18.671.368	25.334.718
Auto parts	20.225.362	19.324.061	14.009.689	15.537.158	18.336.012
Electrical supplies	20.769.058	15.565.442	9.295.939	15.204.378	24.418.128
Furniture and Accessories	33.892.647	15.336.586	10.525.676	14.718.173	22.944.171
Air conditioner	16.010.678	13.569.626	11.561.852	14.458.643	16.254.316
Dairy products	17.281.738	13.539.647	11.950.440	13.391.336	17.688.087
Pipes and parts	12.437.350	10.099.394	7.424.593	12.409.889	18.457.467
Wheat	12.403.725	11.193.885	8.830.661	11.396.657	16.907.769
Cosmetics	13.149.713	11.757.793	9.263.691	10.905.012	13.444.423
Electrical housewares	10.193.854	7.677.407	6.872.104	10.805.475	14.236.589
Timber and chipboard	10.148.972	5.541.279	6.753.943	10.480.311	15.807.251
Aluminum profile	22.146.426	15.979.193	6.189.748	10.227.334	16.905.691
Cement	18.912.913	17.184.364	10.084.975	10.050.044	12.995.196

Source: Trade Department

In 2023, North Cyprus imported 70% of its total imports from Türkiye, 14,5% from EU countries, 7,7% from Far East countries, 4% from Middle East countries, and the rest from other European countries and other countries.

North Cyprus's Top 10 Import Partners, \$, 2022



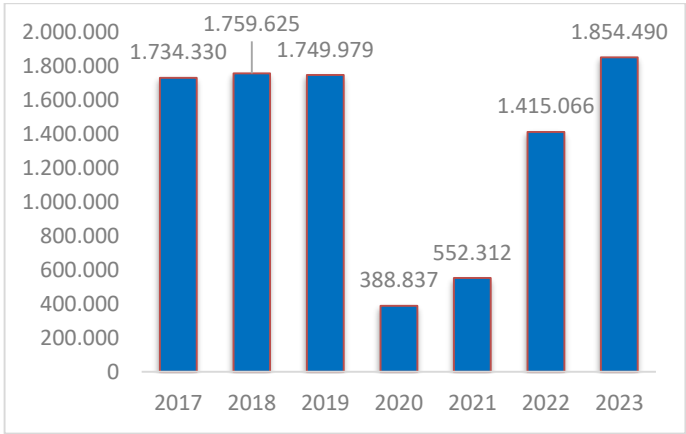
Source: Trade Department

Tourism

Tourism has become one of the most important sectors to contribute to the North Cyprus economy due to the level it has reached in recent years, the added value it creates, employment, and foreign exchange income.

The Covid-19 pandemic, which emerged in 2020, has caused the tourism industry to pass a serious test. With the decrease of the effect of the epidemic and the removal of restrictive measures in 2021, the tourism sector started recovering gradually in North Cyprus.

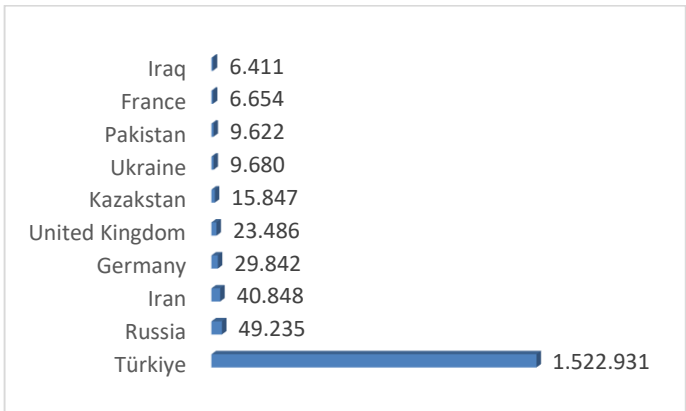
Number of Foreign Tourists Coming to North Cyprus by Air and Sea



Source: Tourism Planning Department

In 2023, 1,9 million tourists visited North Cyprus. There was a 31.1% increase in the number of incoming tourists compared to the previous year and exceeded the pre-pandemic level.

