



Independent legal & accounting firms

Doing business in Cyprus

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MSI's guide on Doing Business in Cyprus provides current information about the financial, regulatory and legal considerations that could affect business dealings within Cyprus. For further assistance please contact one of our MSI member firms in Cyprus.

Country overview

Population

Cyprus has a total population of 1,268,467 inhabitants (2024).

Government

Cyprus is an independent and sovereign republic with a presidential system of government. The president serves a five-year term and is both the Chief of State and Head of government.

The legislative power lies with the House of Representatives. Its members also serve five-year terms.

Cyprus' legal system is based on common law, with civil law modifications. Cyprus' legal system is widely recognised as a business-friendly and effective system which is also fully compliant with the EU and international regulations against money laundering.

Languages

The national language is Greek and Turkish. However, English is almost universally used as a second language and is also widely used in business.

Currency

The national currency is the Euro.

Economic summary

GDP: €31.86 billion (April 2024)

Income per capita: €34,591 (April 2024)

Inflation: 2.4% (2024)

Main sectors of the economy

Cyprus has a modern, free-market, service-based economy with an effective and transparent regulatory and legal framework offering international investors and domestic businesses confidence to invest, grow and prosper.

It continuously and systematically strives to offer an innovative, diverse and investor-friendly environment.

Cyprus offers exciting potential in both traditional and emerging economic growth sectors, continuously aiming at diversifying and enriching its product. Traditional sectors, such as shipping, tourism, banking, financial and professional services, have been the key driving forces of the island's economy for years, while new sectors, such as technology, energy, investment funds, research & development, education and wellness tourism, offer a modern perspective and give impetus to the country's path towards growth and a varied, knowledge-based economy.

Numerous opportunities are waiting to be explored in all development sectors, while various incentives and funding opportunities are frequently introduced in order to improve Cyprus' competitiveness and enhance ease of doing business.

EU country/ Non-EU and its impact on businesses and investors

Cyprus, today, is firmly established as a reputable international financial centre, the ideal bridge between East and West.

An EU member state since May 2004, Cyprus offers a unique experience to investors and trading partners. The strong pro-business attitude, the multi-lingual and highly skilled human capital, the state-of-the-art telecommunications infrastructure and the favourable tax system have made the island one of the most progressive and efficient business locations in Europe. Cyprus has succeeded in differentiating itself from

other financial centres. It provides a unique combination of favourable participation exemption provisions on income emanating from international activities and applies a wide network of double tax treaties.

Setting up a business

Under Cyprus law, an individual can set up a business as a sole trader or through a corporate vehicle.

Types of legal entities/vehicles

1. Private limited liability company
2. Public limited liability company
3. Business name
4. Branch
5. Partnership
6. Trusts

The most common legal entity/vehicle for carrying out business in Cyprus is the private company limited by shares, which has the following characteristics as to its share capital and shareholders: (a) it has a separate and distinct personality from its members and the liability of its members is limited to the amount, if any, unpaid on the shares respectively held by each member, (b) the minimum number of shareholders is one and the maximum number is fifty, (c) invitations to the public for acquiring shares or debentures are strictly prohibited, (d) issuance of bearer shares is prohibited, and (e) there is no minimum issued and paid up share capital for such companies, but some share capital must exist. The minimum number of directors is one and there is no maximum number. Directors may be local or foreign, natural or legal persons. However, it is suggested that the majority of directors are Cypriot residents so as to ensure that the

company is managed and controlled in Cyprus in order for the Company to be considered Cyprus resident for tax purposes and be able to benefit from relevant double tax treaties. Meetings of shareholders and board of directors may be held anywhere in the world, but for tax purposes it is advisable for at least board meetings to be held in Cyprus. The company must also have its registered office in Cyprus. The company must have a secretary, who may be local or foreign, natural or legal person. It is customary for compliance purposes for the secretary to be local. The company must have a memorandum and articles of association prepared by a lawyer in Cyprus, which must be signed by the subscribers and filed with the Registrar of Companies in Cyprus. Also, the company's articles of association must provide for some restrictions for transferring shares.

