

Strategy for attracting businesses and talent in Cyprus

Questions & Answers

1. GENERAL

Are the measures described in the strategy already in effect?

The competent departments and services are working in finalizing the detailed implementation plan of the Strategy, and in this respect, an indicative timeline is provided next to each action's description. The implementation of the Strategy will commence on January 2022.

2. BUSINESS FACILITATION UNIT

Which foreign companies are eligible to apply to the Business Facilitation Unit and how can a company apply?

All foreign companies as defined below are eligible to get facilitation through the new Unit. Companies should send an e-mail or a letter to the BFU describing the nature of their business, number of employees, expansion plans etc, listing the services they wish to obtain through the BFU.

How is the term “foreign company” defined in requirements to qualify as one?

1. Third-country shareholders should own the majority of the company's shares.

OR

In cases where the percentage of foreign participation in the company's share capital is equal to or less than 50% of the total share capital, in order for the company to be considered as eligible, then the foreign participation should represent an amount equal to or greater than the amount of € 200.000 as nominal capital.

OR

Companies that fulfil the following criteria:

- Public companies registered in any recognised stock exchange
- Former offshore companies that were operating in Cyprus by approval of the Cyprus Central Bank, before the change of their offshore status.
- Cypriot shipping companies.
- Cypriot companies of high technology / innovation.
- Cypriot pharmaceutical companies or companies operating in the fields of biogenetics and biotechnology.

- Persons who have acquired Cypriot citizenship by naturalization based on economic criteria, given that they will prove that the conditions under which they were naturalized are still met.

AND

2. The establishment/ operation of independent offices in Cyprus, in suitable premises, separate from any private housing or other office, except in the case of business co-habitation.

Which services will be offered by the new Business Facilitation Unit?

The BFU will offer the following services:

1. Provision of Services for the establishment of a company:

Assist companies to obtain all necessary registrations for the establishment of a business in a single point, including the following:

- Company registration and name approval
- Registration to the Social Insurance Registry and the Employers Registry
- Registration to VAT Registry and to Income Tax

2. Licensing Facilitation for establishment and operation of companies in Cyprus

Provision of information for all the necessary permits required by the company in order to start operations.

3. Facilitation for the issuance of residence and employment permits in Cyprus

Facilitate the issuance of residence and employment permits in Cyprus for third-country nationals.

All procedures and relevant information will be available in the Facilitation Unit's website (www.businessincyprus.gov.cy).

Do the new Policy provisions apply to companies already registered in the Civil Registry and Migration Department, regardless of whether they have registered in the Fast-Track Business Activation Mechanism?

Yes. The new Policy automatically applies to the companies already registered to the CRMD as companies of foreign interests. These companies will not have to register to the Business Facilitation Unit (BFU).

What will be the process of registering the "foreign company"? Where should the interested companies apply?

The first point of contact for the interested companies is the BFU. Once the company is registered with the BFU, a written confirmation will be given. Using the written confirmation,

companies can contact the CRMD for the residence and employment of their third-country personnel.

Does the new Policy cover also small companies/family offices or sole proprietorships?

Yes.

3. WORK PERMITS FOR THIRD-COUNTRY NATIONALS WORKING IN FOREIGN COMPANIES

Is the €2,500 salary requirement immediately applicable for renewing current key personnel's licenses whose salary requirement is €2,000 in the present Policy?

No. A grace period of 5 years, until 31.12.2026, is granted to existing Key personnel. Until then, existing holders of Key Personnel Residence and Employment permits can renew their residence permits with the existing salary threshold (€2000 gross monthly salary).

Is the 5-year period limit for securing at least 30% key personnel from EU countries applicable to existing companies too? If this is the case, will it be evaluated 5 years after the new Policy's enactment (Early 2027)?

Yes, the 5-year period for securing at least 30% key personnel from EU countries applies to existing companies too. This period it is set to expire on 31.12.2026, i.e., 5 years from the validity of the Strategy. After the lapse of 5 years, if it is not possible to employ 30% of Cypriot workers, the matter will be re-examined on a case-by-case basis.

What is the necessary procedure to be followed?

High skilled workers are exempted from the Labor Department's market test (sealed employment contract requirement). Aliens and Immigration Law provisions will be followed (Cap 105, Articles 18YΓ to 18ΦΖ). Requirements:

- Minimum gross monthly salary of €2500
- A university degree or diploma or equivalent qualification or credentials confirmation of relevant experience in a corresponding employment position of at least 2 years duration.
- submit Provision of an employment contract of not less than 2 years.

Does the enhanced family reunification benefit apply to employees of companies included in the Business Facilitation Unit only? Does it extend to family members of employees currently working in foreign companies?

Existing holders of residence permits under family reunification will benefit from the new Strategy. In other words, spouses with existing family reunification permits will be entitled to free access to paid employment without undergoing a market test (stamped contract by the Department of Labour).

Does the new Policy also apply to family members of key personnel employed in foreign companies under the current criteria (salary requirement of €2,000)?

Yes. Same as above.

Is the bank guarantee requirement repealed, as the requirement for “statement of responsibility for removal costs” implies?

Bank guarantees are still in force for family reunification purposes.

4. DIGITAL NOMAD VISA

Is there a pre-registration list we can apply to?

No. The Civil Registry and Migration Department will announce the program’s details and registration process by the end of the year.

5. NATURALISATION

Does the amendment to naturalization process applies to all non-nationals, or only to the ones under the new Policy framework?

