



ONLINE WEBINAR 2022

Relocation of companies and employees to Cyprus



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Introduction

On October 15th 2021, the Cypriot government approved a new strategy, the “Strategy for Attracting Businesses for Activities or/and Expansion of their Activities in Cyprus”. with the creation of a Business Facilitation Unit. The system came into force on January 1st 2022.

The new system is clearly geared toward cementing the growing momentum of businesses headquartering on the island and to attract talented, highly skilled individuals.

The aim of this webinar is to analyse this Governmental action plan and give you practical tools which we believe may help you to grow your business in Cyprus compliantly.

This presentation/webinar has been prepared as a general guide and for information purposes only. It is not a substitution for professional advice.



New policy for the employment of third-country nationals (1/2)

The policy for the employment of third-country nationals by eligible companies in Cyprus has been simplified and thus has become more attractive.

As from 01/01/2022 companies registered with the “[Business Facilitation Unit](#)” (BFU) as “Foreign Interest Companies” would be able to employ highly skilled third-country nationals through a fast-track process.

The main requirements for the employment of highly skilled third-country nationals through the fast-track scheme, are the following:

- Minimum gross salary of €2.500 per month;
- The third-country national should be a holder of a university degree or diploma or confirmation of relevant experience in a corresponding employment position for at least 2 years duration;

We would like to highlight the fact that as from the 1st of January 2022 it is no longer obligatory for eligible employer companies in Cyprus to establish a bank account in Cyprus and remit to such a bank account from abroad an amount of Euro 200.000.

- The employment contract should be for a period of at least 2 years.

Important note: The maximum number of third-country nationals that can be employed by a foreign interest company is set at 70% of the total number of all the employees of the company. This limit should be achieved over a period of 5 years, from the date of the enactment of this policy (i.e. 1/1/2022). On that basis the first evaluation of this condition will be undertaken on 1/1/2027.

The work permits are issued within **one month** from the date of the submission of the complete application package and be valid for a period of **up to 3 years** (with an option to extend). Before it was up to two years.

New policy for the employment of third-country nationals (2/2)

Changes introduced concerning non-high skilled personnel (support staff):

- Employment of third-country nationals is permitted as support staff, provided their number does not exceed 30% of all support staff employed and provided that the third-country national and the employer have entered into an employment contract duly ratified by the Ministry of Labour in accordance with the existing applicable law.
- The salary level **is less** than **€2.500** gross per month (with pre-approval).
- Duration of employment permits are **up to 3 years**

Family reunification of third-country nationals

An important distinction is drawn between highly skilled personnel and support staff. The spouses of highly skilled personnel have immediate and free access to the labour market once the financial supporter (i.e the employee) has obtained his/her work permit in the Republic. **This option is not available for spouses of support staff** (i.e who have a gross monthly salary of less than Euro 2500 per month).

Registration with the BFU

Eligibility criteria for registration with the BFU as a Foreign Interest Company

Eligible businesses must meet **one** of the following conditions:

- The majority of the company's shares (i.e. >50%) must be owned by third-country nationals.

In case where the percentage of the foreign participation in the share capital of the Company is equal to or below 50% of the total share capital, the Company can still be considered as eligible, if the foreign participation in the share capital represents an amount equal to or greater than €200.000.

- Public companies registered on any recognised Stock Exchange.
- Companies which were previously registered with the Central Bank as “offshore” entities.
- Cypriot Shipping companies.
- Cypriot High-Tech/Innovation companies.

- Cypriot Pharmaceutical companies or Cypriot companies active in the fields of Biogenetics and Biotechnology.
- The majority of the share capital of the company is ultimately owned by persons who acquired the Cypriot citizenship by naturalisation based on economic criteria, provided that the conditions under which they were naturalised continue to be met.

Eligible businesses must operate from independent offices in Cyprus, in suitable premises, separate from any private housing or other office, except in the case of business co-habitation.

We would like to highlight the fact that companies already registered with the Civil Registry and Migration Department (CRMD) as Foreign Interest Companies, will not have to re-register with the BFU, as the new policy automatically applies to these companies.

Digital Nomad Visa (1/2)

With its Decision of October 15, 2021, the Council of Ministers approved the introduction of the Digital Nomad Visa Scheme in Cyprus, with a ceiling of 100 residence permits to be issued. On March 3 2022, the Council of Ministers increased the ceiling to **500 residence permits**.

This is an entirely new type of residence visa which is available to non-EU and non-EEA country nationals that are self-employed or salaried employees, working remotely with employers/clients **outside** Cyprus, through the use of information and communication technologies.

It gives the right to holders to stay in Cyprus for **up to one year with the right to renew for another two years**. Digital Nomad's family members can reside in Cyprus for the same period as the Digital Nomad, **without the right** to be employed or perform any economic activity in Cyprus.

Family members include the spouse/ partner in a civil union and underaged children.

