



Kıbrıs Türk Ticaret Odası
Turkish Cypriot Chamber of Commerce

Northern Cyprus in Figures and Investment Climate

2023



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.

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.

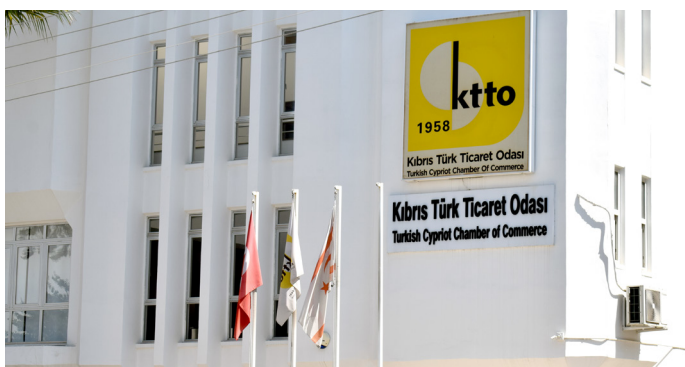
The Turkish Cypriot Chamber of Commerce, is the leading business representation organization in Northern Cyprus, representing the general economic interest of more than 4,000 enterprises from a wide range of sectors from trade to manufacturing and from tourism to financial services and construction, 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) and
- is the institutional partner of the European Commission in the implementation of the EU Green Line Regulation, which regulates the movement of persons, 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: 390.745 (2021)

Official language: Turkish

Religion: Mostly Islam

Currency: Turkish Lira



ECONOMIC INDICATORS

Main Economic Indicators

	2017	2018	2019	2020	2021	2022
GDP (Million TL)	14545	18324	21395	21407	30144	...
GDP real growth rate (%)	5.4	1.3	0.2	-16.2	3.9	...
Inflation (%)	14.7	30	11.7	15	46.1	94.5
Budget deficit/surplus (% of GDP)	-0.3	0.3	-1.3	-5	-4.3	...
Export (Million \$)	105.6	100.9	82.5	101.1	128.6	68.2
Import (Million \$)	1,118	1,816	1,588	1,221	1,572	720.3
Employment rate (%)	48.2	47.3	48.1	45.9	40.4	46
Unemployment rate (%)	5.8	6.9	6.3	10.1	7.8	6.3

Source: Statistics Institute, Trade Department

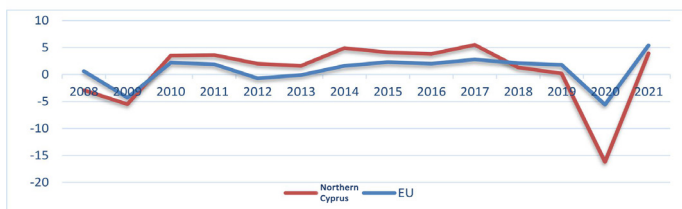
Note: Export and import data for 2022 are for the January-May period.

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.

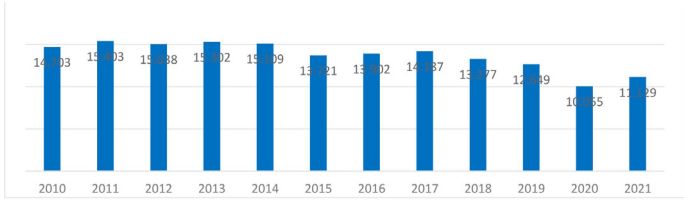
Real GDP Growth Rate, %



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.

GDP Per Capita, \$



Source: Statistics Institute

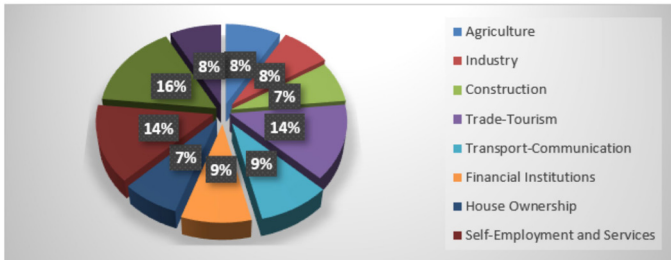
GDP by Economic Sectors and Economic Activity Groupings at Current Year Prices, Million TL

