



# Tax Incentives for relocation to Cyprus



PATRIKIOS PAVLOU  
& ASSOCIATES LLC

ADVOCATES - LEGAL CONSULTANTS

As of 26 July 2022, by the enactment of the Income Tax Law (Amending)(No.6), a new tax incentive scheme has been incorporated in the Cyprus Income Tax Law (Law 118(I)/2002 as amended) (the "Law"), in an attempt to attract talented professionals from all over the world, in Cyprus. This new scheme has been introduced as facilitating the headquartering of foreign businesses to Cyprus and the relocation of talented, high-skilled employees and their families to Cyprus, seeking also to facilitate the repatriation of Cypriot professionals currently living and working abroad, by offering them the same benefits as their foreign counterparts.

More specifically, based on the previous tax system, people who worked in Cyprus but were non-residents of Cyprus and earned more than EUR 100,000 per year could benefit from 50% tax exemption on their employment income for the first 10 years of employment.

Under the new scheme and more specifically under the newly introduced provisions of section 8(23A) of the Law, the minimum wage in relation to first-time employment in Cyprus from 1 January 2022 onwards, entitling a person to the tax 50% exemption has been reduced from EUR 100,000 to EUR 55,000 annually.

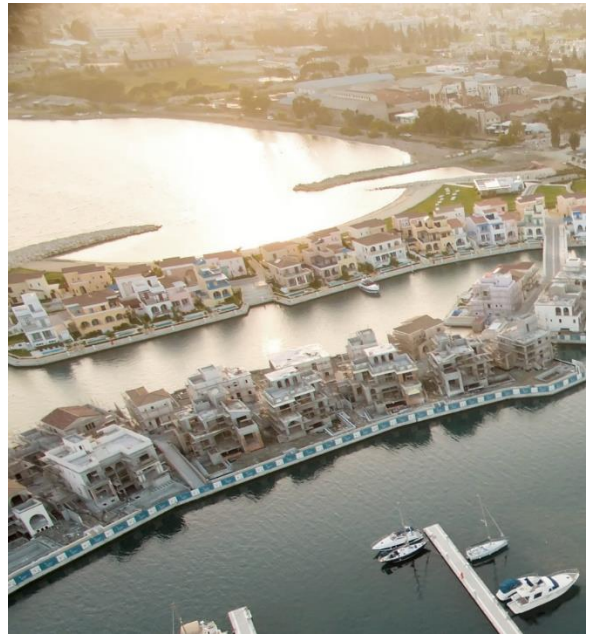
In addition to the reduction of the minimum wage, the tax exemption has been extended from 10 years, to the first 17 years from the first year of the commencement of a person's employment in Cyprus. A grace period of 2 years will be given to such new employees in cases where their initial annual salary is below the minimum annual wage of €55,000, so that they would be able to meet the required criteria, in order to benefit from the scheme; hence the annual remuneration from employment in Cyprus shall exceed the amount of €55,000, if not in the first year of employment in Cyprus, in the second year. It shall be noted that the tax exemption shall be granted only if the individual has not been a Cyprus tax resident for at least 10 consecutive years prior to the commencement of the employment in Cyprus.

Individuals who are not eligible for the 50% exemption may take advantage of the new exemption introduced by section 8(21A) of the Law, whereby 20% of the compensation or an amount of €8,550 (whichever is lower), can be claimed as an exemption from income tax on compensation from first-time employment in Cyprus, by a person who was for three(3) consecutive years, prior to his/her first employment in Cyprus, employed abroad by an employer who was not a Cyprus resident, and whose his/her first employment begins after the 26th July 2022 until 2027. This exemption is available for a maximum period of seven years, beginning from the tax year following the year of the employment in Cyprus.

It is worth mentioning that this new system shall also apply retrospectively to current employees, provided that they were residents abroad for 12 consecutive years before the commencement of their employment in Cyprus. In such circumstances, a six-month grace period shall be implemented to meet the minimum annual wage requirement of €55,000.

It has also been announced that another bill shall be expected providing for the facilitation of granting visas and work permits to spouses of professionals who opt to relocate to Cyprus and regarding the creation of a 'one-stop-shop' to facilitate this scheme. The Cyprus Government, through the Minister of Finance, expressed its faith and confidence in this very competitive scheme to make the island a business hub. With all the above in mind, and considering all the benefits that Cyprus offers, thinking of relocating and headquartering here should be a top-ranking option for anyone.

Our law firm provides services in relation to company formation and any other legal assistance and advice that might be needed.





PATRIKIOS PAVLOU  
& ASSOCIATES LLC

ADVOCATES - LEGAL CONSULTANTS

Patrician Chambers  
332 Agiou Andreou str., 3035 Limassol,  
Cyprus  
P.O.Box 54543, 3725 Limassol, Cyprus

T +357 25871599 | F +357 25344548  
info@pavlaw.com

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[www.pavlaw.com](http://www.pavlaw.com)

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