

Cyprus Strengthens Position As Business Hub With Fast-Track Registration for Foreign Interest Companies

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In a competitive global business environment, Cyprus has established itself as an advantageous destination for companies seeking a strategic entry point into European and international markets. Cyprus's Companies of Foreign Interests classification is an essential component of this appeal, designed to support foreign businesses by easing their integration into the local economy and providing numerous operational benefits.

Central to this initiative is the ability of these companies to hire skilled professionals from non-EU countries via a streamlined process. Companies classified as foreign interest entities gain privileged access to the Civil Registry and Migration Department (CRMD), which expedites the work permit issuance process to approximately one month. This fast-track pathway bypasses the more prolonged, complex procedures usually required for third-country nationals under the Department of Labor's standard regulations.

A company qualifies as a foreign interest entity if it meets several requirements. First, most of its shares must be held by third-country shareholders (non-EU nationals) or demonstrate foreign participation worth at least EUR 200,000. Companies that meet these criteria may access various benefits, including employing non-EU

nationals and obtaining residence permits for employees and their families. The Council of Ministers officially endorsed this initiative on 15 October 2021, aiming to boost Cyprus's reputation as an international business hub.

On 1 January 2022, the Business Facilitation Unit (BFU) was established as the central contact point for foreign interest companies, simplifying the process for foreign entities to set up in Cyprus. A subsequent amendment on 30 November 2022 adjusted the registration policy, mandating an initial investment of EUR 200,000 for eligibility. This amendment took effect on 12 December 2022, emphasizing the commitment to attracting robust foreign investment into Cyprus.

To qualify for this designation, a company must submit specific documents, including its Certificate of Incorporation, Shareholders' Certificate, and UBO's passport, among others. If a company already operates in Cyprus, additional documents, such as financial statements and a Tax Clearance Certificate, are required to complete the application.

Beyond qualifying criteria, the classification offers specific employee recruitment and retention advantages. Third-country nationals employed by these companies must earn a minimum gross salary of EUR 2,500 monthly, possess relevant academic qualifications or experience, and secure a contract lasting at least two years. Employees hired under these conditions can renew their residence permits for five years without adjusting their payroll if they earn at least EUR 2,000 monthly.

Cyprus offers a favorable tax regime for foreign interest companies and their employees. For instance, the corporation tax rate of 12.5% is among the lowest in Europe, and companies can benefit from a network of double taxation treaties. Exemptions on dividend income and a lack of withholding taxes on shareholder distributions further enhance the tax landscape, except when payments are directed to jurisdictions on the EU's non-cooperative list. Employees of foreign interest companies may also benefit from advantageous personal tax exemptions.

A temporary residence and work permit are essential for non-EU nationals seeking employment in Cyprus. The complete process for company registration, visa issuance, and work permit approval typically takes two to four months. However, work permit holders should be aware of the regulation that limits time spent outside Cyprus to three consecutive months to avoid the automatic cancellation of their work permits.

By securing foreign interest company status, organizations can access a framework that promotes business growth in Cyprus while facilitating a global workforce. This initiative reinforces Cyprus's position as a dynamic business destination, aligning with international corporate needs and contributing to the island's vibrant economic ecosystem.

Navigating the registration and compliance process can be challenging. C. Savva & Associates LTD offers expert support to companies throughout the application process, ensuring that businesses meet all regulatory requirements efficiently.

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