

The background of the entire page is a dark, moody image of a glass of water with ice cubes. A large, dark grey letter 'A' is superimposed on the right side of the image. The top left corner is a solid dark grey. The text 'ASUS+' is in orange and white, and 'your trusted partner' is in white. The text at the bottom is in orange.

ASUS+
your trusted partner

Your trusted Auditors
and Tax Consultants
in Cyprus





CONTENTS

✓ About Us	4
✓ Our Services	5
✓ Why Cyprus	6
✓ The «Non-Domicile» Concept in Cyprus	8 - 9
✓ Cyprus IP BOX Regime	10 - 13
✓ New 50% exemption from Income Tax	14 - 15
✓ Migration rules for employment of non-EU highly skilled nationals	16 - 18



ABOUT US

AsusPlus is a Cyprus based company licensed under the Institute of Certified Public Accountants of Cyprus (ICPAC).

AsusPlus is a boutique Audit and Tax Consulting firm providing the highest levels of service to our clients.

The Directors of AsusPlus are members of the Institute of Chartered Accountants in England and Wales (ICAEW), the Association of Chartered Certified Accountants (ACCA), International Tax Affiliate of the Chartered Institute of Taxation and a member of the Malta Institute of Accountants.

In a rapidly progressing, developing and volatile international economic environment, clients need to choose knowledgeable and trustworthy partners.

At AsusPlus, our aim is to provide our clients with all the appropriate tools so that they keep up to date with developments and always keep one step ahead of their competitors.

Our clients range from individuals to entrepreneurs, large organizations and complex international businesses.

We build and sustain business relationships based on integrity and confidentiality by offering customized solutions to ensure optimum outcomes with our clients' best interest always a priority.

We provide in-depth understanding of clients' needs which allow us to deliver focused advisory and tax solutions both locally and globally so as to maximize our clients' potentials.

Our core values include commitment, objectivity and quality which are critical meeting our clients' specific and unique needs.

By applying technical excellence at every level, AsusPlus is the reliable service provider you can depend on for planning and guidance from start up to growth and succession.



OUR SERVICES

AsusPlus is a boutique Audit and Tax Consulting firm providing the highest levels of service to our clients both locally and abroad which include:

A. Corporate Services

- Company Formation services
- Substance Solutions
- Corporate Administration services
- Legal Support

B. Taxation Services:

- Cyprus Tax and VAT
- Corporate Tax Residency in Cyprus
- International Tax Planning
 - Restructuring
 - Tax planning
 - International VAT planning
- IP Box Regime

C. Audit and Reporting

- Financial Reporting and Audit
- Forensic Audit
- Internal Audit

D. Financial Management and Accounting

- Accounting Services
- Management Reporting
- Payroll Services

E. Financial Migration

- Permanent Residency
- Immigration Services
- Legal support

F. Family Office

- Private International Banking Solutions
- Real Estate
- Cyprus International Trusts
- Legal Support

G. Banking and Finance

- Opening of Corporate and Private Bank accounts internationally

H. Investment Fund Services

- Alternative Investment Funds
- Registered AIFs



WHY CYPRUS

Straight forward and quick procedures with the Registrar of Companies;

Low set up costs;

The tax and legal systems applicable are in full compliance with the EU and the OECD's requirements against harmful tax practices;

Low corporation tax rate of 12,5%;

Under the Cypriot Corporation Tax, inbound dividends are not taxable under certain easily-met conditions;

Outbound dividends are not subject to any withholding taxes unless distributed to Cyprus tax resident individuals where they are subject to Special Defence Contribution (SDC). However, if outbound dividends are distributed to "non-domicile" Cyprus tax resident individuals, they are fully tax exempt;

Cyprus does not impose capital gains tax on the disposal of shares unless the disposal is related to immovable property situated in Cyprus. If the immovable property is located outside Cyprus, such gains are exempt;

Cyprus, being an official member of the EU has implemented all EU Directives;

Cyprus provides for no inheritance tax;

Cyprus has concluded an extensive number of Double Tax Treaties (DTTs) for the avoidance of double taxation;

Tax paid abroad can be credited against any tax payable in Cyprus on such income, irrespective of any Double Tax Treaty;

Profits from a Permanent Establishment maintained outside the Republic are exempt under certain easily-met conditions;

Profits from the sale of securities are exempt;

Notional interest deduction of 80% of the taxable income is allowed annually on new capital introduced to a Cyprus company after 1 January 2015.





