



**TURKISH REPUBLIC OF NORTHERN CYPRUS PRIME  
MINISTRY**



**CYPRUS TURKISH INVESTMENT DEVELOPMENT AGENCY**

# **DOING BUSINESS REPORT**

## **2010**

# Contents

<b>Executive Summary</b>	<b>2</b>
<b>Introduction and Aggregate Rankings</b>	<b>4</b>
<b>Starting a Business</b>	<b>8</b>
<b>Dealing with Construction Permits</b>	<b>12</b>
<b>Employing Workers</b>	<b>16</b>
<b>Registering Property</b>	<b>19</b>
<b>Getting Credit</b>	<b>23</b>
<b>Protecting Investors</b>	<b>27</b>
<b>Paying Taxes</b>	<b>31</b>
<b>Trading Across Borders</b>	<b>34</b>
<b>Enforcing Contracts</b>	<b>37</b>
<b>Closing a Business</b>	<b>40</b>
<b>Doing Business 2010 Reforms</b>	<b>43</b>

## Executive Summary

Northern Cyprus Doing Business 2010 Report contains a summary of research carried out in February, March and May of 2010 by the Cyprus Turkish Investment Development Agency (YAGA) Experts using the methodology developed by the World Bank *Doing Business* project with the objective to provide a measure for the ease of doing business in the Northern Cyprus as well as to provide a basis for benchmarking with other economies. To be able to benchmark the economy of Northern Cyprus with other economies is particularly important since it is often quite hard to compare the Northern Cyprus economy to the outside world due to isolations and lack of comparable statistics.

As far as this year's results are concerned, it is equally important to emphasize that, high percentage of the variations occurred this year (both negative and positive) compared to last years' findings in the sub-indices are due to the more strict and higher level adherence to the Doing Business methodology; departing away from the previous years' shortcomings and the inclusion of new countries in the World Bank Doing Business Index. Therefore, this year's variations cannot be attributed to the change in investment climate or to be more specific to the change in regulations governing the related areas of Doing Business Index methodology; rather these changes shall be read as the better representation of the investment climate within the scope of Doing Business methodology, since there have been no major reforms of regulations recorded (other than certain minor measures temporarily put in place to ease the negative effects of the financial crisis). For this reason, previous years' results shall not be compared to this year's findings whatsoever. With one exception to the original methodology among few other minor discrepancies, GNP income per capita was adopted for Northern Cyprus Doing Business Index study instead of GNI income per capita, which is globally employed through out the methodology to make standard assumptions with respect to various parameters. However, the utilization of GNP as the next best indicator to capture the economic level is anticipated to result with minor deviations on the performance exhibited by the indices.

This report clearly indicates that there are much more work to be done in order to improve Northern Cyprus ease of doing business ranking and move up to the top of rankings. Although, the index itself acting as a proxy does not incorporate every single factor relevant in the business environment, it rather helps the country diagnose and identify the areas that need further improvement for the sake of creating a constructive business environment. Taking the diagnosis made in this doing business report to a level forward, Northern Cyprus government backed with a well designed and tailored strategy shall be proactive implementing the reforms needed to ease the investment climate and become an attractive location for local and foreign investors.

2010 Doing Business Economy Rankings was carried out for 183 economies by the World Bank. By the incorporation of Northern Cyprus economy to the index solely for the purpose of this very report, Northern Cyprus is ranked 101 out of total 184 economies. Accordingly: Enforcing contracts, Closing a business and Registering Property are indicated relatively as the stronger suits of Northern Cyprus. While, Protecting Investors, Starting A Business, Paying Taxes and Getting Credit, however, are far below par – chiefly because of (i). lack of disclosure and lack of director liability upon a possible conflict (ii). lengthy process and non-centralized establishment procedures that usually take time (iii).high tax payment numbers in a given year together with high tax rate recorded (% of profit) and finally (iv). the lack of credit registries and credit information depth respectively.

When compared with the countries on the same income per capita range, the overall ranking of Northern Cyprus exhibits a relatively poor performance. This score, on the other hand places Northern Cyprus among the same rankings with countries such as Papua New Guinea, Guyana, Yemen Republic, Marshall Islands, Croatia, Jordan, Solomon Islands.

Although, Northern Cyprus is a very small economy suffering from severe economic restrictions due to the unresolved Cyprus problem; the findings of 2010 reports demonstrate that making improvements in regulations and procedures can put the country in a better place in the rankings. Even under these circumstances, it is still obvious that the governments by providing favorable business and investment climate could attract the Foreign Direct Investment (FDI) flows and increase local investments. Therefore,

implementing structural reforms, reducing barriers for Investments, and adopting favorable Investment policies can greatly increase the chances to attract local and foreign investments.

Having observed the reformer countries like **Rwanda**, Kyrgyz Republic, and **Macedonia** over the past years, radically reforming the current system is not as daunting as it may seem and in fact being a small size economy could be an advantage as well.

Further work is recommended to verify these results and prescribe detailed policy responses to improve the current situation in order to benefit the investment climate of Northern Cyprus.

The report has been structured to mirror that of the World Bank Doing Business Country Reports, available at <http://www.doingbusiness.org/downloads>. We fully attribute the structure of the report, the methodology, as well as large portions of the explanatory sections to the World Bank *Doing Business* project. More detailed references are made throughout the report.

I

## Introduction

*Doing Business 2010: Reforming Through Difficult Times* is the third in a series of annual reports investigating regulations that enhance business activity and those that constrain it. Doing Business presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 10 stages of a business's life are measured: starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2010: Reforming Through Difficult Times* are current as of September 1, 2009. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and The Caribbean, 27 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 19 in the Middle East and North Africa and 8 in South Asia, as well as 27 OECD high-income economies as benchmarks.

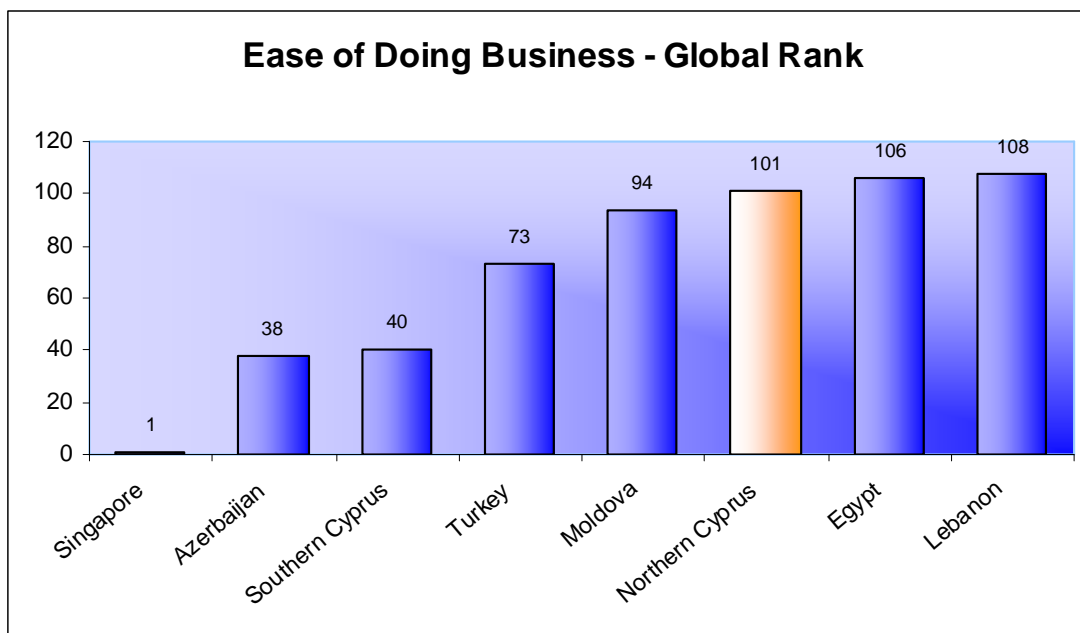
The following pages present the summary Doing Business indicators for Northern Cyprus. The data used and summarized in graphs, present the results carried out in February, March, and May 2010 by the Cyprus Turkish Investment Development Agency Experts using the methodology developed by the World Bank *Doing Business* project. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator. The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2010: Reforming Through Difficult Times* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website ([www.doingbusiness.org](http://www.doingbusiness.org)).

## Economy Rankings - Ease of Doing Business

Adding Northern Cyprus as another economy in the 2010 Doing Business Economy Rankings of the World Bank for 183 economies, Northern Cyprus is ranked 101 out of total 184 economies.

Northern Cyprus - Compared to global good practice economy as well as selected economies:



### Northern Cyprus's ranking in Doing Business 2010

Rank	Doing Business 2010
Starting a business	120
Dealing with licenses	91
Employing workers	100
Registering property	66
Getting credit	113
Protecting investors	154
Paying taxes	115
Trading across borders	71
Enforcing contracts	37
Closing a business	60

## Summary of Indicators – Northern Cyprus

<b>Starting a business</b>	Procedures (number)	16
	Time (days)	29
	Cost (% income per capita)	19.6
	Min. capital (% income per capita)	0
<b>Dealing with Construction Permits</b>	Procedures (numbers)	11
	Time (days)	255
	Cost (% of income per capita)	488.1
<b>Employing workers</b>	Difficulty of hiring index (0-100)	11
	Rigidity of hours index (0-10)	60
	Difficulty of redundancy index (0-10)	40
	Rigidity of employment index (0-100)	37
	Redundancy costs (weeks of salary)	12
<b>Registering property</b>	Procedures (numbers)	4
	Time (days)	19
	Cost (% of property value)	12.5
<b>Getting credit</b>	Strength of legal rights index (0-10)	7
	Depth of credit information index (0-6)	0
	Public registry coverage (% of adults)	0
	Private bureau coverage (% of adults)	0
<b>Protecting investors</b>	Extent of disclosure index (0-10)	3
	Extent of director liability index (0-10)	2
	Ease of shareholder suits index (0-10)	5
	Strength of investor protection index (0-10)	3.33

<b>Paying taxes</b>	Payments (number per year)	59
	Time (hours per year)	163
	Profit tax (%)	20.88
	Labor tax and contributions (%)	16.78
	Other taxes (%)	3.57
	Total tax rate (% profit)	41.23
<b>Trading across borders</b>	Documents to export (number)	9
	Time to export (days)	21
	Cost to export (US \$ per container)	940
	Documents to import (number)	7
	Time to import (days)	7
	Cost to import (US\$ per container)	840
<b>Enforcing contracts</b>	Procedures (number)	26
	Time (days)	625
	Cost (% of claim)	10.9
<b>Closing a business</b>	Recovery rate (cents on the dollar)	38
	Time (years)	1.5
	Cost (percentage of estate)	11

Enforcing contracts, Closing a business and Registering Property are relatively the stronger suits of Northern Cyprus. Protecting Investors, Starting A Business, Paying Taxes and Getting Credit, however, are far below par – chiefly because of (i) lack of disclosure and lack of director liability upon a possible conflict (ii) laborious process and non-centralized establishment procedures that usually take time (iii) High tax payment numbers in a given year together with high tax rate recorded (% of profit) and finally (iv) the lack of credit registries and credit information depth respectively.



## Starting a Business

When entrepreneurs draw up a business plan and try to get under way, the first hurdles they face are the procedures required to incorporate and register the new firm before they can legally operate. Economies differ greatly in how they regulate the entry of new businesses. In some the process is straightforward and affordable. In others the procedures are so burdensome that entrepreneurs may have to bribe officials to speed up the process or may decide to run their business informally.

Analysis shows that burdensome entry regulations do not increase the quality of products, make work safer or reduce pollution. Instead, they constrain private investment; push more people into the informal economy; increase consumer prices and fuel corruption.

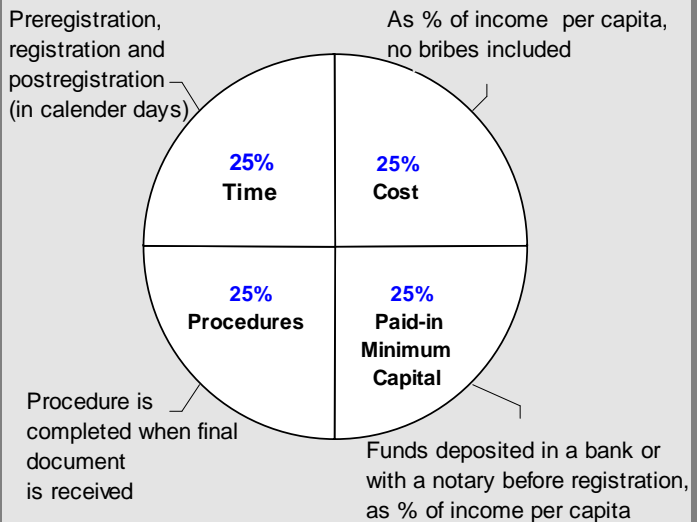
### Methodology

The data on starting a business is based on a survey and research investigating the procedures that a standard small to medium-size company needs to complete to start operations legally. This includes obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. Procedures are recorded only where interaction is required with an external party.

It is assumed that the founders complete all procedures themselves unless professional services (such as by a notary or lawyer) are required by law. Voluntary procedures are not counted, nor are industry-specific requirements and utility hook-ups. Lawful shortcuts are counted. It is assumed that all information is readily available to the entrepreneur, that there has been no prior contact with officials and that all government and non-government entities involved in the process function without corruption.

#### Starting a Business: getting a local limited liability company up and running

Rankings are based on 4 subindicators



### Survey Case Study

*The business:*

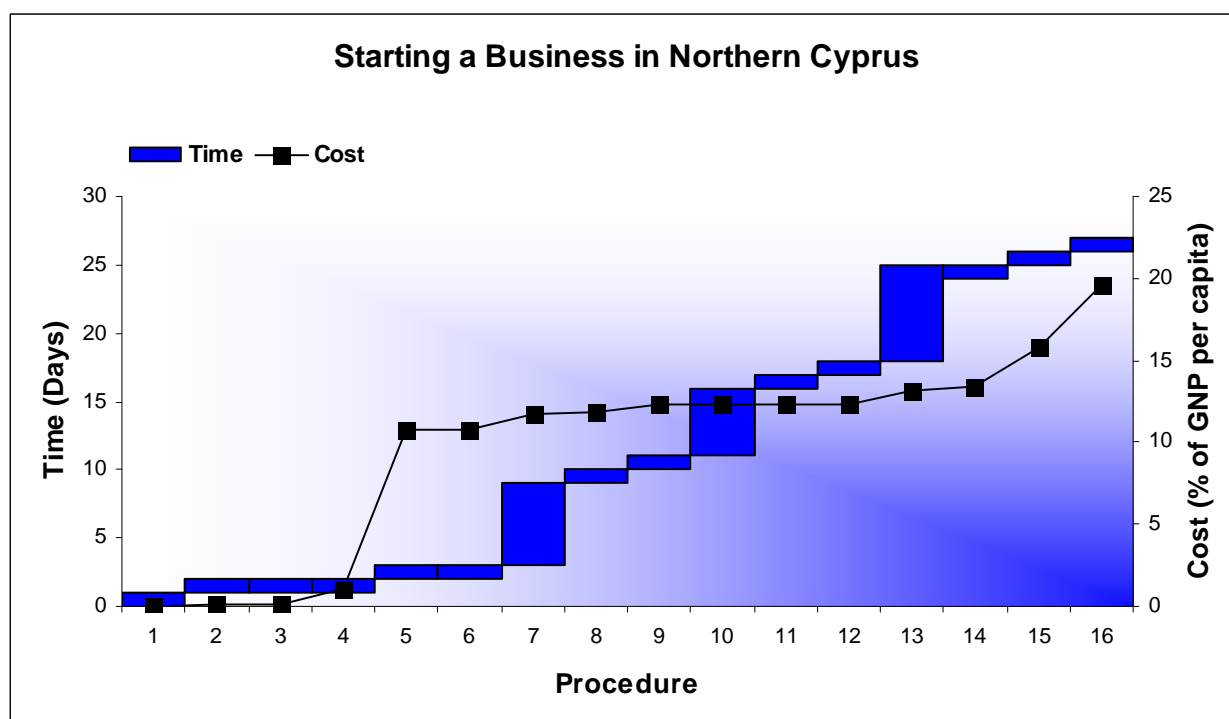
- is a limited liability company conducting general commercial activities
- is located in the largest business city
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has between 10 and 50 employees
- does not qualify for any special

## 1. Historical data: Starting a Business in Northern Cyprus

Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	155	156	120
Procedures (number)	18	19	16
Time (days)	42	35	29
Cost (% income per capita)	15%	16.5%	19.6%
Min. Capital (% of income per capita)	287%	72%	0%

## 2. Steps to Starting a Business in Northern Cyprus

It requires 16 procedures, takes 29 days and costs 19.6% of GNP per capita to start a business in the Northern Cyprus.



