

## **Cyprus Parliament voted to expand the framework for attracting Companies**

**By the associate in Tailormade Solutions, Mr. Michalis Prodromou of A PRODROMOU & CO Ltd**



On 14 July 2022 the Cyprus Parliament has passed amendment bills with the purpose of expanding the framework for enticing companies to Cyprus. The endorsement of these laws, along with the package of tax measures included in the Strategy of Attracting Businesses to active and/or expand their activities in Cyprus is completed.

### **Amendment to Article 8(21) of the Income Tax Law:**

The tax exemption of 20% (or €8.550, whichever is lower) of remuneration from employment exercised from Cyprus granted to individuals who were residents outside Cyprus before the commencement of the employment is extended to apply for a period of 7 years starting from the tax year following the year of employment.

### **Amendment to Article 8(23) of the Income Tax Law:**

Following the approval of the Plenary to amend the law on Income tax, aimed to expand the scope of the existing framework of exemption from income tax of 50% of a person's remuneration from their employment within the Republic if they were a non-resident before their employment.

Particularly, the bill provides for the tax exemption of 50% of remuneration from first employment exercised from Cyprus will be granted to individuals with gross remuneration from employment exceeding the amount of €55.000 and who were residents outside Cyprus for a period not less than 12 consecutive years prior to the commencement of the employment. This exemption is granted for a period of 17 years starting from the year of employment (on or after 1 January 2022), provided that during the first or second year of such employment the remuneration exceeded €55.000.

The above exemption also applies in the following cases:

- For existing employees with employment remuneration above €100.000 in any tax year their gross remuneration exceeds the amount of €55.000 for the extended period of 17 years from the year of their first employment, provided that they were residents outside Cyprus for a period not less than 12 consecutive years prior to the commencement of the employment;
- For existing employees who took up first employment in Cyprus during the years 2016-2019 with employment remuneration exceeding €55.000, subject to the above condition;
- For existing employees who took up first employment in Cyprus during the years 2020-2021 with gross remuneration below €55.000 but increased above €55.000 within 6 months from the date of publication of the law in the official gazette;

The above provisions will apply from the day of their publication in the official gazette of the Republic.

#### **Amendment to Article 9A of the Income Tax Law**

Moreover, it should be noted that the approval of the amendment of the Income Tax law by the Plenary, expands the existing tax framework for investments in innovative businesses, to include investments made by legal persons that invest in a small or medium innovative business (as defined in the relevant legislation). According to the proposed amendments 30% of the amount invested in the equity capital of an approved small or medium-sized innovative enterprises will be deducted from taxable income, limited to 50% of the taxable income of the legal person in the year in which investment is made, with a maximum deductible amount of €150,000 per year. Any non-deductible investment may be deducted in the five years following the year of investment subject to the above restrictions.

The above provisions shall have effect from 14 February 2022 until 31 December 2023