

# LIVING AND WORKING IN CYPRUS

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CREATING, PROTECTING AND GROWING WEALTH

## OVERVIEW

Cyprus has been drawing in major multinational groups keen to capitalize on the myriad of benefits that Cyprus offers from a tax, legal, business and lifestyle perspective. Strategically located at the crossroads of Europe, the Middle East and Africa it is the ideal gateway to trade and business on the global stage.

This Mediterranean paradise offers an enviable standard of living with over 300 days of sunshine a year, award-winning beaches, cool forests and snow-capped mountains in the winter. It is steeped in a rich heritage and history with fortresses, churches and castles dotted across the island. The fauna and flora incite outdoor sports enthusiasts to go hiking in the valleys and peaks of Troodos mountains. Nature lovers can also spot turtles off the coast of Akamas and appreciate the vibrant sea life as they snorkel on the coast.

Cyprus has a world-class healthcare with top end genetics, neurology and oncology units and a plethora of highly qualified specialists which make it a viable location for affluent families and retirees. A family-friendly location, Cyprus offers English, Greek, Russian and French international standard educational institutions from Primary through to Tertiary studies in a safe and multicultural society.

## DOING BUSINESS IN CYPRUS

Numerous firms in the consulting, fintech, research and innovation and software spheres have been moving their head office to Cyprus. As Brexit has created more upheaval, entrepreneurs with London HQs have also been opting for Cyprus as the ideal European headquartering solution.

Apart from its undeniable natural beauty and Mediterranean allure, Cyprus has a wealth of other reasons for which it is garnering more attention from entrepreneurs and global CEOs. From its highly qualified pool of multilingual human capital to its tax incentives, moving headquarters to Cyprus makes business sense on all fronts.

All business is carried out in English and processes are founded on a robust legal framework based on UK law, granting investors and shareholders peace of mind that their interests are safeguarded. Cyprus has a highly qualified pool of local and international professionals which are all tertiary educated predominantly in leading UK, US and Australian universities.

## CYPRUS COMPANY SET UP

A private limited liability company is the most common legal form and is governed by Companies Law, CAP 113. There are no limitations on the minimum capital required (issued or paid up) and it can be registered swiftly within a week or two at most. It provides a tax efficient corporate vehicle for business owners globally.

Corporate income tax is 12.5% which is one of the lowest rates in Europe. Cyprus is also on the OECD White List and complies with internationally agreed tax standards, exchange of information agreements and transparency. Companies benefit from a network of over 50 double tax treaties and have various tax exemptions on:

- Eligible foreign-sourced dividends.
- Sale of shares or bonds (except when the shares are in a company with Cyprus real estate)
- No withholding taxes on payments abroad
- FX gains (except for FX traders/brokers)
- Capital gains on the sale of securities are exempt
- Capital gains from the sale of immovable property situated outside Cyprus are tax exempt
- Dividends paid out to a non-resident shareholder are exempt from withholding tax
- Dividends received are exempt from income tax and subject to withholding tax as per the double tax treaty in place
- Interest expenses on corporate acquisitions are allowed and there is no withholding tax.

There are numerous benefits in doing business in and through Cyprus by setting up your group's headquarters in Cyprus.

**ATG Corporate has extensive experience in the administration and management of Cyprus Companies. We offer a full scope of services to ensure that the headquartering company is compliant with all local regulatory requirements.**

Our team can assist in the maintenance of proper books and records, annual tax filings, submission of financial statements, submission of the annual return and any other VAT or PAYE obligations that may arise.

## SUBSTANCE REQUIREMENTS

**Cyprus Companies should ensure they demonstrate sufficient substance in order to be able to benefit from the tax and legal framework.**

They can do so by having a physical presence (business office) in one of the business hubs on the island and/or by hiring local staff.

Tax residency can be substantiated by ensuring that all board decisions are appropriately documented and taken in Cyprus.

The majority of the board should be resident in Cyprus and duly qualified directors with relevant experience and decision-making powers. All major decisions pertaining to the sale, disposal or merger of an asset should be undertaken, authorized and approved by the Cyprus Company's board.

