



DINOS ANTONIOU & CO LTD

CERTIFIED PUBLIC ACCOUNTANTS

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Cyprus – Taxation of Individuals

Brief summary of the Cyprus Tax system for individuals residing from abroad

A physical person's liability to Cyprus tax is determined by their residence status for taxation purposes. The general rule applying for the tax basis of an individual is that where the individual is considered a tax resident in the Republic, tax is imposed on his/her income accruing or arising from sources all over the world (both within and outside the Republic). On the other hand, where the individual is not a tax resident in the Republic, tax is imposed on his/her income accruing or arising only from sources within the Republic.

Tax Basis

An individual is tax resident of Cyprus if he/she remains in the Republic for a period exceeding 183 days in a tax year.

With effect from 1 January 2017, an individual may also be considered tax resident in Cyprus if he/she satisfies the "60 days rule". The "60 days rule" applies to individuals who in the relevant tax year:

- do not spend more than a total of 183 days in any country; and
- are not tax residents of another country within the same tax year

and satisfy also the following three conditions:

- (a) they remain in Cyprus for at least 60 days during the tax year;
- (b) they carry on a business in Cyprus or are employed in Cyprus or hold an office in a Cyprus tax resident company at any time during the tax year; and
- (c) maintain a permanent residence in Cyprus (owned or rented).

All of the above conditions need to be satisfied in order for the individual to be considered as a Cyprus tax resident with the "60 days rule".

If the employment/business or holding of an office is terminated during the tax year, the individual will cease to be considered a Cyprus tax resident for that tax year under the '60 days rule' but may still be considered tax resident if the basic 183-day rule is satisfied.

For the purposes of both the “183 days rule” and the “60 days rule”, days in and out of Cyprus are calculated as follows:

- 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 in the same day counts as one day of residence in Cyprus;
- departure and arrival in Cyprus in the same day counts as one day of residence outside Cyprus.

The tax rates for individuals are the following:

Taxable income	Tax rate	Tax	Cumulative amount of tax
€	%	€	€
0 – 19.500	-	-	-
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
Over 60.000	35		

Exemptions regarding employment income

Individuals who were based overseas and who were not Cyprus tax-residents before the commencement of their employment in Cyprus, may be entitled to one (but not both simultaneously) of the following exemptions:

- **The 50% exemption rule**

Individuals who take up employment in Cyprus with an annual income in excess of €100.000 will be eligible for an exemption from taxation of 50% of their income for a period of 10 years, commencing from the year of employment.

Note: The exemption is not given to an employee who was a tax resident in any three out of the five years preceding the year of employment and to an employee who was resident in the year preceding the year of commencement of employment.

- **The 20% exemption rule**

Individuals who take up employment in Cyprus and were not tax residents of Cyprus prior to commencing employment, will be eligible for an exemption from taxation of 20% of their income or €8.550 (whichever is lower) from any employment which is exercised in Cyprus.

Note: This exemption applies for a period of five years commencing from 1st January of the year following the year of commencement of employment.

Digital nomads

The "Cyprus Digital Nomad Visa" Scheme allows nationals from non-EU and non-EEA countries, who can perform their work location-independently using telecommunications technology, to reside temporarily in Cyprus and work for an employer registered abroad or perform work through telecommunications technology for companies or clients located abroad.

Who can benefit

- Non-EU or non-EEA nationals who:
 - Can perform work remotely through telecommunications technology;
 - Are employed in a company registered abroad, for which they can work location-independently, or are self-employed offering services remotely for clients located abroad;
 - Can prove that they have stable and sufficient monthly net income of at least €3500 (after the deduction of contributions and taxes).

What are the benefits

Individuals that are granted with a Digital Nomad residence permit will benefit from the following:

- Right of residence for a year in Cyprus, with a possibility of renewal for further two years;
- Right of residence for family members, for the same period as the Digital Nomad, without the right to be employed or perform economic activity in Cyprus.
- If they reside in the Republic for one or more periods that in total exceed 183 days within the same tax year, then they are considered tax residents of Cyprus, provided they are not tax residents in any other country.

Family members

- Digital Nomad's family members can reside in Cyprus for the same period as the Digital Nomad, without the right to be employed or perform any economic activity in Cyprus.
- Family members include the spouse/ partner in a civil union and underaged children.
- Family members also need to obtain a temporary residence permit following the relevant procedure.

