



TREPPIDES

Becoming a Cyprus Tax Resident

Cyprus provides remarkable benefits and tax incentives for entrepreneurs, professionals and key personnel of multinational companies who relocate to Cyprus and choose the island as their base for doing business internationally

Below is an overview of the main provisions of Cyprus' personal income tax regime as well as the most important tax incentives provided to individuals who wish to become Cyprus Tax Residents.

PERSONAL TAXATION AND BENEFITS

The most important elements of the Cyprus' personal taxation are analyzed below.

A. PERSONAL INCOME TAX

1. Basis of taxation

A Cyprus tax resident individual is taxed on all income accrued or derived from all sources in Cyprus and abroad.

An individual who is not tax resident of Cyprus is taxed only on income accrued or derived from sources in Cyprus.

2. Tax residency

An individual is considered as tax resident in Cyprus if he/she spends more than 183 days in any calendar year in Cyprus.

As from 1 January 2017, an individual is also considered as tax resident in Cyprus if he/she satisfies all of the following conditions within the relevant tax year ("60 day rule"):

- does not spend more than 183 days in aggregate in any other country;
- is not a tax resident of any other country;
- resides in Cyprus for at least 60 days;
- carries on a business in Cyprus or is employed in Cyprus or holds an office in a Cyprus tax resident company at any time during the tax year. In case the business, employment or holding of an office under this condition is terminated during the tax year, the individual shall not be considered as tax resident in Cyprus for that particular year;
- maintains a permanent residence in Cyprus (either rented or owned).

3. Personal Income Tax rates

An individual's income is subject to income tax at the following rates:

Taxable Income €	Tax Rate %	Tax €	Cumulative Tax €
0 - 19.500	0	0	0
19.501 - 28.000	20	1.700	1.700
28.001 - 36.300	25	2.075	3.775
36.301 - 60.000	30	7.110	10.885
60.001 and over	35		



4. Exemptions / Deductions

The following are the most important exemptions/deductions from Personal Income Tax provided in the Cyprus tax legislation:

- 50% exemption -under Article 8(23A) from income tax on the remuneration from first employment (i.e., commenced on or after 01.01.2022) exercised in Cyprus by an individual who was not a resident of Cyprus before the commencement of his first employment (subject to conditions), for a period of 17 years where the annual remuneration exceeds €55.000.
- 20% exemption -under Article(21A) from income tax (capped at €8.550) on the remuneration from employment exercised in Cyprus, provided that during the 3 years prior to his/her employment in Cyprus, he/she was not employed outside Cyprus by a non-Cyprus resident employer (subject to conditions). The exemption is available for a period of 7 years following the year of commencement of the employment and applies for first employment that commences after 26.07.2022 up to the year 2027.
- Exemption from income tax of the remuneration from employment exercised outside Cyprus for more than 90 days in aggregate in a tax year for a non-Cyprus resident employer or a foreign permanent establishment of a Cyprus tax resident employer
- Any profit arising from sale of securities (e.g. shares, bonds, debentures etc.)
- Interest Income of a passive nature
- Dividend Income
- Contributions paid to Social Insurance, General Healthcare System, provident fund, medical fund (restricted to 1,5% of remuneration), pension fund contributions and life insurance premiums (the allowable annual life insurance premium is restricted to 7% of the insured amount) - Up to 1/5 of the chargeable income

SPECIAL DEFENCE CONTRIBUTION

1. Basis of taxation

Special Defence Contribution (SDC) Tax is imposed on certain types of income earned by Cyprus tax resident companies and individuals who are both Cyprus tax residents and Cyprus domiciled.

Individuals that are Cyprus tax residents but are non-domicile in Cyprus will be exempt from taxation under SDC Tax.

2. SDC tax rates

The following types of income earned by individuals who are both Cyprus tax resident and Cyprus domiciled are subject to SDC as shown on the table below:

Type of income	Rate %
Dividend income from companies	17
Interest income of a passive nature ¹	30
Gross rental income (reduced by 25%)	3

Notes:

1. Interest income received by Cyprus tax resident and domicile individuals from Cyprus government savings and development bonds, as well as from corporate bonds (as from 26 June 2019) is subject to SDC at the rate of 3%.

3. Domicile

For SDC purposes, the term "Domiciled in Cyprus" is defined as an individual who has a Domicile of Origin, in accordance with the Wills and Succession Law, in Cyprus, but it does not include:

- An individual who has obtained and maintains a Domicile of Choice outside Cyprus in accordance with the Wills and Succession Law, provided that the individual was not a Cyprus tax resident for a period of 20 consecutive years preceding the tax year under examination.
- An individual who has not been a Cyprus tax resident for a period of at least 20 consecutive years prior to 16 July 2015.

Irrespective of domicile of origin, individuals who are considered as Cyprus tax residents, for at least 17 years from the last 20 years before the year of assessment are considered as "Domiciled in Cyprus" for SDC purposes.

On the basis of the above, a person that does not have a domicile of origin in Cyprus (even if domicile by choice in Cyprus), will be treated as non-domicile for the purposes of application of SDC tax as long as he has not been tax resident in Cyprus for at least 17 out of the last 20 years before the year of assessment.



