



October 2021

Incentives announced for companies setting up / operating in Cyprus

In brief

On 15 October 2021, Mr Constantinos Petridis, Minister of Finance in Cyprus, gave a press conference to present the action plan of the Government to encourage companies to operate and/or expand their activities in Cyprus. The emphasis is on the areas of high technology, innovation, shipping, pharmaceuticals, but also companies of foreign interests. Implementation of the said incentives/initiatives shall commence as of January 2022 and the central focal point shall be the Cyprus Business Facilitation Unit.

In more detail

The key reforms are summarised as follows:

Migration related:

- Introduction of the digital nomad visa;
- Right to apply for naturalisation after 5 years of residence and employment in Cyprus (currently at 7 years). In case the applicant holds the relevant certificate of very good knowledge of Greek, this shall be reduced to 4 years;
- Employment of highly skilled employees from third countries, who shall earn at least €2.500 p.m. and fulfill certain conditions;
- Change on the maximum Third Country Nationals (TCNs) who can be employed, to 70% of the total number of employees over a period of 5 years;
- Free access to the employment market for the spouses of TCN highly skilled employees;
- Employment of support staff from third countries;
- Simplification of the process to apply for Permanent Residence for employment.

Tax and social insurance related

- Expansion of the 50% income tax exemption to new employees with a remuneration of minimum €55.000 p.a. The above exemption, already in effect for remuneration over €100.000 p.a., will be extended from 10 to 17 years (covering existing employees who currently enjoy this benefit). Existing employees who earn between €55.000-€100.000 p.a. can benefit for the remaining period of the 17 years;
- Extending the 50% tax exemption for investment in certified innovative companies and by corporate investors;
- Increased deduction of research and development costs from taxable income to an amount equal to 120%;
- Right to transfer social insurance contributions based on bilateral agreements to come into force.

Other actions:

In addition to the above, the Government shall introduce a number of other reforms including the upgrade of the infrastructure for core technologies, introduction of mechanisms for facilitation of strategic investments etc.

Important Notes:

The implementation of some of the aforementioned incentives, includes enactment of relevant new legislation.

We expect that in due course, the Competent Authorities shall provide further details / guidance on the above.

This memo aims to provide high level information on the subject matter and does not constitute advice.

Let's Talk

For a deeper discussion of how this issue might affect your business, please contact:

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