

Attracting Foreign Investments in Cyprus

TOTALSERVE



Business Facilitation Unit (BFU)

This is essentially a transformation of the existing 'Fast Track Business Activation Mechanism'. The BFU will be providing assistance to companies of foreign interests that are either already operating in Cyprus or that wish to operate in Cyprus. The main responsibilities of the BFU will be as follows:

- Provision of services for establishment of corporate entities, including registration and name approval, registration with Social Insurance, registration with Income Tax and VAT.
- Guidance for obtaining the necessary licenses for operation of the companies in Cyprus.
- Facilitation of the issuance and renewal of residence and employment permits.

Revised policy

The companies eligible to utilise the revised policy are:

- Foreign companies operating in Cyprus (or wishing to operate in Cyprus) which have physical presence in Cyprus.
- Cypriot shipping companies.
- Cypriot high-tech/ innovative companies.
- Cypriot pharmaceutical, biogenetics and biotechnology companies.

The main provisions of the revised policy are as follows:

- Eligible companies may employ third-country nationals, with a minimum gross monthly salary of €2,500. Such employees must have relevant academic skills (university degree or equivalent qualification), or at least two years of relevant experience in an equivalent employment position.
- The maximum number of third-country nationals that can be employed is 70% of all employees, in a five-year period from the date of inclusion of the company in the BFU.
- The residence and employment permits will be issued within one month from the application date, and their validity can be up to three years.
- Eligible companies may also 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.

Employment right for family members

Spouses of third-country nationals who have obtained a residence and work permit in Cyprus will be granted immediate and free access to employment as paid employees. This applies only to spouses of qualified staff (minimum gross monthly salary €2,500) and not to spouses of support staff.

Tax incentives

The 50% tax exemption for taking up employment in Cyprus has been expanded to cover new Cypriot tax residents becoming employees with annual salaried income of €55,000. The exemption will apply for 17 years. Existing beneficiaries of the 50% exemption (€100,000 salaried income) will be able to extend the tax exemption, from 10 years to 17 years.

The 50% tax exemption for investments in certified innovative companies has been expanded to also cover corporate investors (the scheme that was in force up to 30th June 2021 only applied to individuals).

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

NOTE: The beneficial Cyprus non-domicile tax regime continues to apply to all foreigners becoming Cyprus tax residents.

Naturalisation

Right to apply for naturalisation after five years of residence and work in Cyprus (instead of the current seven years), or after four years for holders of certification of very good knowledge of the Greek language.

Why Totalserve?

With five decades of experience, Totalserve can fully assist in a tailor-made and one-stop-shop approach with all the needed aspects of setting up, restructuring or relocating a company or the headquarters to Cyprus. Totalserve can assist in all areas and at all stages, including but not limited to:

- Relevant structuring, incorporation and transaction assistance.
- All corporate, commercial and legal aspects at all stages.
- Tax, accounting and audit compliance.
- Locating, staffing and setting up any needed office.
- All banking related needs.
- Personal aspects of the owners, management and employees - from immigration, work permits, naturalisations to personal tax issues and other personal or family needs.

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