Cyprus’s economic freedom score is 70.1, making its economy the 37th freest in the 2020 Index. Its overall score has increased by 2.0 points due primarily to improvements in government integrity. Cyprus is ranked 20th among 45 countries in the Europe region, and its overall score is approximately equal to the regional average and well above the world average.

Cyprus has rejoined the mostly free category for the first time since 2012. The acceleration of GDP growth in 2018 is consistent with the improved economic freedom.

Significant reforms in recent years have included a new insolvency and foreclosure framework, a reformed supervisory and regulatory banking framework, reforms to boost the efficiency and liquidity of banks, and initial steps to fix a dysfunctional title-deeds transfer mechanism. Additional reforms are needed to improve the speed and efficiency of the judicial system.

**BACKGROUND:** Cyprus gained independence from the United Kingdom in 1960. Tensions between the Greek majority and the Turkish minority have led to repeated episodes of violence, and a U.N. buffer zone has separated the Greek Cypriot Republic of Cyprus from the Turkish Republic of Northern Cyprus since 1974. The Republic of Cyprus joined the European Union in 2004. U.N.-brokered reunification talks collapsed in 2017 and have yet to resume. Center-right Cyprus President Nicos Anastasiades, who has served as head of state and head of government since 2013, won a second five-year term in 2018. Services such as tourism, finance, shipping, and real estate account for more than 80 percent of GDP. Development of offshore hydrocarbon resources is a priority.
Cyprus ranks relatively low on ease of property registration and effectiveness of contract enforcement. An independent and impartial judiciary that operates under British traditions and upholds due process rights retains high levels of public trust in the Republic of Cyprus, although long delays in courts tend to undermine that trust. Corruption, patronage, and a lack of transparency continue in the Turkish-controlled area.

The top personal income tax rate is 35 percent, and the top corporate tax rate is 12.5 percent. Other taxes include value-added and real estate taxes. The overall tax burden equals 33.7 percent of total domestic income. Government spending has amounted to 37.1 percent of the country’s output (GDP) over the past three years, and budget surpluses have averaged 1.7 percent of GDP. Public debt is equivalent to 102.5 percent of GDP.

The World Bank’s 2019 Doing Business Survey reports that Cyprus scores relatively high on resolving insolvency, protecting minority investors, paying taxes, and trading across borders. Unit labor costs are modest. In 2019, the government launched a 25 million euro subsidy program to fund development of renewable energy sources and announced new housing subsidies.

The total value of exports and imports of goods and services equals 130.3 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Cyprus has an additional nine country-specific nontariff barriers. Facilitated by openness to investment, efforts to restructure the banking sector have enabled a relatively rapid return to international credit markets.