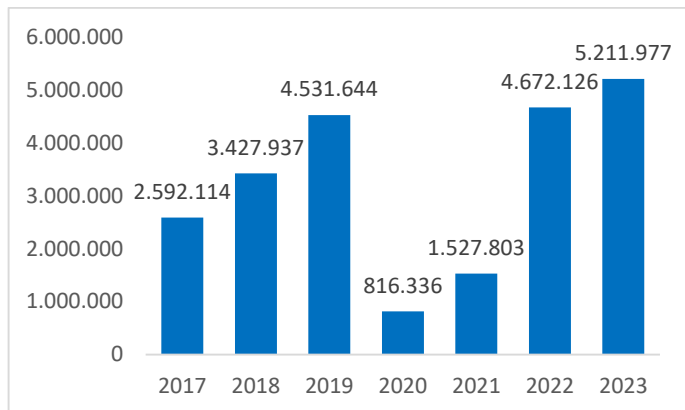
Distribution of Foreign Tourists Coming to North Cyprus by Air and Sea by Nationality, 2023



Source: Tourism Planning Department

Tourists from Türkiye constitute 82,1% of the total number of tourists. The second place is followed by the citizens of Russia and then Iran.

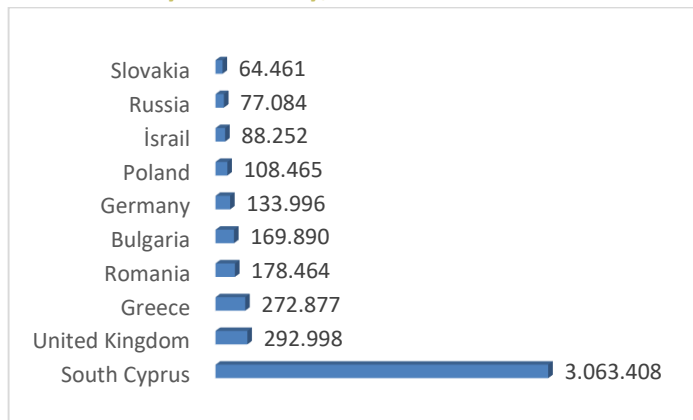
Number of Foreigners Arriving in North Cyprus Via Land Gates



Source: Tourism Planning Department

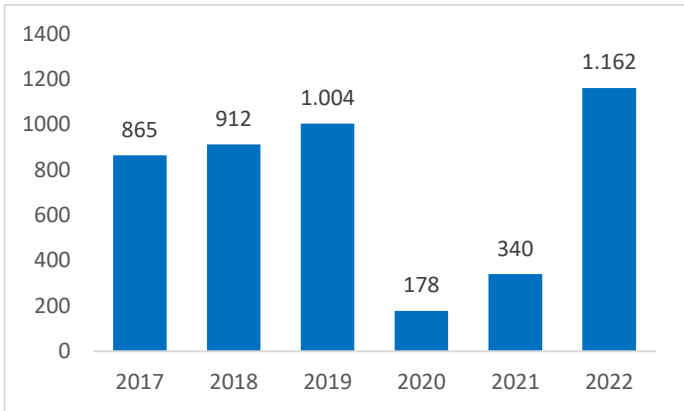
In 2023, approximately 5,2 million foreigners entered North Cyprus through land gates. 58,6% of the incoming foreigners are citizens of South Cyprus, 5,6% are citizens of the United Kingdom and 5,2% are citizens of Greece.

Distribution of Foreigners Arriving in North Cyprus Via Land Gates by Nationality, 2023



Source: Tourism Planning Department

North Cyprus's Net Tourism Revenues, Million \$



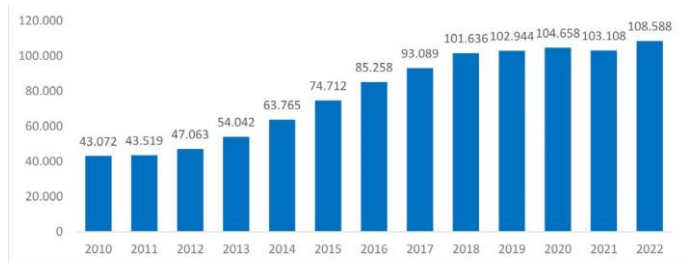
Source: Tourism Planning Department

Higher Education

With its contribution to all other sectors, higher education is the main sector in terms of the country's economy within the services sector. The foreign student market, which was not as significant back in the 1990s, now holds a strategic position. Increased numbers of foreign students are considered not only an essential economic effort, but also have political, social, and cultural value.