### List of Procedures:

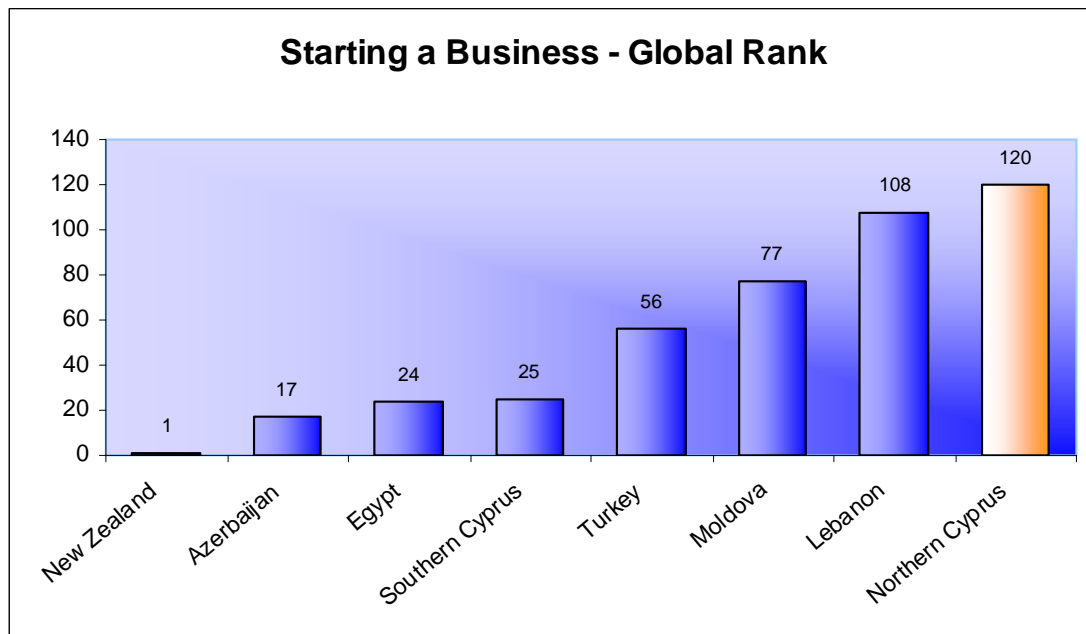
1. Apply for approval of the company name
2. Buy stamps at Post Office.
3. Fill in MS1 (affidavit) and sign in presence of a court registrar
4. Fill in MS2 and MS3 and submit all forms to the company registry
5. Go to the tax office and pay the capital registration fee. Obtain a receipt

6. Take the receipt to the company registry and obtain a notification period.
  7. Receive company registration documents from the Company Registry
  8. Hire an Accountant / opening of the balance sheet
  9. Submit a form to the tax office to apply for permission to print invoices
  10. Register the company with the Social Security office and obtain employer's registration number
  11. Register company with the provident fund office
  12. Register company with the Labor Office and obtain the Company Verification Certificate and the related number.
  13. Order invoices, voucher and receipts
  14. Obtain a company seal
  15. Apply to the municipality to register the place of business
  16. Apply for membership at one of the chambers
- More detail is included in the appendix.

### 3. Benchmarking Starting a Business Regulations:

Northern Cyprus is ranked 120 overall for Starting a Business.

Ranking of Northern Cyprus in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for Northern Cyprus compared to good practice and comparator economies:

<b>Good practice economies</b>	<b>Procedures (number)</b>	<b>Time (day)</b>	<b>Cost (% income per capita)</b>	<b>Min. Capital (% of income per capita)</b>
Denmark*			0.0	
New Zealand*	1	1		0.0

<b><i>Selected Economies</i></b>				
Northern Cyprus	16	29	19.6	0.0

<b><i>Comparator Economies</i></b>				
Azerbaijan	6	10	2.9	0
Lebanon	5	9	78	51
Turkey	6	6	14.2	9.5
Egypt	6	7	16.1	0
Moldova	8	10	7	11.4
Southern Cyprus	6	8	13.3	0

\* The following economies are also good practice economies for:

Procedures (number): **Canada**

Cost (% of income per capita): **Slovenia**

## Dealing with Construction Permits

Once entrepreneurs have registered a business, what regulations do they face in operating it? To measure such regulation, Doing Business focuses on the construction sector. Construction companies are under constant pressure from government to comply with inspections, with licensing and safety regulations, from customers to be quick and cost-effective. These conflicting pressures point to the tradeoff in building regulation; the tradeoff between protecting people (construction workers, tenants, passersby) and keeping the cost of building affordable.

In many economies, especially poor ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

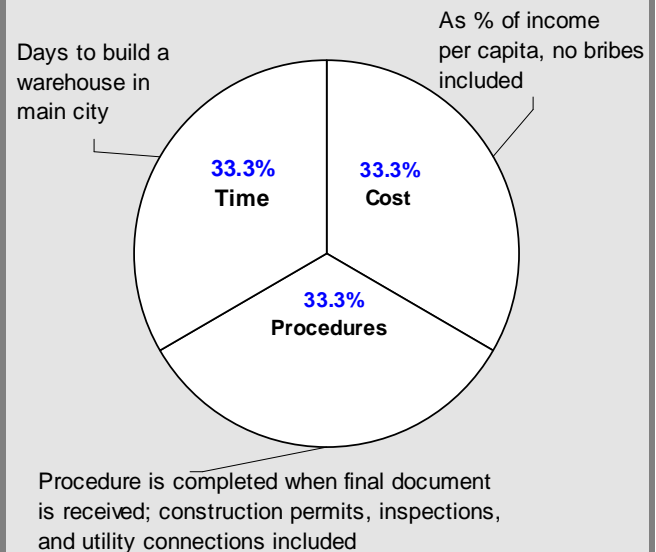
### Methodology

The indicators on dealing with construction permits record all procedures officially required for an entrepreneur in the construction industry to build a warehouse. These include submitting project documents (building plans, site maps) to the authorities, obtaining all necessary licenses and permits, completing all required notifications and receiving all necessary inspections. They also include procedures for obtaining utility connections, such as electricity, telephone, water and sewerage. The time and cost to complete each procedure under normal circumstances are calculated. All official fees associated with legally completing the procedures are included. Time is recorded in calendar days. The survey assumes that the entrepreneur is aware of all existing regulations and does not use an intermediary to complete the procedures unless required to do so by law.

### Dealing with construction permits:

#### building a warehouse

#### Rankings are based on 3 subindicators



### Survey Case Study

#### *The business:*

- is a small to medium-size limited liability company
- is located in the largest business city
- is domestically owned and operated, in the construction business
- has 20 qualified employees

#### *The warehouse to be built:*

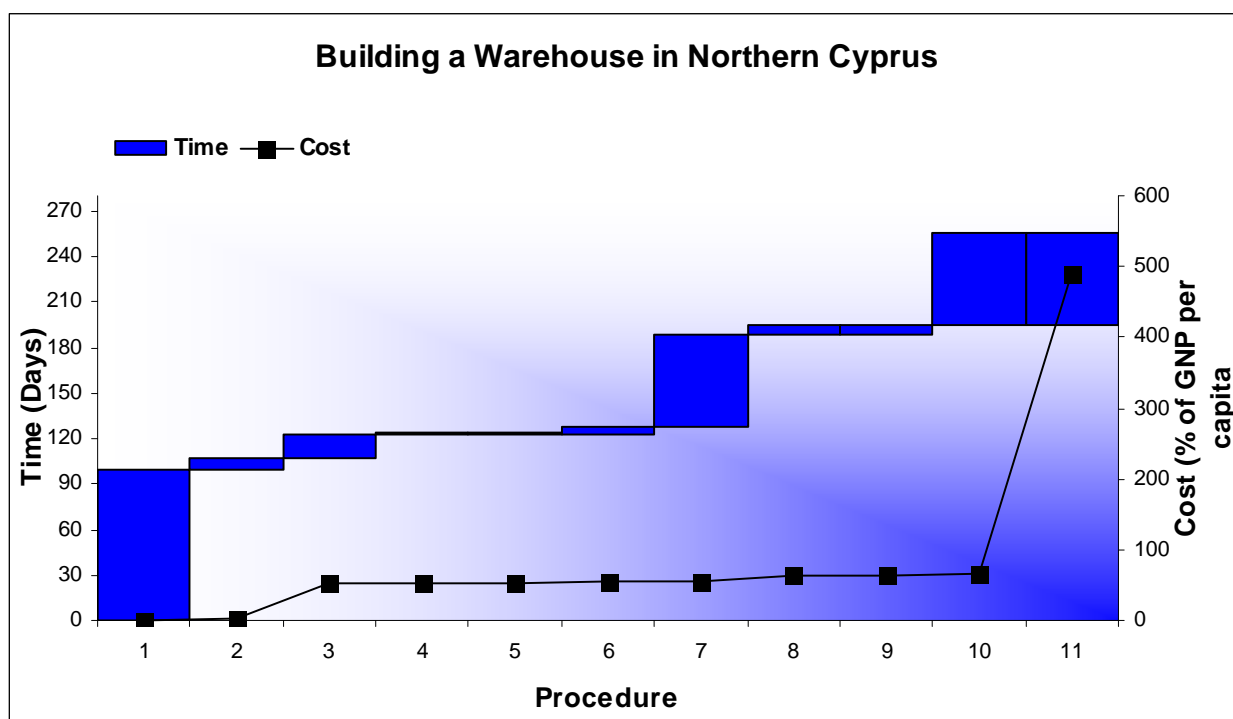
- is a new construction (there was no previous construction on the land)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and one and phone line. The connection to each utility network will be 32 feet, 10 inches (10 meters) long.
- will be used for general storage, such as of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

## 1. Historical data: Dealing with Construction Permits in Northern Cyprus

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	175	100	91
Procedures (number)	25	10	11
Time (days)	480	321	255
Cost (% income per capita)	525	477	488

## 2. Steps to Building a Warehouse in Northern Cyprus

It requires 11 procedures, takes 255 days and costs 488.1% of GNP per capita to build a warehouse in Northern Cyprus



### List of Procedures:

1. Request and obtain planning consent and approval from the City Planning department
2. Request and obtain implementation project approval from the visa office of Chamber of Engineers and Architects
3. Apply for building permit at the Municipality of Nicosia

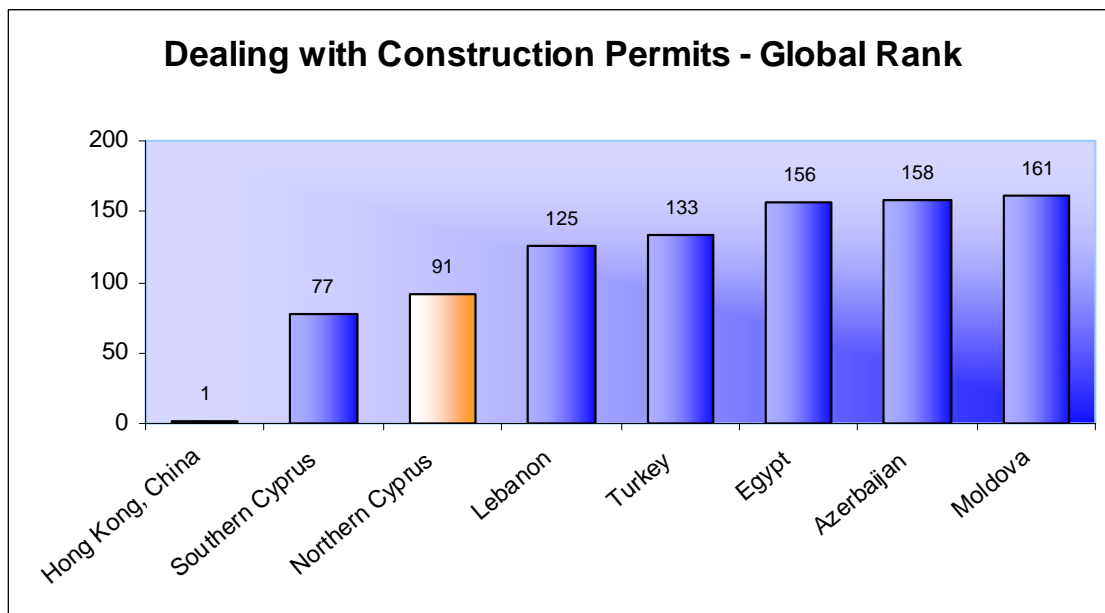
4. Receive the remarks of Fire Department
5. Receive the remarks of Electricity Authority
6. Apply for final approval at the Municipality
7. Update land title at Registry Department
8. Request and obtain water connection
9. Request and obtain Sewerage connection
10. Apply for telephone connection
11. Apply for Electricity

More detail is included in the appendix.

### 3. Benchmarking Dealing with Construction Permits Regulations:

Northern Cyprus is ranked 91 overall for Dealing with Construction Permits.

Ranking of Northern Cyprus in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for Cyprus compared to good practice and comparator economies:

<b>Good practice economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% income per capita)</b>
Denmark	6		
Qatar			0.6
Singapore		25	

<b><i>Selected Economy</i></b>			
Northern Cyprus	11	255	488.1

<b><i>Comparator Economies</i></b>			
Azerbaijan	31	207	369.6
Lebanon	20	211	194.8
Turkey	25	188	218.8
Egypt	25	218	331.6
Moldova	30	292	120.5
Southern Cyprus	13	677	50.2



## Employing Workers

Economies worldwide have established a system of laws and institutions intended to protect workers and guarantee a minimum standard of living for its population. This system generally encompasses four bodies of law: employment, industrial relations, social security and occupational health and safety laws.

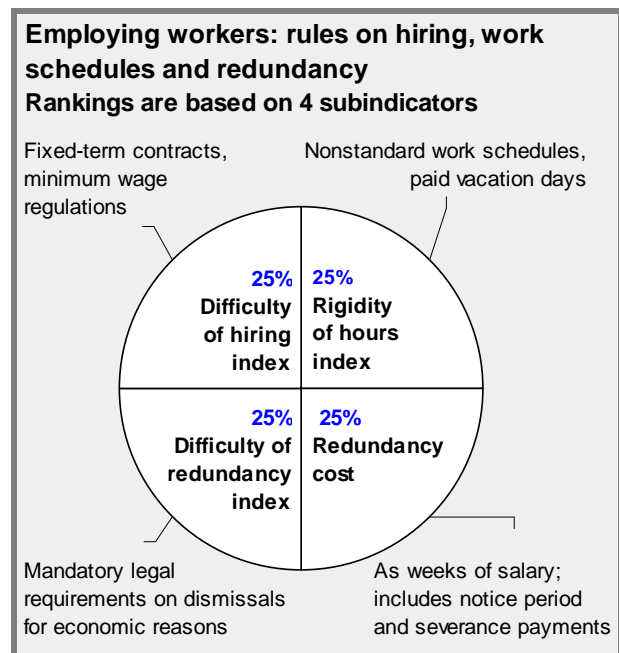
Employment regulations are needed to allow efficient contracting between employers and workers and to protect workers from discriminatory or unfair treatment by employers. Doing Business measures flexibility in the regulation of hiring, working hours and dismissal in a manner consistent with the conventions of the International Labour Organization (ILO). An economy can have the most flexible labor regulations as measured by Doing Business while ratifying and complying with all conventions directly relevant to the factors measured by Doing Business and with the ILO core labor standards. No economy can achieve a better score by failing to comply with these conventions.