THE “NON-DOMICILE” CONCEPT IN CYPRUS

New conditions for Cyprus Tax Resident individuals - the “60 Days rule”

The Cyprus government in an effort to enhance the competitiveness of the “Non-Domicile Scheme” which was introduced in 2015, has amended the criteria applicable for the tax residency of an individual in Cyprus by adding a second test, “the 60 days rule”. The new legislation was published in the official Cyprus Gazette on 28 July 2017, applicable for the tax year 2017 and beyond.

Before the amendment of the legislation

“Resident in the Republic” when applied to an individual means an individual who stays in the Republic for a period or periods exceeding in aggregate 183 days in the year of assessment and “non-resident or resident outside the Republic” shall be interpreted accordingly.

The “60 days rule”

The Income Tax Law has been amended so that an individual, who does not remain in any other jurisdiction for a period exceeding 183 days in aggregate in the same tax year and who is not tax resident in any other state for the same tax year, shall be considered to be a tax resident of Cyprus, provided that ALL the following conditions are met:

- A. He should remain in Cyprus for at least 60 days during the tax year;
- B. He should pursue any business in Cyprus or work in Cyprus or be a director in a company tax resident in Cyprus at any time during the tax year, provided that such is not terminated during the year;
- C. He should maintain a permanent home in Cyprus, which is either owned or rented by him.

Points for consideration

An individual concerned about the new rules for tax residency in Cyprus should note that the Cyprus Tax Department should be satisfied that does not remain in any single jurisdiction for more than 183 days during a calendar year and does not maintain a tax residency in another jurisdiction under the local legislation of such a jurisdiction, taking into consideration any Double Tax Treaty with Cyprus of such a jurisdiction.

The “Non-domicile” concept

A non-domicile Cyprus tax resident individual is exempt from tax in Cyprus on his worldwide dividend income and “passive” interest income both from sources in Cyprus and abroad.



THE “NON-DOMICILE” CONCEPT IN CYPRUS

An individual is considered as domiciled in the Republic of Cyprus if:

- A. An individual has “Domicile of Origin” in the Republic of Cyprus as defined in the Wills and Succession Law. “Domicile of Origin” is acquired at birth and as a rule is the same as the domicile of the father at the time of birth; OR
- B. The individual was a Cyprus tax resident for more than 17 out of the last 20 years prior to the tax year in question.

Therefore, an individual who does not meet any of the above, is considered as “Non-Domicile” and can benefit from the exemptions applicable for dividends and “passive” interest income.

Tax incentives for foreign individuals to relocate and become Cyprus tax residents

Cyprus tax resident individuals are subject to tax in Cyprus on their worldwide income irrespective if they become Cyprus tax residents either under the “183 days rule” or the “60 days rule”. However, there are several exemptions (please see below) which makes Cyprus an attractive place to relocate and become Cyprus tax residents.

100% exemption of the profit from the sale of securities which include shares, bonds and options.

Employment income exemption for individuals taking up employment outside Cyprus
100% exemption from Cyprus income tax for any income from employment exercised outside Cyprus by a Cyprus tax resident individual for more than 90 days in a tax year to a non-Cyprus resident employer or to a foreign permanent establishment of a Cyprus tax resident employer.

Overseas pensions are tax at a flat rate of 5% on amounts in excess of EUR3,420.

No inheritance tax, Wealth tax or Gift taxes in Cyprus.

No Capital Gains Tax on the sale of immovable property situated outside Cyprus.



