

Why Startup in Cyprus.

Incentives and advantages designed to growth-hack your startup. Why choose Cyprus, the new home for startups.



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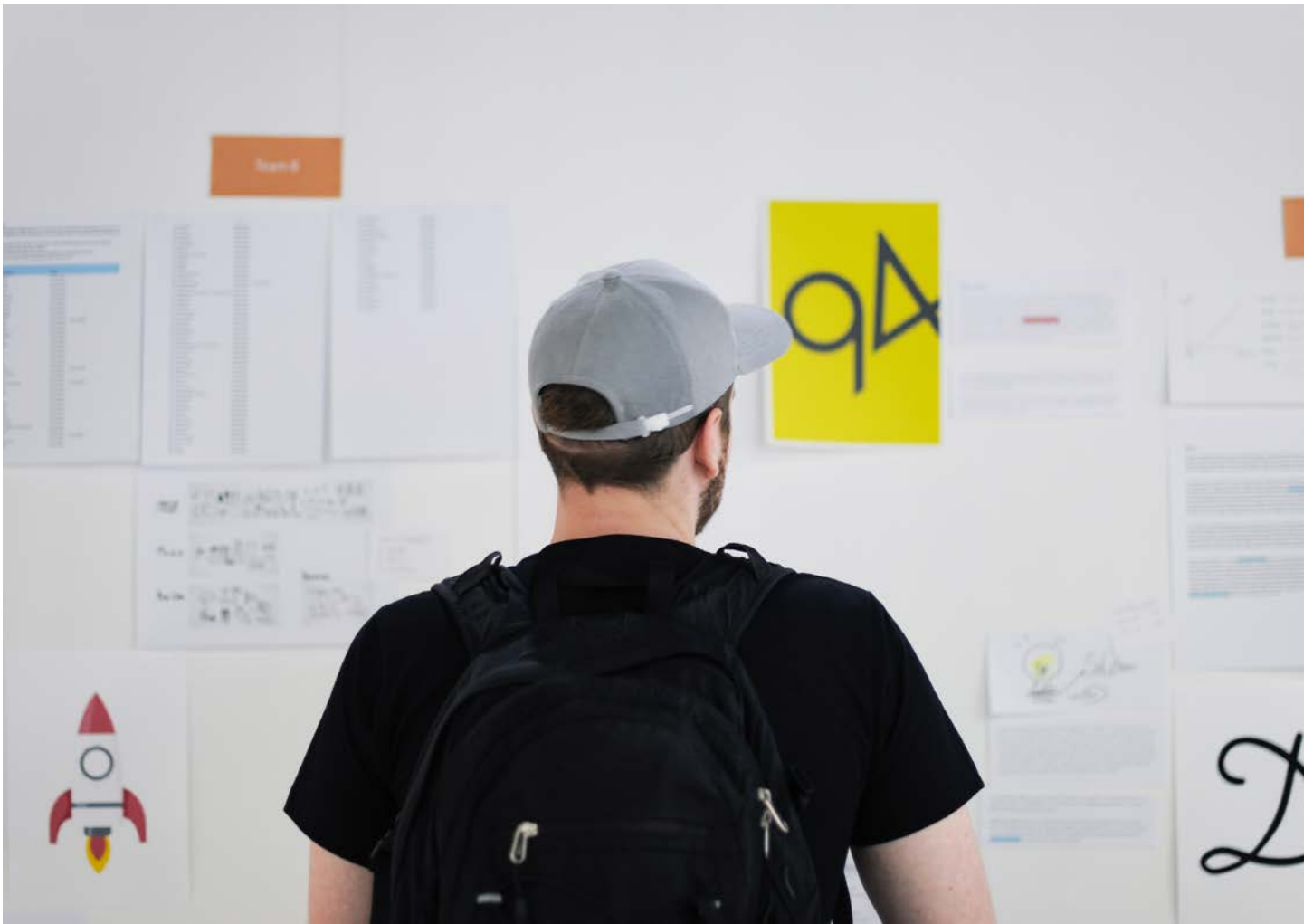
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cyprus. the place to innovate.

Cyprus offers multiple benefits to Owners or/ and Directors of innovative enterprises. The Cyprus government has developed in the past years a variety of incentives in an effort to attract foreign entrepreneurs and investors. Special benefits are given to businesses that are “considered” innovative.



incentives & advantages for enterprises

IP BOX

Intellectual property rights companies.