Economic sectors and economic activity groups	2017	2018	2019	2020	2021
Agriculture	659	1,139	1,171	1,280	2,526
Industry	1,413	1,538	1,676	2,064	2,274
Construction	836	1,081	1,235	2,055	2,248
Trade-Tourism	2,922	3,814	4,747	2,747	4,154
Transport-Communication	1,157	1,339	1,565	1,371	2,764
Financial Institutions	1,008	1,486	1,717	1,686	2,679
House Ownership	656	896	1,102	1,357	2,207
Self-Employment and Services	2,290	2,890	2,819	2,755	4,272
Public Services	2,193	2,461	3,442	4,146	4,671
Import Duties	1,412	1,678	1,921	1,948	2,350
GDP	14,545	18,324	21,395	21,407	30,144

Source: Statistics Institute

In 2021, public services ranked first in GDP with 16%, self-employment, and services with 14%, and trade tourism with 14%. Construction with 7% and housing ownership with 7% are the sectors with the lowest share of GDP.

Shares of Economic Sectors and Economic Activity Groups in GDP, 2021



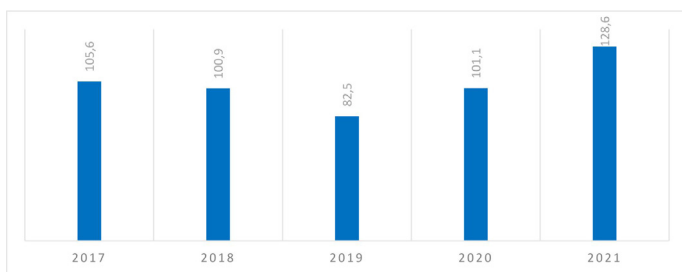
Source: Statistics Institute

Export

North Cyprus exports climbed by 27.2% in 2021 compared to the previous year, continuing a trend that began in 2019. Exports of practically all export products increased in comparison to 2020. Shotgun shells and accompanying equipment, olive oil, carob, raki, and house paints saw the greatest increase in exports in 2021. Exports of barley, pistachios, concentrate products, and chicken meat were lower than the previous year.

In 2021, North Cyprus exported 49.3% of its total exports to Türkiye, 26% to Middle Eastern countries, 1.5% to EU countries, and the remainder to other European, Far East countries, and other countries.