Foreign companies may prefer to make use of a subsidiary (such as a private company limited by shares) rather than a branch in Cyprus mainly due to the limitation of liability. As a shareholder of a subsidiary, the foreign company's liability is limited to the amount unpaid on the shares held in the subsidiary; whereas, if the foreign company establishes a branch, it is fully responsible for all the obligations and liabilities of the branch.

Process of how to incorporate a company

A standard company takes 5-10 days to register with the Registrar of Companies and Official Receiver and the tax authorities before it is up and running.

The Cyprus government has created a Business Facilitation Unit (BFU), intended to function as a central contact point for the setting up of businesses in Cyprus by eligible companies. The BFU's main responsibilities relate to the provision of information and assistance with the incorporation of entities in Cyprus (such as assistance with the registration of companies, business name approvals, registration with the social insurance register and registration with the tax/VAT register), as well as the provision of guidance on the required licences for operating a business in Cyprus.

Additionally, it aims to facilitate and accelerate the issuance and renewal of residence and employment permits to third country nationals working for companies registered with the BFU.

For a company to be incorporated, the first step is for a unique and proper company name to be approved by the Registrar of Companies. The next step is for the memorandum and articles of association to be prepared and signed by a lawyer. Subsequently, the memorandum and articles of association, along with a statutory declaration of a lawyer as to the compliance of the company to be incorporated with the legal requirements, a statutory notification regarding the registered office address and a statutory notification regarding the first director(s) and secretary need to be filed to the Registrar of Companies of Cyprus. The company is considered to have been incorporated once the certificate of incorporation is issued by the Registrar of Companies.

Requirement to prepare financial statements

Under the Cyprus Companies Law, Cap.113, the directors of a company are responsible to maintain proper books of account and to ensure that the company prepares a full set of financial statements that gives a true and fair view in accordance with IFRSs as adopted by the European Union and the requirements of the said Law. The financial statements are accompanied by the management report (if applicable), the contents of which are specified in the said law and whose preparation is the responsibility of the directors.

The financial statements are to be presented to the shareholders of the company at a duly convened general meeting, which can be an annual general meeting or an extra-ordinary general meeting. A company's first annual general meeting can take place within 18 months from the Company's incorporation and subsequently, an annual general meeting needs to take place each year within 15 months from the previous annual general meeting. Any meeting other than an annual

general meeting is an extra-ordinary general meeting.

Requirement for consolidated financial statements

Companies which have subsidiary companies are required to prepare consolidated financial statements in accordance with IFRSs as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113.

A non-listed parent company can utilize the following exemptions not to prepare consolidated financial statements:

- Under IFRSs: if the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use that comply with IFRSs.
- Under the Cyprus Companies Law: if its parent or ultimate parent publishes consolidated financial statements prepared in accordance with Generally Accepted Accounting Principles accepted by the members of the International Organisation of Securities Commissions (IOSCO) or if the group is regarded as small/medium sized group (i.e. fulfilling two of the three criteria: total assets <€20m, net turnover <€40m, average number of employees < 250).

Along with consolidated financial statements, the Cypriot tax authorities require a (non-dormant) company to also prepare its stand-alone financial statements, which form the basis for the company's income tax return. In such cases, both consolidated and stand-alone financial statements should be presented at the AGM.

Requirement audit

Under the Cyprus Companies Law and the tax Law, all companies must have their financial statements audited and signed by a Cyprus registered auditor.

The law requires that the audit is conducted in accordance with International Standards on Auditing (ISAs).

Choice for a Review Engagement instead of an audit

Applicable for reporting periods ending on or after 31 December 2022 companies may submit their Financial Statements for Review instead of Audit, by a Statutory Auditor or a Statutory Audit Firm, according to the International Standard on Review Engagements 2400 when the Company's Net Turnover and Total Gross Assets should not exceed or ceased to exceed the criteria of €200,000 and €500,000 respectively, in two consecutive financial years.

The amended law provides that "Net Turnover" includes the Net Turnover as defined in the provisions of the Companies Law Cap.113, as well as income from Rental Income, Interests, Dividends and Royalties.

Submission of the annual return and financial statements to the registrar of companies

All Cyprus companies are required to file an annual return accompanied with the annual audited financial statements (together with the auditor's report) to the Registrar of Companies. The annual return includes details of registered office, the place where the register of members and the register of debenture holders are kept, share capital, shareholders, directors and company secretary.