## MIGRATING TO CYPRUS

There are several options for foreign investors, entrepreneurs and executives to relocate to Cyprus, these include:

1. EU Citizens who can work in Cyprus but will need to register with the local migration authorities within 4 months of having relocated
2. Foreigners who wish to travel to Cyprus short term for business trips and require business single entry or multiple entry visas.
3. Foreign executives who may obtain a temporary and residency permit normally valid for one year if they are coming to Cyprus to work for an eligible local employer. \*
4. Foreign nationals who wish to obtain permanent residency in Cyprus for their global mobility purposes.

**\* A Cyprus company needs to obtain permissions to be eligible to employ foreign nationals from outside the EU. This is a one-off process and once the company meets the criteria and abides to the governing regulations it can hire foreign executives.**

You may download our ATG Technical Report on Employment of Third Country Nationals to learn more.

## PERSONAL TAXES IN CYPRUS

The key personal taxes that apply for tax residents include income taxes, special defense contribution, social insurance taxes, capital gains tax on Cyprus property sales and indirect taxes on goods and services. Digital nomads, foreign executives and expats who relocate to Cyprus may be able to avail certain tax exemptions.

Personal income tax rates are progressive with a maximum 35% on income over EUR 60,000.

- EUR 0 – 19,500 – 0%
- EUR 19,500 – 28,000 – 20%
- EUR 28,001 – 36,300 – 25%
- EUR 36,300 – 60,000 – 30%
- EUR 60,001 and over 35%

## TAX DEDUCTIBLES

For personal income tax purposes, the following are some of those items which are deductible:

- Contributions to registered provident funds
- Subscriptions to professional bodies or trade unions
- Charitable donations that are eligible to approved organizations
- Building expenses for properties that are leased – up to 20% of the rental income.

It is noted that there are a few in-kind taxes that are subject to tax in Cyprus including accommodation, the use of a car, relocation expenses and allowances for children's education.



## SPECIAL DEFENSE CONTRIBUTION

Foreign tax residents and Cypriot tax residents who are not domiciled in Cyprus do not have to pay Special Defense Contribution even if they spend more than 183 days a year in Cyprus. Domicile of origin is the country that his/her father (or in certain cases his/her mother) considers as his (her) permanent home (domicile), at the time of the person's birth. In any case if an individual has been tax resident in Cyprus for the past 17 out of 20 years they will be deemed domiciled in Cyprus.

An individual who is domiciled and tax resident in Cyprus pays Special Defense Contribution at the following rates:

- Dividends 17%
- Interest 30%
- Interest from local Government bonds and saving certificates 3%
- Rental income 2.25%

## SOCIAL INSURANCE CONTRIBUTIONS

Social insurance contributions are paid by those individuals employed or self-employed in Cyprus and by their respective employers.

The Employer and Employee pay **7.8%** each calculated on the wages paid out weekly/monthly.

In addition, the Employer pays **1.2%** to the Redundancy Fund, **0.5%** towards Industrial Training and **2%** towards the Social Cohesion fund. Those individuals who are self employed pay **14.6%** each month.

## TAX EXEMPTIONS

In a bid to lure more international talent to the island, those who have not been a resident in Cyprus before beginning their employment can be eligible for personal income tax holidays. Cyprus offers senior executives, entrepreneurs and HNWIs a favourable personal tax regime.

For those business owners who wish to employ key executives and assign them to Cyprus, there is a 50% exemption for remuneration that exceeds **EUR 100,000** from employment in Cyprus, by persons who were not resident in Cyprus prior. The exemption applies for 10 years.

Other employees who provide services to a non-resident employer based outside of Cyprus/to an overseas branch of a resident employer for more than 90 days a year also enjoy tax exemptions.

## NON-DOMICILED STATUS

Globally mobile entrepreneurs who wish to be tax resident in Cyprus and benefit from the numerous tax incentives can do so under the Non-Domiciled Status.

As of 2017 the 60-day rule can be applied for individuals who want to acquire the Non-Domicile Status by spending 2 months a year on the island.

