



**ACTION PLAN FOR
ATTRACTING FOREIGN
COMPANIES TO CYPURS**

In October 2021, the Cypriot Minister of Finance, Mr. Konstantinos Petrides, introduced an action plan for attracting foreign companies to operate or enlarge their business in Cyprus (the “**Action Plan**”), with the aim of making Cyprus a sustainable business hub.

The core provisions of the Action Plan are summarily mentioned below:

1. Business Facilitation Unit

The current fast track business activation mechanism will be transformed into a business facilitation unit. This unit will be operating as the main contact for all corporate entities of international interest, being the corporate entities which are functioning within Cyprus or desiring to operate in the island, as well as the Cyprus corporate entities which operate in particular areas of economic activity such as shipping companies, high-tech/innovation companies, pharmaceutical companies and companies operating in the fields of biogenetics and biotechnology (the “**Companies of International Interest**”).

This unit will be responsible for the provision of the below mentioned services:

- a) facilitating the formation of corporate entities, namely providing the services for the name approval and company registration, registration with the Social Insurance Registry, the Employers’ Registry, VAT and Income Tax;
- b) guiding the formation and operation of corporate entities in Cyprus; and
- c) assisting with the issuance of residence and employment permits in Cyprus.

2. Revised employment policy for the third country nationals

The revised policy for the issuance of temporary residence and work permits to third country nationals allows the Companies of International Interest to employ third country nationals provided that the below mentioned requirements are followed:

- a) the foreign companies operating in Cyprus or desiring to establish presence in Cyprus shall have a physical presence in Cyprus in suitable premises, being separated by any private house;
- b) a minimum gross monthly salary of €2.500 will be offered to employees who have adequate academic skills or at least two years of relevant experience;
- c) third country nationals can be employed by the Companies of International Interest as support staff, with gross monthly salary below €2.500, only if the employment of third-country nationals does not exceed 30% of all support staff;
- d) the period of the residence and work permit can be up to three years and will be issued in one month from the date of application; and

e) the maximum number of third country nationals shall be 70% of the total number of employees in a 5-year period (starting from the date the company was included in the business facilitation unit).

3. Right to employment for spouses of third country nationals

Immediate and free access to employment will be provided to the spouses of third country nationals who have been given a residence and work permit in Cyprus and who receive a minimum gross monthly salary of €2,500, thus, this provision is not applicable for the spouses of support staff.

4. Simplifying the process of granting work permits

The regulations of the Aliens and Migration Law of Cyprus, those that are relevant to the granting of work permits will be amended by the Ministry of Interior of Cyprus in order to simplify the process and determine the criteria based on which work permits will be granted.

5. Digital Nomad Visa (with a maximum initial limit of 100 applications)

The digital nomad visa is a new type of residence permit that will be introduced for people who wish to live in Cyprus but work in corporate entities operating abroad.

Beneficiaries:

Third country nationals who are self-employed or freelancers or employees who work remotely using information and communication technologies and platforms and having employers/clients outside Cyprus.

The residence status of the above-mentioned beneficiaries will be as follows:

- a) they will have the right to stay in Cyprus for up to one year, with the right to renew their permit for another two years period;
- b) they will be considered as Cyprus tax residents if they live in Cyprus for any periods that in total exceed 183 days within the same tax year;
- c) they can be accompanied by their family members, to whom, upon request, a residence permit is granted (expiring at the same time as the beneficiary's); and
- d) the spouse/partner (being a person with which the beneficiary has entered into a civil union) and/or the minor members of the beneficiary's family in Cyprus are not allowed to provide dependent work or to engage in any kind of economic activity during their staying in Cyprus.

The digital nomad visa will be granted if the third country national provides the relevant authorities with the following (among others) required documents/evidences:

- a) A minimum threshold of funds (supported by salary, bank statements, etc.) up to €3,500 per month, increased by 20% if the beneficiary has a spouse and by 15% if the beneficiary has a minor;
- b) Employment contract;
- c) Medical insurance; and
- d) Clean criminal record certificate from the country of residence.

6. Tax Incentives

- a) An extension to the applicable period of the existing personal income tax exemption of 50% will be implemented to cover new Cyprus tax residents-employees with annual salaried income starting from €55,000. The existing beneficiaries of the scheme will be able to extend their tax exemption from 10 to 17 years whereas the potential beneficiaries, being individuals with annual income between €55,000 - €100,000, will be able to benefited from the exemption for a period of 17 years.
- b) It is under consideration the possibility to expand the tax exemption of 50% for investment in certified innovative companies to corporate investors.
- c) An increased tax deduction (i.e. by 20%) will be applied on the expenses related to Research & Development (“R&D”). Particular expenses of R&D will be deducted from taxable income in an amount equal to 120% of the actual income.

7. Application for Cypriot Citizenship

Third country nationals are given the right to submit an application for citizenship after 5 years of residence and work in Cyprus (instead of 7 years that were required before existence of the Action Plan), or after 4 years if they obtain a recognized certificate of very good knowledge of the Greek language.

8. Social Insurance

The transfer of social security contributions will be ensured through Bilateral Agreements (currently under determination by the Ministry of Foreign Affairs) with third countries so that when a third country national has paid social security contributions in Cyprus and he/she returns for permanent residence in his/her country, to be entitled to transfer the contributions paid, provided that he/she did not acquire any right to a pension of old age, incapacity, etc with such contributions.

9. Promotional Actions

The competent officials of the Action Plan aim to proceed with the following promotional actions:

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

Implementation

The above-mentioned provisions of the Action Plan will be entered into force as from the 1st of January 2022 with the exception of actions 6 (Tax Incentives) and 7 (Application for Cypriot Citizenship) which require legislative enactment. The target is to submit to the Cyprus Parliament the relevant legislation for the actions 6 and 7 by the end of December so as to get approved by the first quarter of 2022.

The Immigration, Corporate and Taxation Departments of Areti Charidemou & Associates LLC are at your disposal should you require any further information or clarifications related to the Action Plan.



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