Other considerations

- 100% exemption on remuneration for salaried services rendered outside Cyprus for more than 90 days in a tax year to a non-Cyprus resident employer or to a permanent establishment outside the Republic of a resident employer.
- 100% exemption on lump sum repayments from life insurance schemes or from approved provident funds.
- No inheritance and gift taxes.
- No wealth taxes.
- No immovable property taxes.
- Capital gains from the sale of immovable property situated outside Cyprus are exempt from tax.

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- Capital gains tax (at 20% tax rate) is only imposed on the sale of immovable property situated in Cyprus as well as on the sale of shares directly or indirectly held in companies (other than listed shares) in which the underlying asset is immovable property situated in Cyprus.
- Overseas pensions are exempt from tax up to €3.420 and taxed at 5% thereafter. The taxpayer may however opt to be taxed under the normal tax rates for individuals, where this special mode of taxation of income resulting to a higher tax liability (this selection can be made from year to year).

Non domicile rules for individuals

Individuals who are not considered to be 'domiciled' in Cyprus, are exempted from the payment of Special Contribution for Defence (SDC) Tax on dividends, interest, and rental income, even if they are considered as tax residents of Cyprus.

As per the SDC law, dividends and interest income earned by individuals who are tax residents and domiciled in Cyprus, are subject to tax at the rate of 17% and 30% respectively, regardless of the source of the income (i.e. from Cyprus or from abroad). Rental income is also subject to tax at the rate of 3% on 75% of the gross amount. Therefore, tax residents but non-domiciled individuals will enjoy dividend, interest, and rental income free from SDC tax in Cyprus.

For the purposes of the Law, an individual is considered as having his/her domicile in Cyprus if he/she is either:

- a. An individual who has a domicile-of-origin in Cyprus, as defined in the Wills and Succession Law with the exception of:
 - i. an individual who has acquired and maintains a domicile-of-choice outside Cyprus based on the provisions of the Wills and Succession Law and such individual was not a tax resident of Cyprus per the Income Tax Law for any period of at least twenty (20) consecutive years prior to the tax year of assessment; or
 - ii. an individual who was not a resident of Cyprus per the provisions of the Income Tax Law for a period of at least twenty (20) consecutive years immediately before the amending provisions enter into force.

Or

- b. Irrespective of the (a) as stated above, an individual who was a resident of Cyprus as per the provisions of the Income Tax Law for a period of at least seventeen (17) years out of the last twenty(20) years prior to the tax year of assessment.

Obligation to file tax return

There is no minimum number of days or minimum amount of income that exempts a person from the requirement to file an income tax return and pay tax in Cyprus, if any (special exemption for non-filing of tax return may only be granted by the Council of Ministers through a Decree).

Taxable period

In Cyprus, the tax year is the calendar year (January to December).

Types of taxable income

All earnings, whether paid in cash or in the form of a benefit-in-kind granted by the employer to the employee (i.e. rental benefit, private use of a motor vehicle, etc.), are taxable unless specifically exempted. Further, pensions, annuities, rental income, etc. are also taxable in Cyprus.

Compliance obligations

Individuals' compliance obligations

All individuals should make a request to obtain a tax number from the Tax Department and then with their tax number should be registered online with the Taxisnet system to be able to submit their income tax returns. Income tax returns can only be submitted electronically. In this respect, the deadlines for the electronic submission of income tax returns are as follows:

- For employees and pensioners: 31 July following the tax year-end.
- For self-employed individuals whose annual turnover does not exceed EUR 70,000 and who do not have an obligation to prepare audited financial statements: 31 July following the tax year-end.
- For self-employed individuals whose annual turnover exceeds EUR 70,000 and therefore have an obligation to prepare audited financial statements: 31 March that is fifteen months (15) following the year end.

Payment of taxes

Tax on employment income must be withheld by the employer, under the Pay-As-You-Earn (PAYE) system and remitted to the tax authorities monthly.

For employees and pensioners who are not obliged to prepare audited financial statements, a final balancing tax payment must be made by 31 July of the following year.

For self-employed individuals preparing audited financial statements (gross annual turnover equal €70.000 or more), a final balancing payment must be made by 1 August of the following year.

Remember that the above represent only general information and cannot be relied on to cover specific situations which may differ due to their particular circumstances. We recommend that you seek professional advice for any matters affecting your specific tax case. Our tax team is ready to assist you following an appointment on which all the relevant information will be presented and analysed.

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