In North Cyprus, there are 23 universities. Middle East Technical University (METU) Northern Cyprus Campus, Istanbul Technical University (ITU) Northern Cyprus Campus, and Cyprus Bahçeşehir University (BAU) are among the universities that have campuses in Northern Cyprus. Eastern Mediterranean University (EMU) and the European University of Lefke (EUL) are foundation universities that receive funding from the North Cyprus budget. Rest are private institutions of higher learning.

Number of High Education Students



Source: Ministry of National Education

In 2022, 14,207 of the students studying in North Cyprus were North Cyprus nationals, 43,101 were Turkish nationals, and 51,280 were students from third-world countries.

Distribution of Students by Country of Origin, %

	2017	2018	2019	2020	2021	2022
TRNC	14.6	13.3	12.1	11.7	13.0	13.1
Türkiye	55.9	55.4	53.4	48.3	45.2	39.7
Third-World Countries	29.5	31.3	34.5	40.0	41.8	47.2

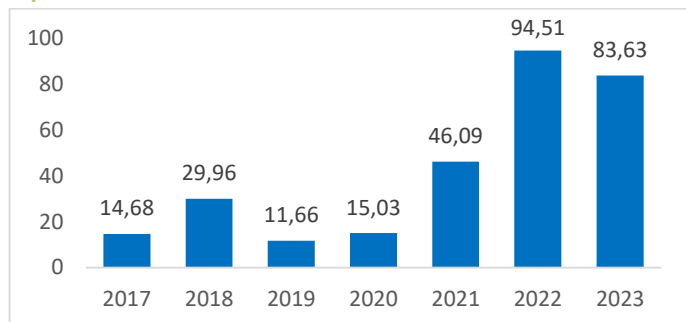
Source: Ministry of National Education

Consumer Price Indices and Annual Inflation

Annual inflation was 94.51% at the end of 2022. The Russia-Ukraine war, which began immediately after the pandemic, increased commodity costs, particularly oil, freight prices, and exchange rates, and eventually created such a high inflation figure in 2022. High inflation continued in 2023 and the year closed with 83.63% inflation.

When we look at the annual change in the key goods groups in NC at the end of 2023, the largest increase was in Education with %116,63 and Restaurants and Hotels with 111,95%. Following these two commodities are Communication (%111,93) and Health (%96,09). Food and soft drinks, and Alcoholic beverages and tobacco had the lowest annual change, at 64,35% and 69,24%, respectively.

Consumer Price Index (Annual Average Inflation Rate, %)



Source: Statistics Institute

Annual Average Consumer Price Index by Main Categories (Annual Average Inflation Rates, %)

Main categories	2019	2020	2021	2022	2023
Average consumer price index	11.66	15.03	46.09	94.51	83,63
Food and soft drinks	8.87	14.63	58.21	98.73	64,35
Alcoholic beverages and tobacco	27.65	9.60	16.07	56.61	69,24
Clothing and footwear	17.19	8.35	35.40	98.25	70,66
Housing, water, electricity, gas other fuels	6.69	11.57	25.70	105.96	89,45
Furniture, home appliances and home care services	11.26	26.66	60.43	84.96	84,36
Health	21.94	20.57	36.50	78.14	96,09
Transportation	4.37	21.68	77.65	67.07	83,25
Communication	0.43	7.42	38.55	19.85	111,93
Entertainment and culture	13.66	9.41	19.56	210.92	72,38
Education	20.04	15.13	31.87	54.04	116,63
Restaurants and Hotels	22.05	10.15	56.90	132.01	111,95
Miscellaneous goods and services	19.78	17.08	27.80	74.09	80,70

Source: Statistics Institute

Labor Market

According to the Household Labor Force Survey of the Statistical Institute for the year 2023, there are approximately 156 thousand labor forces in North Cyprus. 65.1% of them are male and 34.9% are female.

16,8% of those employed in North Cyprus are primary school graduates, 14,6% are secondary or equivalent school graduates (including primary education), 32.7% are high school or equivalent graduates, 4,1% are 2-3 year college graduates, 25,1% are 4-year faculty or college graduates, 3,3% masters (including 5 or 6-year faculties) graduates, and 1.0% are doctorate graduates.