Financial year of taxes and financial statements

Every company has a legal obligation for the preparation of audited financial statements for the period/year ended 31 December each year. However, legal entities may choose for a different financial year if they wish.

Economic and fiscal incentives

The Cyprus government offers a number of incentive schemes in various sectors to support companies in their business operations.

Intellectual property rights

Expenses for the acquisition or development of intangible assets (intellectual property rights) is amortised in equal instalments over a five-year period. Moreover, 80% of the revenue

arising from the exploitation of the intangible assets (including compensation for improper use of the rights) as well as out of any gains which may arise from their sale, will be deemed as an expense, hence only the remaining 20% will be subject to tax. This 80% deduction will apply on the profit after deduction of the amortization and any other direct expenses incurred in earning the profit.

Notional Interest Deduction (NID)

Over the last years, the supply of credit by financial institutions has been considerably reduced due to the banking crisis. In an effort to help the economy return to a growth path, the Government has introduced a Notional Interest Deduction (NID) regime on corporate equity. The NID regime is expected to encourage the introduction of equity capital into corporate structures which will effectively result in de-leveraging the economy and foster economic growth. The NID will remove any distortions between equity and debt finance by bringing equity and debt into a level playing field since both will be entitled to a tax deduction.

As per the amended law, corporate entities will be entitled to a NID on equity. The NID will equal the multiple of "reference interest rate" and the "new equity" held and used by a company in the carrying on of its business activities. Both terms are defined in the law:

"Reference interest rate" means the interest rate of the 10 year government bond yield of the country in which the new equity is invested increased by 5% having as a lower limit the 10 year government bond yield of the Republic of Cyprus increased by 5%. The bond yield is the one applicable as of 31 December of the tax year preceding the relevant tax year.

"New equity" means any equity introduced in the business on or after 1 January 2015 in the form of issued share capital and share premium (provided it is fully paid) and "old equity" means equity that existed on 31 December 2014. As of 01 January 2021, any reserves existed before the

introduction of NID provision in Cyprus (01 January 2015) and which are "capitalised" after 01 January 2015 are no longer allowed to be included in the amount of qualifying equity for the purpose of calculating the NID of the year. "New equity" does not include amounts that have been capitalised and which are the result of a revaluation of movable or immovable property.

It needs to be mentioned that the NID granted on new equity cannot exceed 80% of the taxable profit before allowing the NID. In the event of losses, the NID will not be available. Effectively, this means that the NID cannot create or increase a tax loss.

Incentives foreign investors

As a main rule, there are no requirements for foreign investors to register or obtain the authorities' permission for making investments, and there are no restrictions on the foreign ownership of Cypriot shares or bonds.

With regards to investments in real estate in Cyprus, EU nationals and Cypriot companies controlled by EU nationals can register any type of property in their name without restrictions. Non-EU nationals/Cypriot companies controlled by non-EU nationals must obtain permission from the Council of Ministers (which has assigned this power to the District Officers of the district where the property is located) to register property in their names and there are restrictions with respect to the size and use of such property. This permission is granted as a matter of course to all bona fide purchasers unless it is considered to be against public interest.

Non-Domicile

The non-domiciled rules were introduced to further entice corporate executives and high net worth individuals (currently entitled to a 50 per cent tax exemption of personal income tax for a 17-year period where income exceeds €55,000) to take up residency in Cyprus.

The Special Contribution for Defence Law (the SDC Law) imposes tax on income (dividends, interest, rental income) received from within or outside of Cyprus by individuals who are tax residents of Cyprus. An individual is a tax resident of Cyprus if he/she physically spends at least 184 days in Cyprus during the tax year.

The SDC Law has now been amended to incorporate the non-domiciled rules exempting the income (whether actual or deemed) of persons who are not considered to be domiciled in Cyprus from payment of special contribution for defence, even if they are tax residents of Cyprus.

An individual can be considered as domiciled in Cyprus either (i) by domicile of origin; or (ii) by domicile of choice. To understand the concept of "domiciled in Cyprus" one must look to the Wills and Succession Law Cap. 195.

Notwithstanding the above, an individual who has been a tax resident of Cyprus for at least 17 years out of the last 20 years prior to the tax year will be "domiciled in Cyprus" and as such will be subject to special contribution for defence from the 18th year.

