

Unlocking Opportunities: Residency, Tax Residency, Non-Dom Regime & Incentives

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Highlights at a Glance

Residency and the Route to Citizenship

- Residency via the route of a Cyprus company acting as the employer.
- Minimum capital of €200,000 required.
- Family members of shareholders and employees can also apply for residency in Cyprus.
- Non-EU nationals residents, for as short as 3 years, are eligible to apply to become Cyprus citizens.
- Soon to be approved: Blue Card residence holders, will be granted free movement rights across the EU.

Cyprus Tax Residency

- Tax residents but non-domiciled individuals can enjoy all dividends and interest income, free from tax in Cyprus.
- Tax residents enjoy 50% exemption under income tax, on the remuneration from any employment in Cyprus.
- No tax on any profits earned from the disposal of shares.

Note: Please see detailed analysis below for limitations and prerequisites for the above benefits to apply.



Residency and the Route to Citizenship

A **Foreign Interest Company (FIC)** is a company registered in Cyprus, whose majority shareholders (at least 50% shareholding) are non-EU nationals.

For a non-EU national to be employed in Cyprus, a temporary residence and work permit are necessary. An FIC can employ non-EU nationals through a simplified and fast process for the issuance of temporary residence and work permits in Cyprus.

FICs can employ up to 100% of key personnel from non-EU countries. After a 5-year period, it is expected that at least 30% of the FIC's workforce should be either Cyprus or other EU nationals, with the goal of reaching a balanced ratio.



FIC's shareholders and non-EU employees, can apply for a work and residence permit in Cyprus.



Importantly, by setting up an FIC in Cyprus, the company's shareholders can also apply for a work and residence permit through the FIC . This provides the right to live and work in Cyprus and the opportunity to relocate current non-EU employees to the island, as well as hire new non-EU employees.

Family Members

Non-EU nationals holding residence and employment permits are able to exercise their Family Reunification right for their family members (spouse and minor children).

As such, family members of shareholders and employees of a FIC can also apply for residency in Cyprus .

Spouses of employees and shareholders who obtained a residence and work permit in Cyprus and who receive a minimum gross monthly salary of €2,500 can have immediate and free access to the labor market.

Shareholders, employees, and their families can also take advantage of the numerous tax benefits as explained further below.



Family members of shareholders and employees of a FIC can also apply for residency in Cyprus.

Route to Citizenship

Non-EU nationals are eligible to apply to become Cyprus citizens and enjoy the benefits of a Cyprus passport, including the advantages of Cyprus' EU membership.

This can be accomplished provided the below conditions are met:

- Applicants should reside in Cyprus and should not leave from the country for a continued period of more than 90 days within a 12-month period.
- Applicants employed by a FIC need to accumulate legal residency in Cyprus for a period of 4 years if they hold an A1- Greek language certification. This period can be further reduced to 3 years if they hold a B2 – Greek language certification.

Criteria for the FIC (Employer) Company

- Non-EU shareholders should own the majority of the company's shares.
- Non-EU shareholders should contribute solely/jointly at least €200,000 from abroad into a Cyprus bank account of the FIC company. These funds can be used for the company's working capital, payroll, and other capital expenditures .
- The company needs to undertake employers' liability insurance.



Minimum capital of €200,000 is required which can be used for the FIC's working capital, payroll and other capital expenditures.

Criteria for the Employee(s) of the FIC

- For non-EU individuals to be employed by the FIC, they should be considered as key-personnel. This includes directors, middle management, specialists and even support staff provided that the necessary approvals from the Department of Labor are granted.
- Hold a university degree or diploma or equivalent qualification or relevant experience of at least 2 years.
- Submit an employment contract of at least 2 years.
- Medical checks need to be done in Cyprus and be certified by a specialist doctor.
- Submit a clean criminal record from the country of original residence.
- Have valid health insurance.