The intellectual property (IP) and copyrights are some of the most significant assets of a corporation. The choice of the jurisdiction in where the management will operate is a strategically important decision to be made. The ideal jurisdiction for the creation and protection of the Intellectual Property can bring lot of value into a corporation, but mainly will contribute to an effective tax planning. In addition it can enhance the competitiveness of the company, add value and contribute to the reduction of costs.

For the above reasons, the choice of the jurisdiction where the company will hold and manage the rights of IP is a crucial decision. The chosen jurisdiction has to combine a wide network of double tax treaties and an attractive tax regime. In addition low or zero dividend withholding should be available.

The protection of Intellectual Property copyrights is essential as it provides to the owners significant advantages. Protecting IP, intangible assets of the company can turn into financially valuable assets, while the acknowledgment and development of these strength points can position the establishment in a competitive level with many advantages.

Cyprus combines protection provided by EU and the International Regime of IP protection, after the agreements signed by the Republic of Cyprus. At the same time the tax regime of Cyprus provides important exemptions from the income tax arising from the ownership of Intellectual Property rights, something that is hard to find in other jurisdictions.

The extensive network of Double tax treaties agreement, combined with the EU Parent Subsidiary directive, offer an attractive taxation scheme on the exploitation of Intellectual Property rights through Cyprus. Cyprus has signed multiple European and International agreements, and is a member of many organizations and communities for the development and the protection of IP rights. Some of them are: World Intellectual Property Organization, the agreement and protocol of Madrid for the international registration of trademarks, Paris convention for the protection of IP, the Patent Cooperation Treaty, the Bern convention on the protection of literature and artworks.



incentives & advantages for enterprises

Special Tax for IP companies.

The income a Cyprus company acquires by the exploitation of the intellectual property rights is subject to the following tax scheme:

- Every capital expenditure of a company relating to the development of intangible assets (trade -marks, patents, intellectual property rights) is equally allocated over a 5 years period.
- 80% of the income arising from the use of intangible assets (including compensations for the unlawful use of these assets) as well as profit from selling them.
- The deduction of 80% will be also applied on the profit arising after all the expenses deduction, like capital allowances, interest on the loan for the purchase or development of the asset, as well as other direct costs.

Notional Interest Deduction

Cyprus in order to attract more direct investments and import of new capital to existing establishments grants Notional Interest Deduction on any new capital imported in the establishment after the 1st of January 2015.

Equity introduced to a company as from 1 January 2015 (new equity) in the form of paid-up share capital or share premium is eligible for an annual notional interest deduction (NID). The annual NID deduction is calculated as percentage over the new equity, and cannot exceed 80% of the taxable profit derived from assets financed by new equity. The relevant interest rate is the yield on 10 year government bonds (as at December 31 of the prior tax year) of the country where the funds are employed in the business of the company plus a 3% premium (subject to a minimum amount which is the yield on the 10 year Cyprus government bond as at the same date plus a 3% premium).

The amount of notional interest cannot exceed the 80% of the taxable income of the company, as this will be identified according to law, before the interest deduction. If Notional Interest is below the 80% of the taxed income, then the whole amount of the interest is deducted.

The tax deduction is applied to Tax Resident companies, as well as to non-Tax Residents owning a permanent office in the republic of Cyprus.

```
selectedScopes = []
scope.$watch(watchExpr, function ngSwitchWatchAction(value) {
  var i, ii;
  for (i = 0, ii = previousElements.length; i < ii; ++i) {
    previousElements[i].remove();
  }
  previousElements.length = 0;

  for (i = 0, ii = selectedScopes.length; i < ii; ++i) {
    var selected = selectedElements[i];
    selectedScopes[i].destroy();
    previousElements[i] = selected;
    $animate.leave(selected, function() {
      previousElements.splice(i, 1);
    });
  }
});

selectedElements.length = 0;
selectedScopes.length = 0;
```

incentives & advantages for enterprises

Capital Allowances Fixed Assets

The below allowances are calculated as a percentage over the cost of acquisition and deducted from the chargeable income.

