

New revised Strategy for Attracting Businesses to Cyprus

Amended on 30th November 2022

The Cyprus Government on the 15th of October presented its new strategy for attracting businesses to Cyprus with emphasis, among others, on high technology, shipping, innovation, and research and development, in a bid to turn the island into a business and trade centre in the wider region and Europe.

The new strategy has been implemented on 1st January 2022.

Action plan for attracting companies in Cyprus

1. Action Business Unit

Responsibilities:

- Provision of advisory services for the establishment of corporate entities:
 - i. Approval of a Name
 - ii. Company registration
 - iii. Company to be registered as employer with Social Insurance
 - iv. Company to be registered with the VAT and Tax Authorities by the Auditors
- Management and operation of companies in Cyprus.
- Issuance of residence and employment permits in Cyprus.

2. Revised Policy for the issuance of Temporary Residence and Employment Permits to third country nationals employed in companies of foreign interests operating in Cyprus

The Council of Ministers has approved new incentives for attracting companies to operate in Cyprus and also enable those already operating in Cyprus to expand further their activities in the country. As from 1/1/2022, a “Business Facilitation Unit” (BFU) has been introduced by the Ministry of Energy, Commerce and Industry, which is being used as a single point of contact between potentially eligible companies and the relevant Authorities in Cyprus.

And by new amendment the Council of Ministers approved, on 30 November 2022, the policy for the registration of companies in the Register of Foreign Interest Entities, which is currently being administered through the Business Facilitation Unit (“BFU”).

As per the amended policy, the eligibility criteria for the registration of “Foreign Interest Companies” with the BFU, have now been modified. More specifically, in case of a company whose majority of shares (i.e. >50%) are ultimately owned by third-country nationals, a new requirement has now been introduced, whereby an initial investment in Cyprus of at least €200.000 should be made. The relevant funds should be transferred legally in Cyprus from abroad from the UBO(s). For this purpose, the relevant bank swift confirmation should be presented to the Authorities, confirming that the funds have been deposited to the Cyprus bank account of the company.

It should be highlighted that this amendment in the policy for the registration of companies with the BFU enters into force on 12 December 2022.

The purpose of the BFU is the fast and efficient processing of requests received from eligible companies. One of the responsibilities of the BFU is the facilitation for the issuance of work permits in Cyprus for third country nationals. More specifically, eligible companies can register with the BFU, as “foreign companies”, in a fast and efficient manner. Once this registration is completed, the relevant companies may proceed with the submission of applications for the issuance of work permits, in respect of highly skilled employees from third countries.

The main benefit for registering with the BFU as a foreign company, is that such a company would be able to employ highly skilled third country nationals through a fast track process, by applying for the issuance of work permits, directly to the Civil Registry and Migration Department (CRMD). Through the fast track process, companies can avoid the lengthy procedures undertaken by the Department of Labor for granting approvals of employment for third country nationals, as per the current policy that is in place.

Eligible Companies for Registering with the BFU:

- Companies/ foreign businesses in Cyprus or foreign businesses wishing to establish presence in Cyprus which have a physical presence in Cyprus including establishment/ operation of independent offices that are separate from any private residence.
- Cyprus shipping companies.
- Cyprus high technology / innovation companies.
- Cypriot pharmaceutical companies or companies operating in the fields of biogenetics and biotechnology.

Issuing of temporary Residence and Employment Permits in Cyprus for third country nationals with minimum acceptable gross monthly salary of €2.500, provided that the following conditions are met:

- Possession of a university diploma or title or equivalent qualification or certificates of relevant experience in a corresponding employment position lasting at least 2 years.
- Employment contract of not less than two years.

Employment of support staff (with gross monthly salary less than €2.500)

In addition, the employment of third-country nationals is permitted provided that it does not exceed 30% of all support staff and provided that the third-country national and the employer have entered into an employment contract duly approved by the relevant authority in accordance with the applicable law.

Duration of residence and employment permits

The permits will be issued immediately within 1 month and will last up to 3 years.