Governments all over the world face the challenge of finding the right balance between worker protection and labor market flexibility. But in developing countries especially, regulators often err to one extreme, pushing employers and workers into the informal sector. Analysis across economies shows that while employment regulation generally increases the tenure and wages of incumbent workers, overly rigid regulations may have undesirable side effects. These include less job creation, smaller company size, less investment in research and development, and longer spells of unemployment and thus the obsolescence of skills, all of which may reduce productivity growth.

### Methodology

Two measures are presented: a rigidity of employment index and a redundancy cost measure. The rigidity of employment index is the average of three sub-indices: difficulty of hiring, rigidity of hours and difficulty of redundancy. Each index takes values between 0 and 100, with higher values indicating more rigid regulation. The difficulty of hiring index measures the flexibility of contracts and the ratio of the minimum wage to the value added per worker. The rigidity of hours index covers restrictions on weekend and night work, requirements relating to working time and the workweek taking into account legal provisions that refer specifically to small to medium-size companies in the manufacturing industry in which continuous operation is economically necessary, as well as mandated days of annual leave with pay. The difficulty of redundancy index covers workers' legal protections against dismissal, including the grounds permitted for dismissal and procedures for dismissal (individual and collective): notification and approval requirements, retraining or reassignment obligations and priority rules for dismissals and reemployment.

The Redundancy cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary.



## Survey Case Study

*The business:*

- is a limited liability company operating in the manufacturing sector
- is located in the largest business city
- is 100% domestically owned
- has 60 employees
- The company is also assumed to be subject to collective bargaining agreements in economies where such agreements cover more than half the manufacturing sector and apply even to firms not party to them.

### 1. Historical data: Employing Workers in Northern Cyprus

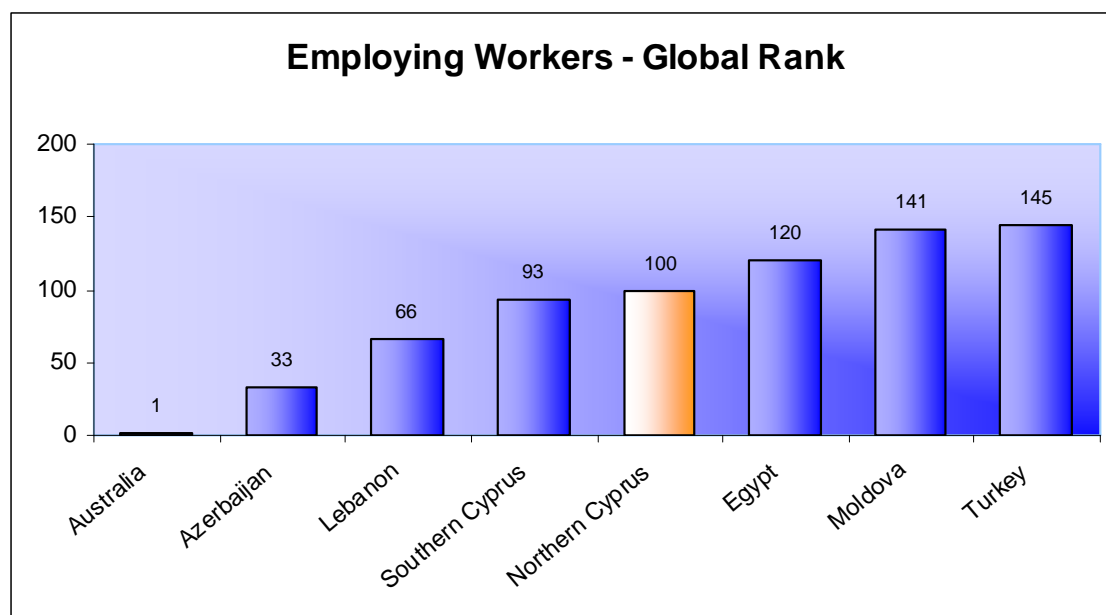
Employing Workers data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	35	22	100
Redundancy costs (weeks of salary)	12	12	12
Rigidity of Employment Index (0-100)	17.4	14	37

### 2. Benchmarking Employing Workers Regulations:

Northern Cyprus scores 37 on the Rigidity of Employment index, and provides 12 weeks of wages for companies dismissing one redundant worker.

Northern Cyprus is ranked 100 overall for Employing Workers.

Ranking of Northern Cyprus in Employing Workers - Compared to good practice and selected economies:



The following table shows Employing Workers data for Northern Cyprus compared to good practice and comparator economies:

<b>Good practice economies</b>	<b>Rigidity of employment index (0-100)</b>	<b>Redundancy costs (weeks of salary)</b>
Hong Kong, China*	0	
New Zealand*		0

<b><i>Selected Economy</i></b>		
Northern Cyprus	37	12

<b><i>Comparator Economies</i></b>		
Azerbaijan	10	22
Lebanon	25	17
Turkey	35	95
Egypt	27	132
Moldova	41	37
Southern Cyprus	24	64

\* The following economies are also good practice economies for:

**Rigidity of employment index (0-100):** Australia, Brunei Darussalam, Kuwait, Marshall Islands, Singapore, St. Lucia, Uganda, United States

**Redundancy costs (weeks of salary):** Denmark, Iraq, Marshall Islands, Micronesia, Fed. Sts., Palau, Puerto Rico, Tonga, United States

## Registering Property

Formal property titles help promote the transfer of land, encourage investment and give entrepreneurs access to formal credit markets. But a large share of property in developing economies is not formally registered. Informal titles cannot be used as security in obtaining loans, which limits financing opportunities for businesses. Many governments have recognized this and started extensive property titling programs. But bringing assets into the formal sector is only part of the story. The more difficult and costly it is to formally transfer property; the greater the chances that formalized titles will quickly become informal again. Eliminating unnecessary obstacles to registering and transferring property is therefore important for economic development.

Efficient property registration reduces transaction costs and helps to formalize property titles. Simple procedures to register property are also associated with greater perceived security of property rights and less corruption. That benefits all entrepreneurs, especially women, the young and the poor. The rich have few problems protecting their property rights. They can afford to invest in security systems and other measures to defend their property. But small entrepreneurs cannot. Reform can change this.

### Methodology

Doing Business records the full sequence of procedures necessary for a business (buyer) to purchase a property from another business (seller) and to transfer the property title to the buyer's name. The property of land and building will be transferred in its entirety. The transaction is considered complete when the buyer can use the property as collateral for a bank loan.

Local property lawyers and officials in property registries provide information on required procedures as well as the time and cost to complete each one. For most economies the data are based on responses from both. Based on the responses, three indicators are constructed:

- number of procedures to register property
- time to register property (in calendar days)
- official costs to register property (as a percentage of the property value)

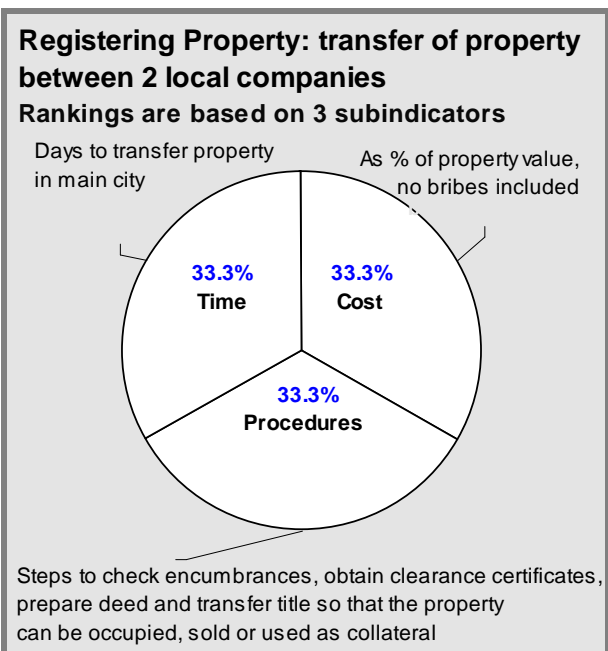
### Survey Case Study

*The buyer and seller:*

- are limited liability companies
- are private nationals (no foreign ownership)
- are located in periurban area of the largest business city
- conduct general commercial activities

*The property:*

- consists of land and a 2 -story building (warehouse)
- is located in the periurban commercial zone of the largest business city
- The land area is 557.4 m<sup>2</sup> (6,000 square feet).
- The warehouse has a total area of 929 m<sup>2</sup> (10,000 square feet).
- has a value equal to 50 times income per capita
- The seller company owned the property for the last 10 years.
- is registered in the land registry and/or cadastre and is free of all disputes.

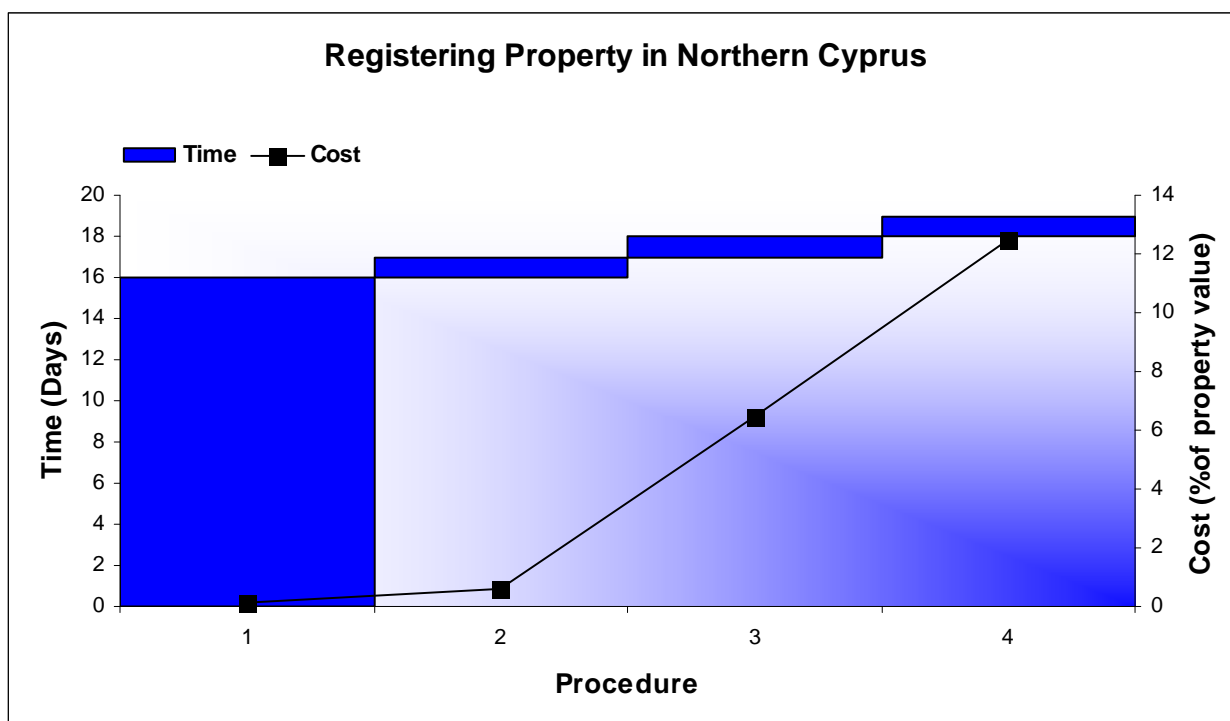


## 1. Historical data: Registering Property in Northern Cyprus

Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	53	63	66
Procedures (number)	4	4	4
Time (days)	19	19	19
Cost (% income per capita)	11.5	13.5	12.5

## 2. Steps to Registering Property in Northern Cyprus

It requires 4 procedures, takes 19 days, and costs 12.5 % of property value to register the property in Northern Cyprus.



### List of Procedures:

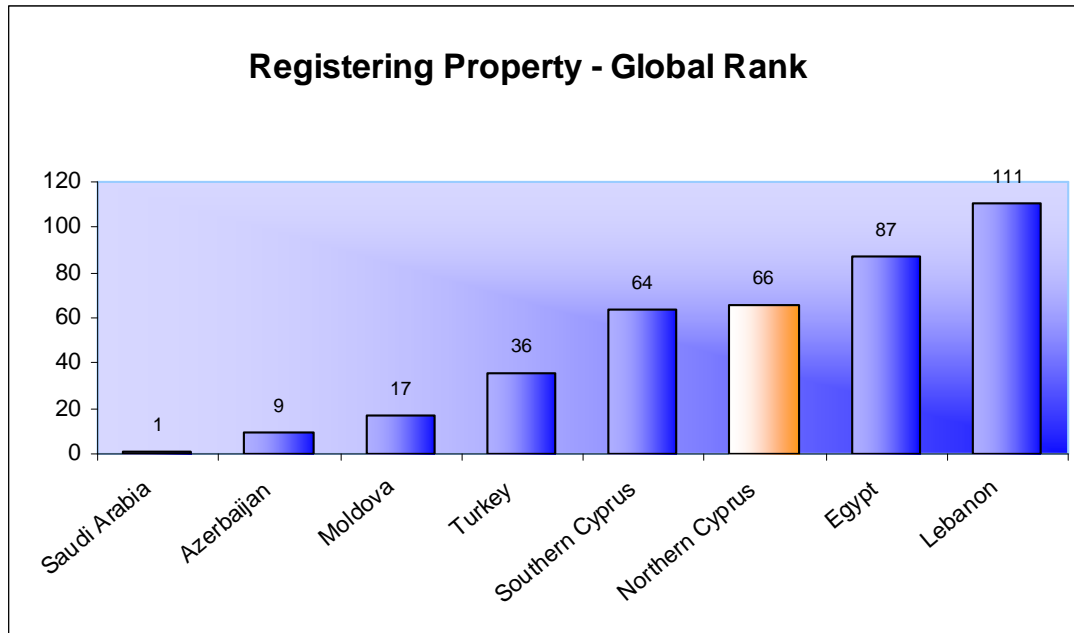
1. Preparation and the Signature of Sale Contract
2. Receive the remarks of Electricity Authority
3. Pay the Withholding Tax
4. Apply for Registration and the Declaration of the Property Value

More detail is included in the appendix.

### 3. Benchmarking Registering Property Regulations:

Northern Cyprus is ranked 66 overall for Registering Property.

Ranking of Northern Cyprus in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for Northern Cyprus compared to good practice and comparator economies:

<b>Good practice economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of property value)</b>
New Zealand*		2	
Norway*	1		
Saudi Arabia			0.0

<b><i>Selected Economy</i></b>			
Northern Cyprus	4	19	12.5

<b><i>Comparator Economies</i></b>			
Azerbaijan	4	11	0.22
Lebanon	8	25	5.83
Turkey	6	6	3.04
Egypt	7	72	0.86
Moldova	5	5	0.89
Southern Cyprus	3	34	10

\* The following economies are also good practice economies for:

**Procedures (number):** United Arab Emirates

**Time (days):** Saudi Arabia, Thailand, United Arab Emirates

## Getting Credit

Firms consistently rate access to credit as among the greatest barriers to their operation and growth. Doing Business constructs two sets of indicators of how well credit markets function: one on credit registries and the other on legal rights of borrowers and lenders. Credit registries, institutions that collect and distribute credit information on borrowers, can greatly expand access to credit. By sharing credit information, they help lenders assess risk and allocate credit more efficiently. They also free entrepreneurs from having to rely on personal connections alone when trying to obtain credit.

