

Cyprus Research & Development Incentives for High-Tech Companies

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Background

Cyprus offers a very favourable corporate environment with an attractive and transparent corporate taxation regime.

The Government recognised that the time had come to respond to the growing need of new technology and to support foreign investors, with additional incentives, for structuring their Hi-Tech business in Cyprus.

The Revised Approach Towards R&D Expenditure

Cyprus introduced new Research & Development (R&D) incentives during 2022, which have generated an exponential growth in the Hi-Tech business industry.

- Whereas Hi-Tech businesses were previously allowed to deduct 100% of their R&D expenses, they are now allowed to deduct 120% of their R&D expenses against future profit.

The impact has already been noticed, with an increase in granting work permits to staff with highly specialized skills. This is boosting the local economy and helping to make Cyprus a new business hub that is attractive to foreign investors for structuring their business.

Cyprus has become an even more cosmopolitan island, actively putting in place measures to enable growth in the Hi-Tech business sector.

Summary of Corporate Tax Rates in Cyprus

The following sources of income are exempt from corporate income tax in Cyprus:

- Dividend income;
- Interest income, excluding income arising in the ordinary course of business, which is subject to corporation tax;
- Foreign exchange gains (FX), with the exception of FX gains arising from trading in foreign currencies and related derivatives;
- Gains arising from the disposal of securities.

Additional Information

For further information about the R&D incentives for Cyprus based Hi-Tech businesses, please contact the Dixcart office in Cyprus: advice.cyprus@dixcart.com.