

Tech Cyprus: Exploring the island of opportunities

Why Cyprus?

The island of Cyprus has positioned itself as an emerging start-up ecosystem; confidently rising in the crossroads of Europe, Middle East and Africa, despite it being one of the smallest jurisdictions of the European Union.

With its secure and legally transparent foundations, its cutting-edge regulatory regime, favourable tax rates, undisputed reputation as a financial hub, distinctively low cost of setting up business, as well as the ability to recruit a highly educated and diverse workforce, Cyprus operates at the highest standards and as a result has become a destination of choice for a number of major Information Technology Communication (**ICT**) companies. Similarly, Cyprus has established both a reputable broker and fin-tech community, pinning itself on the map as a key host for high tech innovative organisations.

Cyprus has gained both traction and popularity in being one of Europe's most successful countries in attracting investment capital in the block-chain with significant funding being by 27 block-chain start-ups to date. Evidently, the island offers immense potential to ICT companies of all sizes wanting to develop and flourish.

ICT companies have the luxury of establishing an IP holding and development company in Cyprus, which offers lower effective tax rate while having the legal protection of the EU as well as of the signatories to all key IP protocols and treaties.

ICT related companies with a presence in Cyprus include NRC, Amdocs, Wargaming, 3XC, Exness, Bolt, Thomson Reuters, Etoro, Melsoft Games, Nexters, among others.

Government initiatives

A number of governmental initiatives have paved the way for both a vibrant and secure community for start-ups in Cyprus, where tech companies have the opportunity to grow and expand in today's ever changing global market. Government initiatives are focusing on the fundamentals needed for tech companies to set up as well as for the ability for the individuals to effectively live and work on the island.

As of 2020, a Deputy Ministry of Research, Innovation and Digital Policy exists to underline the Cypriot government's recognition of research and innovation as a vital pillar for contributing to the growth of the Cypriot economy.

Innovation and green initiatives

Cyprus has made a commitment towards facilitating a transition towards a greener economy and an economic growth focused on resource efficiency, having its strategy fully coherent to the notable Paris Agreement and the EU's Green Deal. A consistent effort placed on transforming the business models of existing enterprises into adopting a more circular approach. According to the Ministry of Energy, Commerce & Industry, the focus is on an innovative green transition in the fields of electricity generation and storage, transport, agricultural, exploitation of natural resource amongst others.

Cyprus headquartering

Most recently in October 2021, the Ministry of Finance announced new measures for attracting new business and boosting the Cyprus economy.

1. Employment of third-country nationals employed by foreign interest companies/businesses, as well as for Cyprus companies who add value to the Cyprus economy

Eligible companies will be:

- Foreign businesses/companies operating in Cyprus or foreign business/companies intending to operate in Cyprus and who operate independent offices in Cyprus, which are separate from any private residence or other office
- Cyprus shipping companies
- Cyprus companies relating to high-end technology and innovation
- Cyprus pharmaceutical companies or Cyprus companies who are engaged in the fields of biogenetics and biotechnology

2. Employment of third-country nationals with either

- A minimum gross monthly salary of €2,500
- A maximum gross monthly salary of €2,500

In the first case, certain criteria would apply, such as, inter alia, a university degree, and a minimum two-year employment contract, while for the second case, employment of third-country nationals as support staff will be permitted provided that it does not exceed 30 per cent of the total support staff.

The permits are issued immediately within one month and will have a duration of up to three years.

3. Family re-unification rights of third-country nationals belonging to the Business Facilitation Unit

Immediate and free access to the labour market to the spouses of the persons who have obtained residency and work permit in Cyprus through the Business Facilitation Unit under point two above (but only for those who receive a minimum gross monthly salary of €2,500, i.e. not for the support staff).

4. Simplifying and fast-tracking the process of granting work permits

Acknowledging that the current process is time-consuming, the Ministry of Interior is working on amending the applicable regulations in order to simplify the procedure and the criteria based on which the residency permits are granted.

5. Digital Nomad Visas

In line with other European countries, introducing similar arrangements for professionals who would like to work remotely, Cyprus will be facilitating the residency requirements for third-country nationals who are self-employed/freelancers or employees who work remotely with employers/clients outside of Cyprus for a period of 12 months

Residency status would cover:

- Right to stay in the country for a period of up to one year with the right to renew their residency for another two years
- Digital nomads can be accompanied by family members, for whom the residency permit will expire at the same time as the one of the digital nomad who will be acting as their sponsor. During their stay in Cyprus, the spouse/partner and the sponsor's dependents are not allowed to work or engage in any kind of economic activity in the country

If the beneficiaries of this programme reside in Cyprus for one or more periods, which in total exceed 183 days within the same tax year, then they are considered tax residents of Cyprus, provided that they are not tax residence in any other country.