3. The right to family reunification of third-country nationals who are part of the third-country employment policy

Direct and free access to the labor market as paid employees to the spouses of those obtained a residence and or work permit in the Republic, and who receive a minimum gross monthly salary of €2.500 (not applicable for support staff).

4. Simplify and speed up the process of granting work permits (CATEGORY E - Long-Term Resident Status)

5. Introduction of DIGITAL NOMAD VISA (with a maximum initial limit of 500 beneficiaries)

- **Beneficiaries**

Third country nationals self-employed or employees who work remotely using information and communication technologies, with employers / clients outside Cyprus.

- **Residence status**
 - i. They have the right to stay in the country for up to one year, with the right to renew for another two years.
 - ii. They can be accompanied by their family members, to whom, upon request, a residence permit that expires at the same time as their dependent's is granted. During their stay in Cyprus, the spouse or partner (concerns persons who have entered into a civil union) and the minor members of the dependent's family are not allowed to provide dependent work or to engage in any kind of economic activity in the country.
 - iii. If they live in the Republic for one or more periods that in total exceed 183 days within the same tax year then they are considered tax residents of Cyprus meaning they are not tax residents in any other State.

- **Prerequisites:**

Among others:

Evidence that he has sufficient resources, at a fixed income level, to cover his / her living expenses during his / her stay in the country, without burdening the national social welfare system. The amount of sufficient resources is set at €3.500 per month and it can be supported:

- i. from the employment or work contract or proof of employment, in the case of dependent work, services or work or
- ii. from a bank account. If sufficient resources come from paid employment services, services or work, the above minimum amount refers to net income after payment of the required taxes in the country of employment

The above amount is increased by twenty percent (20%) for the spouse or cohabitant and by fifteen percent (15%) for each child.

- Medical Insurance
- Clean criminal record certificate from the country of residence

6. Amendments to the Income Tax Law voted on 14th July 2022

Changes have been made to articles 8(21) and 8(23) of the Income Tax Law in relation to exemptions that provide for a 20% or 50% exemption from Income Tax for individuals who take up first employment in Cyprus

Income Tax Law – 20% exemption, as provided in Article 8(21)

- From the date of publication of the new legislation, the exemption of 20% (or EUR 8.500, whichever is lower) will be granted to individuals that take up first employment in Cyprus.
- It is provided that during the 3 years preceding their employment, the individual was exercising their employment outside Cyprus, for a non-Cypriot resident employer.
- This exemption will be granted for 7 years.

Income Tax Law – 50% exemption, as provided in Article 8(23)

- From the date of publication of the new legislation, the provision of Article 8(23)A will be applicable, whereby a 50% exemption from Income Tax for individuals that take up first employment in Cyprus will be granted, subject to the following conditions:
 - The exemption will be granted in any Tax Year in which the remuneration for employment in Cyprus exceeds the amount of EUR 55,000, provided that during the first or second year of employment, the remuneration exceeded the amount of EUR 55,000
 - The exemption will be granted if the individual was not a resident of Cyprus for 10 consecutive years prior to his/her employment
 - The exemption will be granted in the cases where the first employment will commence on or after 1st January 2022
- The exemption will be granted for a period of 17 years, starting from the year of employment in Cyprus

7. Extension of tax exemption for investment in innovative companies

Consideration of the possibility of extending the tax exemption to 50% for investment in certified innovative companies and by corporate investors.

8. Increased tax deduction (compared to the actual one) for research and development expenses

Granting an increased discount on research and development expenses (e.g. by 20%). Eligible research and development expenses will be deducted from taxable income equal to 120% of the actual.

9. Application for acquisition of Cypriot citizenship

Right to submit an application for naturalization after 5 years of residence and work in the Republic of Cyprus, instead of 7 applicable today, or after 4 years if they meet the criterion of holding a recognized certificate of very good knowledge of the Greek language.

10. Promotion of the Action Plan abroad and campaign for attracting qualified Cypriots working abroad and targeted campaign to qualified workforce employed in countries with political instability.

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