Tax resident (60-day rule)

An individual can also acquire Cyprus tax residence by staying at least 60 days in Cyprus per year.

Under the "60-day rule", which became effective on January 1st, 2017, an individual is considered a Cyprus tax resident if he/she satisfied all of the following criteria;

- remain in Cyprus for at least 60 days during the tax (calendar) year.
- not be a tax resident of any other State or remain in any other State for a period/s exceeding 183 days in respect of the year in question.
- maintain a permanent residence in Cyprus, which can be either owned or rented by him.
- carry out business activities in Cyprus or have employment in Cyprus or be a director in a

company that is tax resident in Cyprus at any time during the tax year in question.

Subsequently, under the "60-day rule" high earning individuals who are not tax residents in any other country for the same tax year can transfer their tax residence to Cyprus and be taxed only on income from the activities the individuals' exercises in Cyprus, provided the above criteria are fulfilled. Nevertheless, it is to be noted that although an individual may satisfy all the conditions, he/she may not be considered as a Cyprus tax resident if his/her business and/or employment in Cyprus and/or position in a Cyprus tax resident have been ceased.

Exempt income

The following types of personal income are exempt from tax in Cyprus:

As of 1 January 2022, a new 50% exemption on remuneration applies for 'first employment' exercised in Cyprus by individuals who were not resident in Cyprus for a period of at least 15 consecutive tax years immediately prior to the commencement of their employment in Cyprus. The employment should commence after 1 January 2022, and the remuneration should exceed EUR 55,000 *per annum*.

An employee is considered as exercising 'first employment' in Cyprus if they did not exercise any salaried services (including occasional employment) in Cyprus, either for a local or a foreign employer, for a 15-year consecutive period immediately prior to the aforesaid employee taking up employment in Cyprus. For everyone, the exemption will apply once in their lifetime for a period of 17 years. Subject to certain conditions, individuals whose employment commenced prior to 1 January 2022 may also be eligible to transition into the new 50% exemption.

Also note, for employments commencing between 1 January 2022 and 29 June 2023, the employee may be eligible to claim 50% exemption subject to similar but not identical conditions.

More specifically, employees may be eligible to claim 50% exemption if they were not tax resident in Cyprus immediately prior to the commencement of first employment for a period of ten years, rather than 15 years. Furthermore, 'first employment' refers to employment exercised by the employee in Cyprus at any point in time, rather than the 15-year period immediately preceding the start of employment. Some additional differences apply as well. Subject to certain conditions, individuals whose employment commenced prior to 1 January 2022 may also be eligible to transition into the 50% exemption.

As of 26 July 2022, a new 20% exemption on remuneration (up to a maximum amount of exemption of EUR 8,550 *per annum*) applies for first employments commencing after the 26 July 2022 exercised in Cyprus by individuals who immediately prior to the commencement of their employment in Cyprus were not a resident of Cyprus for a period of at least three consecutive tax years and were employed outside of Cyprus by a non-resident employer. For everyone, the exemption will apply for a period of seven years, starting from the tax year following the tax year of commencement of employment. In order to prevent duplication of these new exemptions, individuals granted the above-mentioned 50% exemption will not be eligible for this exemption.

Previously, for employments commencing until 26 July 2022, 50% and 20% exemptions were available subject to different conditions than the conditions that apply currently. These exemptions were available for a period of ten or five years, respectively. Eligible individuals may continue to claim the exemption even after 26 July 2022 for any remaining period.

A 100% exemption from PIT for remuneration earned from an employment exercised outside Cyprus for a period of more than 90 days (in aggregate) in a tax year for a non-Cyprus tax resident employer/foreign PE of a Cyprus tax resident employer.

Taxation

The Cyprus tax legislation and its regulation is straight forward in nature. Relations between the business community and the tax authorities are excellent and ensure the efficient taxation of the commercial and financial sector. By providing a transparent and efficient environment, the tax system enhances Cyprus's competitiveness and contributes to making Cyprus an attractive jurisdiction for setting up business operations.

In that framework, it is possible to obtain advance certainty regarding the fiscal qualification of international corporate structures in the form of so-called Advance Tax Rulings. In addition, the Cyprus has also signed tax treaties with many other countries to prevent the occurrence of double taxation. At the same time, its vast network of tax treaties offers instruments for international tax planning.