Export by Years, Million \$



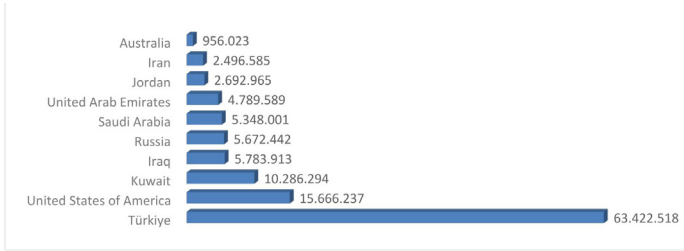
Source: Trade Department

Export Products, \$

	2017	2018	2019	2020	2021
Dairy products	44,400,134	44,917,383	41,643,994	45,750,109	49,866,382
Cream	1,764,932	2,685,120	2,541,197	2,992,692	2,462,429
Yogurt	...	...	...	15,787	20,451
Cheese/Curd Cheese	3,067,569	5,382,412	3,408,405	2,443,490	6,325,557
Kashar cheese	7,227,037	2,615,080	304,213	1,988,020	315,841
Halloumi	30,768,172	32,900,791	32,964,982	36,869,097	37,030,574
Egg	1,572,424	1,333,980	2,425,197	1,441,024	3,711,530
Citrus	19,010,071	16,329,447	18,989,343	27,411,968	28,730,283
First Grade Oval Orange	...	...	...	62,784	88,307
Oval Orange	208,367	230,630	178,833	226,476	22,629
First Grade Valencia Orange	9,255,958	6,987,808	9,480,786	7,507,496	10,257,478
Valencia Orange	2,504,092	1,011,752	929,005	3,656,276	2,823,900
First Grade Tangerine	3,835,871	4,685,001	7,352,503	10,477,057	12,372,159
Tangerine	2,122,370	2,877,022	780,459	4,856,370	2,309,312
First Grade Lemon	44,762	10,676	47,899	87,823	499,235
Lemon	564,394	313,642	154,677	448,561	158,351
First Grade Grapefruit	...	52,463	...	...	168,767
Grapefruit	474,257	160,453	65,181	89,125	30,145
Coffee	305,562	443,578	521,582	256,963	453,984
Carob	894,674	830,551	1,092,667	1,474,805	3,926,536
Olive Oil	...	4,159	8,678	26,838	228,754
Concentrate Products	1,471,990	3,182,185	1,618,782	2,295,214	1,513,757
Meat and meat products	1,954,815	2,493,784	2,483,991	2,851,864	1,976,613
Scraps	5,849,079	6,734,144	5,397,541	6,447,919	15,242,395
Shotgun Shells and Equipment	30,521	201,096	16,230	1,147,311	14,796,324
Cigarettes	253,614	...	37,600	432,721	1,229,693
Scrap Papers	610,803	481,495	590,348	537,207	1,189,183
House Paints	82,316	...	4,481	432,601	1,269,466
Tobacco	96,748	353,236	525,209	601,410	630,850
Raki	13,409,716	9,002,911	682,074	198,416	613,938
Skins	866,698	688,627	606,874	473,236	510,571
Garment	2,363,240	2,570,902	1,081,593	333,814	311,603

Source: Trade Department

North Cyprus's Top 10 Export Partners, \$, 2021



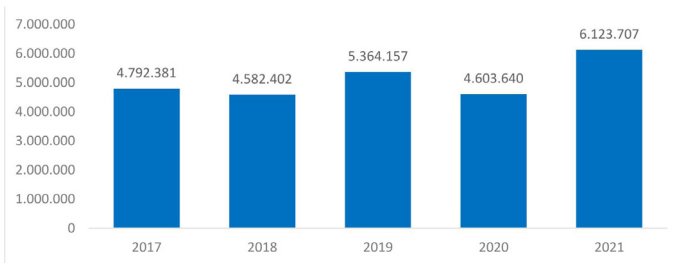
Source: Trade Department

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 €.

Green Line Exports by Years, €



Source: Turkish Cypriot Chamber of Commerce

Main Products in Green Line Exports, 2021

	Amount (€)	Share of Green Line trade (%)
Plastic products	1,409,959	23
Prefabricated container	1,251,183	20.4
Wooden furniture	884,273	14.4
Construction materials	864,720	14.1
Fresh fish	781,141	12.8
Mattress	341,006	5.6
Waste/scrap products	237,764	3.9
Construction chemicals	112,317	1.8

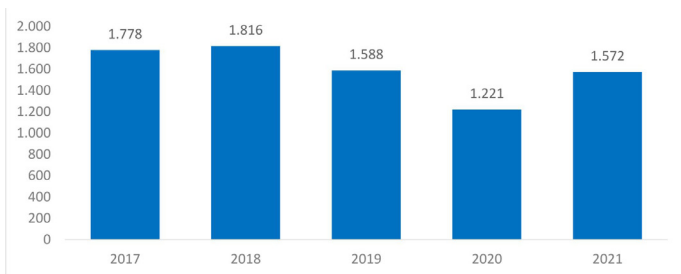
Source: Turkish Cypriot Chamber of Commerce

Imports

Having a typical island economy, North Cyprus meets most of its needs from other countries. In 2021, imports increased by 19% compared to the previous year and reached 1.572 million dollars. The highest increase in imports in 2021 was in barley, kitchenware, canned meat, fuel, and iron and steel rods. Telephone switchboard components, generators, pesticides, concentrate products, and plastic packaging materials were imported less than in the previous year.

In 2021, North Cyprus imported 62.9% of its total imports from Türkiye, 15% from EU countries, 8.9% from Far East countries, 6.5% from Middle East countries, and the rest from other European countries and other countries.

