

CYPRUS ACTION PLAN FOR ATTRACTING COMPANIES TO OPERATE OR EXPAND THEIR ACTIVITIES IN CYPRUS

On 15th October 2021 the Cyprus Government presented its Action Plan for attracting companies to operate or expand their activities in Cyprus, in an attempt to make the island a **Sustainable Business and Trade Centre** of the broader region and Europe.

The new strategy is in line with the guidelines of the European Commission and the Recovery and Resilience Facility, and its implementation aims to create added value to the economy and also redefine the country's development model.

The key points of the Action Plan are briefly summarised below:

1. Transformation of the existing Fast Track Business Activation Mechanism into a Business Facilitation Unit

The unit will function as the focal point of contact for all companies of international interest, either operating in Cyprus or wishing to operate in the country, as well as for Cyprus companies in specific areas of economic activity, including:

- Shipping companies,
- High-tech/innovation companies,
- Pharmaceutical companies,
- Companies operating in the fields of biogenetics and biotechnology.

The responsibilities of this unit will be:

- The provision of services for the establishment of corporate entities:
 - Company registration and name approval
 - Registration with the Social Insurance Registry and the Employers' Registry
 - Registration with the VAT and Income Tax
- Guidance for the establishment and operation of companies in Cyprus
- Facilitation for the issuance of residence and employment permits in Cyprus

2. Revised policy for the issuance of temporary residence and work permits to third country nationals

Eligible Companies:

- Foreign companies operating in Cyprus or foreign companies wishing to establish presence in Cyprus which have a physical presence in Cyprus,
- Cyprus shipping companies,
- Cyprus high-tech/innovation companies,
- Cyprus pharmaceutical companies or companies operating in the fields of biogenetics and biotechnology.

Main provisions:

- A minimum gross monthly salary of €2,500 is introduced for employees who have the required academic skills or at least two years of relevant experience
- Companies will be able to employ third country nationals as support staff (with gross monthly salary below €2,500) provided that the employment of third-country nationals does not exceed 30% of all support staff
- The duration of the residence and work permit can be up to three years and will be issued within one month from the application date

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- The maximum number of third country nationals is 70% of the total number of employees in a 5-year period from the date of the inclusion of the company in the Business Facilitation Unit.

3. Right to employment for family members of third country nationals who are part of the third country employment policy

Spouses of third country nationals who have obtained a residence and work permit in the Republic, and who receive a minimum gross monthly salary of €2,500 (not applicable for support staff) will have immediate and free access to employment.

4. Simplification of the process for granting work permits

The Ministry of Interior will amend the relevant Regulations of the Aliens and Migration Law, to simplify the process and determine the criteria based on which work permits will be granted.

5. Digital nomad visa

A new type of residence permit will be introduced, for people who wish to live in Cyprus but work in companies operating abroad.

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

Quota: A maximum initial limit of 100 applications

Residence status:

- Right to stay in the country for up to one year, with the right to renew for another two years
- 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.
- 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 Cyprus tax residents, meaning they are not tax residents in any other State.

Prerequisites (among others):

- There is a minimum threshold of funds coming from abroad (supported by salary, bank statements, etc.) set to €3,500 per month, increased by 20% for the spouse and by 15% for any minor
- Medical insurance
- Clean criminal record certificate from the country of residence.

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6. Tax incentives

- **Expansion of the existing income tax exemption of 50% for taking up employment in Cyprus**
 - The personal income tax exemption of 50% will be expanded to cover new Cyprus tax residents-employees with salaried income of €55,000.
 - Existing beneficiaries of the scheme should be able to extend the exemption from 10 to 17 years. Potential beneficiaries are individuals with income between €55,000 - €100,000 for the remaining period of 17 years.
- **Extension of the tax exemption for investment in innovative companies**

Consideration of the possibility to grant the tax exemption of 50% for investment in certified innovative companies to corporate investors (The scheme that was in force until 30 June 2021 applied only to individuals).
- **Increased tax deductions for Research & Development (R&D) expenses**

Granting an increased tax deduction on R&D expenses (e.g. by 20%). Eligible R&D expenses will be deducted from taxable income equal to 120% of the actual.

7. Application for Cypriot Citizenship

The period of eligibility for applying for citizenship will be reduced from seven years of residence and work in the Republic, to five years.

A further reduction of four years applies for holders of certification for very good knowledge of the Greek language.

8. Promotional Plan

- Promotion of the Action Plan abroad
- Campaign for attracting qualified Cypriots working abroad
- Targeted campaign to qualified workforce employed in countries with political instability.

Implementation

The Action Plan will be implemented as from 1st January 2022 with the exception of actions 6-7 for which legislative regulations are required. The aim is for the relevant legislation to be submitted to Parliament by the end of December and to be approved in the first quarter of 2022.

AuditPro Comments

This is an excellent opportunity for Companies operating in Cyprus or wishing to operate in the country or Companies that wish to employ third country nationals (outside the EU) to operate or expand their activities in Cyprus.