VAT

Value added tax (VAT) is mandatory in Cyprus for any type of company that provides goods or services. Various VAT rates apply according to the type of product, and they are as follows: the standard rate is 19% and the reduced rate is 9% or 5%. The standard rate applies to all goods or services that are not subject to the reduced rate, or the zero rate or that are exempt from VAT altogether.

Income tax

An individual who will be considered a Cyprus tax resident will be taxed on their worldwide income under Cyprus Income Tax. Currently the income tax rates in Cyprus are as follows:

Tax Base (EUR)	Tax rate (%)
Up to €19,500	0%
€19,501 to €28,000	20%
€28,001 to €36,300	25%
€36,301 to €60,000	30%
Over €60,001	35%

Corporate income tax

Profit generated by limited liability companies and branches of foreign

investors located in the Cyprus are taxed at 12.5% on profits unless a source of income is exempt from taxation. (i.e., profits from the sale of titles)

Capital gains tax

Gains derived from the sale of shares are tax-exempt. Capital gains tax at a rate of 20% is imposed on gains from the disposal of immovable property situated in Cyprus and on gains from the disposal of shares in an unlisted company that owns, directly or indirectly, immovable property situated in Cyprus.

Special contribution for defence

Special contribution for defence is imposed on income earned by Cyprus tax residents from interest at the rate of 17%, dividends at the rate of 17% and rents at the rate of 2.25%. Non-tax residents and non-domiciled residents are exempt from special contribution for defence.

Arm's Length Principle

The arm's length principle, i.e. the principle that conditions made or imposed in transactions between associated persons should be similar to those observed and applied between independent persons, is codified in Article 33 of the Income Tax Law.

Transfer Pricing Documentation

Comprehensive transfer pricing documentation requirements apply to Cyprus taxpayers as from 1 January 2022 and include:

- Maintaining a Cyprus Local File if the aggregated value of transactions with related parties per tax year exceed (or should exceed based on the arm's length principle) €1.000.000 per category of transaction and €5.000.000 for connected transactions falling under the category "Financing. The relevant categories are goods, services, IP related income, financial transactions, and other transactions.
- Maintaining a Master File if the Cyprus taxpayer is either the Ultimate Parent Entity or the Surrogate Parent Entity of an MNE

Group with consolidated group revenues exceeding €750 million for Country-by-Country Reporting purposes.

- Maintaining simplified transfer pricing documentation for taxpayers with related party transactions that are not required to be documented in a Cyprus Local File.
- The preparation and submission of a Summary Information Table ("SIT") by all taxpayers. The SIT contains high level information on related party transactions, such as the identity of the counterparties, their jurisdiction of tax residency and the value of the transactions.

The Transfer Pricing Documentation rules apply to all Cyprus tax resident companies, as well as permanent establishments of non-resident companies.

Transfer Pricing Documentation Reporting Deadlines

Transfer pricing documentation (e.g., Local File, Master File, and simplified documentation) for a particular year should be prepared no later than the due date for submitting the taxpayer's Corporate Income Tax Return for that year.

Upon request by the Cyprus Tax Department, the transfer pricing documentation should be made available within 60 days from the receipt of the relevant request by the taxpayer or by a person authorised to act as a representative of the taxpayer.

A SIT should be prepared for each separate tax year and be submitted to the Cyprus Tax Department, along with and by the due date for, the Corporate Income Tax Return for that year.

Transfer Pricing Documentation Penalties

Where a taxpayer has received a notice from the Cyprus Tax Department to provide transfer pricing documentation and fails to do so within the required timeframe of 60 days, penalties ranging from €5.000 to €20.000 will apply depending on the length of the delay.

In the cases where a taxpayer fails to submit a SIT, a penalty of €500 will be imposed.

Registration procedures

Private persons and companies are registered with the tax authorities and are given a tax identification code (TIC). Both have to be registered on TaxisNet a website/portal maintained by the Cypriot tax authorities, through which various tax returns are filed.

The Tax authorities will issue a Unique Registration Number (URN). For tax returns to be filed through TaxisNet, each taxpayer must register with this service. Companies must authorise their tax advisor for electronic submission of the tax declaration. All other submissions can be filed by the individual or company unless an authorisation was given to the tax advisor/accountant. Communication with the tax authorities by way tax assessments is done by post but all other tax and VAT services are executed in an electronic way.

