



TAX RELOCATION GUIDE FOR INDIVIDUALS

Become a Cyprus Tax Resident & Enjoy:

- no tax on gains arising from the disposal of investments (shares, bonds, etc.)
- no withholding tax on the repatriation of income as dividends, interest and royalties
- extensive double tax treaty network
- income tax exemptions for taking up employment in Cyprus up to fifty percent of the remuneration for 17 years for employment income of more than €55,000 per annum
- low social insurance contributions
- no tax on worldwide dividend and interest income for non- domiciled individuals for 17 years
- no tax on retirement gratuity and special tax regime on foreign pension income
- no estate duty, wealth tax, gift tax or inheritance tax



The no-domicile rules

In July 2015, in an effort to enhance the competitiveness, fairness and simplicity of the Cyprus Tax system and make it more attractive to High Net Worth Individuals (HNWI), the Cyprus Government passed among others the introduction of “Non-Domicile Individuals” concept through an amendment to the Special Contribution for the Defence of the Republic of Cyprus Law of 2002 as amended (hereinafter referred to as the ‘SDC Law’).



Amended Law Provisions

Prior to the amendments, Cyprus tax resident individuals earning Cyprus or foreign sourced income in the form of dividends or “passive” interest, were subject to SDC, at the rate of 17% on dividends, 30% on interest and 2.25% effective tax rate on rental income, irrespective of their domicile status.

With these aforesaid amendments, individuals who have non-dom status are no longer subject to SDC. Coupled with the income tax exemptions existing for such income, these amendments result in non-dom’s being exempt from taxation in Cyprus on their dividends, “passive” interest and rental income, irrespective of whether such sources of income are earned in Cyprus or abroad.

Furthermore, for rental incomes, whether Cyprus or foreign sourced, Cyprus tax resident individuals who have non-dom status are now only subject to income tax on rental income.



For the purposes of the SDC Law, an individual is domiciled in Cyprus if he/she is either:

1. an individual who has a domicile-of-origin in Cyprus *(please note below exceptions) or
1. an individual who is a resident of Cyprus for a period of at least 17 years out of the last 20 years prior to the tax year of assessment.

Exceptions to point 1 above

- an individual who has acquired and maintains a domicile-of- choice outside Cyprus and was not a tax resident of Cyprus, as per the Income Tax Law for any period of at least 20 consecutive years prior to the tax year of assessment; or
- an individual who was not a resident of Cyprus for a period of at least 20 consecutive years immediately prior to these amending provisions enter into force.

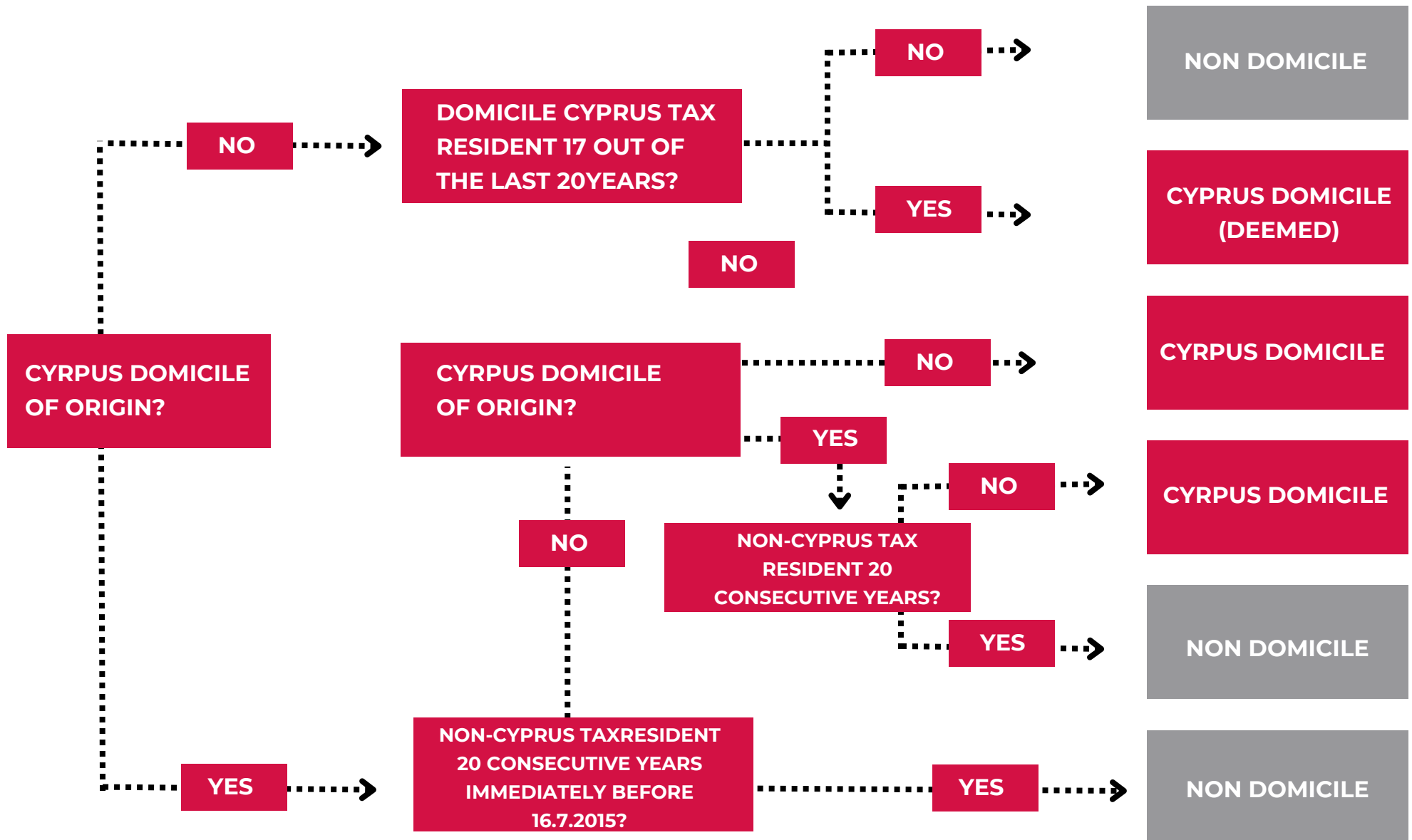
The amendment introduces anti-avoidance provisions which restrict its application in cases where domiciled individuals transfer assets to non-dom in order to take advantage of these provisions of the SDC law.