CYPRUS IP BOX REGIME

NEXUS APPROACH- BEPS 5

On 27th of October 2016, the Income Tax Law was amended in respect of the tax treatment of intellectual property, in order to comply with the new requirements put in place by the OECD's Base Erosion and Profit Shifting (BEPS) Action 5 and the applicable framework at the European Union Level.

The approach of the Action 5 (nexus approach) requires the existence of material activity which includes the clear interconnection between the rights which create the income and the activity which contributes to that income.

THE NEW IP BOX REGIME

The new provisions of the law are effective as from 1st July 2016, where 80% of the Qualifying Profits derived from a Qualifying Intangible Asset will be considered as a deductible expense, resulting in a maximum tax effective rate of 2,5%.

1. Qualifying Intangible Asset is the asset which was acquired, developed or exploited by a person in the course of a business and which constitutes intellectual property with the exception of intellectual property related to marketing, and which is the result of research and development and also includes intangible assets for which only economic ownership exists.

Qualifying intangible assets include:

- i. Patents as defined in the Patents Law;
- ii. Computer software;
- iii. Other intangible assets protected by law falling under any of the below:
 - a. Utility models, intellectual property assets which provide protection to plants and generic material, orphan drug designations and patent extensions;
 - b. That are non-obvious, useful and novel, where the person who utilizes them in the course of his business does not earn gross income in excess of €7.500.000 per year out of all the intangible assets. In the case of a group of such persons, the group should not have a turnover of more than €50.000.000. For the above calculation an average of five years should be used.

These qualifying intangible assets should be certified by a Competent Authority in Cyprus or abroad.

Qualifying intangible assets do not include brands, trademarks, image rights and any other intellectual property rights used to market products and services.



CYPRUS IP BOX REGIME

As per the new IP Box Regime computer software is a Qualifying Intangible Asset.

2. Qualifying Persons are the persons who are considered as:

- a) Cyprus tax residents;
- b) Tax resident PEs of non-tax resident persons and;
- c) Foreign PEs which have chosen to be subject to tax in Cyprus.

A taxpayer can “elect” to tax the profits of a foreign PE in Cyprus. Before the amendment of the legislation any profits from a foreign PE were fully exempt from tax in Cyprus.

At the same time the Company can benefit from the tax credit for any foreign taxes incurred on the foreign PE profits, irrespective of the existence of a Double Tax Treaty or not.

3. Qualifying Profits means the amount resulting from the application of the following formula:

$$\text{Qualifying Profit} = \frac{\text{QE} + \text{UE}}{\text{OE}} \times \text{OI}$$

Where:

QE means the Qualifying Expenditure on the qualifying intangible asset

UE means Up-lift Expenditure

OE means the Overall Expenditure on the qualifying intangible asset

OI means the Overall Income which derives from the qualifying intangible asset

i) Overall income arising from a qualifying intangible asset means the gross income accrued within a tax year reduced by the direct costs for the generation of such income.

Overall income includes but is not limited to the following:

- Royalties or other amounts relating to the use of a qualifying intangible asset;
- Any amount for a license for the exploitation of a qualifying intangible asset;
- Any amount from an insurance or as compensation in relation to a qualifying intangible asset;
- Income from the disposal of a qualifying intangible asset which is not of a capital nature;
- Embedded income of a qualifying intangible asset which arises from the sale of products, services or procedures that directly relate to this asset.



CYPRUS IP BOX REGIME

ii. Direct Costs include:

- all the expenses incurred directly or indirectly, wholly and exclusively for the production of income in relation to a qualifying intangible asset,
- the notional interest deduction as per the provisions of Section 9B which is attributable to that intangible asset and
- the capital expenditure for the acquisition of the qualifying intangible asset which is allocated to the remaining balance of the asset's useful economic life with a maximum period of 20 years.

iii. **Qualifying expenditure** in relation to a qualifying intangible asset is the sum of the total research and development expenditure incurred in any tax year wholly and exclusively for the development, improvement or creation of a qualifying intangible asset and which are directly related to the qualifying intangible asset.

