



**Direct Taxation**  
**August Newsletter - Issue 07/2022**



***New income tax exemptions on employment income***

We would like to inform you that on the 26<sup>th</sup> of July 2022 a law was published in the Cyprus Government Gazette amending Articles 8(21) and 8(23) of the Income Tax Law (ITL) in regards to the income tax exemptions for employment income.

**Termination of existing income tax exemptions**

The following exemptions that were applicable prior to the amendment of the ITL will cease to be available for employments commencing after 26<sup>th</sup> July 2022:

*50% exemption on employment income (Article 8(23))*

A 50% exemption from income tax is granted on the remuneration from any employment exercised in Cyprus by a person that was a tax resident outside Cyprus before the commencement of his / her employment in Cyprus. The exemption is granted for a period of 10 years, starting from the year of

commencement of employment in Cyprus, provided that the individual's annual remuneration from such employment exceeds EUR100,000.

This exemption is not applicable for persons who were tax residents of Cyprus in any 3 out of the 5 tax years preceding the year in which the person commenced employment in Cyprus, as well as to persons that were tax residents in Cyprus for the year preceding the year in which the employment commenced.

Individuals who met the conditions to claim this exemption before the 26<sup>th</sup> July 2022 may continue claiming the exemption for the relevant 10 years. It is however noted that individuals who were previously eligible to claim this exemption may also be entitled to claim the provisions of the new 50% exemption (explained below) in which case it might be possible for such individuals to claim a 50% exemption on their remuneration for a period of 17 years instead of 10 years.

#### 20% exemption on employment income (Article 8(21))

A 20% exemption from income tax (or EUR8,550, whichever is lower) is granted on the remuneration from any employment exercised in Cyprus by a person who was not a resident of Cyprus before the commencement of his / her employment in Cyprus. The exemption is granted as from 1<sup>st</sup> January of the year following the year of commencement of employment, and is granted for employment that commenced within the year 2012 up to the year 2025, with a maximum period that the exemption is granted being 5 years starting from the year following the year of commencement of employment.

Individuals who met the conditions to claim this exemption before the 26<sup>th</sup> July 2022 may continue claiming the exemption for the relevant 5 years.

### **New income tax exemptions**

Based on the new provisions of the ITL, the following is applicable:

#### *50% exemption on employment income (Article 8(23A)):*

Individuals whose first employment in Cyprus commenced on or after 1<sup>st</sup> January 2022, are entitled to a 50% exemption on their gross remuneration from employment exercised in Cyprus for a period of 17 years, starting from the first year of their employment if:

- At any year during their employment, their annual gross remuneration exceeds the amount of EUR55,000, provided that during the first or second year of employment, the remuneration exceeded the amount of EUR55,000 annually, and
- The individuals were not tax residents of Cyprus for a period of at least 10 consecutive years immediately prior to the commencement of their employment in Cyprus.

The exemption shall be granted in any year in which the remuneration from employment in Cyprus exceeds EUR55,000, irrespective if in any tax year the remuneration is reduced below EUR55,000, provided that the annual remuneration exceeded the amount of EUR55,000 during the first or second year of employment in Cyprus and the Commissioner of Taxation is satisfied

that the fluctuation in the annual remuneration is not an arrangement put in place for obtaining the exemption.

For the purposes of the ITL, the term “commencement of first employment in Cyprus” is defined as when a person provides salaried services in Cyprus for the first time either to a Cyprus resident employer or to a non-Cyprus resident employer, without taking into account occasional full or part-time employment in Cyprus for a period not exceeding in aggregate 120 days in a tax year.

The law also clarifies that the exemption is granted during the tax year of commencement of employment, provided that the remuneration from the first employment in Cyprus during the first 12 months exceeds EUR55,000. The exemption is also granted during the tax year of termination of employment in Cyprus or at the end of the 17-year period, provided that the remuneration from employment in Cyprus during the last 12 months exceeds EUR55,000.

Irrespective of the tax year of commencement of employment, the new provisions are applicable as from 1<sup>st</sup> January 2022 and upon completion of 17 consecutive years, beginning from the year of commencement of employment in Cyprus, for individuals who were not Cypriot tax residents for a period of at least 10 consecutive years immediately prior to the year of commencing their employment in Cyprus, provided that they meet one of the following conditions:

- The individual is eligible for the previous 50% exemption based on Article 8(23) prior to the amending Law and has a continuous employment in Cyprus as from the year of commencement of employment until the tax year 2021; or,
- The individual's first employment in Cyprus commenced during the years 2016-2021, with remuneration exceeding the amount of EURO55,000 per annum; or
- The individual's first employment in Cyprus commenced during the years 2016-2021, with remuneration not exceeding the amount of EURO55,000 per annum, and within 6 months from 26/07/2022, his / her remuneration will exceed the amount of EURO55,000 per annum.

It is noted that the exemption is granted to each individual once in his / her lifetime for a period of 17 years, starting from the month of commencement of first employment in Cyprus.

20% exemption on employment income (Article 8(21A)):

Individuals whose first employment in Cyprus commenced after 26<sup>th</sup> July 2022 up to the year 2027, shall be eligible to claim a 20% exemption on their remuneration (or EUR8,550, whichever is lower), provided that during the 3 years immediately preceding their employment in Cyprus, were employed outside Cyprus by a non-Cyprus resident employer. The exemption will be available for a period of 7 years, starting from the tax year following the year of commencement of their employment in Cyprus.

It is noted that individuals can claim only one of the two exemptions (50% exemption or 20% exemption) for a tax year.

*For any further information and/or clarifications required please do not hesitate to contact us.*



## **Nicosia**

Treppides Tower  
9 Kafkasou Street  
Aglantzia, Nicosia, CY 2112  
Cyprus  
P.O.Box 27142, CY1642

Tel: +357 22 678944  
Fax: +357 22 681887  
Web: [www.treppides.com](http://www.treppides.com)

## **Limassol**

38 Andrea Kariolou Street  
Ayios Athanasios  
Limassol, CY 4102  
Cyprus

Tel: +357 25 822722  
Fax: +357 25 822723  
Web: [www.treppides.com](http://www.treppides.com)

## **London**

Treppides Advisers Ltd  
Knightsbridge  
7 Milner Street  
London, SW3 2QA  
United Kingdom

Tel: +44 20 584 9136  
Web:  
[www.treppidesadvisers.co.uk](http://www.treppidesadvisers.co.uk)

## **Malta**

Finanz Audit Ltd  
Level 1, Somnium  
Tower Road, Swatar  
Birkirkara, BKR 4012  
Malta

Tel: +356 2010 8061  
Web: [www.finanz-audit.com](http://www.finanz-audit.com)  
Email: [info@finanz-audit.com](mailto:info@finanz-audit.com)

Email:

[info@treppidesadvisers.co.uk](mailto:info@treppidesadvisers.co.uk)

## About Us

## Preferences

[Facebook](#)

[Linkedin](#)

[Archive](#)

[Unsubscribe](#)

For more information about how we process your personal data please click [here](#).

[Email Us](#)

Copyright © [K. Treppides & Co Ltd](#), All rights reserved.

*Copyright © 2021 K.Treppides & Co Ltd, All rights reserved.*

K. Treppides & Co Limited - Client List

### Our mailing address is:

K.Treppides & Co Ltd

Treppides Tower 9 Kafkasou Aglatzia

Nicosia 2112

Cyprus

[Add us to your address book](#)

Want to change how you receive these emails?

You can [update your preferences](#) or [unsubscribe from this list](#).