The definition of Domicile of Origin and Domicile of Choice as per the Wills and Succession Law is as follows:

- Domicile of Origin: the domicile received by the person at birth. The domicile of origin of a legitimate child is that of the father's, or in the case of an illegitimate child, that of the mother's.
- Domicile of Choice: This is acquired by the person establishing his/her home at any place in Cyprus with the intention of permanent or indefinite residence

SOCIAL INSURANCE CONTRIBUTION

Employment income is subject to social insurance contributions at the following rates:

Contribution	Employee Rate %	Employer Rate %
Social Insurance Fund	8,3 ¹	8,3 ¹
Redundancy Fund		1,2 ¹
Industrial Training Fund		0,5 ¹
Social Cohesion Fund		2 ²

Notes:

1. The contributions are subject to a maximum limit of remuneration. The maximum limit for weekly employees is €1.155 (annually €60.060) as from 1 January 2023 (previously €1.117 per week and €58.080 annually) and for monthly employees €5.005 (annually €60.060) as from 1 January 2023 (previously €4.840 per month and €58.080 annually).
2. There is no limit on the remuneration of the employee for the payment of the social cohesion fund contribution.

Income for self-employed individuals is subject to social insurance contributions at the rate of 15,6% (Increased from 14,6% as of 1 January 2019) subject to minimum and maximum limits depending on the profession or trade of the self-employed individual.

GENERAL HEALTHCARE SYSTEM

As from 1 March 2019, the General Healthcare System (GHS) has been implemented in Cyprus and the current contributions payable are as follows:

Contributions Categories	Rate
Employees on their salaries	2,65%
Employers on the employee's salaries	2,90%
Self-employed on their remuneration	4,00%
Pensioners on their pension	2,65%
Office holders on their remuneration	2,65%
Persons responsible for payment of emoluments to office holders on the remuneration payable	2,90%
Income earners on their income (e.g. dividend, interest, rents)	2,65%
Government/State on the salaries of the employees, the remuneration of the self-employed, the remuneration of office holders and on pensions	4,70%

Notes:

1. The contributions to the GHS are limited to the amount of €180.000 of annual income per physical person.
2. Cyprus tax resident individuals must contribute to the GHS on their worldwide income.
3. Exemptions or deductions provided in the Income Tax legislation (e.g. exemption for first employment in Cyprus) do not apply for the purposes of the contributions to GHS.
4. Exemptions provided in the Special Defence Contribution legislation (e.g. exemption for individuals that are non-domicile in Cyprus) do not apply for the purposes of the contributions to GHS.



The table below provides a summary as to how Cyprus tax residents who are non-domiciled and Cyprus tax residents and domiciled are taxed under SDC Tax and Personal Income Tax.

TAXATION	TYPE OF INCOME	CYPRUS TAX RESIDENT AND NON-DOMICILED	CYPRUS TAX RESIDENT AND DOMICILED
SPECIAL DEFENCE CONTRIBUTION	<i>Dividend income from Cyprus and non-Cyprus tax resident companies</i>	Exempt	Taxable at the rate of 17% on gross dividend ¹
	<i>Interest income from Cyprus or abroad</i>	Exempt	Taxable at the rate of 30% on gross interest ¹
	<i>Rental income from Cyprus or abroad</i>	Exempt	Taxable at the rate of 3% on 75% of the gross rental income ¹
PERSONAL INCOME TAX	<i>Employment income</i>	Exemption for first employment in Cyprus ^{2 3} Exemption for employment exercised outside Cyprus ⁴	Exemption for first employment in Cyprus ^{2 3} Exemption for employment exercised outside Cyprus ⁴
	<i>Dividend income</i>	Exempt	Exempt
	<i>Interest income of a passive nature</i>	Exempt	Exempt
	<i>Rental income</i>	20% of the rental income is exempt. 80% of the net rental income (after deduction of interest expense and wear and tear allowances) is taxable at the standard income tax rates ¹	20% of the rental income is exempt. 80% of the net rental income (after deduction of interest expense and wear and tear allowances) is taxable at the standard income tax rates ¹
	<i>Gain on disposal of qualifying securities/titles</i>	Exempt	Exempt

Notes:

1. Credit available for foreign tax withheld on income from abroad.
2. 50% Exemption from Income Tax (refer to section A4a).
3. 20% Exemption from Income Tax (refer to section A4b).
4. 90 days Exemption from Income Tax (refer to section A4c).



We can help you

Our experienced team can assist you with the following services:

- Tax planning for individuals and family offices
- Advice on personal income tax and other Cyprus taxation
- Advice on becoming Cyprus tax resident and setting up in Cyprus
- Registration with the Cyprus Tax Department
- Advice on non-domicile status
- Assistance in completing and submitting all forms for non-domicile individuals
- Tax compliance services
- Registration of a Cyprus company as employer with the Social Insurance Services and the Cyprus Tax Department
- Monthly payroll services including assistance in payment of Social Insurance and PAYE to the local authorities
- Assistance in the preparation and electronic submission of the annual Income Tax return of the individual
- Assistance in obtaining Cyprus Tax Residence Certificate
- Assistance in obtaining Tax Clearance Certificate

Contact us



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