



CYPRUS TAX RESIDENCY FOR INDIVIDUALS (UPDATE—JULY 2017)

On 14 July 2017 the Cyprus parliament unanimously approved a bill that gives the right to an individual to be considered as tax resident in Cyprus even if he does not reside in the island for 183 days in aggregate.

The amendment, once it becomes effective will provide foreign investors with an alternative solution (in addition to the 183-day rule) for becoming Cyprus tax residents, a powerful tax efficient tool especially if used in conjunction with the tax exemptions offered to Cyprus non domicile investors.

INTRODUCTION

It is well known that Cyprus with its many tax and non tax advantages is a very popular residency jurisdiction for individuals, especially after the introduction in the Cyprus Tax legislation of the “Domicile” concept on 09 July 2015 (more information about these tax incentives can be found by accessing the [link](#)).

Following the introduction of these non-domicile rules, a number of foreign individuals (mainly high-earners) chose relocating themselves and their businesses to Cyprus, utilizing Cyprus’s tax efficient (and friendly) regime both on a company as well as on a personal level.

In an effort to further enhance the competitiveness, efficiency and attractiveness of Cyprus to foreign investors, the Cyprus parliament passed on 14th July 2017 a Cyprus tax law amendment that makes acquisition of a Cyprus tax residency by an individual even simpler. Specifically, in addition to the existing “183-day rule” used for determining Cyprus tax residency for individuals, a second test, the “60-day rule” has been added.

The 60-day rule in detail

In addition to the current “183-day rule” whereas any individual that resides in Cyprus for more than 183 days in a tax year, is considered a tax resident of Cyprus without any further conditions/criteria, an individual can now obtain the Cyprus tax residency if in the relevant tax year he/she:

- resides in Cyprus for at least 60 days, and
- do not reside in any other single state for a period exceeding 183 days, and
- is not tax resident in any other state, and
- carries out any business in Cyprus and/or is employed in Cyprus and/or is a director of a Cyprus tax resident company at any time during the tax year, and
- maintains a permanent residential property in Cyprus which is either owned or rented by him/her.

Once the tax amendment is published in the Official Government Gazette, the above “60-day” rule will be effective as from 1 January 2017.

TAX IMPLICATIONS

Foreign individuals that choose to obtain a Cyprus tax residency (irrespective whether this is achieved through the 183-day rule or the 60-day rule) are taxed in Cyprus on their worldwide income and gain access to a wide range of tax benefits the most notable of which are:

Exemption of dividends and interest from income tax or defense tax:

A Cyprus tax resident that is considered as a “non domicile” investor (see Appendix 1 for a diagrammatic explanation of the “non-domicile” definition) is granted exemption from taxation in Cyprus on any worldwide (Cyprus and foreign sourced) dividend and interest income received. This is a great incentive to foreign investors for using Cyprus as a business center for managing their international investments (benefiting from the low corporate tax rate and many other tax advantages offered to entities operating from Cyprus), and being able to extract those profits on a personal level with the most tax efficient way (zero tax on dividends).

Competitive personal income tax rates

- The first €19,500 are tax exempt
- Earnings over EUR 19.500 are taxed by 20 – 35 %, where the highest tax rate of 35 % is applied for the portion of annual earnings over EUR 65.000.

Employment income exemption for employment exercised in Cyprus

- Annual employment income in excess of €100,000, related to employment in Cyprus by persons who were resident outside Cyprus

TAX IMPLICATIONS

before commencement of their employment is granted a 50% exemption. The exemption applies for 10 years commencing from the year of employment, if such income exceeds €100,000 per year.

- In case of Cyprus remuneration which is less than €100,000, a 20% exemption is granted up to a maximum of €8,550, for a period of 5 years commencing from the 1st of January of the year following the year of employment, and until year 2020.

Employment income exemption for employment exercised outside Cyprus

- Any remuneration from salaried services rendered outside Cyprus for more than 90 days in a tax year to a non-Cyprus resident employer are 100% tax exempt.

Foreign pensions

- Pension received in respect of past employment outside Cyprus is taxed in Cyprus at the flat rate of 5% for amounts in excess of €3,420

Taxation of securities

- Profit from sale of shares and other qualifying titles is specifically exempt from Cyprus taxation, unless the value of the shares derives from immovable property located in Cyprus

APPENDIX 1

Do you have a domicile of origin in Cyprus?