Conclusion

HNWIs can now relocate their tax residency to Cyprus and enjoy 17 years of full exemption on the following sources of worldwide income: dividends, interest, and rents. Furthermore, all Cyprus tax residents are exempt from gains on the disposal of securities, such as shares, bonds, derivatives etc.



Decision tree diagram - Determining whether an individual is domiciled in CY





Criteria for Individuals to be considered as Cyprus Tax Residents

According to Section 2 of the Income Tax Law, an individual is resident in Cyprus, if he/she resides therein for a period or more which in aggregate exceed 183 days in a tax year. A tax year commences 1 January and ends 31 December.

- In order to calculate the period of residence in Cyprus for tax purposes
- the day of departure from Cyprus counts as a day of residence outside Cyprus
- the day of arrival in Cyprus counts as a day of residence in Cyprus
- arrival and departure from Cyprus on the same day counts as one day of residence in Cyprus
- departure and arrival in Cyprus on the same day counts as one day of residence outside Cyprus

On 14 July 2017, the Cyprus Parliament approved the law amending Section 2 of the Income Tax Law retroactively as of 1 January 2017. Under the amended law an individual is considered as a tax resident of Cyprus if the individual satisfies either the “183 day rule” or the “60 day rule” for the tax year.

Criteria for Individuals to be considered as Cyprus Tax Residents

The amended “60 day rule” for Cyprus tax residency applies to individuals who in the relevant tax year:

- reside in Cyprus for at least 60 days, and
- do not reside in any other single state for a period exceeding 183 days in aggregate, and:
- are not tax resident in any other state, and
- have other defined Cyprus ties. (See below)

To satisfy “other defined Cyprus ties” the individual must:

- carry out any business in Cyprus and/or be employed in Cyprus and/or
- hold an office (director) of a company tax resident in Cyprus at any time in the tax year,
- provided that such is not terminated during the tax year.
- maintain in the tax year a permanent residential property in Cyprus which is either owned or rented by the individual.

The law is further amended to clarify that an individual that cumulatively meets all the above conditions shall not be treated as a Cyprus tax resident in the tax year if, during that year the exercise of any kind of business in the Republic and/or employment in the Republic and/or holding of an office with a tax resident person in the Republic is terminated.



Tax Residency Certificates – 183 days rule

The Cyprus Tax Department (CTD) has issued a Circular in mid-March 2017 regarding the issuing of tax residency certificates for individuals. According to the Circular, it is now possible for Cyprus tax resident individuals to request and obtain a tax residency certificate at any time during the tax year for which the certificate is requested.