Taxation of dividends

Dividends received by a Cyprus resident company are exempt from corporation tax (whether received from a company located in Cyprus or abroad). Dividends received by a Cyprus resident company are exempt from the Special Contribution for Defence (SCD), unless the dividends are paid out of profits that are more than four years old. Dividends received from a non-resident company also generally are exempt from SCD, although the exemption does not apply if more than 50% of the non-resident payer company's activities, directly or indirectly, lead to investment income and the foreign tax burden on the income of the non-resident payer is substantially lower than the tax burden of the company in Cyprus (i.e., less than 6.25%). If not exempt, dividends are liable to SCD at 17%.

As from 1 January 2016, dividends received by a Cyprus company from investments in hybrid instruments that are treated as a tax-deductible expense in the country of the payer are treated as trading profits subject to income tax (i.e.

they are not considered dividends exempt from SCD).

Pay-as-you-earn system (PAYE)

In respect of employee income tax is withheld from salaries by the employer under the pay-as-you-earn system (PAYE) according to the individual income tax rates.

Withholding taxes

The most common withholding tax is dividend tax with a rate of 17%. Within the European Union the dividends are generally tax free under the participation exemption. The same may apply to other countries, depending on the tax-treaty.

Stamp Duty

Stamp duty is payable on certain types of documents relating to acts performed or objects located in Cyprus, regardless of the place of execution. Applicable Rates Stamp duty amounts depend on the contract value, as follows:

- €1 to €5,000: Zero,
- €5,001 to €170,000: €1.50 for every €1,000,
- Over €170,000: €2 for every €1,000 up to a maximum of €20,000,
- Unspecified contract value: €34.17.

Immigration/ Labour Law

Employment law

Employment legislation ensures minimum workplace entitlements, including maximum weekly working hours (with exceptions), minimum salaries for specified occupations (including shop assistants, child minders and security guards), minimum notice periods for the termination of employment and minimum annual leave, maternity, and parental leave rights. Terms and conditions of employment may also be agreed by collective bargaining between the employer and employee.

Employment contracts may be oral or in writing. However, the employee must be provided with a written statement of terms within one month of commencing employment. The written statement must include, among others:

- Place of work
- Job title and scope
- Commencement date of employment (and expected duration for fixed term contracts)
- Annual leave entitlement
- Notice periods for termination of the contract by the employer or the employee
- Remuneration and payment schedule
- Daily or weekly working hours, and
- Any applicable collective agreements.

Legislation sets out minimum notice periods that employers and employees must give in order to terminate a contract of employment. Notice periods must be provided in writing. The length of notice required depends on the employee's length of employment. An employee may also be dismissed without notice for justifiable reasons, including gross misconduct by the employee. Employees that are unlawfully dismissed are generally entitled to compensation.

Residency & work permits and naturalisation

All EU inhabitants can work freely anywhere in the EU without a special working permit or visa. If an EU national from outside the Republic of Cyprus is employed in the Republic of Cyprus, he/she must register with the Migration Department and obtain an Alien Registration Card (ARC) and also register to the tax office from which a personal tax identification number is allocated.

Nationals of countries outside the EU or EEA will need a permit to enter and work in Cyprus. The type of permit required depends on, among other criteria, the employee's salary, whether the employer is a company of foreign interests or not, and the type of work to be performed in Cyprus.

To register with the BFU and employ third country nationals without the need to go through the standard local labour test, a company must meet one of the following criteria:

- the majority of the company's shares are owned by third-country nationals; or
- in case that the percentage of the company's shares owned by a third-country national is equal or less than 50%, the company is eligible if that foreign participation has a value of at least €200.000 (on top of the initial investment mentioned below); or
- Public companies registered on any recognised stock exchange; or
- Companies of international activities (formerly offshore), which operated before the change of regime, whose data are held by the Central Bank; or
- Cypriot shipping companies; or
- Cypriot high-tech/innovative companies; or
- Cypriot pharmaceutical companies or companies active in the sectors of biogenetics and biotechnology; or
- Companies of which most of the total share capital is owned by persons who have acquired Cypriot citizenship by naturalization based on economic criteria, provided that they prove that the conditions under which they were naturalized continue to be met; or
- Cypriot Private Institutes of Tertiary (Higher) Education licensed by the Ministry of Education, Sport and Youth.