Fixed Assets

<u>Plant and machinery equipment</u>	<u>%</u>	<u>Vehicles and Means of transportation</u>	<u>%</u>
Plant and machinery	10	Commercial motor vehicles	20
Furniture and fitting	10	Motorcycles	20
Industrial carpets	10	Excavators, tractors, bulldozers, self-propelled loaders and drums for petrol companies	25
Boreholes	10	Armoured Motor Vehicles (e.g. used by Security Services)	20
Machinery / tools for agriculture.	15	Specialised Machinery for the laying of Railroads (e.g. Locomotive engines, Ballast wagons, Container wagons and Container Sleeper Wagons)	20
<u>Buildings</u>	<u>%</u>	New Airplanes	8
Commercial buildings	3	New Helicopters	8
Industrial, agricultural and hotel premises	4	Sailing vessels	4,5
Flats	3	Motor Yachts	6
Metallic greenhouse structures	10	Steamers, tugs and fishing boats	6
Wooden greenhouse structures	33 1/3	Shipmotor launches	12,5
<u>Other</u>	<u>%</u>	New cargo vessels	8
Televisions and videos	10	New passenger vessels	6
Computer hardware and operating systems	20	Used cargo/passenger vessels	over their useful lives
Application software	33 1/3		
Expenditure on application software less than €1.709, is written off in the year of acquisition			
Wind Power Generators	10		
Photovoltaic Systems	10		
Tools in general	33 1/3		
Videotapes property of video clubs	50		

Notes for deductions.

1. Plant and machinery, vehicles (excluding private motor vehicles) and other assets acquired during the tax years 2012 - 2018 (inclusive) are eligible to accelerated tax depreciation at the rate of 20% per annum (excluding such assets which are already eligible for a higher annual tax rate of tax depreciation).
2. The rates stated for buildings are for new buildings. Rates are amended in the case of second-hand buildings.
3. In the case of industrial and hotel buildings which are acquired during the tax years 2012 - 2018 (inclusive), an accelerated tax depreciation at the rate of 7% per annum applies.
4. Buildings for agricultural and livestock production acquired during the tax years 2017-2018 (inclusive) are eligible for accelerated tax depreciation at the rate of 7% per annum.



owners & directors benefits

Owners, shareholders or directors of innovative startups are eligible for work permit or a visa depending on their country of origin.

- EU nationals can relocate, live and work in Cyprus by obtaining a work permit for EU nationals (MEU1) certificate easily.
- Nationals that originate from Non – EU countries can obtain a working permit visa as part of the Cyprus **Start – up visa scheme**.

The Startup Visa.

The program is operating on a pilot basis from February 2017 until February 2019 and the goal is to attract entrepreneurs from third countries as individuals or teams to reside and work in Cyprus in order to establish, operate or develop a startup with a growth potential.

The program aims to create new jobs, promote innovation, research, develop the business ecosystem and support the economic development of the country.

What the Cyprus Startup Visa offers to foreign entrepreneurs?

The approved individuals will have:

The right to reside and operate in the republic for one year, with the opportunity of renewal for at least another year.

The right to self-employment or paid employment under his/her registered company.

Prospective residence in the country without any restriction in the case the enterprise succeeds.

Residence permit is allowed to family members.

Cyprus registered startup will enjoy attractive tax incentives of Cyprus companies.

Shareholder will enjoy reduced income tax, deductions and tax exemptions based on the local tax legislation.

Shareholders who are also employees of the company have the advantage to be taxed as Cyprus tax residents thus benefit from the local personal tax regime.

Who is eligible?

Eligible are any non-EU nationals who:

Is the founder of the business and owns the majority of the shares.

Has access to €50.000 as a funding for the startup

Owner holds an undergraduate degree or an equivalent professional qualification.

Good knowledge of English or/and Greek.

The enterprise must be considered innovative.

It will be considered innovative if its research and development costs represent at least 10% of its operating costs in at least one of year preceding the submission of the application, as certified by an external auditor, on the basis of international accounting standards. In the case of a new enterprise without any financial history, the evaluation will be based on the business plan submitted. The business plan must provide that the enterprise's head offices and tax domicile will be established in Cyprus. The head offices can be common co-working spaces (eg business accelerators, incubators or co-location with other enterprises).

owners & directors benefits

Tax residents in 183 or 60 days in the republic of Cyprus.

183 days in the republic.