	2018	2019	2020	2021	2022	2023
Total	142.283	147.755	147.835	136.385	147.949	156.199
Male	89.367	94.305	96.667	87.100	96.286	101.644
Female	52.916	53.450	51.168	49.285	51.663	54.555

Source: Statistics Institute

Employment

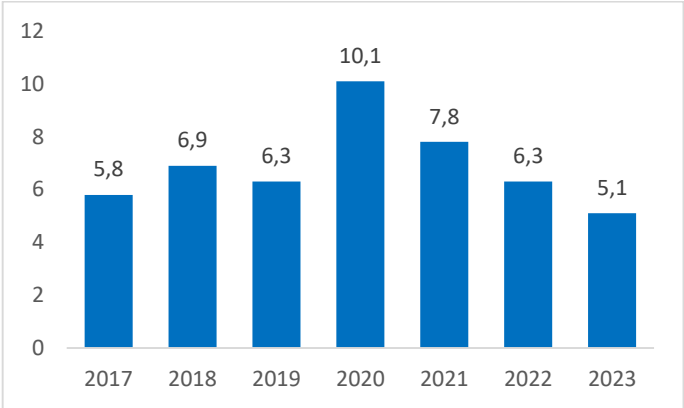
Due to the pandemic, employment which decreased in 2020 and 2021, has increased approximately 139 thousand in 2022 and 148 thousand in 2023.

	2018	2019	2020	2021	2022	2023
Employment rate, %	47,3	48,1	45,9	40,4	46	48,3
Total employment	132.411	138.438	132.885	125.739	138.609	148.211
Employment in the public sector	35.474	35.535	40.623	35.712	35.462	35.844
Employment in the private sector	96.937	102.903	92.262	90.027	103.147	112.367

Source: Statistics Institute

Unemployment

According to the Household Labor Force Survey of 2023, unemployment in North Cyprus declined to 5,1% in 2023, reaching pre-pandemic levels.



Source: Statistics Institute

INVESTMENT ENVIRONMENT

Advantages of the Northern Cyprus

- *Strategic geographical location: It is the third largest island in the Mediterranean and it's in the intersection of Europe, the Middle East, Asia and Africa
- *Proximity to foreign markets: Neighbour with Türkiye, Syria, Egypt, Israel, Lebanon, Southern Cyprus and Greece
- *A small but fast-growing emerging economy with untouched investment areas.
- *A qualified young workforce is provided by more than 20 universities, 5,000 academicians and 100,000 students.
- *There are techno parks for research and development.
- *An investor-friendly environment: Low office and property costs, one of the lowest tax rates for companies in European countries
- *There is no distinction between domestic and foreign investors.
- *Incentives are applied to investments without making any distinction between domestic and foreign investors.

* Foreign investors may form a joint partnership with one or more foreign or domestic investors. If foreign investors want to operate in the construction and/or tourism agency sectors, Northern Cyprus (NC) citizenship is required for 51% of the company's shares.

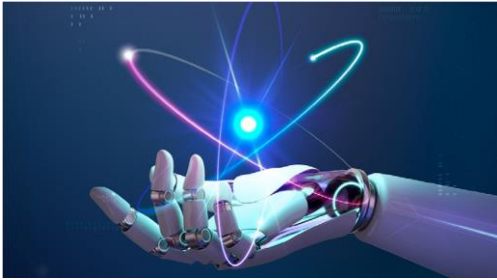
Main Investment Areas

- * Mass Tourism Investments
- * Special Interest Tourism Investments
 - Health Tourism
 - Conference Tourism
 - Eco/ Agro Tourism
- * Higher Education Investments
- * Agriculture and Agro-Industry Investments
- * Energy Investments
- * Alternative Energy Investments



Prominent Opportunities

- * EMU - Famagusta Technology Development Zone
- * EMU - Center for Entrepreneurship and Innovation
- * NEU Technology Area
- * METU Kalkanlı Technology Valley
- * CIU Communication Technologies Research Center
- * CIU Sustainable Energy Research Center
- * ARUCAD – Arkin Innovation Hub



Investment Policy

Encouragement of foreign investment is among the primary objectives of the Northern Cyprus' development policy. Consequently, those wishing to invest in the Northern Cyprus can be sure of a positive Government attitude. Through its development policy, Northern Cyprus is giving preferential treatment to export-oriented industries. Due to its small domestic market, the North Cyprus authorities focus on the export of goods and services. Priority is given to those projects that facilitate the transfer of modern technology, know-how, and new management techniques into the North Cyprus and that provide the highest value added. However, it should be mentioned that every project proposed by an investor will be considered on its own merits.