The purpose in mind is to facilitate Cypriot tax residents who wish to benefit from the provisions of Double Tax Treaties between Cyprus and third countries, so as not to suffer withholding tax at source upon receipt of income from sources outside Cyprus.

Individuals can apply for a certificate of tax residence at any time. A certificate will be issued even if the applicant has not yet completed the 183 days of physical residence in Cyprus in the relevant year as long as he or she is registered with the Tax Department and has been issued with a tax identification number (TIN), on condition that he or she provides an affidavit stating that he or she intends to stay in Cyprus for one or more periods which exceed 183 days in total in the tax year.

The Circular goes further to clarify that if, for any reason, the applicants fail to become Cyprus tax residents during the tax year, they are obliged to inform the CTD accordingly, so that the certificate will be revoked.



Tax Residency Certificates – 60 days rule

The Cyprus Tax Department (CTD) has issued a Circular in mid-October 2017 regarding the issuing of tax residency certificates for individuals. According to the Circular, it is now possible for Cyprus tax resident individuals to request and obtain a tax residency certificate at any time during the tax year for which the certificate is requested.

The purpose in mind is to facilitate Cypriot tax residents who wish to benefit from the provisions of Double Tax Treaties between Cyprus and third countries, so as not to suffer with holding tax at source upon receipt of income from sources outside Cyprus.

Individuals can apply for a certificate of tax residence at any time. A certificate will be issued even if the applicant has not yet completed the 60 days of physical residence in Cyprus in the relevant year as long as he or she is registered with the Tax

Department and has been issued with a tax identification number (TIN), on the following conditions:

- he or she meets all the requirements of the 60-day rule
- the application for the issuance of the certificate relates to the receipt of dividends and interest from sources outside the Republic and the relevant evidence is provided to the CTD together with the application
- the tax authority or organization that the certificate will be provided should be specified.



The Digital Nomad Visa scheme in Cyprus

Digital nomads, are people who work remotely from anywhere in the world, using digital technology to perform their job.

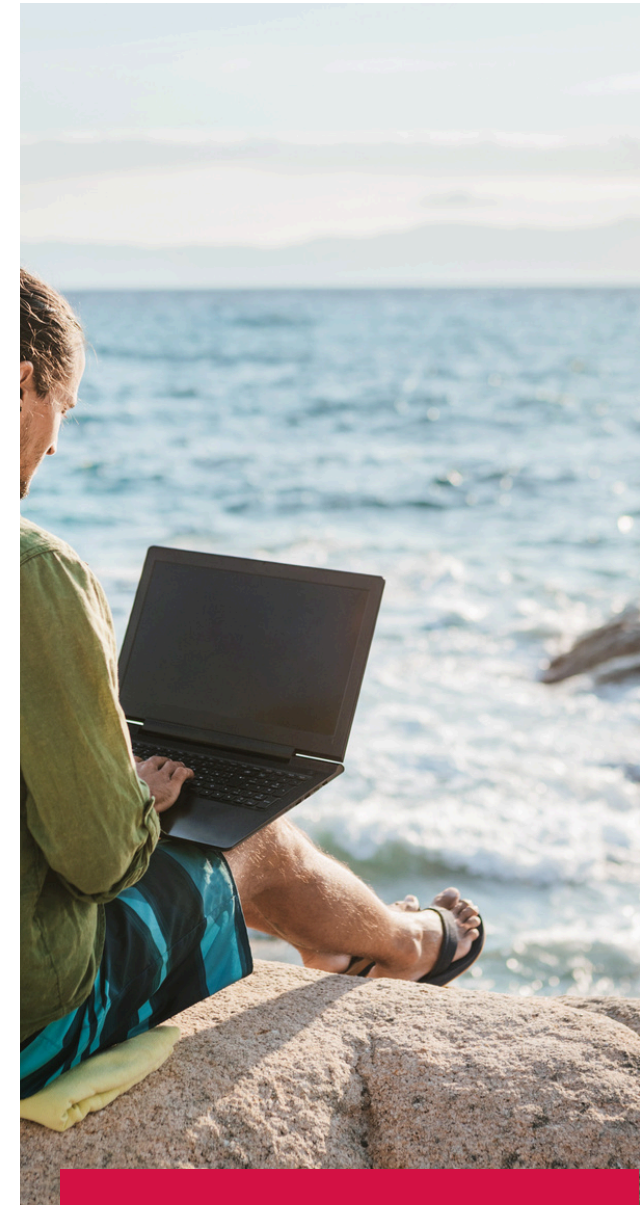
This location-independent, technology-enabled lifestyle has been on the rise during the last couple of years, with more and more people embracing it as their new reality.