### Methodology

Credit information: three indicators are constructed:

- depth of credit information index, which measures the extent to which the rules of a credit information system facilitate lending based on the scope of information distributed, the ease of access to information and the quality of information
- public registry coverage, which reports the number of individuals and firms covered by a public credit registry as a percentage of the adult population
- private bureau coverage, which reports the number of individuals and firms, covered by a private credit bureau as a percentage of the adult population

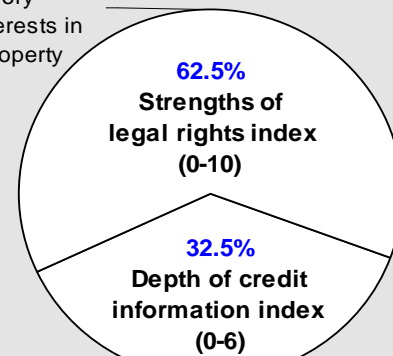
Legal Rights: the strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders. Ten points are analyzed:

- Can a business use movable assets as collateral while keeping possession of the assets, and can any financial institution accept such assets as collateral?
- Does the law allow a business to grant a non possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets?
- Does the law allow a business to grant a non possessory security right in substantially all of its assets, without requiring a specific description of the secured assets?
- Can a security right extend to future or after -acquired assets and extend automatically to the products, proceeds or replacements of the original assets?
- Is general description of debts and obligations permitted in collateral agreements and in registration documents, so that all types of obligations and debts can be secured by stating a maximum rather than a specific amount between the parties?
- Is a collateral registry in operation that is unified geographically and by asset type as well as being indexed by the name of the grantor of a security right?
- Are secured creditors paid first when a debtor defaults outside an insolvency procedure or when a business is liquidated?
- Are secured creditors subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure?
- Are parties allowed to agree in a collateral agreement that the lender may enforce its security right out of court?

### Getting credit: collateral rules and credit information

#### Rankings are based on 2 subindicators

Regulations on nonpossessory security interests in movable property



Scope, quality and accessibility of credit information through public and private credit registries

*Note: Private bureau coverage and public registry coverage are measured but do not count for the rankings.*



## Legal Rights Survey Case Study

### *The Debtor:*

- is a Private Limited Liability Company
- has its headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNP) per capita
- Both debtor and creditor are 100% domestically owned.

## 1. Historical data: Getting Credit in Northern Cyprus

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	158	145	113
Strength of legal rights Index (0-10)	3	4	7
Depth of credit Information Index (0-6)	0	0	0
Private bureau coverage (% adults)	0	0	0
Public registry coverage (% adults)	0	0	0

The major concern is the lack of reliable credit registries, making it hard for credit institutions to check the credit rating of individuals and companies. Most credit is collateral based, severely hampering growth and initiative.

The index has been further tuned with the Doing Business Index Getting Credit methodology and Strength of Legal Right Index has been reconstructed with more reliable data from the experts. There have been no changes or reform in the area of depth of credit information, Public registry and Private bureaus.

The Public Registry - Central Bank Risk Centre though maintains a database within its limits, it only provides limited and recent cross-sectional data (3 month lagged) as far as the payment history is concerned and holds only negative credit information. Distribution of the information is limited to the recent state of the loan and the disclosure of information itself is restricted to the loan owning institution. All other disclosures/distribution of information can only be undertaken upon the consent of the borrower/individual.

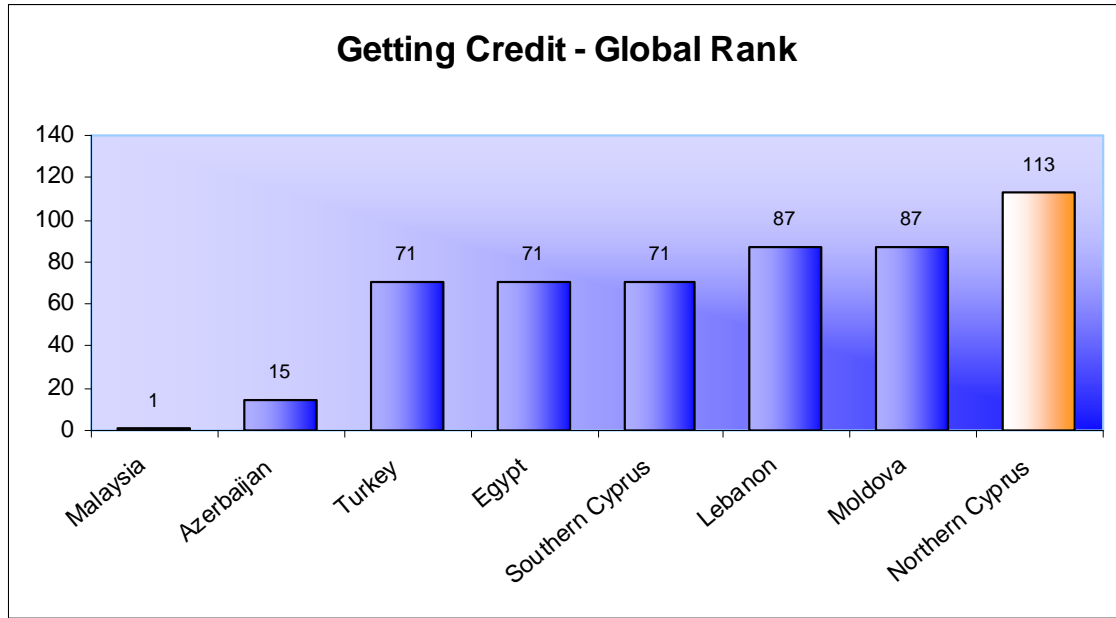
Data on loans collected lies above the 1% of the income per capita range. For individuals this rate on practice correspond to (approx.) above 9% and for the firms (approx.) above 24%

Even though, 74,993 individuals and 4400 firms are registered with limited repayment history. Unpaid debts and credit outstanding information is somewhat available, since the registry keeps the latest state rather than historical outstanding credits and loans.

## 2. Benchmarking Getting Credit Regulations:

Northern Cyprus is ranked 113 overall for Getting Credit.

Ranking of Northern Cyprus in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for Northern Cyprus compared to good practice and comparator economies:

<b>Good practice economies</b>	<b>Strength of legal rights index (0-10)</b>	<b>Depth of credit information index (0-6)</b>	<b>Public Registry coverage (% of adults)<sup>9</sup></b>	<b>Private bureau coverage (% of adults)</b>
New Zealand				100.0
Portugal			81.3	
Singapore*	10			
United Kingdom		6		

<b><i>Selected Economies</i></b>				
Northern Cyprus	6	0	0	0

<b><i>Comparator Economies</i></b>				
Azerbaijan	8	5	6.9	0
Lebanon	3	5	8.3	0
Turkey	4	5	15.9	42.9
Egypt	3	6	2.5	8.2
Moldova	8	0	0	0
Southern Cyprus	9	0	0	0

\* The following economies are also good practice economies for:

**Strength of legal rights index (0-10):** Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia

**Private bureau coverage (% of adults):** Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States

**27 countries have the highest credit information index.**

## Protecting Investors

Companies grow by raising capital, either through a bank loan or by attracting equity investors. Selling shares allows companies to expand without the need to provide collateral and repay bank loans. However, investors worry about their money, and look for laws that protect them. A study finds that the presence of legal and regulatory protections for investors explains up to 73% of the decision to invest. In contrast, company characteristics explain only between 4% and 22%\*. Good protections for minority shareholders are associated with larger and more active stock markets. Thus both governments and businesses have an interest in reforms strengthening investor protections.

### Methodology

To document some of the protections investors have, Doing Business measures how economies regulate a standard case of self dealing, use of corporate assets for personal gain. Three indices of investor protection are constructed based on the answers to these and other questions. All indices range from 0 to 10, with higher values indicating more protections or greater disclosure. The three indices are:

- The extent of disclosure index covers approval procedures, requirements for immediate disclosure to the public and shareholders of proposed transactions, requirements for disclosure in periodic filings and reports and the availability of external review of transactions before they take place.
- The extent of director liability index covers the ability of investors to hold Mr. James and the board of directors liable for damages, the ability to rescind the transaction, the availability of fines and jail time associated with self-dealing, the availability of direct or derivative suits and the ability to require Mr. James to pay back his personal profits from the transaction.
- The ease of shareholder suits index covers the availability of documents that can be used during trial, the ability of the investor to examine the defendant and other witnesses, shareholders' access to internal documents of the company, the appointment of an inspector to investigate the transaction and the standard of proof applicable to a civil suit against the directors.

These three indices are averaged to create the strength of investor protection index.

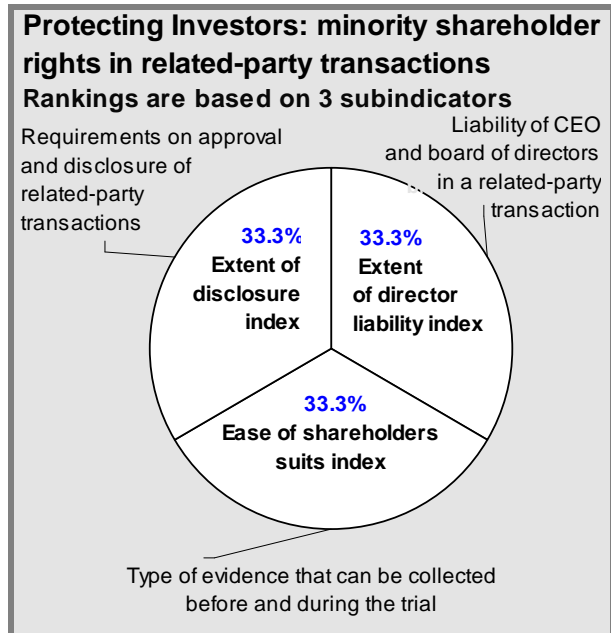
### Survey case study

Mr. James, a director and the majority shareholder of a public company, proposes that the company purchase used trucks from another company he owns. The price is higher than the going price for used trucks. The transaction goes forward. All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company. Shareholders sue the interested parties and the members of the board of directors.

Several questions arise:

- Who approves the transaction?
- What information must be disclosed?
- What company documents can investors access?
- What do minority shareholders have to prove to get the transaction stopped or to receive compensation from
- Mr. James?

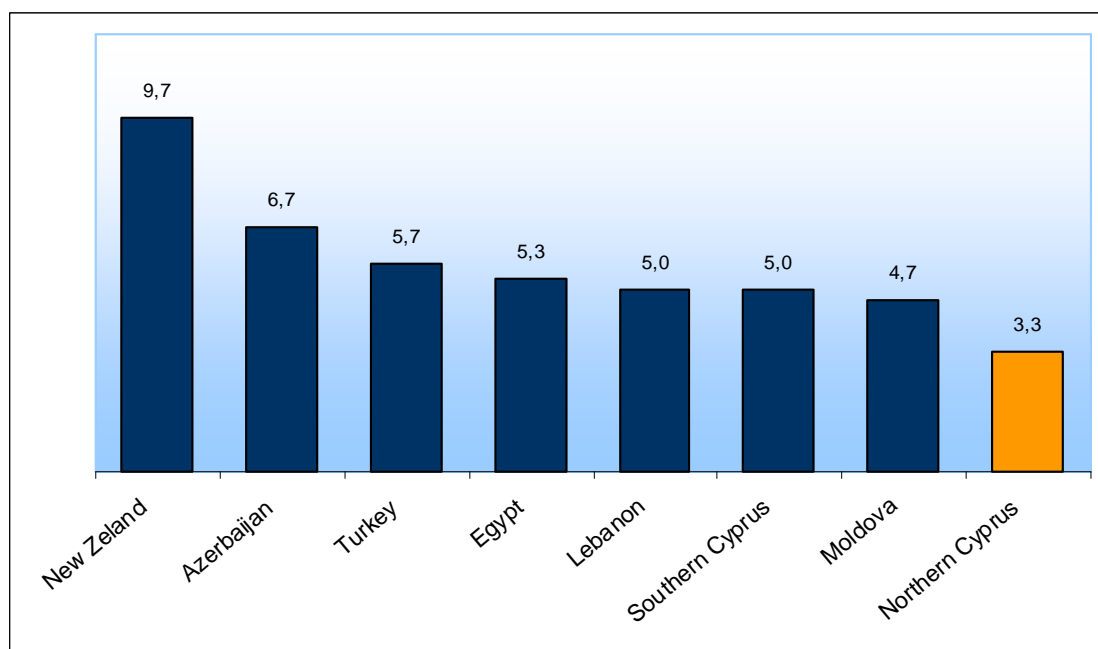
\*Doidge, Kardy and Stulz (2007)



## 1. Historical data: Protecting Investors in Northern Cyprus

Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	107	113	154
Strength of investor protection index (0-10)	4.33	4.33	3.33

2. The following graph illustrates the Protecting Investors index in Northern Cyprus compared to best practice and selected Economies:

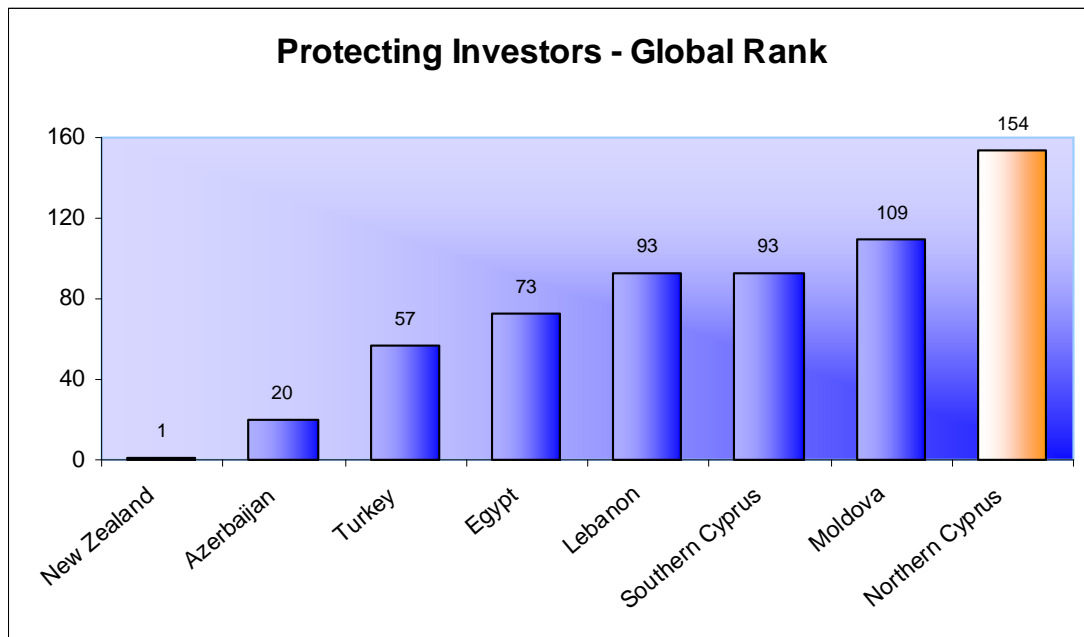


Note: The higher the score, the greater the investor protection.

### 3. Benchmarking Protecting Investors Regulations:

Northern Cyprus is ranked 154 overall for Protecting Investors.