The holder of a digital nomad visa and his/her spouse will be considered as tax residents of Cyprus if they reside in Cyprus for one or more periods totalling more than 183 days within the same tax year, provided that they are not tax residents in any other country.

Main pre-conditions that will need to be met for a successful application for a digital nomad visa are:

- He/she can perform work remotely through telecommunications technology;
- He/she is employed in a company registered abroad, for which they can work location-independently, or are self-employed offering services remotely for clients located abroad;
- Evidence that he/she has sufficient funds, a stable income to cover living expenses during the stay in Cyprus without recourse to the national social welfare system. The amount of sufficient funds is set at **Euro 3.500 per month** (after the deduction of contributions and taxes) which is proved by:
 - the employment or works contract or proof of employment for the duration for which the digital nomad visa will be issued;
 - bank statements for at least 6 months showing the secured monthly net income of Euro 3.500;
 - evidence of receipt of funds of the net amount of Euro 3.500 per month.

Digital Nomad Visa (2/2)

In the event that it is not possible for the applicant to either provide a bank statement or other evidence verifying the net monthly income of Euro 3.500 then he/she will need to make a responsible declaration confirming that his/her monthly stable net income is not below the minimum threshold required for a successful application for a digital nomad visa.

The net monthly amount of Euro 3.500 is increased by 20% for an accompanying spouse and by 15% for each accompanying minor.

Other indicative supporting documentation to an application for a digital nomad visa would be medical examinations, a clean criminal record from their country of residence and medical insurance policy.

Another important highlight of the digital nomad application is that upon its filing with the migration department the relevant receipt issued by the migration department gives the applicant the right to live in Cyprus until the application is examined, such period of **examination ranging between 5-7 weeks.**



Permanent Residency Permit – Fast-track (1/2)

Up to March 2021, only investors who were interested in investing in residential properties in Cyprus would even consider the permanent residency permit pursuant to regulation 6 (2) of the Aliens and Immigration Regulations. In March 2021 three more investment options were introduced widening the options to potential investors.

So, a third-country national investor/applicant may proceed with an investment of at least €300.000, in one of the following categories:

- Purchase of one or two, new residential property/ies in Cyprus with a total purchase cost of at least €300.000 (excl. VAT). At least €200.000 of the purchase cost must be settled at the application stage with funds from abroad;
- Purchase of new or resale commercial real estate;
- Purchase of shares of a Cyprus Company with activities and staff in Cyprus;
- Purchase of units of a Cyprus Investment Organization of Collective Investments (AIF, AIFLNP, RAIF).

The investor/applicant also pays VAT: the standard rate is 19%, but when buying only one accommodation for the own residence, it is reduced to 5%. **It is not possible to invest in resale property.**

The investor/applicant should open and maintain a fixed deposit in a local Cyprus bank of a minimum of **€30,000 for 3 consecutive years.**

The investor/applicant should have a secured and **steady income of €30.000 per annum deriving from abroad** (this amount increases by Euro 5.000 for each dependent family member and by Euro 8.000 for each dependent parent or parent of his/her spouse). The income may be from overseas employment, pensions, interest on fixed deposits or rents from abroad.

The investor/applicant must hold a Clean Criminal Record from the country of residence and/or origin, and not constitute a threat against public order or security in Cyprus.

*It is required to visit Cyprus at least once **every two years** to avoid the automatic cancellation of the permanent residency permit.*

Permanent Residency Permit – Fast-track (2/2)

In cases of investment in non-residential options, the applicant needs a residential property in Cyprus (to own or rent). Under the terms of the permanent residence program, the applicant must have a permanent address of registration in Cyprus.

Once the completed application has been submitted to the authorities, a decision is reached within **2 months**. In case of breach of any requirement/condition, the Permit shall be revoked for the investor and the family.

It is important to keep in mind that holders of a permanent residency permit are not permitted to work in Cyprus. However, in the case of investment in the share capital of a Cyprus company, the investor/applicant and/or spouse of the investor/applicant may hold the position of director in the company in which they invested Euro 300.000.

Investment of Euro 300.000 in the share capital of a Cyprus company – the main benefits

An expected question would be the following:

Why would a third-country national investor/applicant make an investment of Euro 300.000 in the share capital of a Cyprus company when he/she may, by registering a Cyprus company which will be owned by more than 50% by third-country nationals and by obtaining the approval of the BFU as explained earlier, to proceed to employ third-country nationals with no obligation to make a cash investment from abroad?

Answer

An investor/applicant who invests Euro 300.000 in the share capital of a Cyprus company would obtain a permanent residency permit, **such permit does not need to be renewed**. The only obligation is to visit Cyprus at least once **every two years** to avoid the automatic cancellation of the permanent residency permit.

Another benefit offered to investors/applicants who choose to invest Euro 300.000 in the share capital of a Cyprus company as opposed to investing Euro 300.000 in residential properties is the fact that such applicants are allowed to provide evidence that the annual income they have of Euro 30.000 emanates from sources **within Cyprus**.