Co-operation between local and foreign firms in the form of joint ventures is actively promoted, and Northern Cyprus offers numerous advantages and incentives to the foreign investor including full protection of his property rights. Nationalization has never been part of government policy nor is it contemplated in the future.

Incentives Schemes Investment Incentives Applied Under The Incentive Law

The following incentives are applied to investments with Incentive Certificates, regardless of whether an investor is local or foreign. Incentive Certificates are granted by the State Planning Organization.

* **Investment Allowance:** The investment allowance is 200% of the initial fixed capital investment expenditure for the investments to be made in the Development Priority regions determined by the State Planning Organization in the development plans and/or annual programs. Investment

allowance is 100% of the initial fixed capital investment expenditure for investments in other sectors and regions. Güzelyurt, Lefke, İskele, and Geçitkale were determined as Priority Development Regions by the Council of Ministers.

* **Exemption from Customs Duties and Funds:** The import of machinery and equipment concerning the project is exempt from every kind of customs duty and fund by the Incentive Certificate.

* **The Rate VAT for the imported and locally purchased machinery and equipment:** Zero rate VAT is applied for both the imported and locally purchased machinery and equipment by the Incentive Certificate.

* **State-Owned Land and Building Lease:** State-owned land and building lease is possible for the investments that are granted Incentive Certificates by the regulations in force.

* **Exemption from Construction Licence Fee:** Investments that are granted Incentive Certificates are exempt from all kinds of taxes and fees related to construction licenses.

* **Reduction of Stamp Duty for Capital Increase:** Reduction of stamp duty concerning capital increase is provided for the investments that are granted Incentive Certificate.

* **Reduction of Fee on Mortgage Procedures:** Reduction of stamp and registration fees is applied on mortgage procedures necessary when using bank credit for the investments that are granted Incentive Certificates.

Incentives Applied under the Tax Legislation

Allowances are given for capital expenditure incurred on the acquisition of plant and machinery, fixtures, and fittings owned and used by a person or corporate body in trade or business, or scientific research (excluding private saloon-type vehicles).

Allowances are also given on existing buildings or the construction, extension, or adaptation of buildings owned and used by a person or corporate body. In total, tax allowance is

given equally to the cost of an asset plus the investment allowance * Allowances-initial (investment)

* Allowances- annual (wear and tear)

Taxation

According to the Corporate Tax Law, legal entity firms founded in line with Chapter 113 Firms Act, which is in force in Northern Cyprus and controlled under the British Company Law of 1959 in terms of content, have a tax burden of 23.5%. The 23.5% tax burden, on the other hand, has a significant aspect. 10% Corporate Tax is deducted from pre-tax earnings, and 15% Income Tax is deducted from the remaining amount, whether distributed or not.

Individuals with natural person status (individual firms) are taxed by the Income Tax Law, with tax rates in various brackets determined over the remaining pre-tax net income after the exemptions announced each year, individuals indexed to the minimum wage, and amounts remaining after deducting special exemptions.

As a consumption tax, the Value Added Tax was implemented in 1996. Five VAT rates are implemented under the VAT Rates Regulation. The typical rate is 16%. Other rates are about 0% for staple foods, 5% for food, medicine, newspapers, tourist, and education services, 10% for gasoline, gas, clothing industry, building materials, restaurants, and contracting services, and 20% for cigarettes, alcoholic drinks, and GSM operators.

REFERENCE LIST

- Cyprus Turkish Investment Development Agency
- Eurostat
- Northern Cyprus Ministry of Finance, Revenue and Tax Department
- Northern Cyprus Ministry of National Education
- Northern Cyprus Ministry of Tourism, Tourism Planning Department
- Northern Cyprus Statistics Institute
- Northern Cyprus Ministry of Economics and Energy, Trade Department
- Turkish Cypriot Chamber of Commerce

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