Ranking of Northern Cyprus in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for Northern Cyprus compared to good practice and comparator economies:

<b>Good practice economies</b>	<b>Strength of investor protection index (0-10)</b>
New Zealand*	9.7

<b><i>Selected Economy</i></b>	
Northern Cyprus	3.33

<b><i>Comparator Economies</i></b>	
Azerbaijan	6.7
Lebanon	5.0
Turkey	5.7
Egypt	5.3
Moldova	4.7
Southern Cyprus	5.0

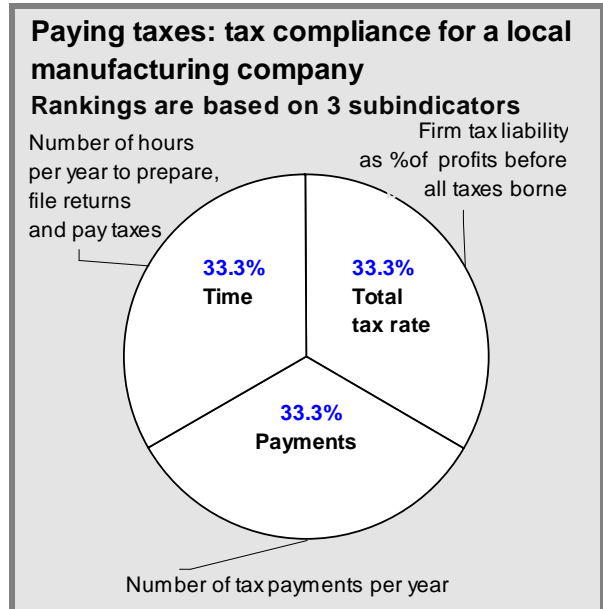
## Paying Taxes

Taxes are essential. Without them there would be no money to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. But particularly for small and medium size companies, they may opt out and choose to operate in the informal sector. One way to enhance tax compliance is to ease and simplify the process of paying taxes for such businesses.

### Methodology

The Doing Business tax survey records the effective tax that a small and medium company must pay and the administrative costs of doing so. Three indicators are constructed:

- number of tax payments, which takes into account the method of payment, the frequency of payments and the number of agencies involved in our standardized case study.
- time, which measures the number of hours per year necessary to prepare and file tax returns and to pay the corporate income tax, value added tax, sales tax or goods and service tax and labor taxes and mandatory contributions.
- total tax rate, which measures the amount of taxes and mandatory contributions payable by the company during the second year of operation. This amount, expressed as a percentage of commercial profit, is the sum of all the different taxes payable after accounting for various deductions and exemptions.



### Survey case study

- TaxpayerCo is a medium-size business that started operations last year. Doing Business asks tax practitioners in 183 economies to review TaxpayerCo's financial statements and a standard list of transactions that the company completed during the year. Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government and include corporate income tax, turnover tax, all labor taxes and contributions paid by the company (including mandatory contributions paid to private pension or insurance funds), property tax, property transfer tax, dividend tax, capital gains tax, financial transactions tax, vehicle tax, sales tax and other small taxes (such as fuel tax, stamp duty and local taxes). A range of standard deductions and exemptions are also recorded.



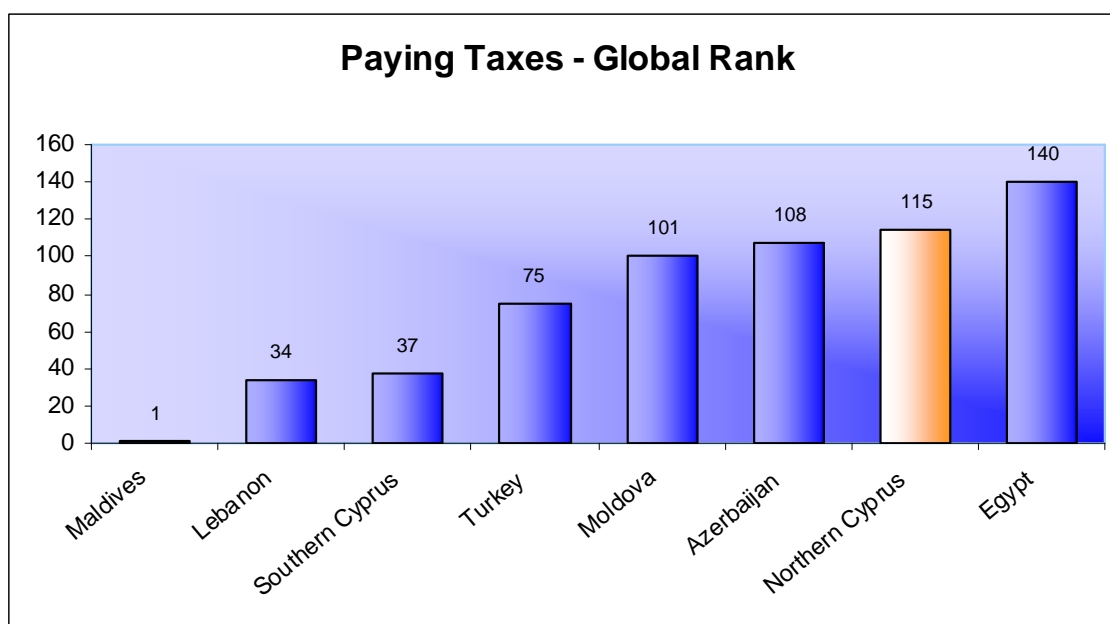
## 1. Historical data: Paying Taxes in Northern Cyprus

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	117	123	115
Time (hours)	200	200	163
Total tax rate (% profit)	44	44	41,2
Payments (number)	56	56	59

## 2. Benchmarking Paying Taxes Regulations:

Northern Cyprus is ranked 115 overall for Paying Taxes. Companies in Northern Cyprus face 59 tax, semi-tax payments and contributions payments, spend 163 hours preparing taxes, and face a tax burden of around 41.2% of profits

Ranking of Northern Cyprus in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for Northern Cyprus compared to good practice and comparator economies:

Good practice economies	Payments (number)	Time (hours per year)	Total tax rate (% profit)
Maldives*	1	0	
Timor-Leste			0.2

<b><i>Selected Economy</i></b>			
Northern Cyprus	59	196	41.2

<b><i>Comparator Economies</i></b>			
Azerbaijan	22	376	40.9
Lebanon	19	180	30.2
Turkey	15	223	44.5
Egypt	29	480	43
Moldova	8	228	31.1
Southern Cyprus	27	149	28.8

\* The following economies are also good practice economies for:

Payments (number per year): Qatar

## Trading Across Borders

The benefits of trade are well documented; as are the obstacles to trade. Tariffs, quotas and distance from large markets greatly increase the cost of goods or prevent trading altogether. But with bigger ships and faster planes, the world is shrinking. Global and regional trade agreements have reduced trade barriers. Yet Africa's share of global trade is smaller today than it was 25 years ago. So is the Middle East's, excluding oil exports. Many entrepreneurs face numerous hurdles to exporting or importing goods, including delays at the border. They often give up. Others never try. In fact, the potential gains from trade facilitation may be greater than those arising from only tariff reductions.

### Methodology

Doing Business compiles procedural requirements for trading a standard shipment of goods by ocean transport. Every procedure and the associated documents, time and cost, for importing and exporting the goods is recorded, starting with the contractual agreement between the two parties and ending with delivery of the goods. For importing the goods, the procedures measured range from the vessel's arrival at the port of entry to the shipment's delivery at the importer's warehouse. For exporting the goods, the procedures measured range from the packing of the goods at the factory to their departure from the port of exit. Payment is by letter of credit and the time and cost for issuing or securing a letter of credit is taken into account. Documents recorded include port filing documents, customs declaration and clearance documents, as well as official documents exchanged between the parties to the transaction.

Time is recorded in calendar days, from the beginning to the end of each procedure. Cost includes the fees levied on a 20-foot container in U.S. dollars. All the fees associated with completing the procedures to export or import the goods are included, such as costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or duties.

Economies that have efficient customs, good transport networks and fewer document requirements, making compliance with export and import procedures faster and cheaper, are more competitive globally. That can lead to more exports; and exports are associated with faster growth and more jobs. Conversely, a need to file many documents is associated with more corruption in customs. Faced with long delays and frequent demands for bribes, many traders may avoid customs altogether. Instead, they smuggle goods across the border. This defeats the very purpose in having border control of trade to levy taxes and ensure high quality of goods.

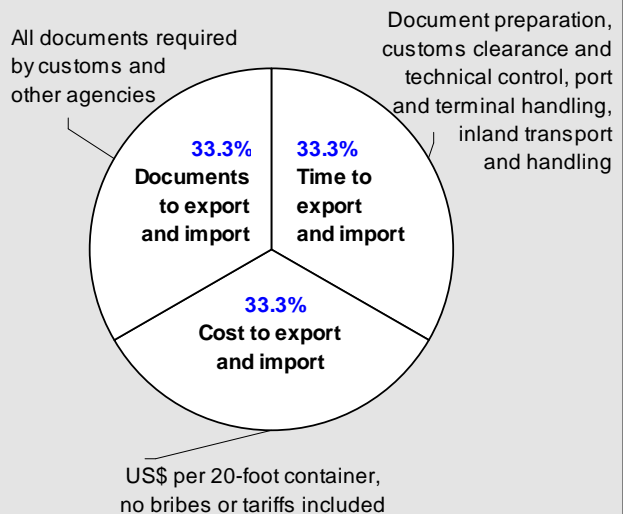
### Survey case study

To make the data comparable across countries, several assumptions about the business and the traded goods are used:

- The business is of medium size,
- The business employs 60 people,
- The business is located in the peri-urban area of the economy's largest business city .
- The business is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.
- The traded goods are ordinary, legally manufactured products transported in a dry-cargo, 20-foot FCL (full container load) container.

### Trading across borders: exporting and importing by ocean transport

Rankings are based on 3 subindicators



## 1. Historical data: Trading Across Borders in Northern Cyprus

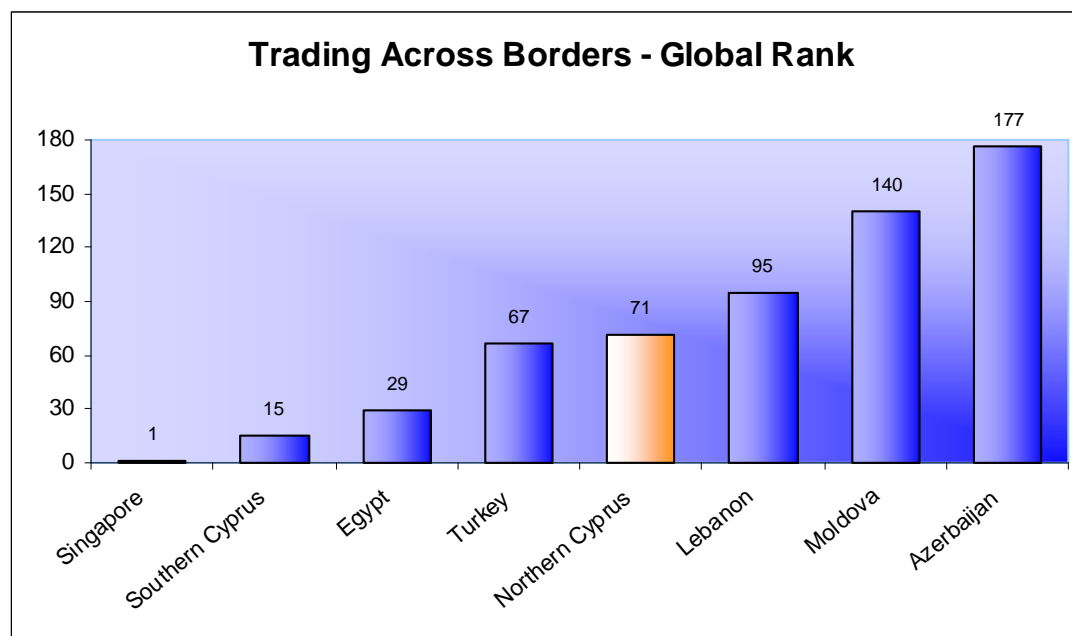
Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	90	104	71
Cost to export (US\$ per container)	2,050	1,990	940
Cost to import (US\$ per container)	1,925	2.390	840
Documents to export (number)	7	7	9
Documents to import (number)	6	8	7
Time to export (number)	18	14	21
Time to Import (number)	11	9	7

In Northern Cyprus, an entrepreneur has to prepare 9 documents, needs 21 days, and spends 940 USD to export a container to any port outside of Mersin, Turkey. Similarly, he/she prepares 7 documents, needs 7 days, and spends 840 USD to import a container of similar size.

## 2. Benchmarking Trading Across Borders Regulations:

Northern Cyprus is ranked 71 overall for Trading Across Borders.

Ranking of Northern Cyprus in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for Northern Cyprus compared to good practice and comparator economies:

<b>Good practice economies</b>	<b>Documents to Export (number)</b>	<b>Time to export (days)</b>	<b>Cost to export (US\$ per container)</b>	<b>Documents to import (number)</b>	<b>Time to import (days)</b>	<b>Cost to import (US\$ per container)</b>
Denmark*		5				
France	2			2		
Malaysia			450			
Singapore					3	439

<b>Selected Economy</b>						
Northern Cyprus	9	21	940	7	7	840

<b>Comparator Economies</b>						
Azerbaijan	9	46	2980	14	50	3480
Lebanon	5	26	1002	7	35	1203
Turkey	7	14	990	8	15	1063
Egypt	6	14	737	6	15	823
Moldova	6	32	1815	7	35	1945
Southern Cyprus	5	7	820	6	5	1030

\* The following economies are also good practice economies for:

Time to export (days): Estonia

## Enforcing Contracts

Where contract enforcement is efficient, businesses are more likely to engage with new borrowers or customers.

Doing Business tracks the efficiency of the judicial system in resolving a commercial dispute, following the step –by step evolution of a commercial sale dispute before local courts. The data is collected through study of the codes of civil procedure and other court regulations as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Justice delayed is often justice denied. And in many economies only the rich can afford to go to court. For the rest, justice is out of reach. In the absence of efficient courts, firms undertake fewer investments or business transactions. And they prefer to involve only a small group of people who know each other from previous dealings.

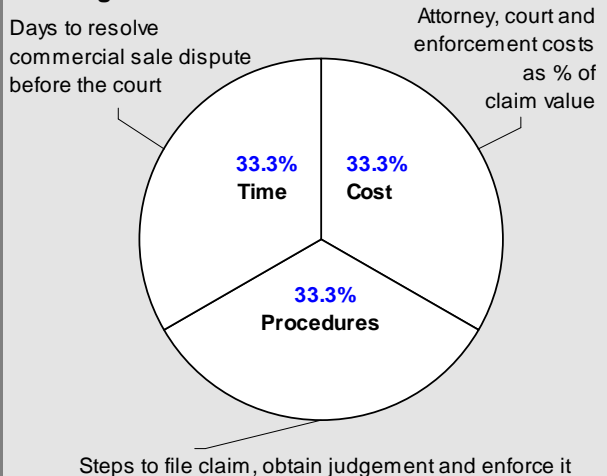
### Methodology

Rankings on enforcing contracts are based on 3 sub-indicators:

- number of procedures, which are defined as any interaction between the parties or between them and the judge or court officer. This includes steps to file the case, steps for trial and judgment and steps necessary to enforce the judgment.
- time, which counts the number of calendar days from the moment the Seller files the lawsuit in court until payment is received. This includes both the days on which actions take place and the waiting periods in between.
- cost, which is recorded as a percentage of the claim (assumed to be equivalent to 200% of income per capita). Three types of costs are recorded: court costs (including expert fees), enforcement costs (including costs for a public sale of Buyer's assets) and attorney fees.

### Enforcing contracts: resolving a commercial dispute through the courts

Rankings are based on 3 subindicators



### Survey case Study

- The dispute concerns a contract for the sale of goods between two businesses (the Seller and the Buyer).
- Both are located in the economy's largest business city.
- The Seller sells and delivers goods, worth 200% of the economy's income per capita, to the Buyer. The Buyer refuses to pay on the grounds that they were not of adequate quality.
- The Seller sues the Buyer to recover the amount under the sales agreement (200% of the economy's income per capita).
- The claim is filed before a court in the economy's largest business city with jurisdiction over commercial cases worth 200% of the income per capita and is disputed on the merits.
- Judgment is 100% in favor of the Seller and is not appealed.
- The Seller enforces the judgment and the money is successfully collected through a public sale of Buyer's assets.