Qualifying expenditure includes but is not limited to the below:

- a. Wages and salaries;
- b. Direct Costs;
- c. General expenses in relation to the installation of facilities used for research and development;
- d. Expenses for supplies associated with research and development activities;
- e. Expenses associated with research and development that has been outsourced to non-related parties.

However, it does not include:

- a. The cost of the acquisition of the intangible asset;
- b. Interest paid or payable;
- c. Costs in relation to the acquisition or construction of immovable property;
- d. Amounts paid or payable directly or indirectly to a related person for the purpose of research and development, regardless of whether these amounts relate to a cost sharing agreement;
- e. Costs that cannot be proved to be directly connected to a qualifying intangible asset.

Any expenses incurred due to the outsourcing of relevant research and development activities to non-related persons as well as expenses related to research and development but of a **general and theoretical nature** which cannot be allocated to the qualifying expenditure of a specific qualifying asset with which they have a direct link, can be **allocated proportionately to the qualifying intangible assets or products**.

For the application of the formula, qualifying expenditure is taken at the time incurred regardless of the way this is treated for accounting or tax purposes.



CYPRUS IP BOX REGIME

iv. Uplift expenditure means the lower of:

- (a) 30% of the Qualifying Expenditure and
- (b) the total amount of the cost of acquisition and the cost of outsourced research and development activities to related persons.

v. Overall expenditure means the sum of the qualifying expenditure and the total amount of the cost of acquisition and the cost of outsourcing research and development activities to related persons, incurred in any tax year.

Capital allowances

All intangible assets (excluding goodwill), irrespective of whether they are qualifying assets or not, are eligible for tax amortisation (capital allowances) over their useful economic life with a maximum of 20 years.

As of 1 January 2020, the taxpayer has the option not to claim capital allowances in a given year. Moreover, capital allowances that have not been claimed in a year are claimed over the remaining useful life of the asset.

Obligation for preparation of a balancing statement

Up to 31 December 2019, upon the disposal of an IP asset, the taxpayer would also be obliged to prepare a balancing statement to calculate the taxable gain/loss as follows: Disposal proceeds less tax written down value of the asset (TWDV), whereby TWDV is the cost of the IP asset less accumulated capital allowances claimed.

As of 1 January 2020, taxpayers disposing their IP assets have no obligation to prepare a balancing statement. Therefore a (capital nature) disposal of an IP asset, should not trigger any Cyprus tax implications.

Analysis

One of the most important aspects of the formula for the calculation of Qualifying Profits is the Qualifying Expenditure which derives from the exploitation and Research & Development of Intellectual Property. As per regulations issued by the Ministry of Finance, in case of outsourcing relevant research and development activities to related persons, these expenses should not be included in the formula as a Qualifying Expenditure.

Cyprus offers maximum protection and certainty for IP owners due to the ratification of all major IP treaties and protocols. In addition to asset protection, Cyprus' wide network of double tax treaties will considerably reduce foreign withholding taxes on royalty income.

The Cyprus IP Box Regime being in line with the provisions of the OECD, maintains its status as one of the most favorable regimes for intangible assets and together with all the benefits offered by the Cyprus Tax System, Cyprus remains the ideal place for businesses investing in IP Assets.



NEW 50% EXEMPTION FROM INCOME TAX

On 15 July 2022, the House of Representatives in Cyprus passed an amendment to the Income Tax Law ("ITL") in respect of Articles 8(21) and 8(23) of the ITL, providing for a 20% or 50% exemption from income tax for individuals exercising employment in Cyprus.

On 26 July 2022, the legislative amendment was published in the Official Gazette of the Republic of Cyprus.

New 20% and 50% exemption

The amendment of the law provides for new exemptions in respect of employment income exercised in Cyprus.

