



***Your Trusted Partner in Cyprus***

***Tax Incentives for Expatriate  
and High Net Worth Individuals  
relocating to Cyprus***

**Non-domiciled Cyprus tax resident individuals may be exempt from taxation in Cyprus on their worldwide income from dividends, capital gains, interest and rent (foreign taxes may apply).**

In light of the shifting international tax landscape and the challenges ahead, businesses and HNWI are focusing on streamlining their operations, asset base and tax residency, cautiously considering the jurisdictions that offer them the most optimized and efficient status.

Cyprus' tax system is probably the best amongst the EU states, offering tremendous structuring opportunities both for individuals as well as for corporations.

For individuals, the introduction of the concept of non-domiciled tax residents is a rare opportunity to take on tax residency in the country and benefit from a blend of tax exemptions on their worldwide income.

## Personal Taxation

### Tax Residency

An individual is tax resident in Cyprus if he/she is present in Cyprus for more than 183 days in a tax year. Alternatively, an individual may become a Cyprus tax resident if he/she:

- i) resides in Cyprus for at least 60 days, and
- ii) does not reside in any other single state for a period exceeding 183 days in aggregate, and
- iii) is not a tax resident in any other state, and
- iv) has other defined Cyprus ties.

### Domicile

An individual's domicile is that of his/her father's domicile (at birth) or that of his/her choice. Therefore, an individual born to a non-Cypriot domiciled father is considered to be non-domiciled in Cyprus. However, a non-domiciled individual may be deemed as domiciled in Cyprus if he/she has been a Cypriot tax resident for at least 17 out of the last 20 years prior to the relevant tax year. An individual born to a Cypriot domiciled father may also qualify as non-domiciled in Cyprus subject to certain conditions.

### Taxation

A Cyprus tax resident individual is subject to the following taxes:

- Income Tax;
- Special Defence Contribution ("SDC"), payable on interest income, dividend income and rental income;
- Capital Gains Tax.

Personal Income tax rates for employment income in Cyprus vary from 0% - 35% (first €19,500 being tax free), subject to several exemptions.

An individual who is a tax resident of Cyprus but is "not-domiciled" in the Republic of Cyprus, is exempt from SDC.

Capital Gains Tax is charged at the rate of 20%, only on disposal of real estate assets located in Cyprus.

## Tax Effect for non-dom tax residents

**Dividend Income:** Dividend income is unconditionally exempt from Income Tax and SDC for “non-dom” tax residents resulting in NIL taxation on dividend income (from anywhere in the world)

**Interest Income:** “Passive”<sup>\*</sup> interest income is unconditionally exempt from Income Tax and SDC for “non-dom” tax residents resulting in NIL taxation on “passive” interest income (from anywhere in the world)

**Rental Income:** Rental income is subject to both Income Tax (at the normal rates less 20% allowance) and SDC. Rental income is exempt from SDC for “non-dom” tax residents.

## Other Significant Tax Incentives

**No WHT:** No withholding taxes for payments of dividend, interest and royalties (subject to conditions) paid out to non-resident shareholders / recipients, irrespective of the provisions or existence of a double tax treaty.

**Tax Credits:** tax credits allowed for taxes suffered abroad on same income, irrespective of the provisions or existence of a double tax treaty – avoidance of double taxation of income.

**Capital Gains:** no capital gains on sale of shares, bonds, participations in companies and other ‘titles’. Also, no capital gains on sale of immovable property located outside Cyprus.

**Relief for high paid individuals taking up employment in Cyprus:** 50% exemption on taxable income of non-resident individuals taking up their employment and residence in Cyprus, if their income exceeds €100,000 per annum. This exemption applies for a period of 10 years.

**Relief for non-resident individuals taking up employment in Cyprus:** 20% exemption on taxable income (restricted to a maximum amount of €8,550) for individuals who were resident outside Cyprus before the commencement of their Cyprus employment. The exemption applies for a period of 5 years.

**Employment income from working abroad:** 100% exemption of the remuneration of a Cyprus tax resident individual for salaried services rendered outside Cyprus for more than 90 days in a tax year to a non-Cyprus tax resident employer or to a foreign permanent establishment of a Cyprus tax resident employer.

**Pension received by a resident individual in respect of past employment exercised outside Cyprus:** Pension received in respect of past employment exercised outside Cyprus is taxed in Cyprus at a rate of 5% on amounts in excess of €3,420 (the individual may elect to be taxed under normal tax rates).

**100% exemption of any lump sum received as a retiring gratuity, commutation of pension, death gratuity or as consolidated compensation for death or injury.**

**100% exemption of any lump sum repayment from life insurance schemes or from approved provided funds.**

**No estate duty, wealth tax, inheritance tax or gift taxes.**

*\* “Passive” interest income is income not directly related, or closely related to the business activities i.e. income from fixed deposits, savings etc.*

**Please contact our team to find out more**

Where an individual is considering relocating to Cyprus, bespoke advice should be obtained on both the Cypriot as well as the cross border tax implications of such relocation from their professional tax advisers.