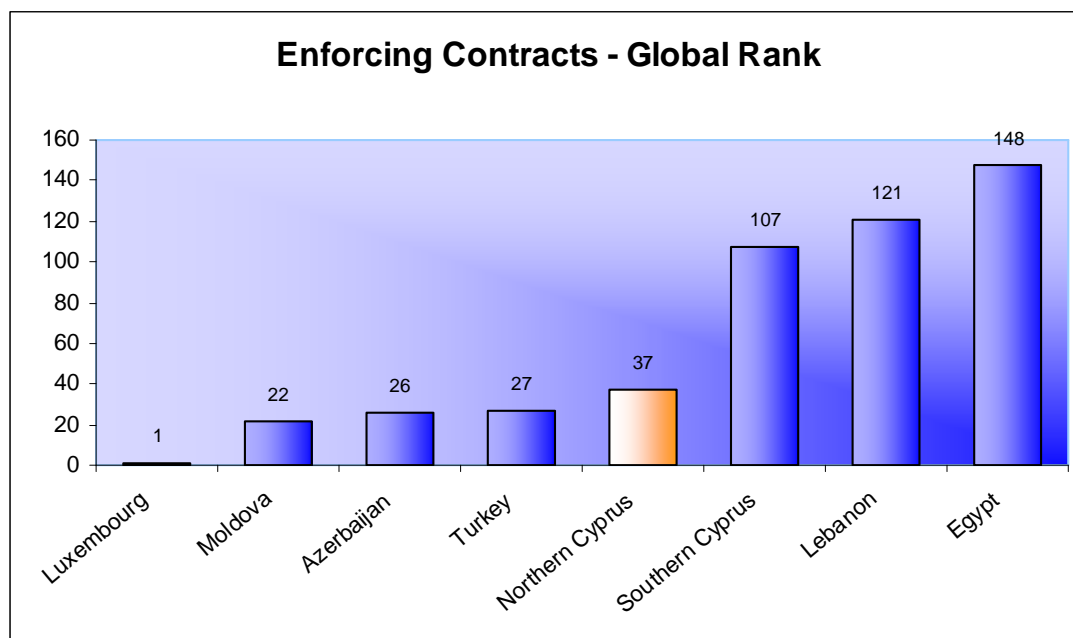
## 1. Historical data: Enforcing Contracts in Northern Cyprus

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	35	30	37
Procedures (number)	34	34	34
Time (days)	585	585	625
Cost (% of claim)	10.2	10.2	10.9

## 2. Benchmarking Enforcing Contracts Regulations:

Northern Cyprus is ranked 37 overall for Enforcing Contracts. 37 procedures, 625 days, and costs of 10.9% of the claim are required to enforce a contract in the Northern Cyprus.

Ranking of Northern Cyprus in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for Northern Cyprus compared to good practice and comparator economies:

<b>Good practice economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% as of claim)</b>
Bhutan			0.1
Ireland	20		
Singapore		150	

<b><i>Selected Economy</i></b>			
Northern Cyprus	34	625	10.9

<b><i>Comparator Economies</i></b>			
Azerbaijan	39	237	18.5
Lebanon	37	721	30.8
Turkey	35	420	18.8
Egypt	41	1010	26.2
Moldova	31	365	20.9
Southern Cyprus	43	735	16.4



## Closing a Business

The economic crises of the 1990s in emerging markets, from East Asia to Latin America, from Russia to Mexico, raised concerns about the design of bankruptcy systems and the ability of such systems to help reorganize viable companies and close down unviable ones. In countries where bankruptcy is inefficient, unviable businesses linger for years, keeping assets and human capital from being reallocated to more productive uses.

Bottlenecks in bankruptcy cut into the amount claimants can recover. In countries where bankruptcy laws are inefficient, this is a strong deterrent to investment. Access to credit shrinks, and nonperforming loans and financial risk grow because creditors cannot recover overdue loans. Conversely, efficient bankruptcy laws can encourage entrepreneurs. The freedom to fail, and to do so through an efficient process, puts people and capital to their most effective use. The result is more productive businesses and more jobs.

The Doing Business indicators identify weaknesses in the bankruptcy law as well as the main procedural and administrative bottlenecks in the bankruptcy process. In many developing countries bankruptcy is so inefficient that creditors hardly ever use it. In countries such as these, reform would best focus on improving contract enforcement outside bankruptcy.

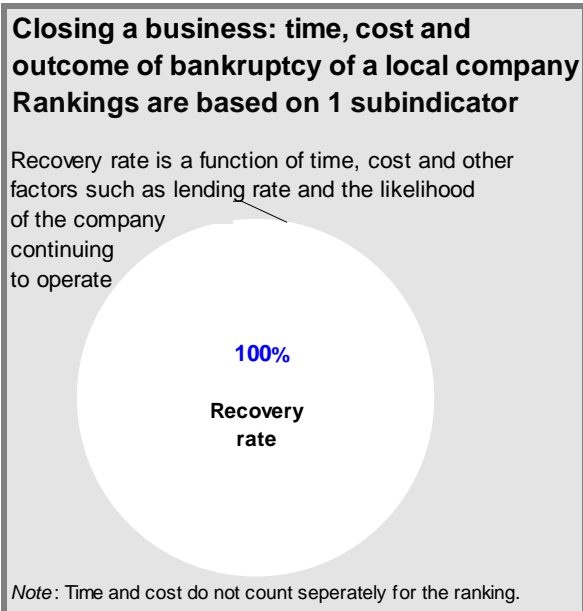
### Methodology

Three measures are constructed from the survey responses: the time to go through the insolvency process, the cost to go through the process and the recovery rate, how much of the insolvency estate is recovered by stakeholders, taking into account the time, cost, depreciation of assets and the outcome of the insolvency proceeding.

### Survey case study

The data on closing a business are developed using a standard set of case assumptions to track a company going through the step by step procedures of the bankruptcy process. It is assumed that:

- the company is a domestically owned
- the company is a limited liability corporation
- operating a hotel in the country's largest business city
- the company has 201 employees, 1 main secured creditor and 50 unsecured creditors
- Assumptions are also made about the future cash flows.
- The case is designed so that the company has a higher value as a going concern, that is, the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.
- The data are derived from questionnaires answered by attorneys at private law firms.



## 1. Historical data: Closing Business in Northern Cyprus

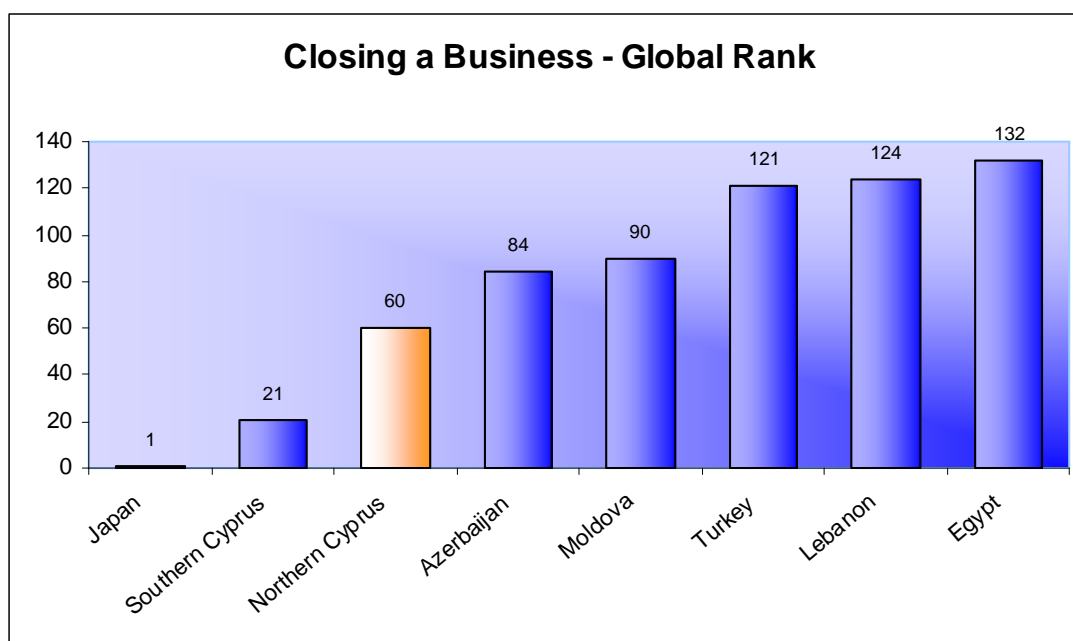
Closing Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	31	34	60
Time (days)	180	180	548
Cost (% of estate)	10	10	11
Recovery rate (cents on the dollar)	50	50	38

An investor or a lender can count on recovering around 38% of the investment in the case of liquidation of a failed enterprise. Most of the loss is due to the loss in asset value associated with foreclosure - liquidation 30%; administrative expenses 11%; depreciation 7.5% of the asset value and finally the loss due to the time value of proceeds 13.5%, which will be collected in 1.5 years.

## 2. Benchmarking Closing Business Regulations:

Northern Cyprus is ranked 60 overall for Closing a Business.

Ranking of Northern Cyprus in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for Northern Cyprus compared to good practice and comparator economies:

<b>Good practice economies</b>	<b>Recovery rate (cents on the dollar)</b>	<b>Time (years)</b>	<b>Cost (as % of estate)</b>
Ireland		0,4	
Japan	92,5		
Singapore*			1

<b><i>Selected Economy</i></b>			
<b>Northern Cyprus</b>	38	1.5	11

<b><i>Comparator Economies</i></b>			
<b>Azerbaijan</b>	30.6	2.67	8.0
<b>Lebanon</b>	19.0	4	22.0
<b>Turkey</b>	20.2	3.25	14.5
<b>Egypt</b>	16.8	4.2	22.0
<b>Moldova</b>	28.6	2.83	9.0
<b>Southern Cyprus</b>	70.7	1.5	14.5

\* The following economies are also good practice economies for:

**Cost (% of estate): Colombia, Kuwait, Norway**

## Doing Business 2010 Reforms

### Number of reforms in Doing Business 2010

✓ Positive Reform  
✗ Negative Reform

Rank	Economy	Starting a Business	Dealing with Construction Permits	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Total number of reforms
1	Rwanda	✓		✓	✓	✓	✓		✓		✓	7
2	Kyrgyz Republic	✓	✓	✓	✓	✓		✓	✓			7
3	Macedonia, FYR	✓	✓	✓	✓	✓	✓	✓				7
4	Belarus	✓	✓	✓	✓			✓	✓			6
5	United Arab Emirates	✓	✓						✓			3
6	Moldova	✓			✓			✓				3
7	Colombia	✓	✓		✓	✓	✓	✓	✓		✓	8
8	Tajikistan	✓	✓		✗	✓	✓				✓	5
9	Egypt, Arab Rep.	✓	✓			✓				✓		4
10	Liberia	✓	✓						✓			3
11	Northern Cyprus											
12	Azerbaijan					✓			✓			2
13	Lebanon	✓						✓				2
14	Turkey					✓						1
15	Southern Cyprus											

Note: Economies are ranked on the number and impact of reforms, Doing Business selects the economies that reformed in 3 or more of the Doing Business topics. Second, it ranks these economies on the increase in rank in Ease of Doing Business from the previous year. The larger the improvement, the higher the ranking as a reformer.

<b>Azerbaijan</b>	Azerbaijan's public credit registry enhanced access to credit information by giving banks online access to the database, providing more data on borrowers, and introducing penalties for banks that send late or incorrect information. The time required to clear goods and get them across borders was shortened by regrouping various agencies into a single customs service window.
<b>Belarus</b>	Belarus eased the process for getting construction permits by simplifying approval processes. Restrictions relating to redundancy dismissals were eased by raising the threshold for prior notification requirements. Tax payments were made more convenient through increased use of electronic systems—reducing tax compliance times—while lower ecological and turnover tax rates and a reduction in the number of payments for property tax reduced the tax burden on businesses. Property registration continues to improve, with faster processing and elimination of the requirement for notarization. Business start-up was eased by simplifying registration formalities, abolishing the minimum capital requirement, limiting the role of notaries, and removing the need for a company seal approval. Implementation of a risk-based management system and improvement of border crossing operations reduced transit times for trade.
<b>Bulgaria</b>	Bulgaria eased business start-up by reducing the paid-in minimum capital requirement to about 24 percent of gross national income per capita and making the company registry more efficient. An integrated Web-based property register providing online access to the ownership and cadastre status of properties shortened the time required to register property.
<b>Colombia</b>	Colombia passed several decrees continuing its efforts to regulate the profession of insolvency administrators. The government eased the construction permit process with a new construction decree that categorizes building projects based on risk and allows electronic verification for certain documents. Access to credit improved thanks to a new credit information law that guarantees the right of borrowers to inspect their own data and new rules that make it mandatory for credit providers to consult and share information with credit bureaus. The tax burden on businesses was eased with the introduction of electronic tax filing and payment, and some payments were reduced. An amendment to the Company Law strengthened investor protections by making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was made easier by making it possible to obtain required certificates online and by making standard preliminary sale agreements available free of charge. Business start-up was made easier by creating a public-private health provider that enables faster affiliation of employees and through a tool that allows online pre-enrollment with the social security office. Implementation of an electronic declaration system has expedited customs clearance.
<b>Egypt, Arab Rep.</b>	The Arab Republic of Egypt, a former global leading reformer and a regional leading reformer in 2008/09, continued to make it easier to deal with construction permits by issuing executive articles for the 2008 construction law and eliminating most preapprovals for construction permits. Contract enforcement was expedited with the creation of commercial courts. Access to credit information has expanded with the addition of retailers to the database of the private credit bureau. Finally, company start-up was eased by the removal of the minimum capital requirement.
<b>Georgia</b>	Georgia eased the process for dealing with construction permits by introducing a simplified process for obtaining confirmation from utilities, a risk-based approval process for building permits, and new time limits for the occupancy certificate. The

documentation requirements for import and export were simplified, and there was a significant decrease in the cost of trade.

**Kyrgyz Republic**

The Kyrgyz Republic eased the process for getting construction permits by streamlining the fee structure, introducing a risk-based system of approval and building control, allowing low-risk projects to conduct an internal building control process, and simplifying the process for obtaining utility connections. Requirements relating to redundancy dismissals and worker reassignment were eased. Access to credit was enhanced by making secured lending more flexible and allowing general descriptions of encumbered assets and of debts and obligations. In addition, amendments to the Civil Code provide for automatic extension of security rights to proceeds of the original assets. The tax burden on businesses was eased by reducing the rates for several taxes and the number of payments for several. Surveying and notarization requirements were made optional for property registration, and business start-up was eased by eliminating the minimum capital requirement, reducing the registration time, and abolishing various post-registration fees and the need to open a bank account before registration. The elimination of six previously required documents and the simplification of inspection procedures have sped up trading across borders.

**Liberia**

Liberia eased the process for getting construction permits by lowering the permit fee and cost of obtaining a power generator, abolishing the requirement to obtain a tax waiver certificate before submitting documents to obtain a building permit, and making fixed telephone connections more readily available for public use with the reopening of the national phone company. Business start-up was eased by removing the need to obtain an environmental impact assessment when forming a general trading company. The trade process was expedited by creating a one-stop shop bringing together various ministries and agencies, and streamlining the inspection regime.