EU Blue Card: Unlock Free Movement and Professional Growth

In January 2024, the Council of Ministers in Cyprus embraced the future of skilled migration by approving bills to implement Europe's Blue Card Scheme.

The Blue Card is a work and residency permit designed for highly skilled, non-EU nationals, seeking employment opportunities in Cyprus. Once approved, Blue Card holders are granted free movement rights across the EU, as well as family reunification privileges.

Criteria for obtaining a Blue Card

Non-EU nationals looking to apply for a Blue Card must satisfy the below requirements:

- **Employment Contract or Job Offer:** You must present a valid employment contract, or a binding job offer, for a highly skilled position with a duration of at least 6 months.
- **Salary Requirements:** Your salary should meet the national minimum salary but should not exceed 1.6 times the average salary in Cyprus.
- **Education or Experience:** You need to have completed at least 3 years of higher education. Alternatively, if you are a professional in the ICT sector, you must have at least 3 years of relevant professional experience in the last 7 years preceding the Blue Card application.
- **Health Insurance:** You must have valid health insurance in Cyprus.



What are the Benefits?

- **Work and Residence Permit:** As a Blue Card holder, you gain the right to reside and work in the Republic.
- **Mobility:** You can enjoy the flexibility of working and moving between participating EU countries, subject to certain conditions and regulations. More specifically, Blue Card holders can enter, reside and work in a second Member State for up to 90 days within a 180-day period. Furthermore, after 12 months of legal residence in Cyprus, you are entitled to enter, reside and work in a second Member State, provided that you apply for an EU Blue Card in that second Member State within 1 month of entry.
- **Family Reunification:** You are entitled to bring your immediate family members, including spouses and dependent children, to join you in the Republic.
- **Pathway to Permanent Residency:** The Blue Card can provide a pathway to permanent residency after 5 years of legal and continuous residence in the EU as an EU Blue Card holder and two years of legal and continuous residence in the Republic.
- **Equal Treatment:** You can benefit from equal treatment with nationals of the Republic in terms of working conditions, salary, and other employment-related rights.

The EU Blue Card offers a significant opportunity for non-EU nationals to advance their careers within Cyprus and the broader European Union. By providing the right to work and live in Cyprus, coupled with the freedom to move across many EU countries, the Blue Card is an excellent pathway for skilled professionals seeking to expand their horizons and embrace new challenges in a dynamic environment.



Cyprus Tax Residency

Individuals who are tax residents in Cyprus are taxed on income accruing or arising from all sources both within and outside Cyprus. Conversely, individuals who are not tax residents in Cyprus, are only taxed on income accruing or arising from sources within Cyprus.

As of the 1st of January 2017, an individual is considered a tax resident of Cyprus if he/she satisfies either the 183-Days Rule and/or the 60-Days Rule as outlined below:

The 183-Days Rule

An individual who resides in Cyprus for more than 183 days in a calendar year is considered a tax resident of Cyprus.

The 60-Days Rule

An individual can be considered a tax resident of Cyprus even if he/she spends less than 183 days in Cyprus, provided that he/she satisfies all the below conditions within the same tax year (1st January – 31st December):

- Do not reside in any other country for a period exceeding 183 in aggregate; and
- Are not considered a tax resident in any other country; and
- Reside in Cyprus for at least 60 days; and
- Exercise a business in Cyprus OR are employed in Cyprus OR
- Hold an office (Director) of a company tax resident in Cyprus and maintain in the tax year a permanent residential property in Cyprus which can be either rented or owned.



The Cyprus Non-Domiciled Regime

The Wills and Succession Law states that there are two kinds of domicile:

Domicile of Origin is the domicile received at birth, usually following the father's domicile.

Domicile of Choice is the domicile in which a person chooses to replace their domicile of origin by establishing physical presence in the country.

Individuals can qualify as "non-domiciled" if they have been living abroad for more than 17 years, but they spend at least 60 days per year in Cyprus. This is irrespective of whether their domicile is of origin or of choice.