An individual who spends more than 183 days in Cyprus in a calendar year is considered a Cyprus tax resident. Days in and out of the Cyprus Republic are calculated as follows:

- The day of departing out of Cyprus is considered a day out of the republic
- The day of arrival in Cyprus is considered a day within the republic
- Arriving and departing out of the Cyprus in the same day counts as one day of residence in Cyprus
- Departing and returning in Cyprus the same day counts as a day out of the republic
- Foreign taxes paid can be credited against the personal income tax liability

60 days in the republic.

Under the new law voted by the Cyprus Parliament on the 14th of July 2017, an individual can be considered a tax resident as long as he satisfies the newly introduced "60 days rule" or the current "183 days rule".

The new law introduced is applicable to an individual as long as the following criteria are met from 1 January 2017.

- He is not a tax resident in another country
- He does not stay in another state for one or more periods exceeding a total of 183 days
- He carries a profession in Cyprus or is employed in Cyprus, or is appointed as a director in a Cyprus Tax Resident company.

A Cyprus tax resident is taxed on all income earned from sources within or/and out of Cyprus.

A Cyprus tax resident has the following tax allowances:

- Tax allowance 50% on employment income.
- No withholding tax on dividends and interests.
- 50% of taxable income exemption (to a maximum of €150k) of the amount invested in small and medium innovative enterprises for each year.
- Income deriving from disposal of securities both in Cyprus and abroad are exempt from any taxes.



incentives & advantages for employees

50% employment income

An individual with annual income of over €100.000 and whose residence was previously out of Cyprus and is now employed in the country, is entitled for 50% tax deduction on his income. This deduction refers to income deriving from Cyprus and is valid for the next 10 years starting on the day of his employment in the republic.

Table 1 demonstrates the tax that would be applied on income of €100.000 without any deduction.

Table 2 demonstrates the same amount with the deduction applied.

Table 1

<u>Salaried Tax Scale</u>	<u>Tax Rate</u>	<u>Tax Scale on €100,000 exl. deduction</u>
€	%	€
Up to 19.500	zero	zero
19.501- 28.000	20	1.700
28.001 - 36.300	25	3.775
36.201 - 60.000	30	10.885
60.001 – 100.000	35	14.000

Table 2

<u>Salaried Tax Scale</u>	<u>Tax Rate</u>	<u>Tax Scale on €100,000 with 50% deduction</u>
€	%	€
Up to 19.500	zero	zero
19.501- 28.000	20	1.700
28.001 - 36.300	25	3.775
36.201 - 50.000	30	4.140



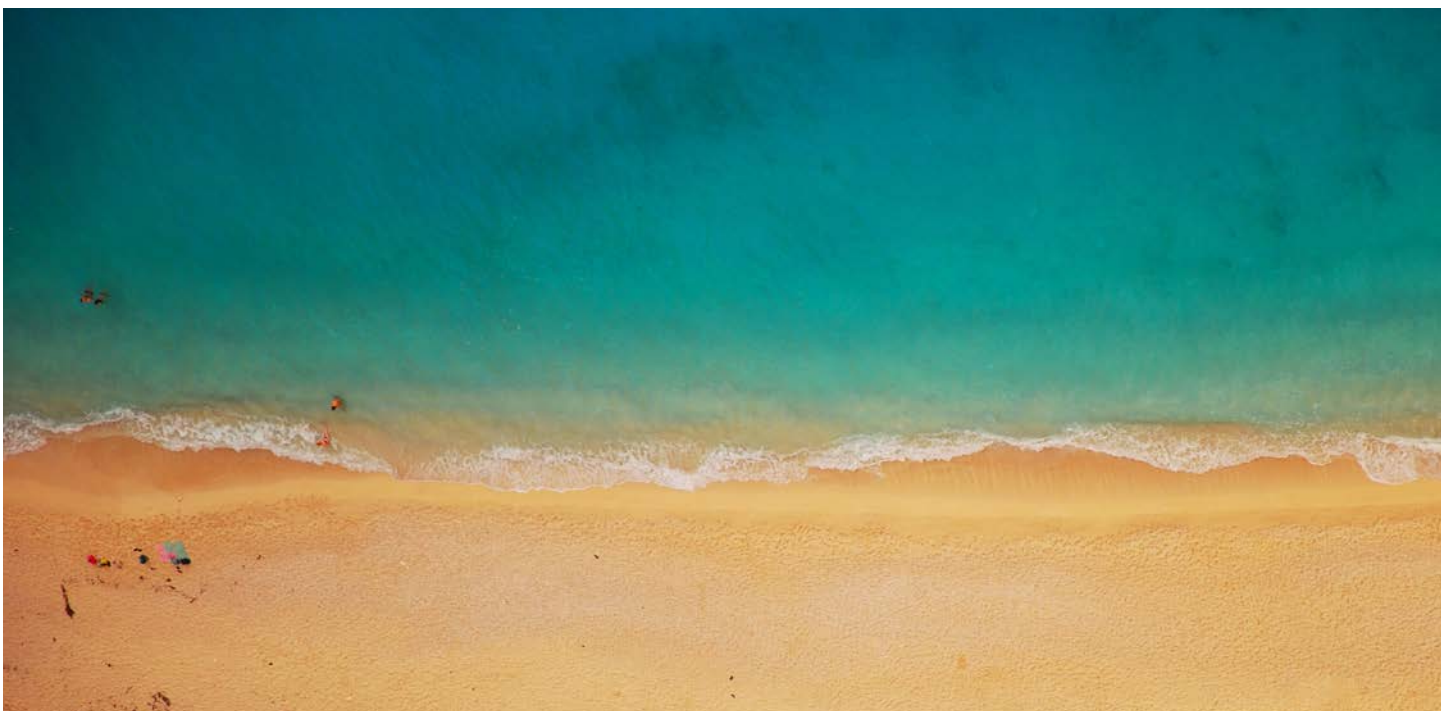
a person with income of €100.000 would be taxed with €9.615 or 9,62%.

