

# Cyprus Launches Strategy to Become a Sustainable Business and Trade Centre

December 2021

The Cyprus government recently presented a new strategic plan for attracting investors and companies to the country, with particular emphasis on high-tech, shipping, innovation, research and development, biogenetics, and biotechnology research. The plan is in line with the guidelines of the European Commission and the Recovery and Resilience Facility and will be implemented in January 2022. The following, amongst other items, are included in this proposal.

## Setting Up a Business Facilitation Unit

- The unit will operate as the primary point of contact for all foreign companies in Cyprus or those wishing to relocate to Cyprus. Its focus will be on businesses involved in the following areas:
  - Shipping
  - High-tech or innovation
  - Pharmaceutical
  - Biogenetics and/or biotechnology
- The unit will provide assistance and guidance for:
  - The establishment of a Cyprus company
  - VAT and income tax registration
  - Social insurance registration
  - The issuance of employment and residence permits

## Revised Policy for the Employment of Third-Country Nationals

- Applicable to employees of foreign companies operating in Cyprus or foreign companies wishing to establish a presence in Cyprus
- Issuance of temporary residence and employment permits in Cyprus
  - Applies to third-country nationals with minimum gross monthly salary of €2,500, provided that they possess a university diploma or title, or equivalent qualification, or at least two years of relevant experience, and that they present a contract of employment of not less than two years
- Employment of support staff (with gross monthly salary less than €2,500)
  - Companies will be able to employ third-country nationals as support staff (with gross monthly salary less than €2,500) provided that the third-country nationals do not exceed 30% of all support staff
- Duration of residence and employment permits
  - Residence and employment permits will be issued within one (1) month of application and will last up to three (3) years

- Application for family reunification for third-country nationals who are part of the third-country employment policy
  - Immediate and free access to the job market for spouses whose partner has secured a residence and work permit and who earns at least €2,500 gross per month (excludes support staff)

#### Introduction of Digital Nomad Visa

Aiming to attract digital nomads, a new visa will be offered to a maximum of 100 third-party nationals who are employed by non-Cypriot companies, self-employed, or freelancers working remotely, who can further meet certain eligibility criteria. The qualified individuals will be able to reside in Cyprus for up to one (1) year with the right to renew the visa for two (2) more years. They will also be allowed to move their families to Cyprus.

#### Tax Incentives

- Extension of the tax exemption applicable to employees in Cyprus
  - Income tax exemption of 50% for new residents and employees with income of at least €55,000 with the possibility to extend the benefit from 10 to 17 years; potential beneficiaries of the allowance are persons with earnings of €55,000 to €100,000 for the remaining 17-year period
- Extension of tax exemption for investments in innovative companies
  - Tax exemption of 50% for investment in certified innovative companies also includes corporate investors
- Tax relief on research and development costs
  - Eligible research and development expenses will be deducted from taxable income up to 120% of the actual business income

#### Citizenship Incentives

Employees who are third-country nationals will have the right to apply for naturalization after five (5) years of residence and work in Cyprus, or after four (4) years if they hold a recognized certificate of strong knowledge of the Greek language. The transfer of social security contributions will also be ensured through intensified efforts to conclude bilateral agreements with third countries.

All the above proposals will be implemented as of 1 January 2022 with the exception of the citizenship and tax incentives, which are pending the necessary approval of various amendments in the legislation. The aim is for the relevant legislation to be submitted to the House of Representatives by the end of December 2021 and to be approved in the first quarter of 2022.

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