Permanent Residency Permit – Slow-track

As Cyprus provides a fast-track there is also a slow-track permanent residency scheme.

Main difference is that the slow-track scheme:-

- Takes approximately 1-2 years to complete
 - No minimum Real Estate Investment requirement
 - Applicants must have at their disposal a secured and legal annual income high enough to allow them to live decently in Cyprus without having to engage in any business, trade or profession. This income must come from legal sources from abroad, i.e. pension, permanent deposits, rental, ownership of companies, shares etc. (i.e. at least 9600€ annually plus 4620€ per dependant.
 - The investor is required to purchase a residence in Cyprus within one year from the **approval** of the application
 - A Permanent Residency Permit has a **5-year duration** and is renewable.
- In the event you want to reside in Cyprus while this is in process then a temporary visitor's permit would need to be applied until your Permanent Permit has been approved and issued.

Cyprus Citizenship by naturalisation - New initiatives

As per an announcement of the Government in October 2021 the new package of legislative initiatives also includes provisions to speed up the process of acquiring Cypriot citizenship by naturalisation (based on years of residency in Cyprus).

Thus, the following initiatives have been proposed:

- Right to apply for the Cyprus Citizenship by naturalisation **after 5 years of residence** and work in the Republic, instead of 7 that is valid today.
- **A further reduction to 4 years** if the criterion of holding a recognized certificate of very good knowledge of the Greek language is met.

These changes are subject to final approval by regulators.

Current legislation

Foreign nationals, who have completed seven (7) years of legal residence in Cyprus (2555 days of staying in Cyprus) are eligible to apply for citizenship. In cases of foreign nationals who are either parents or children of Cypriot citizens, the time required is five (5) years instead of seven (7).

In both cases, the applicant must have resided legally and continuously in Cyprus during the twelve (12) months prior to the date of the application.

The same **5 years** period requirement applies to holders of the permanent residency status or successful applicants of the Cyprus residency by investment program.

How to Apply?

The applicant needs to prepare a full list of entries and departures from Cyprus (based on passport stamps) which should confirm the above required days of stay. Each family member has to file a separate application and pay the required fee (EUR 500 per application).

Introduction of the new tax incentives

In a further bid to enhance the benefits for existing and new international companies/groups to establish, expand or relocate their Headquarters to Cyprus, an improved tax incentive scheme was approved by the Cabinet of Ministers on 10th May 2022.

The bill has been sent to Parliament. It will come into force after it is approved by the deputies.

Under the previous scheme, non-Cyprus residents working in Cyprus and earning in excess of EUR 100,000 per annum could benefit from a tax exemption of 50% on their employment income for the first 10 years of their employment.

The new scheme expands on this:

- The minimum wage requirement is **reduced from EUR 100,000 to EUR 55,000 per year**, and the 50% tax exemption period will **be extended to 17 years from the commencement of employment**;

- A new employee whose initial wage starts below the minimum annual salary of EUR 55,000 will be entitled to a grace period of up to two years to meet the qualifying criteria of the scheme. Existing employees with a salary below EUR 55,000, will have a grace period of six months;
- Current employees, earning more than EUR 55,000, who resided abroad for 12 consecutive years before moving to and commencing their employment in Cyprus, can also benefit from the improved incentives of the new scheme, which will be applied retrospectively.

The third anti-tax avoidance directive ATAD 3 & its potential impact on Cyprus Headquartering

The European Commission on the 22nd of December 2021 published a legislative proposal for a Directive to be issued, the Third Anti-Tax Avoidance Directive, known as “ATAD 3”, which sets forth rules to prevent the misuse of shell companies for tax purposes.

The Directive should be adopted early 2022 by the Council and **be implemented by Member States by 30 June 2023 at the latest**. The provisions should subsequently be effective in all Member States from 1 January 2024.

The Directive lays down a uniform test that will help the Member States to identify undertakings that are engaged in economic activity, but which do not have minimal substance and are misused for the purpose of obtaining tax advantages.

Once these minimum substance requirements are not met, the undertaking will be classified as a “shell entity” and will sustain certain adverse tax consequences.

The above is extremely relevant information to Cyprus registered companies which are tax residents of Cyprus but do not meet the minimum substance requirements.

How ATA can help you and your business

Our team comprises of experienced, qualified accountants and tax advisors who are consistently abreast of changing tax and legal developments affecting our clients.

[VISIT WEBSITE](#)

Our services:

- Set-up/relocation of companies and employees to Cyprus
- Employer of Record (EOR) services in Cyprus
- Company formation and business support services in Cyprus, UK, Ireland, Belgium, Sweden, Switzerland and the Netherlands*
- Cyprus residency & Immigration Services (investment scheme, naturalisation, work permits/digital nomad visas)*
- Outsourced payroll/accounting services
- Cyprus & International Tax Planning
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- Corporate Services in Cyprus*
- Cyprus International Trust (CIT) and Trustee Services*
- VAT Planning, Compliance and Advise
- Audit Services

* Through our network of accredited professionals worldwide.

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