50% exemption

- The exemption applies for an individual whose annual remuneration from employment in Cyprus exceed EUR55,000.
- The individual must be a non-Cyprus tax resident for at least 10 consecutive years immediately prior to commencing employment in Cyprus.
- First employment exercised in Cyprus is defined in the amending law as when an individual first exercises salaried services in Cyprus (for a resident or non-resident employer in Cyprus) without taking into account occasional full or part-time employment in Cyprus for a period not exceeding a total of 120 days in a tax year.
- For each individual, the period of the exemption is for 17 tax years from the tax year of commencement of first year.
- The effective date of application of the new 50% exemption is 1 January 2022.
- The exemption applies to an individual who:
 - o Started the first employment in Cyprus within the period of 2016-2021 and the remuneration at the commencement of first employment in Cyprus exceeded EUR55,000 per annum.
 - o Started the first employment in Cyprus within the period of 2016-2021 and the remuneration at the commencement of first employment did not exceed EUR55,000 per annum and within 6 months following the publication of the amending law (26 July 2022) the remuneration exceeds EUR55,000 per annum.
 - o Started the first employment in Cyprus in 2022 onwards and in the first or second year of fist employment, the remuneration exceeds EUR55,000 per annum.



NEW 50% EXEMPTION FROM INCOME TAX

20% exemption

- In respect of employment commenced after the publication of the amendment of the law (26 July 2022), the exemption applies for an individual who immediately prior to the commencement of their first employment in Cyprus was non-tax resident of Cyprus for at least three consecutive years and must be employed outside of Cyprus by a non-Cyprus tax resident employer.
- The exemption will apply for a period of 7 tax/calendar years, starting from the year following the year of commencement of employment.
- The maximum amount of exemption is EUR8,550.
- An individual who is eligible for the 50% exemption (as set out below) will not be entitled to claim the 20% exemption.

Existing 20% and 50% exemption

Individuals that are eligible for the existing 20% and 50% exemption on employment remuneration will continue to benefit from the existing exemptions respectively.

The existing exemptions will apply as follows:

- 20% exemption for remuneration from any employment exercised in Cyprus by an individual who was not resident of Cyprus before the commencement of the employment. The exemption starts from the year following the year of the first employment and is available for a period of 5 years for employment commencing during or after 2012.
- 50% exemption for remuneration from any employment exercised in Cyprus by an individual who was not resident of Cyprus before the commencement of the employment. The exemption applies for a period of 10 years for employment commencing as from 1 January 2012, provided that the annual remuneration exceeds EUR100,000. For employment commencing as from 1 January 2015, the exemption does not apply in case the said individual was a Cyprus tax resident at least for 3 years out of the 5 years immediately prior to the tax year of commencement of the employment nor in the preceding year.



MIGRATION RULES FOR EMPLOYMENT OF NON-EU HIGHLY SKILLED NATIONALS

Non-EU employees relocating to Cyprus

Eligible Companies

In order for companies of foreign interest, to employ non-EU country nationals in Cyprus, the following must apply:

1. The majority of the company's shares are owned by third-country nationals.
2. If the majority of the company's shares are not owned by third-country nationals (i.e equal to or less than 50%) then the company is eligible if the foreign participation represents an amount of at least €200.000.

*In both cases above (1&2), the ultimate beneficial owner (UBO) must deposit an amount of **€200,000** in an account held by the company in a credit institution licensed by the Central Bank (payment institutions are not included). Alternatively, the company can submit evidence of an investment amounting to €200,000, for the purposes of operating its business in Cyprus (e.g. office purchase, office equipment purchase, etc.).*

If more UBOs exist, then this amount can be deposited or invested by a single UBO or collectively.

3. Public companies registered on any recognised stock exchange.
4. Companies of international activities (formerly off-shore), which operated before the change of regime, whose data are held by the Central Bank.
5. Cypriot shipping companies.
6. Cypriot high-tech/innovation companies*
7. Cypriot pharmaceutical companies or Cypriot companies active in the fields of biogenetics and biotechnology.
8. Companies of whom the majority of the total share capital is owned by persons who have acquired Cypriot citizenship by naturalization based on economic criteria, provided that they prove that the conditions under which they were naturalized continue to be met.

For cases 3-8, the investment criterion is also applicable and the company's initial investment in the Republic of at least €200,000, must be proven by presenting the appropriate certificates (e.g. bank statement at the time of deposit of the amount or proof of investment (purchase of office space and/or office equipment)).