An investment criterion is additionally applicable and the company is obligated to prove an initial investment in the Republic of Cyprus of at least €200.000, which should be proven by presenting the appropriate certificates (e.g. bank statement at the time of deposit of the amount or proof of investment (purchase of office space and/or office equipment)).

The maximum cap that used to be applicable for the employment of third country nationals has been abolished. Eligible companies can now freely employ any number of third country nationals who are considered to be highly skilled, without limitation as to their profession/skills and without having to go through the standard local labour test. It is further noted that

issuance of employment/residency permits has become much faster, now taking approximately only one month.

The relevant requirements are now as follows:

- eligible companies must ensure that 30% of their total staff is EU/Cypriot within 5 years from the inclusion of the company in the BFU; and
- the third-country employees to be employed by an eligible company must receive a minimum gross salary of €2.500 (it is noted that third-country nationals who already hold residence and employment permits at the BCS Key Personnel level of companies of foreign interests, with a monthly gross salary of €2.000 or more, will continue until 31.12.2026, to renew their residence permit at the same employer without an increasing their payroll) and must possess either a university diploma/equivalent qualification or prove that they have at least two years of experience in a corresponding employment position. In addition, the employment contract with the eligible company must have a duration of at least two years.

Non-EU investors can become permanent residents of Cyprus by making an investment of at least €300.000 in certain investment categories, including real estate, Cypriot companies and units of Cyprus Investment Organization of Collective Investments and subject to meeting certain qualitative and minimum income criteria.

It is further noted that a recent amendment to the legislation now allows third country nationals who are highly skilled to get on a fast-track to obtain Cypriot citizenship, along with their family members provided that they reside legally and continuously in Cyprus for three or four years (instead of seven years), depending on their level of proficiency in the Greek language and subject to meeting certain other qualitative requirements.

Social security

Participation in a social security program is obligatory. Employers and employees are required to make contributions to the Social Insurance Department These contributions provide benefits, including sickness benefits, unemployment benefits, employment injury benefits and state pensions.

Cyprus has intensified the efforts to conclude bilateral agreements with third countries, so that when a third-country national who has paid social security contributions in Cyprus returns for permanent residence in his/her country, he/she is able to transfer the contributions paid in Cyprus to his/her country under certain conditions.

Social insurance and other contributions are calculated at the following rates on employee's gross weekly/monthly emoluments.

Percentage of Earnings			
Fund	Employer	Employee	Self employed
Social Insurance fund	8.8%	8.8%	16.6%
Redundancy fund	1.2%	-	-
Training Development fund	0.5%	-	-
Social Cohesion fund	2.0%	-	-
Holiday Fund (If is not exempt)	8%	-	-
TOTAL	12,5%	8.8%	16.6%

The following are the upper limits on employee's gross emoluments:

	Per week	Per month	Per annum
	€	€	€
Weekly employees	1,209	-	62.868
Monthly employees	-	5.239	62.868

Insurance policies can be taken from a number of national operating insurance companies.

Contributions and National Health System

As from 1 March 2019, the contributions are calculated and paid as a percentage on the gross emoluments/pensions as follows:

Contributions	01/03/20 onwards
Employees /retirees /income earners	2.65%
Employers	2.90%
Self-employed	4.00%
The State	4.70%

For the purposes of calculating the contributions, gross emoluments are limited to €180.000 per annum.

Pension

An individual who reached the age of 65 and have been living legally in Cyprus for at least 20 years after the age of 40, or 35 years after the age of 18, can claim from the Social Insurance Services Social Pension provided that he/she is not entitled to pension from any other source.

Payroll

When starting a business and employing staff, a company must register with the tax authorities and pay tax monthly for its employees (Pay As You Earn). A company must also register to the Social security and pay monthly contributions. The process of registration takes one day.

Contact us

The information provided in this guide cannot be exhaustive and we recommend anyone considering doing business in Cyprus should seek professional advice from our member firms before making any business or investment decision.

Contact our member firms in Cyprus to discuss your requirements:

Accounting member: Nicosia

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