This trend has led several governments around the world to take action to fit the new reality in their legislative framework, by introducing digital nomad visa schemes in order to attract digital workers.

The Government of the Republic of Cyprus recently announced a specific visa programme, with several incentives for people who would like to take advantage of all the benefits of living on the island, while working for companies who operate outside the country. The programme aims to contribute to the transformation of the business ecosystem and the economic development of the country, by attracting talented individuals and entrepreneurs.

What is a digital Nomad Visa?

It is a new type of residence permit, for people who wish to live only in Cyprus but work for companies operating abroad, given especially the rapid rise of “remote working” policies adopted by a number of companies worldwide.



The Digital Nomad Visa scheme in Cyprus

Who can apply for the digital nomad visa?

The beneficiaries for the digitalnomad visa are third country(non-EU or non-EEA) nationals who:

- work remotely using information and communications technology.
- are employed and work remotely by their own company or another company, located outside of the Republic of Cyprus or are self-employed and their customers are located outside of the Republic of Cyprus,
- can prove that they have sufficient and adequate monthly income to support their living in Cyprus, of at least €3,500, after the deduction of contributions and taxes.

**It should be noted that there is an initial limit of 500 applications.*

What are the benefits of the digital nomad visa?

Individuals granted with a Digital Nomad residence permit will benefit from:

- The right to stay in the country for up to one year, with the possibility to renew for two more years.
- Their family members can also stay in Cyprus for the same period and be granted with a residence permit that expires at the same time as the permit of the individual. However, during their stay in Cyprus, the family members are not allowed to provide dependent work or to engage in any kind of economic activity in the country.
- If they spend more than 183 days in Cyprus during the same calendar year, then they will be considered Cyprus tax residents and be eligible to a number of tax benefits. Those that spend less than 184 days in Cyprus but over 60 days, can still be considered Cyprus tax residents, as long as they meet some additional criteria.



The Digital Nomad Visa scheme in Cyprus

How to obtain the Digital Nomad visa

Within three months from his/her arrival to Cyprus, the applicant must submit an application to the Civil Registry and Migration Department, along with the required documents. The applicant can enter Cyprus with the use of a tourist visa (if applicable).

If the applicant is residing in Cyprus under a different status, he/she can submit an application to the Civil Registry and Migration Department, to obtain the digital nomad visa, provided that the relevant prerequisites are met.

Prerequisites (among others)

- There is a minimum threshold of funds coming from abroad (supported by salary, bank statements, etc.) set to €3,500 per month, increased by 20% for the spouse and by 15% for any minor child.
- Medical insurance that covers in-patient, out-patient and transportation of mortal remains.
- Declaration, that the applicant and his dependent family members, do not intend to work, or to provide services or to be engaged in any form of business with any companies or clients located in Cyprus.
- Clean criminal record certificate from the country of residence.
- Must have a suitable accommodation in the Republic of Cyprus.

Time of examination

The time of examination of the application is approximately 5-7 weeks from the date of its submission to the Civil Registry and Migration Department.

Personal Income Tax

The main types of direct taxes applicable to an individual in Cyprus are:

- income tax
 - special defence contribution on dividend, interest and rental income
 - capital gains tax on gains from the sale of Cypriot real estate
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- An individual working in Cyprus is also subject to social insurance and other contributions.
 - An individual is subject to income tax and/or special defence contribution depending on his/her tax residency and domicile status, a concept introduced in the Cyprus tax law in July 2015.

Basis of Taxation:

- An individual who is tax resident in the Republic of Cyprus is taxed on income accruing or arising from sources both within and outside the Republic.
- An individual who is not tax resident in the Republic, is taxed on income accruing or arising only from sources within the Republic.

Personal income Tax Rates

Taxable Income €	Tax Rate %	Tax €	Cumulative Tax €
0 - 19.500	0	0	0
19.501 - 28.000	20	1.7	1.7
28.001 - 36.300	25	2.075	3.775
36.301 - 60.000	30	7.11	10.885
60.001 & over	35		

Foreign pension income is taxed at the flat rate of 5% on amounts over €3.420. The taxpayer can however on an annual basis elect to be taxed at the normal tax rates and bands set out above.

Foreign taxes paid can be credited against the personal income tax liability.

Tax incentives/exemptions

Individuals who are Cyprus tax resident – whether this is determined under the “183 day rule” or under the “60 day rule” – are subject to tax in Cyprus on their worldwide income but certain exemptions apply.

