

## CYPRUS : A TECH HUB OF INNOVATION

Cyprus is rapidly evolving into Europe's hub of innovation and steadily expanding its tech ecosystem. Many companies have been lured to the island thanks to its numerous tax incentives, its robust legal framework, and its forward thinking "techisland" initiatives that are attracting entrepreneurial talent to its shores.

Strategically located at the crossroads of Europe, the Middle East and Africa Cyprus is the ideal European base for innovators keen to expand their presence globally. Techpreneurs, developers, and cryptopreneurs are among those within the tech, blockchain, and gaming space that are exploring Cyprus as a hub for their business initiatives.

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### ADVANTAGES FOR CYPRUS COMPANIES

#### Cyprus Headquarters Set up

Cyprus offers one of the most attractive corporate income tax rates in Europe at **12.5%** and is renowned for being a jurisdiction that welcomes investors and business owners. In terms of compliance Cyprus is also on the OECD White List and meets internationally agreed tax standards, exchange of information agreements and EU level transparency benchmarks.

English is widely spoken and all company matters and processes can be managed in English/Greek. Its legal framework too is based on UK law which gives shareholders peace of mind that their interests are safeguarded. In addition to having numerous fiscal incentives Cyprus tax resident companies can avail over 50 double tax treaties, some of which offer tax exemptions on foreign sourced income and on proceeds from the sales of shares or bonds. There are no withholding taxes on most payments abroad and no capital gains tax on the disposal of real estate based outside Cyprus nor on securities. Similarly, dividends out to a non-resident shareholder are exempt from tax and dividends received are not exempt depending on the DTT.

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. [Find out more about the benefits of Cyprus as your HQ.](#)

#### Cyprus Intellectual Property Box

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 intellectual property at **2.5%**. Some of the key benefits of the IP Box Regime are:

- 80% of profits from the sale/exploitation of the IP may be disregarded 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 have no withholding taxes (EU Royalty Directive)
- The acceleration of technology on the global stage is driving a surge in demand for corporate and tax structures that safeguard valuable intellectual property

### CRYPTO-FRIENDLY AND TRANSPARENT

As Europe seeks to welcome the crypto sector into its ecosystem's fold in a regulated manner, several EU states are implementing new frameworks for this sector. Cyprus welcomes innovative cryptopreneurs looking to set up their businesses in Cyprus offering a flexible but fully compliant, transparent, and seamless regulatory environment.

In 2022, the Cyprus government introduced a directive to allow for Crypto-Asset Service Providers ("CASPs") to operate their businesses and obtain registrations and licenses locally.

Each type of crypto-asset service provider must have an initial share capital from EUR 50,000 to EUR 150,000. The entity must be incorporated in Cyprus and have local staff. They must have 2 executive and non-executive directors the majority of which are residents in Cyprus. These individuals will need to be vetted by the Cyprus Securities and Exchange Commission to demonstrate their suitability.

### WHAT WE CAN DO FOR YOU

Global business owners are capitalizing on the myriad of tax and legal benefits of having their business operations headquartered in Cyprus. Drawn to the island due to its entrepreneurial incentives, favourable corporate and personal income tax incentives, and forward-thinking policies.

Cyprus is fast becoming a hub for innovation in Europe. ATG has over two decades of experience enabling clients in setting up their business operations and relocating to Cyprus. Our work spans from initial advisory to exit strategies, we can support with the set-up of a Cyprus headquartering or IP Box and facilitate all residency and work permits needed to ensure our clients' presence on this "techisland". We assist business owners in the research, software, AI, computing, fin-tech, gaming, and blockchain sectors keen to set up their IP Box in Cyprus

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).

### 3RD COUNTRY NATIONALS WORK PERMITS

The government has been keen to support entrepreneurs who establish their business headquarters in Cyprus by facilitating the issue of work permits to highly qualified non-EU country nationals. The Cyprus company needs to obtain a Foreign Interest registration first which entails investing a minimum of EUR 200,000 in share capital if more than 50% of the share capital is owned by third country nationals.

Once registered, the company will be able to register as an Employer and hire senior executives and experts from Non-EU jurisdictions, subject to the criteria set out by the Ministry of Labour.

Moreover, the regulator has amended this law especially regarding Highly skilled foreign workers and their eligibility to obtain the Cypriot Nationality after fulfilling the following conditions:

- Highly skilled foreign workers with four (4) years of lawful residence can apply for citizenship if they possess a B1 certificate in the Greek language (lower intermediate level).
- Highly skilled foreign workers with five (5) years of lawful residence can apply for citizenship if they possess an A2 certificate in the Greek language (elementary level).
- All other third-country nationals must satisfy the eight (8) years of lawful residence.
- For all types of applicants, the number of years includes the 12 months of continuous residence in the Republic required before applying.
- Absences of a total of 90 days in these 12 months are allowed.

#### Issuing the EU Blue Card

The Cypriot Parliament has passed legislation aligning with Directive (EU) 2021/1883 to introduce the EU Blue Cards scheme The EU Blue Card is a work and residence permit designed for highly skilled professionals from non-EU countries. It offers numerous advantages for highly skilled professionals seeking to work and live in the European Union

### INCENTIVE SCHEMES

#### Fast-Track Scheme

To support the policy aims of creating a "techisland" in Cyprus, a fast-track scheme has been put into place as a mechanism to accelerate growth. Qualifying non-EU entrepreneurs that come from tech sectors among others, can register their Cyprus entity within 7 working days. By liaising with the government agency designed for this purpose, the business owner can coordinate all aspects in a streamlined manner and employ up to 200 foreign nationals in their tech business. To be eligible the company will need to demonstrate a turnover of **EUR 500,000** annually in 3 out of 5 of the preceding years and/or a viable business plan that realistically achieves these goals. Within 7 working days a non-EU entrepreneur can liaise with the local government agency to coordinate the registration, social insurance registration, VAT registration and all pertinent tax registrations swiftly. Depending on the company's specific circumstance it may be able to employ over 200 foreign nationals and obtain for them residency permits to work on the island.

#### Start Up Visa

Non-EU techpreneurs and innovators that wish to start their entrepreneurial initiatives on the island can also consider the Start Up Visa. The founder and/or their team can apply for this visa if they have a Cyprus company registered that operates in the tech sector. They must be fluent in English or Greek and provide a detailed business plan that will be assessed on how they will achieve growth and expand their operation in Cyprus. To incentivize business owners in this segment, each founder will have recourse to share capital of **EUR 20,000**. Their residency permits and those of their dependents, as well as a founding team of up to 6 people, will also be issued swiftly once approved under this category.

#### SET-UP AND ADVISORY

- Corporate structuring advisory
- Set up of Cyprus HQ and transfer of assets
- Investment planning
- VAT considerations
- Selecting qualifying investment for PRP
- Structuring investors investment into Cyprus
- Private wealth advisory

#### 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

#### 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 for permanent residency permits.

#### COMPLIANCE REPORTING

- Due diligence considerations
- Global tax considerations (e.g., FATCA Reporting)
- Real estate investment advisory
- Legal support on review of investment documents
- Accounting and Management reporting
- Financial reporting
- Audit assistance

#### GROWTH AND EXIT

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