Initially, there will be a maximum limit of 100 beneficiaries and the applicants will need to satisfy certain requirements.

6. Tax incentives for employees

Expansion of the tax exemption applicable to employees in Cyprus (provided that they were non-residents in Cyprus prior to the start of their employment) for a period of 17 years. The new measures will result in:

- 50 per cent tax exemption to new residents-employees with employment remuneration of more than €55,000
- Current beneficiaries having the right to extend the benefit from 10 to 17 years

7. Other tax incentives

Additional tax incentives for corporate entities considered:

- Extension of the tax exemption for investment in innovative companies, whereby the Ministry of Finance is considering the possibility of extending the 50 per cent tax exemption for investment in certified innovative companies to corporate investors (currently, this is only applicable to natural persons)
- Grant of a further discount on R&D expenses (e.g. by 20 per cent) so that eligible R&D expenses may be deductible from taxable income in an amount equal to 12 per cent of the actual taxable income

8. Citizenship

Finally, an employee that completes five years of residency and employment in Cyprus (or, in case the employee has obtained a Greek language certification, four years) can apply for citizenship.

Cyprus tax landscape

Cyprus offers one of the lowest rates of corporate income tax in all of Europe, currently set at 12.5 per cent

- Broad network of double tax treaties. Unilateral tax credit on any tax paid abroad on the same income, irrespective of the existence of a double tax treaty.
- Profit from sale of shares and other instruments are exempt from taxation.
- No capital gains tax other than on the disposal of immovable property situated in Cyprus or shares representing immovable property based in Cyprus.
- Zero tax on dividends. Payment of dividends and interest to non-Cyprus tax residents are exempted from withholding tax.
- Notional interest deduction on new capital in the form of paid up share capital or share premium of a Cyprus company is eligible for an annual notional interest deduction.
- The revenues of a CIF are for the most part exempt for VAT purposes in Cyprus.

Harneys as market leaders

Our lawyers across the globe have been advising clients on an array of ICT related projects, positioning ourselves as a true market leader in the tech innovation space. Specifically, in Cyprus, we are witnessing a tech ecosystem boom and our team of lawyers have been at the forefront of a number of highly significant tech related ventures. Harneys Cyprus remains the absolute “go-to” firm for this type of work.

We advise clients who are structuring, launching, operating or investing in a wide range of projects in the ICT space. Our support extends from all spheres relating to corporate, commercial, regulatory, tax, employment and labour law.

Our affiliated corporate services business, Harneys Fiduciary, can also establish and maintain the corporate vehicles used in these transactions, and provide a range of ancillary corporate and fiduciary services.

Harneys tech initiatives

Harneys co-founded the **CoinAlts Fund Symposium** – a leading industry conference in the digital assets space, which was launched in San Francisco in 2017 and continues to date. We have also provided legal insights on crypto as part of our Funds Download podcast series, which can be accessed [here](#).

Harneys has always been committed to supporting the growth of start-ups and emerging companies, funds, and tech innovators. In 2020, we announced the inaugural launch of our **Tech Accelerator Program**, designed to support tech innovators and professionals with free legal advice and trust company services as they prepare to launch a company or fund. Encouraging start-up funds and emerging growth companies. Harneys provided up to US\$25,000 of combined legal fees from Harneys law firm and trust company services from Harneys Fiduciary to the successful applicant. Last year's winner was Agrippa Capital, a market-neutral hyperactive crypto fund that aims to outperform the Crypto Index. Harneys has now opened up the stage for a second round of applications. Click [here](#) to find out more.

Most recently, Harneys pushed its own personal boundaries by launching its very first **Virtual Tech Conference**, which explored challenges and opportunities for start-ups and entrepreneurs of companies. Find out more [here](#).

The Harneys difference

Harneys is one of two international law firms with a physical presence in Cyprus. We maintain excellent relations with the Cyprus government, CySEC, and a number of vital regulatory bodies. We advise the world's top financial and credit institutions on the Cyprus financial services sector and work with numerous reputable service providers on-island. We are on the ground in Cyprus to assist and support both start-ups and entrepreneurs of companies looking to establish in the jurisdiction through a turnkey cost-effective solution.



For more information and key contacts please visit [harneys.com](https://www.harneys.com)

© Harneys, February 2022

Harneys is a leading international offshore law firm. From locations around the globe, Harneys advises the world's top law firms, financial institutions and corporations on the laws of British Virgin Islands, Cayman Islands, Cyprus, Luxembourg, Bermuda, and Anguilla. For more information about Harneys please visit [harneys.com](https://www.harneys.com) or contact us at marketing@harneys.com.

The foregoing is for general information only and not intended to be relied upon for legal advice in any specific or individual situation. Bermuda legal services are provided through an association with Zuill & Co which is an independently owned and controlled Bermudian law firm.