

NEW ACTION PLAN TO ATTRACT COMPANIES IN CYPRUS

On the 15th of October 2021 the Ministry of Finance in Cyprus presented an Action Plan to attract businesses to operated and expand their activities in Cyprus, for the purpose of promoting the country as a Sustainable Business and Trade Centre of Europe.

The main aspects of the Action Plan which shall be enforced as of 1st of January 2022 are outlined below.

1. Tax Benefits

- **Expansion of the 50% tax exemption for taking up employment in Cyprus**
 - 50% income tax exemption shall be expanded for new residents-employees with an annual income in the amount of €55.000.
 - The current beneficiaries of the scheme shall be able to extend the exemption from 10 to 17 years whereas the potential beneficiaries with the salaried income of €55.000 – €100.000 shall be exempted for the period of 17 years in total.

- **Extension of tax exemption for the investment in innovative companies by legal entities**
 - The possibility of granting 50% tax exemption for investment by corporate investors in certified innovative companies is currently under consideration. The regime which was in force until the end of June 2021 allowed the tax exemption to natural persons only.

- **Higher tax reduction for research and development costs**
 - Higher tax reduction shall be granted on research and development costs (i.e. 20%). Eligible research and development expenses will be deducted from taxable income equal to 120% of the actual.

2. Digital Nomad Visa

The Action Plan introduces issuance of a new type of residence permit, namely Digital Nomad Visa for those who are willing to live in Cyprus but work in companies operating abroad.

The eligible candidates are non-EU nationals who are self-employed or employees who work remotely using information and communication technologies to communicate with their clients or employers outside Cyprus. Maximum initial limit of 100 beneficiaries.



➤ **Residential status**

- The holders of a Digital Nomad Visa shall have the right to stay in the country for up to one year, with the right to renew for another two years.
- Such residents may be accompanied by members of their family, who will be granted a residence permit request, and which will expire at the same time with the main applicant.
- While their stay in Cyprus, the spouse or partner and the minor dependents of the main applicant's family are not allowed to provide dependent work or engage in any economic activity in the country.

➤ **Main conditions and prerequisites for the issuance of Digital Nomad Visa**

- The minimum income level of the applicant shall be €3.500 per month to cover the living expenses and shall derive from abroad. This amount shall increase by 20% for the spouse and by 15% for each dependent minor
- Medical insurance
- Clean criminal record from their country of permanent residence

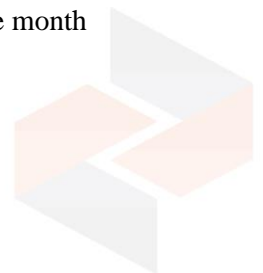
3. Amended policy for the issuance of work and residence permits for non-EU nationals.

➤ **Entitled Companies**

- Companies of foreign interest established in Cyprus
- Cyprus technology and innovation companies
- Cyprus pharmaceutical companies and/or companies operating in fields of biogenetics and biotechnology
- Cyprus shipping companies

➤ **Main conditions**

- Temporary residence and work permit is issued to the non-EU nationals with a minimum monthly gross salary of €2.500, with possession of a university degree or with a 2 years' experience in the relevant field, upon presentation of an employment agreement for the duration of at least 2 years.
- Companies are permitted to employ Non-EU Nationals as support staff, provided that the number of such employees does not exceed 30% of all support staff.
- Maximum number of Non-EU Nationals can be up to 70% of the total number of employees in a 5-year period from the date of the inclusion of the Company to the Business Facilitation Unit.
- Resident and work permits are issued for the period of 3 years within one month from the application date.



4. Employment of family members

- Non-EU Nationals who are employed under the terms of the revised policy and regulated by the Business Facilitation Unit are granted with family reunification rights.
- Spouses of Non-EU Nationals that are employed in a Company operating under the provisions of the Business Facilitation Unit (excluding the supporting staff category) will have immediate and free access to employment (self-employment is not allowed).

5. Simplification of the process

The relevant Regulation of the Alliance Act and the Migration Law shall be amended by the Ministry of Interior in an effort to simplify the procedure and identify the criteria under which work permits shall be granted.

6. Cypriot Citizenship

Non-EU Nationals will have the right to submit an application for naturalisation:

- 5 years after their residency and work in the Republic of Cyprus, whereas currently the applicable period is 7 years; or
- 4 years after their residency and work in the Republic of Cyprus, provided that they obtain a certificate of excellent knowledge of the Greek Language.