Import by Years, Million \$



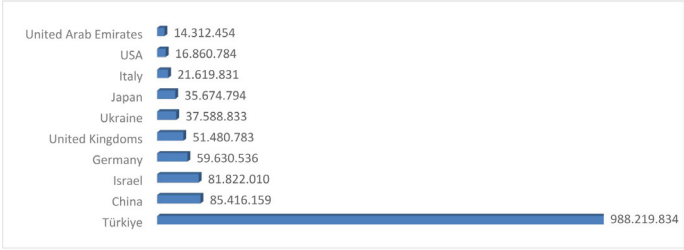
Source: Trade Department

Import Products, \$

	2017	2018	2019	2020	2021
Fuel	130,836,337	173,757,404	170,426,746	89,834,999	169,378,112
Vehicles	140,956,137	117,489,229	118,245,836	125,960,074	110,673,459
Rebars	55,890,520	63,172,997	41,358,655	30,664,348	50,744,492
Animal Feeds and Additives	25,373,005	30,756,458	29,376,853	31,035,892	46,330,744
Garment	46,734,188	45,127,845	48,273,184	29,429,222	34,764,130
Telephone Devices	35,296,524	27,999,948	25,821,985	28,225,404	29,675,034
Medicines	33,185,046	32,494,983	36,189,135	30,195,611	29,390,314
Mobile phones	33,544,671	26,860,924	24,629,988	26,901,750	28,448,715
Alcoholic Beverages	40,633,011	39,293,540	38,649,583	18,057,361	28,403,797
Barley	17,041,955	28,554,090	6,923,006	676,996	27,112,088
Industrial Machines	35,477,189	30,185,739	25,174,323	3,042,929	23,713,066
Cigarettes	22,600,401	24,907,573	25,312,163	21,965,837	23,165,231
Information Processing Machines and Accessories	19,142,488	16,200,172	15,247,946	19,644,717	22,737,468
Corn	17,781,545	14,970,392	16,735,079	18,046,697	21,710,520
LPG Gas	17,848,111	19,096,704	17,061,596	13,640,267	18,671,368
Auto Parts	25,030,291	20,225,362	19,324,061	14,009,689	15,537,158
Electrical Supplies	25,647,886	20,769,058	15,565,442	9,295,939	15,204,378
Furniture and Accessories	30,376,800	33,892,647	15,336,586	10,525,676	14,718,173
Air Conditioner	16,800,985	16,010,678	13,569,626	11,561,852	14,458,643
Dairy products	17,624,341	17,281,738	13,539,647	11,950,440	13,391,336
Pipes and Parts	14,250,971	12,437,350	10,099,394	7,424,593	12,409,889
Wheat	8,224,596	12,403,725	11,193,885	8,830,661	11,396,657
Cosmetics	14,290,848	13,149,713	11,757,793	9,263,691	10,905,012
Electrical Housewares	10,709,967	10,193,854	7,677,407	6,872,104	10,805,475
Timber and Chipboard	9,539,222	10,148,972	5,541,279	6,753,943	10,480,311
Aluminum Profile	18,238,582	22,146,426	15,979,193	6,189,748	10,227,334
Cement	17,075,295	18,912,913	17,184,364	10,084,975	10,050,044

Source: Trade Department

North Cyprus's Top 10 Import Partners, \$, 2021



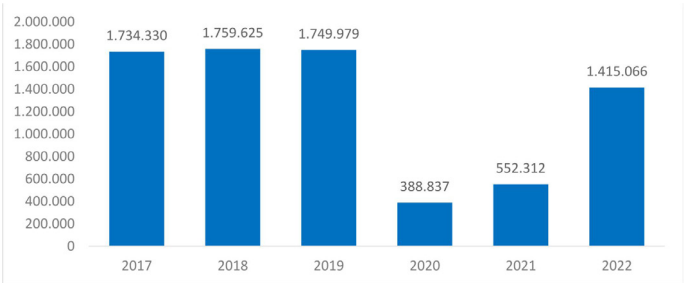
Source: Trade Department

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.

