



Relocating to Cyprus? What you need to know.

Important tax benefits arising from the Cyprus tax law

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The tax regime in Cyprus provides important tax incentives to foreign individuals who wish to relocate to Cyprus. We set out below important tax incentives for foreigners who wish to become Cyprus tax residents:

1. Tax residency rule for individuals (60 days rule)

Article 2 of the Income Tax Law concerning the tax residency of individuals requires an individual to remain in the republic for at least 183 days in a calendar year to become a Cyprus tax resident. The article has been amended to include also individuals who reside in the Republic 60 days in a calendar year. Specifically an individual can become a Cyprus tax resident if all the below conditions are fulfilled:

a. He/she must not remain in any other state for more than 183 days in the same tax year and he/she must not be a tax resident in any other State for the same year.

With the amendment of the special contribution for the Defense Law 199(I) 2015, physical persons who are considered as Cyprus tax resident non-domiciled they are exempted for the payment of Special Contribution for Defense on all three types of income mentioned above for 17 consecutive tax years, starting from the tax year the physical persons will be considered as a tax resident in Cyprus.

3. Article 8(21) of the Cyprus Income Tax Law

Foreigners employed in Cyprus who were previously not tax resident in Cyprus, can enjoy exemptions on the taxability of their income. Specifically the lower of €8,550 and 20% of the remuneration employed in Cyprus from any office or employment in Cyprus can be exempt from taxation. This exemption applies for a period of 5 years starting from the tax year following the year of commencement

b. He/she must stay in Cyprus for at least 60 days in the same tax year.

c. He/she must carry out any business in the Cyprus and/or is employed in Cyprus /or hold office in a Cyprus tax resident company at any time during the year of assessment.

d. The individual must have a permanent resident in the Republic, owned or rented.

2. Tax resident non-domiciled

With the existing tax regime in Cyprus, tax resident individuals are subject to Special Contribution for Defense on their worldwide income (income generated in Cyprus and abroad) on the corresponding tax rates:

- a. Interest income - defense tax of 30%
- b. Dividends income - defense tax of 17%
- c. Gross rental income - 3% on 75% of gross rental income

of the employment (this incentive will expire in 2020). This exemption however cannot be claimed in conjunction to the incentive shown below of 50% exemption on employment income.

4. Article 8(23) of the Cyprus Income Tax Law

Foreigners employed in Cyprus from 1 January 2012 and onward, who were previously not tax residents of Cyprus, can benefit with a 50% exemption on their remuneration income for a period of 10 years provided that their income is higher than €100.000 per annum.

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