

Exciting Changes to the Cyprus Startup Visa Scheme and New Opportunities for Global Entrepreneurs

The Cyprus Startup Visa Scheme allows talented entrepreneurs from non-EU and non-EEA countries, whether individuals or a team.

By **Katrien de Poorter**, 10th January 2025

Introduction

At the end of 2024 a number of revisions to the existing Cyprus Startup Visa Scheme were approved. These changes make an already very attractive scheme more appealing and accessible.

Overview of the Scheme

The Cyprus Startup Visa Scheme allows talented entrepreneurs from non-EU and non-EEA countries, whether individuals or a team, to enter, reside and work in Cyprus while establishing, operating, or growing a high-potential Startup. The aim of the scheme is to create new job opportunities in Cyprus, promote innovation and research, grow the business ecosystem and consequently the overall economic development of the country.

For the purposes of the Scheme, Innovative Startups are defined as unlisted small enterprises registered within the last 5 years, with no profit distribution and have not been formed through a merger. The enterprise should develop or offer new products, services, or processes that create or disrupt markets. Such innovations are based on new technologies, should adapt existing technologies, and/or employ new business models.

Beneficiaries of the Scheme are categorised under either the 'Individual Startup visa scheme' or under the 'Team Startup visa scheme'. A team is considered as "a maximum of 5 individuals consisting of non-EU country nationals". The Team should consist solely of the founders of an innovative Startup or of at least one founder and other senior executives. In both the Individual and the Team Startup visa scheme at least 25% of the company's shares should be owned by one or more member(s) of the applicant or team of applicants.

What has Changed?

The revisions to the Cyprus Startup Visa Scheme include:

- An extension to the residence permit offered to successful applicants from 2 to 3 years, with a possibility of 2-year renewals, instead of the original renewal for 1 year;
- A reduction to the required percentage of equity third country applicants must have in the Cypriot company from 50% to 25%. It is noted that a start-up group applying for this specific visa may consist of up to five founders (or one founder and additional executive members), and must have a minimum of €20,000 capital or €10,000 if the founders are less than two;
- The ability to increase the number of third country nationals employed from 30% to 50% of the company's entire staff, with the option of hiring additional foreign personnel if the start-up investment in Cyprus is equal to, or exceeds, €150,000;
- The implementation of different evaluation criteria for start-ups that have sales revenues of at least €1,000,000, and whose research and development expenditure amounts to at least 10% of the total operating expenses for one of the past 3 years.

While the updated route offers greater flexibility to foreign entrepreneurs and investors, it also establishes more distinct and objective conditions for the renewal of the start-up visa after the initial 3-year period. Specifically, start-ups wishing to renew their relevant visas will be required to demonstrate either a minimum increase of 15% in their revenues or investments of at least €150,000 during the period of their operation in Cyprus. Additionally, the companies applying for a renewal visa will be expected to have

either created at least 3 new jobs in Cyprus, or participated in a local innovation support scheme, or launched at least one product or service.

Tax Benefits

With an ever-expanding double tax treaty network of approximately 70 countries across the globe, Cyprus offers a number of tax benefits to start-ups and foreign investors of such start-ups, such as:

- A non-Cypriot individual relocating to Cyprus to set-up their startup is exempt from tax on dividends, capital gains and most types of interest income, though they will still be subject to income tax on any income earned as a salary from their employment in Cyprus.
- Investors in innovative start-up companies (which have been certified as such by the Ministry of Finance in Cyprus) can enjoy up to 50% tax exemption on their annual taxable income in Cyprus.
- Corporate tax on net profits of Cypriot companies is currently set at 12.5%. Technology companies producing Intellectual Property can apply for an 80% tax exemption, reducing the corporate tax rate to an effective 2.5%.
- Capital gains arising from the disposal of the qualifying IP are fully exempt from tax. Any gains earned by the entrepreneur from the disposal of his/her shares in a Cypriot tax resident company are generally exempt from tax in Cyprus.
- Cyprus tax resident companies may carry forward tax losses incurred during a tax year over the following 5 tax years to offset future taxable profits, allowing startups, which are commonly loss making in their early stages, to benefit in the future.
- Upon the introduction of new equity, a Cyprus tax resident company is entitled to claim a notional interest deduction (NID) as a tax-deductible expense. The deduction is available on an annual basis and may reach up to 80% of the taxable profit generated from the new equity. Depending on the level of capitalisation, a startup company may reduce its effective tax rate to as low as 2.5%.

- Profits from disposals of corporate 'titles' are tax exempted from corporate income tax. However, capital gains on immovable property situated in Cyprus (on non-quoted shares directly or indirectly holding such Cyprus-situated immovable property) are taxed.
- Special defence contribution is imposed only on non-exempt dividend income, 'passive' interest income, and rental income earned by Cypriot tax resident companies and Cypriot permanent establishments of non-Cyprus tax resident companies.

How can Dixcart Cyprus Help?

With over 50 years of expertise in the industry, we bring a deep understanding of supporting individuals, families, and businesses. Our teams combine extensive knowledge of the local regulatory framework with the global reach, resources and expertise of our international group, ensuring we deliver tailored solutions that perfectly meet your needs.

At Dixcart, we recognise that every client is unique, and we pride ourselves on offering personalised services. By working closely with you, we gain an in-depth understanding of your specific requirements, enabling us to provide bespoke solutions, recommend the most suitable structures, and support you every step of the way.

Our comprehensive range of services include company incorporation, management and accounting services, company secretarial support, and even providing a fully serviced office for your Cypriot company.

If you are considering how Cyprus can play a role in managing your wealth or business needs, we would be delighted to discuss your options. Please do not hesitate to contact us at advice.cyprus@dixcart.com.