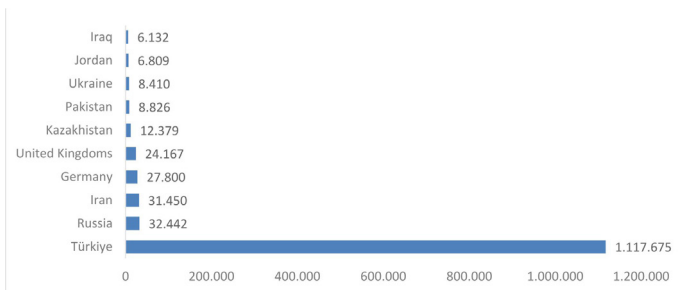
Number of Foreign Tourists Coming to North Cyprus by Air and Sea



Source: Tourism Planning Department

In 2022, 1.4 million tourists visited North Cyprus. Although there has been an increase of 156.2% in the number of tourists compared to 2021 and 263.9% compared to 2020, the pre-pandemic level has still not been achieved.

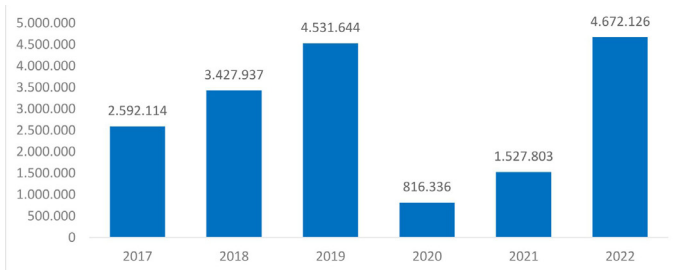
Distribution of Foreign Tourists Coming to North Cyprus by Air and Sea by Nationality



Source: Tourism Planning Department

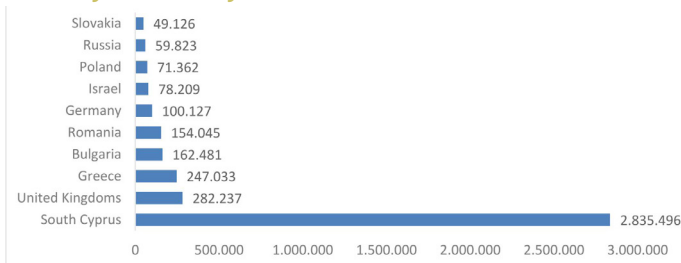
Tourists from Türkiye constitute 79% of the total number of tourists. The second place is followed by the citizens of Russia and then Iran.

Number of Foreigners Arriving in North Cyprus Via Land Gates



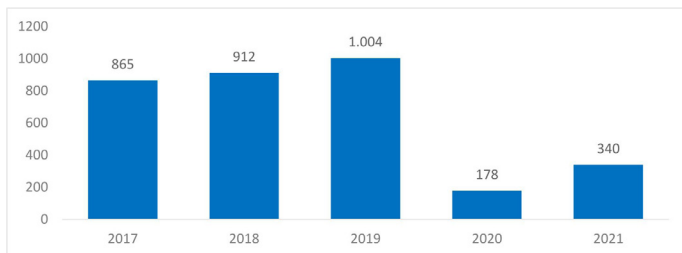
In 2022, approximately 4.7 million foreigners entered North Cyprus through land gates. 60.7% of the incoming foreigners are citizens of South Cyprus, 6% are British and 5.3% are Greek citizens.

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



Source: Tourism Planning Department

North Cyprus's Net Tourism Revenues, Million \$



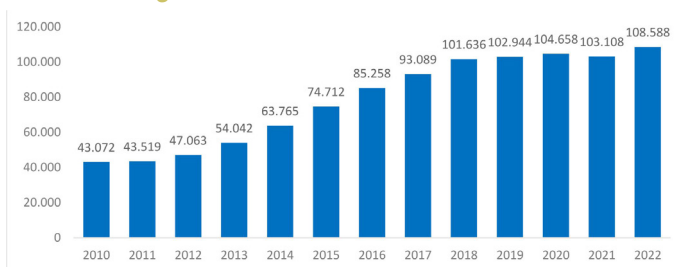
Source: Statistics Institute

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

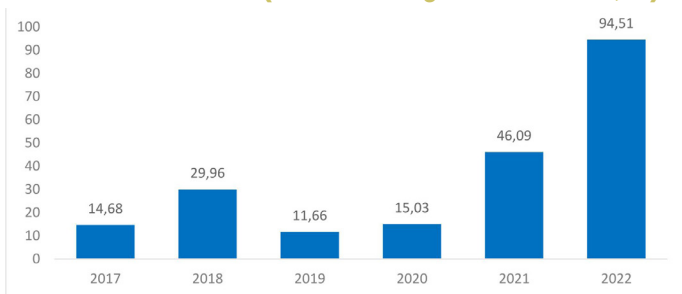
Source: Ministry of National Education

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.

