

## Action Plan for the attraction of companies in Cyprus

### **1. Business Facilitation Unit**

Transformation of the existing mechanism for an expedite procedure in relation to the International companies with the Business Facilitation Unit.

The existing mechanism which has been implemented for a year now based on the decision of the Council of Ministers shown positive feedback so far. Given that through the implementation of the action plan set out below it will have an upgraded role and increased workload as it will act as the main point of contact for all the international companies either operating in Cyprus or wishing to operate as well as Cyprus companies in specific areas of economic activity, optimising its operations and making greater use of technology.

#### **Actions**

- Publication of manuals and guidelines to inform international companies on all issues related to their activities
- Coordination of the simplification and digitalisation of all procedures related to the operation of international companies

#### **Timeframe**

First quarter of 2022 (Jan-Mar)

### **2. Work permits for third country nationals that are employed by international companies**

Review of the existing policy for the employment of staff from third countries that are employed by companies of foreign interest (this is concerning companies that will join the Business Facilitation Unit.

#### **Eligible companies**

- Foreign companies operating in the Republic of Cyprus or companies of foreign interest intending to operate in the Republic of Cyprus having independent offices other than private residences
- Cyprus shipping companies
- Cyprus technology and innovation companies
- Cyprus pharmaceutical companies or Cyprus companies that are active in the fields of biogenetics and biotechnology

#### **A. Employment of highly skilled third country nationals, provided that:**

- A minimum gross monthly salary of €2500 will be paid
- A university degree or diploma or equivalent qualification of relevant experience in a similar employment for two (2) years
- Employment agreement with not less than two (2) years

The maximum permissible number of third country nationals that can be employed is set at 70% of all employees of the company over a period of five (5) years from the date that the applicant joined the expedite licensing mechanism. In case where the period of five (5) years has been passed and it is not possible to employ 30% of Cyprus workers then this will be re-examined on a case-by-case basis.

### **Actions**

The submissions of applications and the issuance of work permits will take place in the Civil Registry and Migration Department where there is already a designated location for the receipt of successful applications. In order to improve the service, the necessary arrangement will be made immediately for a designated location of the service area and the establishment and operation of a separate department for the receipt of applications and the issuance of work permits. The end goal is the highest quality as well as the most immediate service of the interested parties in a friendly environment.

The work permits will be issued immediately within one (1) month and will last up to three (3) years.

### **Note**

Gradually and after six (6) months from the implementation of the new policy for the employment of staff from third countries in companies with foreign interest, and after collecting data on the number of companies that will be served and the number of work permits that will be issued, the possibility for the creation of One Stop Shop Service will be consider both for the provision of information/support to the companies as well as for the receipt of the application and the relevant work permits.

### **Timeframe**

January 2022

#### **B. Employment of supporting staff (with a gross monthly salary of less than €2500)**

The employment of third country nationals is permitted provided that it does not exceed 30% of the supporting staff of the company and provided that the third country national has entered into an employment agreement duly ratified by the competent authority in accordance with the applicable law. The amount of their salary is determined by the current legislation.

### **Note**

The companies in order to obtain the relevant work permits for third country nationals must provide certificates of registration in the Registrar of Companies.

### **3. Family reunification right of third country nationals that will join the Business Facilitation Unit**

Direct and free access to the labour market to spouses of an applicant that obtained a residence and work permit in the Republic of Cyprus through the Business Facilitation Unit and who receive a minimum gross monthly salary of €2500 (not applicable to supporting staff)

#### **Actions**

A sealed employment agreement will not be required from the Department of Labour. Now regarding the terms of annual leave, the terms and conditions of the legislation will be observed such as:

- (a) Valid passport for at least two (2) years
- (b) Legal stay in the Republic of Cyprus
- (c) Employment agreement duly ratified where required
- (d) Equivalent qualification to practice the profession
- (e) Suitable accommodation
- (f) Health insurance
- (g) Does not pose a threat to the public policy or security (clean criminal record)
- (h) Does not pose a threat to public health (medical examination)
- (i) Declaration that in case that the applicant needs to be transferred to his own country, the liability of cost lies with the applicant

#### **Timeframe**

January 2022

### **4. Simplification and acceleration of the process of granting work permits (Category E – long term resident status)**

As of today, the process is time consuming. The Ministry of Interior is already working on the amendment of the Aliens and Immigration Regulation to simplify the process and determine the criteria on the basis of which the work permits will be granted.

#### **Timeframe**

First quarter of 2022 (Jan-Mar)

### **5. Digital Nomad Visa (100 applicants max)**

It concerns a residence permit in the Republic of Cyprus and not a work permit. Globally due to the recent pandemic there is a shift for the remote work (work from home). Cyprus can attract people who will live in Cyprus but will work for companies remotely. This program was prepared on the basis of the respective programmes implemented in other EU countries (Portugal, Croatia, Estonia, Germany, Czech Republic, Norway, and Greece) for third country nationals under the Digital Nomad Visa regime.

#### **Eligible People**

Third country nationals either self employed or employed that they work remotely for a period of twelve (12) months.