Non-Domicile Tax status is granted for 17 years, under certain conditions, to individuals who move their personal tax residence to Cyprus.

Tax resident non-domiciled individuals are exempt from Special Defense Contribution tax which is applied on dividends (at 17%) and bank deposit interest (30%).

## YOUR TRUSTED SERVICE PARTNER

We pride ourselves for our service approach to our clients, the development of our people, our network of trusted associates and strive to continuously offer our experience and support to the communities which we operate in. We currently have around EURO 1bn Assets under Administration. We serve a number of significant investment structures with focus in Europe, CIS Countries, Middle East and the UK. ATG principals are founding members of the industry representation bodies - Cyprus Investments Funds Association (CIFA) and Cyprus Fiduciary Association (CyFA). Our companies are regulated by Institute of Certified Public Accountants of Cyprus ICPAC and the Cyprus Securities and Exchange Commission CySEC. Get in touch today to schedule a Free Consultation with us.

## A HUB FOR INNOVATION

**As one of Europe's best Intellectual Property jurisdictions, the Cypriot IP Box legislation effectively provides techpreneurs with one of the lowest effective tax rates on their IP at 2.5%.**

As we continue to move into the age of digitization Cyprus will see a growing demand for the establishment of international group's headquarters on the island.

Some of the key benefits of the IP Box Regime are:

- 80% of profits from the sale of the IP may be disregarded for tax purposes
- 80% of profits from the use or exploitation of the IP may be deductible for tax purposes.
- As the corporate tax rate in Cyprus is 12.5 and it is only applied to 20% of profits from the exploitation of IP rights, the effective tax rate can be as low as 2.5%
- The effective tax rate can be further reduced if the capital expenditure related to acquiring or developing the IP in the first year is amortized over a five-year period.
- Where a loss is incurred, when calculating Qualifying Profits (QP) only 20% of this loss can be carried forward as per the new regime or group relief.
- If shares of the IP Box are old, 100% of profits are exempt from tax Royalty receipts from non-EU entities are subject to withholding tax in accordance with the double tax treaty in place (if any)
- Royalty receipts from/to EU entities are not subject to withholding tax as per the EU Royalty Directive
- Dividends paid out by a Cyprus company to a non-resident shareholder are not subject to withholding tax
- Dividends received by a Cyprus Company are exempt from income tax and subject to withholding tax as per the double tax treaty in place.

**We support business owners in the research, software, artificial intelligence, computing, fin-tech and blockchain sectors keen to set up their IP Box in Cyprus.**

Our team can advise on all Intellectual Property registration, trademark and licensing matters, ensure the adequate management of the Cyprus IP box and ensure it is fully compliant.

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## PERMANENT RESIDENCY

Although there is no requirement for the shareholder/director to relocate to Cyprus, many entrepreneurs have been drawn to this Mediterranean island due to the high caliber of life it offers them and their families.

The Cyprus Permanent Residency Permit (fast track) – "PRP" offers non-EU investors the option to live, study and do business in Cyprus.

It has been surging in popularity as affluent individuals seek viable alternatives for their global mobility needs. Cyprus allows PRP holders to travel throughout the EU, visa-free for up to 90 days in each 6-month period.

The permit is normally granted for 5 years. There is no language requirement to learn Greek and English is widely spoken across the cosmopolitan island.

## PRP CRITERIA

The main applicant must demonstrate the following annual income criteria:

- A secure annual income from fixed deposits, rentals, dividends, pensions) that are a minimum of EUR 30,000 per annum
- The minimum annual income increases by EUR 5,000 for each dependent spouse/child
- The minimum annual income increases by EUR 8,000 for each dependent parent/parent in-law
- For investors who opt for a residential property investment route, their annual income must be sourced from outside of Cyprus
- For all other investors the annual income can be sourced from either inside/outside Cyprus with exceptions.
- The investors annual income cannot be in the form of salaried employment in Cyprus. The only exception to this is a Director of a Cyprus Company who opts to invest in his/her company to qualify for the PRP
- In all cases both the applicant and his/her spouse's income are considered in the minimum annual income requirements.