* An enterprise qualifies as '**High Technology Company**' if:

- a) it is already established and has a presence in the market, and
- b) it has a high level or experimental R&D intensity, and
- c) it developed product/s that fall into one of the following categories: products related to aviation and space industry, computers, electronic and telecommunication products, pharmaceuticals, biomedical, research and development equipment, electrical machinery, chemicals, non-electrical machinery.



MIGRATION RULES FOR EMPLOYMENT OF NON-EU HIGHLY SKILLED NATIONALS

Employment of non-EU highly skilled nationals:

Criteria:

- Minimum gross monthly salary of €2,500
- University diploma or degree or equivalent qualification or confirmation of relevant experience in a corresponding job of at least 2 years.
- Employment contract of not less than 2 years duration.

Number of employees allowed

The maximum number of third-country nationals that can be employed is set at 70% of all employees over a period of 5 years, from the date of joining the Business Facilitation Unit. Reassessment after 5 years, on a case-by-case basis, if criterion of 30% Cypriot employees is not met.

Duration of residence and employment permits

Up to 3 years

Employment of support staff:

Employment of third-country nationals is permitted, provided that it does not exceed 30% of all support staff and provided that the third-country national and the employer have entered into an employment contract duly ratified by the competent authority in accordance with the existing applicable law.

The salary level is determined on the basis of the existing applicable legislation.

Duration of residence and employment permits

Up to 3 years

Right to family reunification of non-EU nationals included in third-country employment policy

Immediate and free access to the labor market for spouses whose financial supporter has obtained a residence and work permit in the Republic, and who receive a minimum gross monthly salary of € 2,500 (excluding support staff).



NATURALIZATION

As part of the Cyprus Government's strategy for attracting businesses and talents, the government has announced the following as to the right to apply for naturalization:

1. To amend the Aliens and Immigration Law as to reduce the required years of residence and work in the Republic from 7 to 5 and under certain conditions to 4 years if they fulfil the criteria for holding a recognised certificate of a very good knowledge of Greek Language.
2. To introduce provisions when someone is out of Cyprus for work purposes, this should be taken into account in the calculation of the time spent in the Republic.

DIGITAL NOMAD VISA

Beneficiaries

Third-country nationals that are self-employed or salaried employees, working remotely with employers / clients outside Cyprus, using information and communication technologies.

Residence Status

- They have the right to stay in Cyprus for up to one year, with the right to renew for another two years
- They can be accompanied by their family members, who are granted, upon request, a residence permit that expires at the same time as that of the financial supporter. During the stay in Cyprus, the spouse or partner and the minor members of the family of the financial supporter are not allowed to engage in any form of economic activity in the country.
- If they reside in Cyprus for one or more periods totaling more than 183 days within the same tax year, they are considered tax residents of Cyprus, provided that they are not tax residents in any other Country.