In New Strategy, provisions are made for changes in the Civil Registry Legislation in regards to the naturalization of highly skilled third-country employees, provided that they reside and are integrated into the Cypriot society. The Ministry of Interior is already working on an amendment of the Civil Registry legislation that is expected to be submitted to the House of Representatives by the beginning of the new year. One of the purposes of the amendment is for the law to provide the right to the specific category of employees to submit an application for naturalization in reduced time, in comparison to the existing time criteria. In addition, considering the nature of their work and the necessary absence abroad for business purposes, the law will provide a more flexible way of calculating their period of stay in the Republic.

6. BUSINESS TAX INCENTIVES

6.1. Incentives for investing in innovative companies/startups

Is a 50% tax exemption for corporate investors expected, as is currently applied to private investors? Will it cover all forms of risk financing (equity, debt, etc.)? When should we expect the tax exemption to come into effect?

No. The Risk Finance Guidelines provided by the EC restricts the tax exemption rate for corporate investors. It should be clarified that the proposed measure is considered a notifiable state-aid measure, and it has been submitted to DG Comp for approval. Forms of risk financing to be covered under the regime will be announced soon after the consultation with the DG Competition, currently underway, is completed. Following successful completion

of the approval process by the DG COMP, the Ministry of Finance will submit the bill to the House of Representatives for approval.

Is the tax exemption framework for investing in innovative companies active for private investors?

No. It expired on 30/6/2021; the Ministry of Finance will soon submit a bill to the House of Representatives for extending it until the end of 2023. For more information on the tax exemption framework for investing in innovative companies, please visit https://www.dmrid.gov.cy/dmrid/research.nsf/euprogramms_en/euprogramms_en?OpenDocument.

6.2. Tax incentives for employees

Who are the eligible beneficiaries, and for how many years?

- Category A: New non domicile - employees taxpayers in Cyprus (who will start employment in Cyprus after the entry into force of the tax bill) either EU citizens or third-country nationals, with a salary exceeding the amount of €55K. The tax exemption period will be given for 10 years. The exemption will not be given in respect of an athlete's income.

- Category B: Current beneficiaries (taxed under Article 8(23) of the Income Tax Law) with earnings >€100K, who do not have their domicile in the Republic, will be eligible for a 50% exemption for an extended period of seventeen tax years starting from the year of employment. In case of a Cyprus domicile employee, the 50% exemption will continue to apply until the completion of 10 years from the commencement of the employment in the Republic.

- Category C: Current beneficiaries (taxed under Article 8(21) of the Income Tax Law) with earnings between €55K and €100K, who do not have their domicile in the Republic, a 50% exemption is granted for ten years from the year of employment when the tax bill enters into force. Cyprus domicile employee who was employed prior to 2021, the 20% exemption will continue to apply until the completion of 5 years from the commencement of the employment in the Republic. Thereafter, this exemption will be abolished.

How is the domicile status defined?

Domicile status is already defined in the Special Defense Contribution Law. The exact definition will apply in the Income Tax Law.

Specifically, an individual is considered domiciled in the Republic in accordance with the provisions of the Wills and Succession Law:

- A domicile of origin (i.e., the domicile received by an individual at birth); or
- A domicile of choice (i.e., the domicile acquired by an individual by establishing a home with the intention of a permanent residence).

A person who has a domicile of origin in Cyprus will be treated as “domiciled in Cyprus” with the exception of:

- An individual who has obtained and maintained a domicile of choice outside Cyprus under the provisions of the Wills and Succession Law, provided that this individual was not a Cyprus tax resident for a period of at least 20 consecutive years, or
- An individual who was not a Cyprus tax resident for a period of at least 20 consecutive years immediately prior to 2015.

Additionally, irrespective of their domicile of origin, an individual who has been a tax resident of Cyprus for at least 17 years out of the last 20 years shall be considered as deemed domiciled in the Republic of Cyprus.

Examples under the new regime

1. New non domicile/domicile-employee, starting employment in 2022, with a yearly fixed salary of €120,000 until 2032. Assume that the taxable income is equal to his yearly salary.

Taxable income: €60,000 until 2032 (tax benefit valid until 2032, tax income adjusted every year to 50% of the yearly salary)

2. Current non domicile employee, started working in Cyprus in 2019, with a yearly fixed salary of €70,000 Assume that the taxable income is equal to his yearly salary.

Taxable income: €35,000 until 2029 (tax benefit valid until 2028, taxable income adjusted every year to 50% of the yearly salary)

3. Current non domicile employee, started working in Cyprus in 2019, with a yearly fixed salary of €120,000 Assume that the taxable income is equal to his yearly salary.

Taxable income: €60,000 until 2036 (tax benefit valid until 2036, taxable income adjusted every year to 50% of the yearly salary)

4. Current domicile-employee, started working in Cyprus in 2019, with a yearly fixed salary of €120,000 Assume that the taxable income is equal to his yearly salary.

Taxable income: €60,000 until 2029 (tax benefit valid until 2029 taxable income adjusted every year to 50% of the yearly salary)

5. New non domicile-employee, starting employment in 2022, with a yearly salary of €70,000

Taxable income: €35,000 until 2032 (tax benefit valid until 2032, taxable income adjusted every year to 50% of the yearly salary)

Note: The tax benefit will not be granted for any years where the yearly salary is below the threshold of €55,000.

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