

# GOVERNMENT APPROVES TAX INCENTIVES TO ATTRACT TALENT AND PROMOTE HEADQUARTERING



## New 50% and 20% income tax exemption on employment income to attract foreign investors and employees

On 26 July 2022, the new amended articles 8(21) and 8(23) of the Income Tax Law were published in the Gazette aiming to attract foreign investors and high-profile foreign employees.

Similarly with the 20% exemption, it is not required for the individual to become a Cyprus tax resident to benefit from the new 50% exemption, nor for the employer to be a Cyprus tax resident employer.

### **The new Article 8 (21A) for the 20% exemption provides the following:**

As from 26 July 2022, 20% of the remuneration of employees (up to a maximum amount of exemption of €8.550 per annum), whose first employment in Cyprus commenced from 26 July 2022 onwards, is exempt from income tax for a period of seven years, provided the employees, immediately before the commencement of their employment in Cyprus:

- were not residents of Cyprus for a period of at least three consecutive tax years, and
- were employed outside of Cyprus by a non-resident employer.

The exemption will be first granted in the tax year following the tax year of commencement of employment.

It is important to note that the law does not require the individual to become a Cyprus tax resident to benefit from the new 20% exemption, nor the employer to be a Cyprus tax resident employer.

Individuals will not be granted this exemption, if they are granted the 50% exemption mentioned below.

### **The new Article 8(23A) for the 50% exemption provides the following:**

As from 1 January 2022, 50% of the remuneration of employees, whose first employment in Cyprus began

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from 1 January 2022 onwards, is exempt from income tax for a period of 17 years (starting from the month of employment), if their remuneration per year exceeds €55,000 and the employees were not residents of the Republic for a period of at least 10 consecutive years immediately before the commencement of their employment in Cyprus.

The new 50% exemption is also available to Individuals whose employment commenced before 1 January 2022 provided that:

- the date of commencement of their first employment is between 2016-2021;
- their salary was in excess of €55,000 p.a.;
- or if it did not exceed €55,000 p.a., within 6 months from 26 July 2022 their remuneration will exceed €55,000 p.a.

Furthermore, the exemption is also available to existing employees that benefitted from the 50% exemption and have continuous employment in Cyprus up to and including 2021.

The Tax Department as with the existing 50% exemption reserves the right to refuse the exemption if the salary was increased (artificially or other) with the sole purpose of obtaining the exemption.

The exemption applies once in a lifetime for 17 years starting from the first tax year of employment.

Both exemptions can apply even if the individual is not a tax resident in Cyprus. The same applies even if the employer to be a Cyprus tax resident employer.

It is expected that the Tax Department will issue further guidance as to the application of the exemption as well as any other parameters.

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