**We serve affluent individuals and their families who wish to obtain residency in Cyprus. Our team can advise on all real estate investment transactions to ensure our clients have peace of mind throughout the application process. We deliver guidance on all private client and wealth matters, immigration permits, relocation, personal tax structuring and tax.**

## INVESTMENT OPTIONS

The recently updated Cyprus Permanent Residency Permit makes this an attractive programme for investors' migration and tax planning requirements. The investment options available to foreign nationals include:

- The right to not only invest in new residential properties, but also in commercial properties, retail outlets, hotels, offices (both new and resale).
- Investor can now purchase more than one property. The portfolio can be either residential real estate, one residence and one office or one residence and one retail property.
- Other investment options include the right to invest the minimum amount in the share capital of a company with physical presence and activities in Cyprus. It is required though that the company employ at least 5 EU/Cypriot full-time employees.
- Investors may also now choose to invest in a Cyprus UCITS such as an Alternative Investment Fund (AIF), Alternative Investment Fund with Limited Number of Persons (AIFLNP) or a Registered Investment Fund (RAIF).

The investor's funds need to be sourced from outside of Cyprus and maintained for the duration of the residency permit's validity. If the investor opts for residential property as their qualifying investment, then they need to have EUR 200,000 plus VAT fully paid to the developer/seller prior to submitting the application.

For all other investment routes, the full amount needs to be duly settled prior to submitting the PRP application.

## WHAT WE CAN DO FOR YOU

Cyprus has an array of benefits and is drawing the attention of wealthy families and investor from the Middle East, Asia and beyond keen to live and work in Cyprus. Tech-entrepreneurs are drawn to Cyprus thanks to its IP box regime, its innovation hubs and business-friendly legislation. Global business owners capitalize on the myriad of tax and legal benefits of having their business operations on the island and benefit from the attractive personal income tax incentives.

For those affluent clients and business owners keen to live and work in Cyprus, ATG Corporate is readily available to deliver an array of tailored solutions. We have over two decades of experience enabling clients to do business, live and work in Cyprus.

Our team can support with an array of corporate and fund administration and management, assist with immigration processes and facilitate the tax effective structuring of your investments. We provide payroll, accounting, reporting, legal, funds and immigration services to our global network of valued clients.

**For a FREE Initial Consultation to discuss the specifics of your enquiry please contact Andreas Athinodorou on + 357 22057560 or [andreas.athinodorou@atgcorporate.com](mailto:andreas.athinodorou@atgcorporate.com).**

## ATG SERVICES

### ADVISORY AND STRUCTURING

- Corporate structuring advisory to maximize tax benefit
- Set up of Cyprus HQ and transfer of assets
- Set up of a Cyprus AIF or RAIF
- Investment planning
- Advice on VAT considerations
- Selecting qualifying investment for PRP
- Structuring investment into Cyprus
- Private wealth advisory for shareholders and investors

### IMPLEMENTATION

- Set-up of a Cyprus company employing EU/CY nationals and registration as employer
- Managing investment into a Cyprus fund entity
- Registration as an employer including social insurance
- Obtaining licenses for the AIF and RAIF

### ONGOING ADMINISTRATION

- Central liaison for all corporate administration and back-office support.
- Banking administration
- Fund administration
- Managing payroll and HR matters
- Work permits for non-EU nationals
- Liaising with the Ministry of Interior and relevant authorities for permanent residency permits.

### COMPLIANCE AND REPORTING

- Due diligence considerations
- Global tax considerations (e.g. FATCA Reporting)
- Real estate investment advisory
- Legal support on review of title deeds, property purchase agreements etc.
- Legal support on review of fund's offering memorandum and investment documents
- Accounting and Management reporting
- Financial reporting
- Audit assistance

### GROWTH AND EXIT

- M&A Deal Structuring and advice
- Supporting with Valuations for financing assessments
- Transfer of legal domicile to/from Cyprus
- Redomiciliation of HNWI's group companies to/from Cyprus
- Property management including all rental services support
- Estate Planning
- Family relocation support
- Concierge services

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