### Residence Status

- They have the right to stay in the country for up to one (1) year with the right to renew for another two (2) years
- They can be accompanied by their family members, to whom they are granted, upon their request a residence permit that expires at the same time as the initial digital nomad visa applicant. During their stay in Cyprus the spouse or partner (this is applicable to persons that entered into a cohabitation agreement) and the minors of the digital nomad visa applicant are not allowed to provide any type of work or to engage in any kind of economic activity in Cyprus
- If they reside in the Republic for one or more period that in total exceed 183 days within the same tax year, then they are considered tax residents of Cyprus provided that they are not tax residents in any other country

### Relevant conditions

The residence permit is issued to the applicant, provided that he/she presents:

- Declaration stating his intention to reside in the country with a residence permit for the provision of remote work and his commitment that he will not in any way provide work or services in Cyprus
- Proof of employment agreement with an employer either natural or legal person, who is established outside the Republic of Cyprus for an indefinite period or in case of a fixed-term agreement with a residual duration covering the period of the residence permit that will be granted, or
- Proof of employment agreement of indefinite duration or, in the case of fixed-term employment agreement with a residual duration covering the period of the residence permit that will be granted or if the third country national is self-employed with more than one employer established outside the Republic of Cyprus
- Information on the status of the applicant in the company, as well as information on the name, registered office, business activities and the corporate governance of the company which is located outside the Republic of Cyprus
- Evidence that the applicant has sufficient resources with a stable income to cover his living expenses during his stay in Cyprus without burdening the national social welfare system. The amount of sufficient resources is set at three thousand five hundred (€3,500) monthly where it is proven:
  - o From the employment agreement
  - o From the bank account. If sufficient resources come from paid employment the above minimum amount refers to the net income

The above amount is increased by 20% for the spouse or cohabitant and by 15% for each child.

- Healthcare Insurance
- Clean criminal record from the country of residence

### Timeframe

January 2022

## **TAX INCENTIVES**

### **6. Extension of tax exemption for investment in innovative companies**

Consideration of the possibility to extend the 50% tax exemption for investment in certified innovative company by corporate investors. The regime that was in force until the end of June 2021 was applicable only to natural persons.

#### **Actions**

The opinion of the Directorate-General for Competition is expected. Once the relevant approval is received, the amending bill for the Income Tax Law will be sent to the Law Office of the Republic of Cyprus for legislative control.

At the end of the legislative control, it will be submitted to the House of Representatives for discussion and vote. In case it is not approved by the General Directorate of Competition, a bill will be prepared to extend the tax exemption for natural persons as it was valid until the end of June 2021.

#### **Timeframe**

First quarter of 2022 (Jan – Mar)

### **7. Extension of the tax exemption to employees in the Republic of Cyprus (provided that they were non-residents in the Republic before starting their employment for a period of 17 years)**

Extension of the existing tax exemption to cover new residents – employees with a salary of €55,000 and above with a tax exemption of 50%.

Existing employees have the opportunity to extend the benefit from 10 to 17 years. Potential beneficiaries of the above exemption are employees with income (€55K –€100K) for the remaining period of 17 years.

At the same time, the abolition of the existing tax provision of 20% exemption from employment in the Republic or €8,550 (whatever is less) since income over €55K will receive an exemption from income tax amounting to 50%.

#### **Actions**

Preparation of Bill

#### **Timeframe**

First quarter of 2022 (Jan – Mar)

### **8. Increased tax deduction for research and development**

Granting an increased discount on research and development (i.e. by 20%). Eligible research and development expenses will be deducted from the taxable income at 120% of the actual.

#### **Actions**

Preparation of the relevant amending bill (Income Tax Law) which after consultation with the relevant bodies and then forwarded to the Law Office of the Republic of Cyprus for legislative control.

**Timeframe**

First quarter of 2022 (Jan – Mar)

**CITIZENSHIP**

9. **Right to apply for citizenship after 5 years of residence and work in the Republic of Cyprus or after 4 years if they meet the criteria of holding a recognised certificate of very good knowledge of the Greek language**

**Actions**

A political decision to examine applications as a matter of priority after the completion of 7 years of residence and work in the Republic of Cyprus (immediately implemented).

Amendment of the law on Foreigners and Immigration so as to reduce the required years from 7 to 5 and under certain conditions to 4 years.

Additionally, the amending legislation should consider the possibility of introducing regulations that if someone is outside Cyprus for business purposes, this period will be included in the calculated period of the time spend in the Republic of Cyprus.

**Timeframe**

First quarter of 2022 (Jan – Mar)

**SOCIAL INSURANCE**

10. **Ensuring the right to social insurance**

Ensuring the transfer of social insurance contributions through intensified efforts to conclude bilateral agreements with third countries that will be determined by the Ministry of Foreign Affairs so that when a third country national has paid social insurance contributions in Cyprus, when he returns to his permanent residence (third country) he is entitled to transfer his social insurance contributions with the only condition that the third country national did not acquire any right from the pension fund or disability.

**Timeframe**

First quarter 2022 (Jan – Mar)