The whole amount

- Dividend income (Note 1) Interest income (Notes 1 and 2)
- Gains arising from disposal of securities (Note 3)
- Remuneration from salaried services rendered outside Cyprus for more than 90 days in aggregate in the tax year for a non-Cyprus tax resident employer/foreign permanent establishment of a Cyprus tax resident employer.
- Profits of a foreign permanent establishment under certain conditions (Note 4)
- Lump sum received by way of retiring gratuity, commutation of pension or compensation for death or injuries.
- Capital sums accruing to individuals from any payments to approved funds (e.g. provident funds)

50% of the remuneration

As from 1 January 2022, 50% of the remuneration of employees, whose first employment in Cyprus began from 1 January 2022 onwards, is exempt from income tax for a period of 17 years, provided that their remuneration per year exceeds €55,000 and the employees were not residents of the Republic for a period of at least 15 consecutive years immediately before the commencement of their employment in Cyprus.

The first employment in the Republic starts from 1 January 2022 onwards and the period of 17 years starts from the month of employment in Cyprus. (Note 5)

Tax incentives/exemptions

20% of the remuneration with a maximum amount of €8.550 annually

- Remuneration from any employment exercised in Cyprus by an individual who was not a resident of Cyprus before the commencement of the employment for a period of at least 3 consecutive tax years and were employed outside of Cyprus by a non- resident employer. For employments commencing during or after 27 July 2022 the exemption applies for a period of 7 years starting from the tax year following the year of commencement of the employment. This exemption may not be claimed in addition to the immediately above mentioned 50% exemption for employment income.(Note 5)

Note 1: Such dividend and interest income may be subject to Special Contribution for Defence.

Note 2: Interest income arising in the ordinary course of the business, including interest closely connected with the ordinary carrying on of the business, is not considered as interest income and is not exempt.

Note 3: except in certain cases where the value of the shares derives from immovable property located in Cyprus.

Note 4: With effect as from 1 July 2016, taxpayers may elect to tax the profits earned by a foreign permanent establishment, with a tax credit for foreign taxes incurred on those foreign permanent establishment profits. Transitional rules apply in certain cases on the granting of foreign tax credits where a foreign permanent establishment was previously exempt and subsequently a taxpayer elects to be subject to tax on the profits of the foreign permanent establishment.

Note 5: Determining whether an individual was a tax resident of Cyprus prior to commencement of the employment is subject to conditions.

Tax Deductions

The following are deducted from income:

The whole amount

- Contributions to trade unions or professional bodies
- Loss of current year and previous years (for individuals required to prepare audited financial statements, current year losses and losses of the previous five years only may be deducted)
- Donations to approved charities (with receipts)
- Special contribution (abolished as from 1 January 2017)

20% of rental income

- Rental income

Up to €1.200, €1.100 or €700 per square meter (depending on the size of the building)

- Expenditure incurred for the maintenance of a building in respect of which there is in force a Preservation Order.

Up to 1/5 of the chargeable income

- Social insurance, medical fund (maximum 1,5% of remuneration), pension and provident fund contributions (maximum 10% of remuneration) and life insurance premiums (maximum 7% of the insured amount)

Up to 50% of the taxable income as calculated prior to this deduction (subject to maximum of €150.000 per year)

- Amount invested each tax year as from 1 January 2017 in approved innovative small and medium sized enterprises either directly or indirectly. Unused deduction can be carried forward and claimed in the following 5 years, subject to the caps.

Special defence contribution

Special Contribution for Defence is imposed on dividend income, ‘passive’ interest income and rental income earned by individuals who are both Cyprus tax resident and Cyprus domiciled. It is charged at the rates shown in the table below:

Type of Income	Tax Rate
Dividend income (Note 1)	17%
Interest income – passive (Note 1)	30% / 17%
Rental income (reduced by 25%) (Note 2)	3%

Note 1: Exemptions and/or different rates may apply. As of 1st January 2024, the rate has changed to 17%.

Note 2: Rental income is also subject to personal income tax / corporation tax.





About us

Bybloserve Management Ltd is an affiliate of I.Frangos & Associates LLC specifically designed to provide specialised solutions to businesses and high net worth individuals around the globe seeking to establish and manage their corporate presence in Cyprus.

Our team comprises of lawyers, tax advisors, administrators and staff who specialize in delivering comprehensive and tailored solutions to meet the diverse needs of businesses and entrepreneurs seeking a solid foundation in Cyprus's dynamic corporate landscape.

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