incentives & advantages for employees

Tax Residency

Cyprus encourages high earning individuals and not only, providing various tax incentives and benefits when they decide to relocate to work in the country. The most important tax advantaged for employees in Cyprus include some of the below.

- Tax Id issued in 2-3 days
- With a non-domicile resident status the individual is exempted from taxes on dividend, interest and rental income
- No taxation on profits earned from securities (including shares and bonds)
- 10 years tax exemption on 50% on the gross yearly employment income more than €100.000 (provided the individual was resident outside of Cyprus before his employment)
- Tax exemption of 20% on the gross yearly employment income (up to €8.550) for an individual earning less than €100.000 per year (provided the individual was resident outside of Cyprus before his employment) This rule will be applied until 2020.
- No tax is applied on income earned from offering services to an overseas employer or permanent establishment of a Cypriot employer for more than 90 days in a year.
- Full tax exemption on the first €19.500 of salary
- 5% tax on pension received from abroad when exceeding €3.420
- No estate duty, wealth, gift or inheritance tax



citizenship & residency visa

Relocating in Cyprus for work is a great opportunity (especially for non-EU individuals) to obtain citizenship or a permanent residence visa. The Cyprus republic has design attractive schemes with benefits to grow the business ecosystem in Cyprus and also bring investments in the country.

Various development projects take place in Cyprus the past years in tourist sector, luxury residence, marinas, casinos, energy and may more.

In addition because of the above mentioned incentive we see many international IP and Tech companies to choose Cyprus as their operations base.

Cyprus Permanent Residency program

Provides the investor (non-EU citizen) and his family with various benefits such as the right and opportunity to travel freely within the EU and the Schengen zone (by obtaining Schengen visa) or relocate in the sunny island.

The scheme allows the applicant and three generations to gain the residency. Spouse, dependent children and parents can be added on the scheme.

Passport / Citizenship

Travel freely around European countries without any restrictions and also benefit from many other advantages this scheme offers. Cyprus has one of the most attractive Citizenship Schemes in the world. Cyprus is chosen as a residence from investors around the world for both business but also lifestyle purposes.

Why Cyprus citizen?

- Freedom of movement around the world
- Business and trade center
- Low corporate tax 12.5%
- Dual citizenship
- Tax exemptions
- Great investment opportunities in various sectors
- Safe country for a family
- 340 days of sun yearly
- High level of education
- Some of the best beaches in the world





How can KTC help you?

Our firm can assist you in setting up your business in Cyprus and managing all the formalities in the process of operating your innovative business.

1. Corporate services: Company formation, Tax and Social Insurance registrations.
2. Banking services: Bank Account opening Services.
3. Tax services for both the Company and the owners/employees.
4. Human resource management: Assistance in hiring local and overseas personnel.
5. Advisory services.
6. Compliance and taxation services.
7. Audit and Assurance services.

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