

Incentives to Attract Talent and Promote Headquartering in Cyprus

September 2022

Building on the Cyprus government's strategic plan to attract foreign businesses to establish or expand their activities in Cyprus, new provisions have been implemented with respect to setting up corporate headquarters in Cyprus, employing overseas workers in Cyprus, and allowing "Digital Nomads" who wish to operate from the island to re-locate to Cyprus. The headquartering and overseas employee provisions apply to:

- Foreign companies operating in Cyprus, or foreign companies intending to relocate to Cyprus or to operate independent offices in Cyprus (Note: foreign businesses wishing to headquarter in Cyprus need at least 50% plus one (1) share of the issued share capital of their foreign company to be owned by third-country nationals)
- Public companies registered on any recognized stock exchange
- Cypriot shipping companies
- Cypriot high-tech innovative companies
- Cypriot pharmaceutical companies or Cypriot companies active in the sectors of biogenetics or biotechnology

Employment of Third-Country Nationals

Employment of Highly Skilled Workers

- Minimum salary of €2,500 per month
- Minimum employment contract duration is two (2) years
- Must have a university diploma or degree, or equivalent qualification, or confirmation of a minimum of two (2) years of relevant experience in a corresponding job

- The maximum number of third-country nationals is 70% of the total number of employees in a five-year period from the date of the company's approval as a foreign interest company

- Third-country nationals can obtain a temporary residence permit valid for three (3) years, assuming that the worker's passport and employment contract cover the duration

Employment of Support Staff

Employment of third-country nationals as support staff (with a gross monthly salary of less than €2,500) is permitted if it does not exceed 30% of the total support staff, and provided that there is an employment contract between the third-country national and the employer, which is duly validated by the competent authority in accordance with current legislation. Employment permits are issued for a period of three (3) years.

Employment of Family Members/ Family Reunification

- Immediate and free access to the labour market (self-employment is not allowed) for spouses whose financial supporter has obtained a residence and work permit in the Republic of Cyprus and receives a minimum gross monthly salary of €2,500 (excluding support staff)

Tax and Other Incentives

Tax Incentives Applicable to Third-Country Nationals Working in Cyprus

- A 50% income tax exemption for new workers with yearly salaries of €55,000 or above for a period of 17 years; this exemption will also be granted to existing workers with salaries between €55,000 and €100,000

- A 50% income tax exemption for existing workers with salaries of €100,000 or above for a period of 17 years
- A 20% personal income tax exemption (up to a maximum exemption amount of €8,550 annually) is provided on the remuneration earned from an employment exercised in Cyprus by an individual who was not a resident of Cyprus before commencement of this employment; this applies for a maximum period of seven years starting from 1 January in the year following the year of employment commencement, with the last eligible year being 2030; this exemption may not be combined with the above mentioned 50% exemption for employment income
- Right to apply for naturalization after five (5) years of residence and work in Cyprus or after four (4) years if holding a recognized certificate of Greek language knowledge

Tax Incentives for Headquartering in Cyprus

- The Cyprus IP Box Regime provides a maximum tax rate of 2.5% on income earned from IP assets
- A 20% tax deduction is granted for eligible research and development expenses to further incentivize foreign investments and businesses to relocate their operations to Cyprus; the Minister of Finance stated that the deduction is valid for a period of three (3) years commencing from 2022
- Notional interest deduction for companies receiving new equity funding, which can be up to 80% if the taxable income produced is employed by the new equity funding
- A 50% tax exemption on investments in certified innovative companies by corporate investors (applied only to equity investments; capped at €150,000 provided no more than 30% of the amount invested is claimed); valid until 31 December 2023

Cyprus Digital Nomad Visa

The Cyprus Digital Nomad Visa Scheme (which has a maximum quota of 500 applications) allows nationals from non-EU and non-EEA countries, who can perform their work from any location using telecommunications technology, to reside

temporarily in Cyprus while working for an employer registered abroad or performing remote work for companies or clients located abroad.

Key Features

- Visa holders can stay in Cyprus for up to one (1) year and can then renew the visa for another two (2) years
- Digital nomads must be able to prove that they have stable and sufficient monthly net income of at least €3,500 (after the deduction of contributions and taxes)
- If they reside in Cyprus for more than 183 days within the same tax year, they are considered Cyprus tax residents, provided that they are not tax residents in any other country
- Digital nomads must provide a criminal record certificate from the country of residence
- They can be accompanied by family members who are granted a residence permit that expires at the same time as the financial supporter's residence permit; spouses of Cyprus Digital Nomad Visa holders are not allowed to engage in any form of economic activity in Cyprus

The scheme's goal is to strengthen Cyprus' position as a center for the provision of electronic services and to attract digital talent to contribute to the development of the country's economy.

How We Can Help

Our Cyprus team can assist with:

- Immigration procedures and services
- Finding and setting up office spaces
- Drafting compliance and HR procedures
- Accounting services
- Employment and payroll services
- Providing housing and schooling options
- Establishing companies, trusts and funds

If you want to learn more or discuss how we can assist you, please contact Christina Economou at ceconomou@tridenttrust.com.

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