Main preconditions

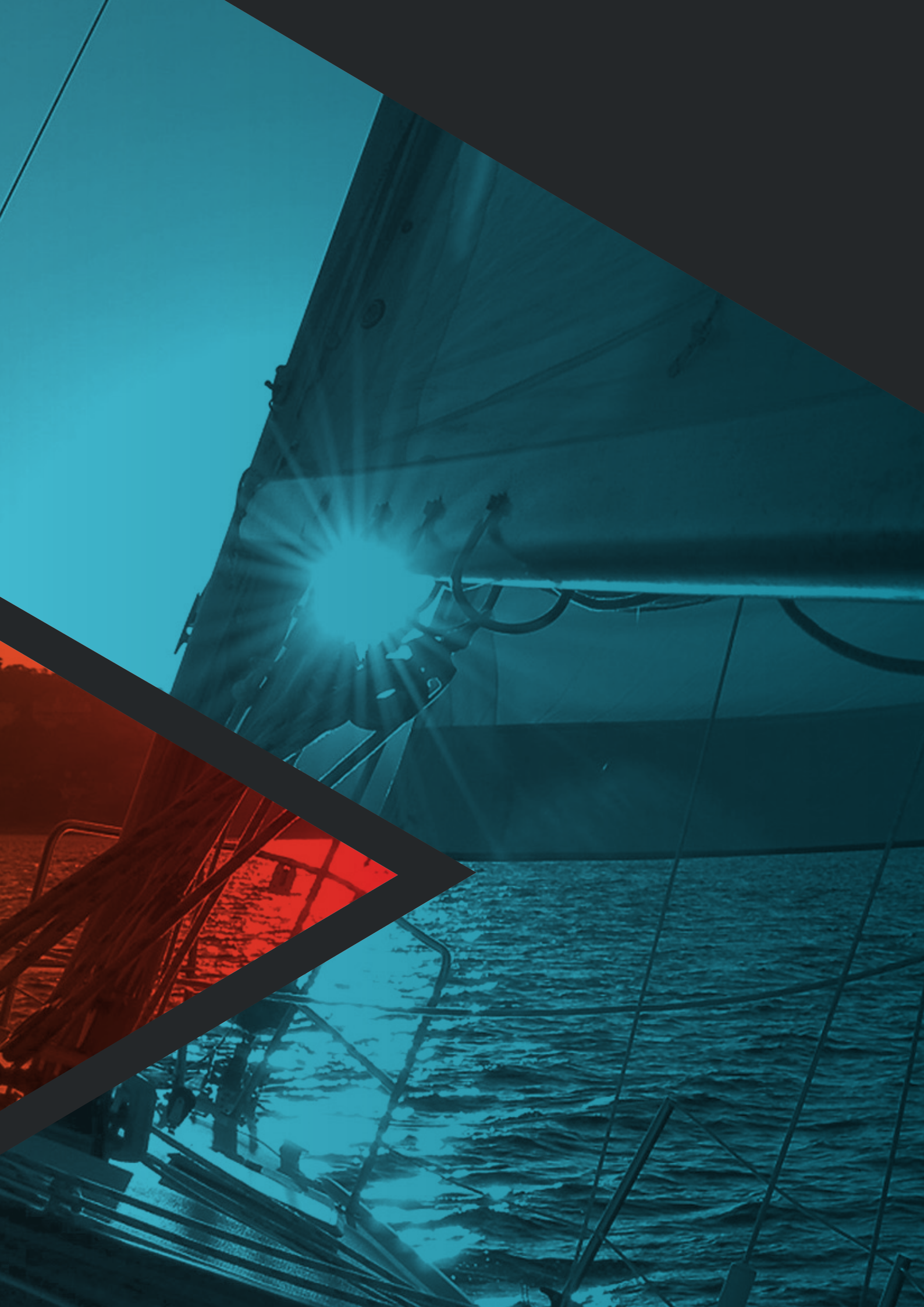
- Evidence that he/she has sufficient funds - a stable income to cover living expenses during the stay in the country, without recourse to the national social welfare system.

The amount of sufficient funds is set at three and a half thousand euros (€3,500) per month and can be proven by:

- i. the employment or works contract or proof of employment, in the case of dependent work, services or works
- ii. a bank account. If sufficient funds come from paid employment services, services or works, the above minimum amount refers to net income after payment of the required taxes in the country of employment.

The above amount is increased by twenty percent (20%) for the spouse/partner and by fifteen percent (15%) for each child.

- Medical Insurance
- Clear criminal record from the country of residence.





Contacts:

For more information you may contact:

Andreas Ch. Varianos

Managing Director

e. a.varianos@asuspluscy.com

t. +357 99 488 450

Sofoklis Ch. Michail

Director - Head of Tax Department

e. s.michail@asuspluscy.com

t. +357 99 644 356

Ektoras P. Christodoulou

Director – Head of Assurance Department

e. e.christodoulou@asuspluscy.com

t. +357 99 847 736

25 Akropoleos Str.,
LATITUDES A, Office 202
7000 Larnaca, Cyprus
+357 22 205990
info@asuspluscy.com

www.asuspluscy.com