**Macedonia**

FYR The Former Yugoslav Republic of Macedonia has been reforming the construction permit process, shortening waiting times but raising fees. Worker hiring was made more flexible by allowing greater use of fixed-term contracts, easing restrictions on working hours, and making redundancy dismissals more flexible. The public credit bureau increased its coverage by introducing a better database that includes more information and by lowering the minimum loan threshold. Social security payments were classified in five groups, and social security contribution rates reduced. Investor protections were increased by regulating the approval of transactions between interested parties, increasing disclosure requirements in annual reports, and making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was eased with the introduction of new time limits at the real estate cadastre—reducing the average time to register a title deed by eight days—and a non-encumbrance certificate can now be obtained from the real estate registry instead of through the court. Business start-up was simplified by integrating procedures at a one-stop shop.

**Moldova**

Moldova lowered the rates for social security contributions paid by employers. Property registration was simplified by eliminating the requirement for a cadastral sketch, reducing procedures from six to five and days from 48 to 5. Business start-up was eased by implementing an expedited company registration service.

**Northern Cyprus**

In Northern Cyprus no major reform was recorded.

<b>Romania</b>	Romania increased the cost of insolvency procedures by requiring that 1.5 percent of the amount recovered from each insolvency procedure be transferred to a fund that reimburses the expenses of insolvency administrators when debtors have no assets. Construction permit costs rose because of a new fee equal to 0.05 percent of the project value. In addition, labor taxes were increased. Property registration was expedited with the introduction of new procedures at the land registry and cadastre.
<b>Russian Federation</b>	The Russian Federation introduced several changes to its insolvency law to speed up liquidation and strengthen the legal status of secured creditors. The corporate income tax rate was cut from 24 percent to 20 percent. Property registration was expedited by introducing new documentation requirements—such as cadastral passports—in lieu of inventory documents and cadastral maps.
<b>Rwanda</b>	Rwanda improved the process for dealing with distressed companies with a new law aimed at streamlining reorganization. Employing workers was made easier by abolishing the maximum duration for fixed-term contracts and allowing unlimited renewals of such contracts, as well as by allowing redundancy procedures to be more flexible, with consultation and notification of third parties no longer required. Getting credit was made easier with a new secured transactions act and insolvency act to make secured lending more flexible, allowing a wider range of assets to be used as collateral and a general description of debts and obligations. In addition, out of court enforcement of collateral has become available to secured creditors, who also now have top priority within bankruptcy. A new company law has strengthened investor protections by requiring greater corporate disclosure, director liability, and shareholder access to information. Property registration was simplified by decreasing the number of days required to transfer a property. Business start-up was eased by eliminating a notarization requirement; introducing standardized memorandums of association; enabling online publication; consolidating name checking, registration fee payment, tax registration, and company registration procedures; and shortening the time required to process completed applications. By implementing administrative changes—such as increased operating hours and enhanced cooperation at the border, along with the removal of some documentation requirements for importers and exporters—Rwanda has improved trading times.
<b>Tajikistan</b>	Tajikistan amended its insolvency law, aiming to reduce statutory time limits and the costs of proceedings. Changes were introduced that simplified the construction permit process, reducing procedures and time. A new law on credit histories improves access to credit information by creating a private credit bureau. Investor protections were strengthened with amendments to the joint stock company law, increasing disclosure requirements for transactions involving conflicts of interest, allowing for greater director liability, and giving shareholders the chance to request that harmful related-party transactions be rescinded. The state duty for property transfer has quadrupled, raising the cost of registering property by 2.8 percent of a property's value. Business start-up was eased by reducing the minimum capital requirement and shortening the time to obtain a tax identification number.
<b>United Arab Emirates</b>	The United Arab Emirates shortened the time for delivering building permits by improving its online system for processing applications. Business start-up was eased by simplifying the documents needed for registration, abolishing the minimum capital requirement, and removing the requirement that proof of deposit of capital be shown for registration. Greater capacity at the container terminal, elimination of the terminal handling receipt as a required document, and an increase in trade finance products, have improved trade processes.

## APPENDICES

### Starting a Business in Northern Cyprus

This table summarizes the procedures and costs associated with setting up a business in North Cyprus.

#### STANDARDIZED COMPANY

Legal Form: Limited Liability Company (Limited Şirket)

Minimum Capital Requirement:

City: Nicosia

#### Registration Requirements:

No:	Procedure	Time to Complete	Cost to Complete
1	Apply for approval of the company name	1	12
2	Buy stamps at Post Office	1	0
3*	Fill in MS1 (affidavit) and sign in presence of a court registrar	1	7
4*	Fill in MS2 and MS3 and submit all forms to the company registry	1	209
5	Go to the tax office and pay the capital registration fee. Obtain a receipt	1	2.016
6*	Take the receipt to the company registry and obtain a notification period.	1	0
7	Receive company registration documents from the Company Registry	6	185
8	Hire an Accountant for the opening of the balance sheet	1	37
9	Submit a form to the tax office to apply for permission to print invoices	1	79.5
10	Register the company with the Social Security office and obtain employer's registration number	1	0



<b>11</b>	Register company with the provident fund office	5	0
<b>12</b>	Register company with the Labor Office and obtain the Company Verification Certificate and the related number.	1	0
<b>13</b>	Order invoices, voucher and receipts	7	190
	Pick up the printed invoices, voucher and receipts	1	0
	Printing house sends receipt for printed invoices to the Tax Office	1	0
<b>14*</b>	Obtain a company seal	1	40
<b>15</b>	Apply to the municipality to register the place of business	1	490
<b>16</b>	Apply for membership at one of the chambers	1	800

\* Takes place simultaneously with another procedure.

<b>Procedure 1</b>	Apply for approval of the company name
<b>Time to complete</b>	1
<b>Cost to complete</b>	12
<b>Comment</b>	This is cost for per name check. There is no need for documentation at this stage\ petition could be filled.
<b>Procedure 2</b>	Go to the post office and buy stamps
<b>Time to complete</b>	1
<b>Cost to complete</b>	-
<b>Comment</b>	Stamp duties are listed under each relevant procedure.
<b>Procedure 3</b>	Fill in MS1 (affidavit) and sign in presence of a court registrar
<b>Time to complete</b>	1* (simultaneous to following procedures)
<b>Cost to complete</b>	7
<b>Comment</b>	Cost of stamps for court oath.
<b>Procedure 4</b>	Fill in MS2 and MS3 and submit all forms with the copies to the company registry for pre-approval including MS1 and receive instructions on stamp study and the capital registration fee.
<b>Time to complete</b>	1*
<b>Cost to complete</b>	209
<b>Comment</b>	134 TL for stamps on the memorandum and articles of association and 75 TL for stamps on MS1, MS2 and MS3 forms MS 2 :Address of the company MS 3: Specific information about the directors and the secretary of the company.
<b>Procedure 5</b>	Go to the tax office to pay the capital registration fee and obtain a receipt
<b>Time to complete</b>	1
<b>Cost to complete</b>	2016
<b>Comment</b>	The capital registration fee is 5/1000 of minimum initial capital plus the official fee listed in the tabulated form- Law 113 Minimum initial capital: 15.000TL The official fee listed in schedule for 206.987TL of start-up capital : 1.941 TL
<b>Procedure 6</b>	Take the receipt to the company registry, attach it to the documents, and obtain a notification period.
<b>Time to complete</b>	1*

**Cost to complete**

-

**Comment**

Directors request 5 sets of registration documents and 5 sets of articles of association and memorandum

**Procedure 7**

Come back to the company registry and receive company registration documents

**Time to complete**

6

**Cost to complete**

185

**Comment**

Registration documents include:

- Registration date of the company
- Registered address of the company
- Registration certificate of the directors and the secretary
- List of the shareholders of the company

Registration documents: 25 TL per set x 5 copies = 125 TL

Plus 5 sets of articles of association & memorandum = 60TL

**Procedure 8**

Go to an Accountant

**Time to complete**

1

**Cost to complete**

37

**Comment**

All the expenses are given to the accountant in order to prepare an opening balance sheet parallel to the date of commencement of the business. Expenses include the stamp duties of the documents to be submitted to Tax Office;

1. 16 TL for the authorization letter of the directors
2. 7 TL for the "No Taxes Due" statement
3. 7 TL for "No Debt Burden" statement for director and company

**Procedure 9**

Submit a form to the tax office to apply for permission to print invoices

**Time to complete**

1

**Cost to complete**

79.5

**Comment**

Forms for permission to print invoices are submitted to the Tax Office together with the provided Company Activation Notification and director employment notifications (One Set of Company Approval Docs together w/articles of assoc. and memorandum, authorization letter together with the opening balance). The VAT registration certificate and the related number of registration is obtained from the Tax Office.

2 copies x 13.5TL = 27 TL (The cost of form is changed every year by the council of ministers)  
50 pages x 0,07 TL = 3.5 TL for each block  
15 blocks needed: 3.5 TL x 15 = 52.5 TL (for invoices, vouchers and receipts)  
[150 TL for receiving the service from middleman - which is optional]

**Procedure 10**

Register the company with the Social Security office and obtain employer's registration number

**Time to complete** 5

**Cost to complete** -

**Comment** Registration with the Social Security office requires document from the labor office in order to be able employ people. One set of company registration documents are submitted.

**Procedure 11**

Register the company with the provident fund office

**Time to complete** 1 day

**Cost to complete** -

**Comment** Registration number from the Provident Fund Office is required to employ workers.

**Procedure 12**

Go to the department of labour to register company. Obtain the Company Verification Certificate and the related number.

**Time to complete** 1

**Cost to complete** -

**Comment** The copy of the company certificate and VAT certificate are required to be submitted with the documents from the provident fund office and the social security office within a month after the registration in the department of tax to avoid late fees.

**Procedure 13**

Order invoices, voucher and receipts from a printing house.

**Time to complete** Max 1week

**Cost to complete** 190

**Comment** 5 blocks for receipts, 5 of invoices and 5 of vouchers

Pick up invoices, voucher and receipts from the printing house

**Time to complete** 1

**Cost to complete** -

**Comment**

Printing house sends receipt for printed invoices to the tax office

**Time to complete** 1

**Cost to complete** -

**Comment**

<b>Procedure 14</b>	Obtain a company seal
---------------------	-----------------------

<b>Time to complete</b>	1*
-------------------------	----

<b>Cost to complete</b>	40
-------------------------	----

<b>Comment</b>	
----------------	--

<b>Procedure 15</b>	Apply to the Municipality to register place of business
---------------------	---

<b>Time to complete</b>	1
-------------------------	---

<b>Cost to complete</b>	490
-------------------------	-----

<b>Comment</b>	One set of company registration documents are provided to register the business place to the related Municipality. This has to be done every year.
----------------	--

<b>Procedure 16</b>	Apply for membership for one of the chambers
---------------------	--

<b>Time to complete</b>	1
-------------------------	---

<b>Cost to complete</b>	800
-------------------------	-----

<b>Comment</b>	One set of company registration documents are required to apply for the membership of a chamber with the 150 TL first registration fee plus 650TL yearly membership fee.
----------------	--

## Dealing with Construction Permits in Northern Cyprus

The table below summarizes the procedures, time, and costs to build a warehouse in North Cyprus.

### BUILDING A WAREHOUSE

Date as of: January 2009

Estimated Warehouse Value: 801.170 TL (\$516.884)

City: Nicosia

### Registration Requirements:

No:	Procedure	Time to Complete	Cost to Complete
1	Request and obtain planning consent and approval from the City Planning department	100	-
2	Request and obtain implementation project approval from the visa office of Chamber of Architects and Engineers	7	801
3	Apply for building permit at the Municipality of Nicosia	15	10.040
4	Receive the remarks of Fire Department	1	-
5*	Receive the remarks of Electricity Authority	1*	-
6	Apply for final approval at the Municipality	5	801
7	Update land title at Registry Department	60	-
8	Request and obtain water connection	7	1.276
9*	Request and obtain Sewerage connection	7*	232
10	Apply for telephone connection	60	688
11*	Apply for Electricity	60*	87.188

\* Takes place simultaneously with another procedure.

<b>Procedure 1</b>	Request and obtain planning consent and approval from the City Planning department
--------------------	--

**Time to complete** 100

**Cost to complete** -

**Comment** For the final approval, City Planning also receives Industry Dept's and Environment Protection Department's remarks, also receives Municipality/District Office remarks. Before the approval it needs to EIA report

<b>Procedure 2</b>	Request and obtain implementation project approval from the visa office of Chamber of Architects and Engineers (construction, mechanic, and electrical aspects)
--------------------	---

**Time to complete** 10

**Cost to complete** 801

**Comment** 0.1% on the cost of the warehouse project -The total cost of the warehouse is computed by employing the unit cost per meter square determined by the Chambers of Architects and Engineers and the total surface of the building (616TL \* 1300.6 square meters = 801,170 TL)

<b>Procedure 3</b>	Apply for building permit at the Municipality of Nicosia
--------------------	--

**Time to complete** 15

**Cost to complete** 10.040

Effective rate 1.25% on the total cost of the project.(1% building permission+ 0.05% road usage fee+ 0.1% stamp duty+0.1% shelter fund fee)Calculated by square meter and the amount per meter square determined by the municipality Office. The costs of building permission of warehouse is: 1% of meter square cost (determined by Chambers of Architects and Engineers.) multiplied by total meter square of warehouse (8012TL) plus road usage fee as 0.05 % of total costs (401 TL) plus stamp fee of 0.1% (801TL) and the shelter fund of 0.1% on the total costs (801TL) and deposit of 25 TL. (Total of 10,040 TL) (For parcel project the costs is 1% over the subdividing cost. plus stamp fee as 0.50 TRY plus shelter fund as 0.1% of total value of subdiv.)

**Comment**

Approved project from Chamber of Architects and Engineers, Title deeds and estate tax invoice are submitted (If the land is not a lot or land parcel not subdivided, the project should also be submitted to the related municipality).

Municipality receives technical opinion from Water Dept. Electricity Authority, Department of Health, and if the need arises it receives opinion from Highways Authority, Telecommunication Authority Security Police, Department of Labour and Fire Dept as well. If there is a lift in the project municipality should also forwards applicant projects to the Department of Labour. The company starts construction after receiving building permission.

**Procedure 4** Receive the remarks of Fire Department**Time to complete** 1**Cost to complete** -

**Comment** Investors should get remarks of the Fire Department in order to grant the final approval and submit it to the Municipality after finishing the warehouse. Investors follow up by themselves to speed up those procedures.

**Procedure 5** Receive the remarks of Electricity Authority**Time to complete** 1\***Cost to complete** -

**Comment** Investors should get remarks of the Electricity Authority in order to grant the final approval and submit it to the Municipality after finishing the warehouse. Investors follow up by themselves to speed up those procedures.

**Procedure 6** Apply for final approval at the Municipality**Time to complete** 5**Cost to complete** 801

**Comment** Final approval costs 10% of the building permission rate (1%) which is equal to 0.1% of the total value of the warehouse. Municipality gets recommendations from the city planning office for monitoring the final approval. Municipality also inspects the warehouse whether it is compatible with the project. If there are any changes municipality demands modification project from the investor.

**Procedure 7** Update land title at Registry Department**Time to complete** 60**Cost to complete** -**Comment****Procedure 8** Request and obtain water connection**Time to complete** 7**Cost to complete** 1.276



**Comment** The applicant should submit the final approval certificate.

**Procedure 9** Request and obtain Sewerage connection

**Time to complete** 7\*

**Cost to complete** 232

**Comment** The investor should finalize the sewerage system and apply to the related department of the municipality to connect the sewerage. The applicant should submit the final approval certificate.

**Procedure 10** Apply for telephone connection.

**Time to complete** 60

**Cost to complete** 688

**Comment** The petition is submitted to Telecommunications Department together with a set of company documents and id copies.  
564 TL plus 124 TL for telecommunication system (4 lines).

**Procedure 11** Apply for Electricity

**Time to complete** 60\*

**Cost to complete** 87.188

**Comment** The electricity project is submitted with visa to Electricity Authority for the connection to be established. Electricity Authority check the electricity system whether it is compatible with the project and then connects the warehouse to electricity. The cost is £36,377 as transformer contribution fee plus £180 for the electricity meter.