An individual who is a tax resident of Cyprus under the 183-days rule or the 60-days rule, but is "non-domiciled" in Cyprus, will be exempt from Special Defense Contribution (SDC).

As per the SDC law, dividends and interest income earned by individuals who are tax residents and domiciled in Cyprus, are subject to tax, regardless of the source of income (i.e. from Cyprus or from abroad). Rental income is also subject to tax.

However, **tax residents but non-domiciled individuals will enjoy dividend, interest, and rental income free from SDC tax in Cyprus.**

The first €180,000 of Dividend and Interest income for every natural person (annually) will be subject to a contribution to the General Health System in Cyprus at 2.65%, capped at €4,770.

Non – Domiciled Tax Resident Individual

Non-EU nationals are eligible to apply to become Cyprus citizens and enjoy the benefits of a Cyprus passport, including the advantages of Cyprus' EU membership.

Type of Income	Income Tax	SDC
Dividends	Exempt	Exempt
Interest	Exempt	Exempt
Rental Income	Taxable (Normal Rates)	Exempt

Cyprus Tax Benefits in a Nutshell

Corporate Tax

- Corporate tax rate at 12.5% on worldwide income.
- All expenses incurred for the production of income are tax deductible.
- Dividend income is fully exempt from Tax*.
- Profit from the disposal of securities is exempt*
- Profits from permanent establishment outside Cyprus are exempt from Income Tax*
- Taxable losses are carried forward over five years.
- Group relief for utilisation of tax losses*
- Dividends paid to foreign resident shareholders are free from Withholding taxes or any other taxes irrespective of a double tax treaty.
- Interest paid to a non-resident company is exempt from Withholding taxes irrespective of a double tax treaty.
- Notional interest deduction on new equity introduced (using the reference rate as the interest rate of the 10-year government bond yield of the country) where the new equity is invested (as published annually) increased by 5% (interest deduction is capped up to 80% of the taxable profits).
- IP Tax regime - OECD Compliant and approved by the EU.
- Interest deduction incurred for the acquisition on fixed assets used in the business.
- Tax neutral on profit or losses arising from foreign exchange rate fluctuations.
- No thin capitalisation rules.
- Capital gains tax is only applicable on profit on disposal of immovable property or shares of non-listed entities owing immovable property situated in Cyprus.
- Double tax treaties have been concluded with 68 countries across all continents.
- Tax credit for foreign taxes.
- Cyprus tax authorities provide binding advance tax rulings.
- Full adoption of the EU Parent-Subsidiary Directive, EU Mergers Directive, EU Royalty and Interest Directive, EU Directive on Mutual Assistance and Cooperation.

*Subject to certain, non-stringent conditions




Income Tax for Individuals

- Dividend Income and Interest income are exempt from Income tax but are subject to Special Contribution for Defence Tax.
- 50% exemption is provided under Income tax on the remuneration from any employment exercised in the Republic by an individual who was a tax resident outside of the Republic before the commencement of the employment, provided that the annual remuneration exceeds the amount of EUR 55,000. The exemption applies for a period of 17 years.
- Income tax exemption from foreign employment; remuneration from rendering services outside of Cyprus to a non-resident employer or to an overseas permanent establishment of a resident employer for more than 90 days in a tax year is exempt from income tax.
- No tax on any profits earned from the disposal of securities including shares and bonds.
- No tax on any lump sum received as a retirement gratuity.
- No tax on lump sum repayment from life insurance schemes or approved provident funds.
- 5% tax on pension received from abroad exceeding €3,420.
- No estate duty, wealth, gift or inheritance tax.
- Contributions to social insurance, GESY, approved provident and pension funds, medical or other approved funds are tax allowable (limited to the 1/5 of the net taxable income before these allowances).



Contact Us

 Berengaria 25, 4th Floor
25 Spyrou Araouzou
3036 Limassol, Cyprus

 +357 25040404 / +357 25050600

 info@royalpine.com

 www.royalpine.com

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