When we look at the annual change in the key goods groups in NC at the end of 2022, the largest increase was in entertainment and culture with 210.92%, and Restaurants and Hotels with 132.01%. Following these two commodities are housing, water, electricity, gas, and other fuels (105.96%) food, and non-alcoholic beverages (98.73%). Communication and education had the lowest annual change, at 19.85% and 54.04%, 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
Average consumer price index	11.66	15.03	46.09	94.51
Food and Soft Drinks	8.87	14.63	58.21	98.73
Alcoholic Beverages and Tobacco	27.65	9.60	16.07	56.61
Clothing and Footwear	17.19	8.35	35.40	98.25
Housing, Water, Electricity, Gas, and Other Fuels	6.69	11.57	25.70	105.96
Furniture, Home Appliances and Home Care Services	11.26	26.66	60.43	84.96
Health	21.94	20.57	36.50	78.14
Transportation	4.37	21.68	77.65	67.07
Communication	0.43	7.42	38.55	19.85
Entertainment and Culture	13.66	9.41	19.56	210.92
Education	20.04	15.13	31.87	54.04
Restaurants and Hotels	22.05	10.15	56.90	132.01
Miscellaneous Goods and Services	19.78	17.08	27.80	74.09

Source: Statistics Institute

Labor Market

According to the Household Labor Force Survey of the Statistical Institute for the year 2022, there are approximately 148 thousand labor forces in North Cyprus. 65.1% of them are male and 34.9% are female.

16.9% of those employed in North Cyprus are primary school graduates, 14.6% are secondary or equivalent school graduates (including primary education), 32.8% are high school or equivalent graduates, 3.8% are 2-3 year college graduates, 25.7% are 4-year faculty or college graduates, 2.9% masters (including 5 or 6-year faculties) graduates, and 1.0% are doctorate graduates.

Main categories	2017	2018	2019	2020	2021	2022
Total	128,451	142,283	147,755	147,835	136,385	147,949
Male	77,938	89,367	94,305	96,667	87,100	96,286
Female	43,060	52,916	53,450	51,168	49,285	51,663

Source: Statistics Institute

Employment

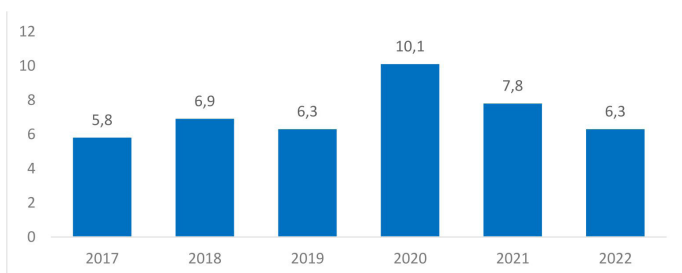
Due to the pandemic, employment, which declined in 2020 and 2021, has increased by 10.2% in 2022 compared to the previous year and reached approximately 139 thousand.

	2017	2018	2019	2020	2021	2022
Employment rate, %	48.2	47.3	48.1	45.9	40.4	46
Total employment	120,999	132,411	138,438	132,885	125,739	138,609
Employment in the public sector	34,043	35,474	35,535	40,623	35,712	35,462
Employment in the private sector	86,956	96,937	102,903	92,262	90,027	103,147

Source: Statistics Institute

Unemployment

According to the Household Labor Force Survey of 2022, unemployment in North Cyprus declined to 6.3% in 2022, 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.

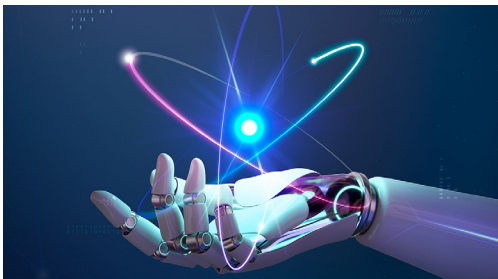
Main Investment Areas

- * 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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