## Employing Workers in Northern Cyprus

Employing workers indices are based on responses to survey questions. The table below shows these responses in North Cyprus.

Employing Workers Indicators (2010)	Answer	Score
<b>Difficulty of hiring index (0-100)</b>		<b>11,0</b>
Are fixed term contracts prohibited for permanent tasks?	No	0
What is the maximum duration of fixed-term contracts (including renewals)? (in months)	No Limit	0,0
What is the ratio of mandated minimum wage to the average value added per worker?	0,28	0,33
<b>Difficulty of redundancy index (0-10)</b>		<b>60,0</b>
Is the termination of workers due to redundancy legally authorized?	Yes	0
Must the employer notify a third party before terminating one redundant worker?	Yes	1
Does the employer need the approval of a third party to terminate one redundant worker?	No	0
Must the employer notify a third party before terminating a group of 9 redundant workers?	Yes	2
Does the employer need the approval of a third party to terminate a group of 9 redundant workers?	No	0
Is there a retraining or reassignment obligation before an employer can make a worker redundant?	No	0
Are there priority rules applying to redundancies?	Yes	1
Are there priority rules applying to re-employment?	No	0
<b>Redundancy costs (weeks of salary)</b>		<b>12,0</b>
What is the notice period for redundancy dismissal after 20 years of continuous employment?(weeks of salary)		6,0
What is the severance pay for redundancy dismissal after 20 years of employment? (weeks of salary)		0,0
What is the legally mandated penalty for redundancy dismissal? (weeks of salary)		6,0
<b>Rigidity of employment Index (0-10)</b>		<b>37,0</b>

Rigidity of hours Index			40,0
Can the workweek extend to 50 hours (including overtime) for 2 months per year to respond to a seasonal increase in production?	Yes		0
What is the maximum number of working days per week?	Yes - 5,5		0
Are there restrictions on night work and do these apply when continuous operations are economically necessary?	Yes		1,00
Are there restrictions on "weekly holiday" work and do these apply when continuous operations are economically necessary?	Yes		1,00
What is the paid annual vacation (in working days) for an employee with 20 years of service?	25		1,00

Note: The first three indices measure how difficult it is to hire a new worker, how rigid the regulations are on working hours, and how difficult it is to dismiss a redundant worker. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The overall Rigidity of Employment Index is an average of the three indices.

## Registering Property in Northern Cyprus

This topic examines the steps, time, and cost involved in registering property in North Cyprus.

Standardized Property

Property Value: \$ 667, 700 ( 1,034,935 TL)

City: Nicosia

### Registration Requirements:

No:	Procedure	Time to Complete	Cost to Complete
1	Preparation and the Signature of Sale Contract	16 Days	The lawyer cost - 1192 TL
	Obtain a Power of Attorney	1 Day	10TL for the stamp on power of attorney
2	Pay the Stamp Duty	1 Day	5,176 TL - 0.5% of the Land value
3	Pay the Withholding Tax	1 Day	60,855 TL- 5.88% of the Land value
4	Apply for Registration and the Declaration of the Property Value	1 Day	62,096 TL - 6% of the Land value

<b>Procedure 1</b>	<b>Hire a Lawyer for the Sale Contract and the Land Status Check</b>
--------------------	--

**Time to Complete** 16

**Cost to Complete** 1192

**Comments**

The purchaser pays the lawyer for the sale contract and land status enquiries in order to check. Parties should hire a lawyer to set down the terms of contract agreed, and to check the related status (whether the property in question has collateral attached or any kind of legal obstacle/attachments to be sold) of the land and real estate agency should seal the contract. The contract could also be signed in the presence of a notary or two witnesses or muhtar.

[If a Realtor is hired then his/her Commission would be 4% (3%-5%) on USD 667.700 (50 times income per capita) - 26.708 USD. (This amount is paid by the seller)]

<b>(Optional)</b>	<b>Obtain a Power of Attorney</b>
-------------------	-----------------------------------

**Time to Complete** 1

**Cost to Complete** 10

**Comments**

For obtaining a power of attorney, stamp duty is paid. If the sale transaction will be made in person by the company decision, there should be a separate document showing that they have the power attorney to conduct transactions before land registry on companies' behalf.

<b>Procedure 2</b>	<b>Pay the costs of the stamp duty at the Tax Office</b>
--------------------	--

**Time to Complete** 1

**Cost to Complete** 5176

**Comments**

When the parties sign a sale contract, the seller should pay 0.5% on the value of the land as the stamp duty.

<b>Procedure 3</b>	<b>Pay Withholding tax</b>
--------------------	----------------------------

**Time to Complete** 1

**Cost to Complete** 60855

**Comments**

The seller should pay 5.88% of withholding tax. [Paid in two installments; first installment at the time of transfer (4%); the second on following June (1.88%)].

The power of attorney certificate and company decision should be submitted if the transaction is carried out by any personnel rather than director of the parties.

<b>Procedure 4</b>	<b>Apply for registration and declaration of the property value and pay the taxes.</b>
--------------------	--

**Time to Complete** 1

**Cost to Complete** 62096

**Comments**

The registration fee is 6% of the value of land and paid by the purchaser. The seller, the purchaser and the realtor meet at the registry office and fill in land transfer application form. (This should be done no later than 21 days after the contract is signed by the parties) Once the required documents are presented (The authorization certificates of the parties).

The officer enquires whether the property in question has any associated conflict and also searches whether the property tax of the given year is paid or not. The title deed can only be received in 1 month, the slip that buyer received from Property Registry means that the purchaser can only be the owner of the land.

If it is the first registration of the purchaser, s/he pays the half of the registration fee – 3%. (this is however not applicable to limited liability companies)

## Getting Credit in Northern Cyprus

The following tables summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in North Cyprus.

Getting Credit Indicators (2010)			Indicator
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	0
Are data on both firms and individuals distributed?	No	No	0
Are both positive and negative data distributed?	No	No	0
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	No	No	0
Is data on all loans below 1% of income per capita distributed?	No	No	0
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	No	0
<b>Coverage</b>		<b>0.0</b>	<b>0.0</b>
Number of individuals	0	0	
Number of firms	0	0	
Strength of legal rights index (0-10)			7
Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral?			Yes
Does the law allow businesses to grant a non possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets?			No
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of the secured assets?			No
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets?			No
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties?			Yes
Is a collateral registry in operation that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right?			Yes
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?			Yes
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?			Yes
During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?			Yes
Does the law authorize parties to agree on out of court enforcement?			Yes

## Protecting Investors in Northern Cyprus

The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in North Cyprus.

Protecting Investors Data (2010)	Indicator
<b>Extent of disclosure index (0-10)</b>	<b>3</b>
What corporate body provides legally sufficient approval for the transaction? (0-3; see notes)	0
Immediate disclosure to the public and/or shareholders (0-2; see notes)	0
Disclosures in published periodic filings (0-2; see notes)	1
Disclosures by Mr. James to board of directors (0-2; see notes)	2
Requirement that an external body review the transaction before it takes place (0=no, 1=yes)	0
<b>Extent of director liability index (0-10)</b>	<b>2</b>
Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company. (0-2; see notes)	0
Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company. (0-2; see notes)	0
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff (0-2; see notes)	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	0
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	0
Whether fines and imprisonment can be applied against Mr. James (0=no, 1=yes)	1
Shareholder plaintiff's ability to sue directly or derivatively for damage the transaction causes to the company (0-1; see notes)	1
<b>Ease of shareholder suits index (0-10)</b>	<b>5</b>
Documents available to the plaintiff from the defendant and witnesses during trial (0-4; see notes)	1
Ability of plaintiffs to directly question the defendant and witnesses during trial (0-2; see notes)	2
Plaintiff can request categories of documents from the defendant without identifying specific ones (0=no, 1=yes)	1
Shareholders owning 10% or less of Buyer's shares can request an inspector investigate the transaction (0=no, 1=yes)	0
Level of proof required for civil suits is lower than that for criminal cases (0=no, 1=yes)	1
Shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit (0=no, 1=yes)	0
<b>Strength of investor protection index (0-10)</b>	<b>3,33</b>



## Notes:

### Extent of Disclosure Index

*What corporate body provides legally sufficient approval for the transaction?*

0=CEO or managing director alone; 1=shareholders or board of directors vote and Mr. James can vote; 2=board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote

*Immediate disclosure to the public and/or shareholders*

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

*Disclosures in published periodic filings* 0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

*Disclosures by Mr. James to board of directors*

0=none; 1=existence of a conflict without any specifics; 2= full disclosure of all material facts

### Director Liability Index

*Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company*

0= Mr. James is not liable or liable only if he acted fraudulently or in bad faith; 1= Mr. James is liable if he influenced the approval or was negligent; 2= Mr. James is liable if the transaction was unfair, oppressive or prejudicial to minority shareholders

*Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company*

0=members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1=liable for negligence in the approval of the transaction; 2=liable if the transaction is unfair, oppressive, or prejudicial to minority shareholders

*Whether a court can void the transaction upon a successful claim by a shareholder plaintiff*

0=rescission is unavailable or available only in case of Seller's fraud or bad faith; 1=available when the transaction is oppressive or prejudicial to minority shareholders; 2=available when the transaction is unfair or entails a conflict of interest

*Shareholder plaintiffs' ability to sue directly or derivatively for damage the transaction causes to the company*

0=not available; 1=direct or derivative suit available for shareholders holding 10% of share capital or less

### Shareholder Suits Index

*Documents available to the plaintiff from the defendant and witnesses during trial*

Score 1 each for (1) information that the defendant has indicated he intends to rely on for his defense; (2) information that directly proves specific facts in the plaintiff's claim; (3) any information that is relevant to the subject matter of the claim; and (4) any information that may lead to the discovery of relevant information.

*Ability of plaintiffs to directly question the defendant and witnesses during trial*

0=no; 1=yes, with prior approval by the court of the questions posed; 2=yes, without prior approval

## Paying Taxes in Northern Cyprus

The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in North Cyprus, as well as measures of administrative burden in paying taxes.

TAX or Mandatory Contribution	Payments (Numbers)	Notes on Payments	Time (Hours)	Statutory Tax Rate	Tax Base	Total Tax Rate (% profit)	Notes on TTR
Corporate Tax	2			10%	taxable income	8,88%	
Withholding Income Tax	1	Paid in addition to corporate tax adding up to %23.5		15%	corporate tax deducted taxable income	12,00%	
Withholding Income Tax of employees	12	Average statutory tax rate (among 10% and 20%)		11,34%	Gross Salary		
VAT	12			8%	value added		
Property/Real Estate Tax	1			1TL per square meter	Land Scale(meter square)		
Stamp Duty on Property Sale	1			0.5%	Sale Price	0,25%	
Property Disposal Tax	1			5,88%	Sale Price/Market Value of the Land	1,48%	
Road Tax	1			1200TL (600 TL per truck)	fixed fee	0,09%	
MOT fees and charges	1			500TL (250 TL per truck)	fixed fee	0,04%	

Fuel Tax	1		44% per liter (included in the fuel price)	fuel consumption	1,48%
Municipality Occupation Tax	1		0.2% (2.773 TL)	Gross Salaries	0,23%
Municipality Taxes	1	fixed fee due to former year's loss (otherwise 0.2% on former year's taxable income)	10 TL	fixed fee	0,001%
Social Security Contribution	12		10% (138681TL)	Gross Salaries	11,28%
Provident Fund Contributions	12		5% (69,340TL)	Gross Salaries	5,50%
<b>Totals</b>	<b>59</b>	<b>163</b>			<b>41,23%</b>

**Notes: (on exclusion)**

- a) data not collected
- b) VAT is not included in the total tax rate because it is a tax levied on consumers
- c) very small amount
- d) included in other taxes
- e) Withheld tax
- f) electronic filling available
- g) paid jointly with another tax

Name of taxes have been standardized. For instance income tax, profit tax, tax on company's income are all named corporate income tax in this table.

When there is more than one statutory tax rate, the one applicable to TaxpayerCo is reported.

The hours for VAT include all the VAT and sales taxes applicable.

The hours for Social Security include all the hours for labor taxes and mandatory contributions in general.

## Trading Across Borders in Northern Cyprus

These tables list the procedures necessary to import and exports a standardized cargo of goods in North Cyprus. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2010)	Duration (Days)	US\$ (Cost)
Documents Preparation	11	390
Customs Clearance and Technical Control	7	195
Ports and Terminal Handling	3	40
Inland Transportation and Handling	-	315
<b>Totals</b>	<b>21</b>	<b>940</b>

Nature of Import Procedures (2010)	Duration (Days)	US\$ (Cost)
Documents Preparation	5	355
Customs Clearance and Technical Control	1	130
Ports and Terminal Handling	1	40
Inland Transportation and Handling	-	315
<b>Totals</b>	<b>7</b>	<b>840</b>

### Export

Certificate of Origin  
 Letter of Credit  
 Export Permit  
 Health Certificate  
 Packing List  
 Invoice  
 Bill of Carriage  
 Bill of Lading  
 Export forms Customs Declaration Certificate

### Import

Import Permit  
 Letter of Credit ( 90-days valid)  
 Packing List  
 Invoice  
 Bill of Lading  
 Certificate of Origin (if not assumed 3rd world country)  
 Tib 1 form - Custom Declaration Form

## Enforcing Contracts in Northern Cyprus

---

This topic looks at the efficiency of contract enforcement in North Cyprus.

Nature of Procedure (2010)	Indicator
Procedures (Number)	26
Time (Days)	625
Filing and Service	37
Trial and Judgment	257
Enforcement of Judgment	330
Cost ( % of Claim)	10,91%
Attorney Cost ( % of Claim)	8,41%
Court Cost ( % of Claim)	1,76%
Enforcement Cost ( % of Claim)	0,74%

**Court information:** Nicosia District Court("Lefkoşa Kaza Mahkemesi")

\* Claim assumed to be equivalent to 200% of income per capita.

# ACKNOWLEDGMENTS

## Contributors

Cemal **Arık**  
*TRNC Company Registrar's Office*

Meral **Birinci**  
*Advocate*

Mete **Boyacı**  
*Turkish Cypriot Chamber of Commerce*

Levent **Celaledin**  
*Kıvanç Law Office*

Ahmet **Çağnan**  
*Union of the Chambers of Cyprus Turkish Engineers and Architects*

Özlem **Çilsal**  
*Economist*

Deniz **Dana**  
*TRNC Nicosia District Office*

Derviş **Ener**  
*Nicosia Turkish Municipality*

Hüseyin **Erdal**  
*Erdal & Co. Audit, Tax, Consulting and Chartered Accountants*

Arseven R. **Gümüş**  
*A. R. Gümüş & Co Chartered Accountants*

Zehra **Karasalih**  
*TRNC Central Bank*

Barış **Mamalı**  
*Mamalı Law Office*

Halil **Okur**  
*The Banks Association of Northern Cyprus*

Suna **Önal**  
*Electricity Authority of Northern Cyprus*

Yusuf **Önderol**  
*TRNC Labour Department*

İrfan Paşa **Özakalın**  
*TRNC Telecommunication Department*

Göksel **Saydam**  
*G. Saydam & Co. Consulting and Chartered Accountants*

Mehmet **Saydam**  
*G. Saydam & Co. Consulting and Chartered Accountants*

Hasan **Sungur**  
*Cyprus Turkish Estate Agents Association*

Laik **Topcan**  
*TRNC City Planning Department*

İrfan **Tunçalp**  
*Tunçalp Customs Services*

Adile **Ünvan**  
*TRNC Central Bank*

## Prepared by

Gamze **Kanidingç**  
*YAGA – Cyprus Turkish Investment Development Agency*

Mehmet **Yıldırım**  
*YAGA – Cyprus Turkish Investment Development Agency*