

## Personal Taxes in Cyprus

*Cyprus is a member of the EU and has a strategic location within Europe. It has a stable business environment, as well as a competitive and beneficial taxation system. In addition, it has become well noted as an international financial centre in comparison to other nations around the world.*

### About Cyprus

Cyprus is an EU member with a strategic location, safe business environment, as well as friendly taxation.

### Basic facts about Cyprus

<b>Area</b>	9 243 km <sup>2</sup>
<b>Population</b>	1 176 598 (2016)
<b>Currency</b>	Euro (€)
<b>Capital</b>	Nicosia
<b>Nationality</b>	Cypriot
<b>Language</b>	Greek/English



## Personal Tax Rates

The table below illustrates an overview of personal income taxes in Cyprus for Cyprus tax residents. As a Cyprus resident and taxed under Cyprus authorities, one needs to reside in Cyprus and work in a Cypriot company for more than 183 days in the year of assessment. Generally, resident individuals are taxed on their worldwide income.

Chargeable Income €	Tax Rates	Accumulated tax €
0 - 19.500	Nil	Nil
19.501 - 28.000	20%	1.700
28.001 - 36.300	25%	3.775
36.301 - 60.000	30%	10.885
Over 60.000	35%	

## Special exemption for employees

Employees not resident in Cyprus prior to specific employment are allowed to deduct from their personal income one of the following options. However, there is also another option, to be taxed on the lower of the two options as below:

- €8.550
- 20% of emoluments

Following criteria need to be obtained for the exemptions:

1. At the date of commencement of employment the employee should not be a tax resident in Cyprus.
2. Applies for 3 years commencing from 1st January following the year of commencement of employment.

## New exemption

Applies to persons who were based overseas and were not Cyprus Tax Residence before commencement of their employment in Cyprus.

This exemption has the following criteria:

- Incentive to attract new businesses/highly paid employees
- 50% emoluments.
- Deductions is allowed for 5 years.
- Applies if emoluments exceed €100.000 per annum.
- Effect from 1st January.

## Pensions

Cyprus tax residents receiving overseas pensions have the following options:

- a. Tax on normal bands.
- b. Taxed separately (not added to other income i.e. rental income).

The calculation is on flat rates 5% for any amount in excess of €3.420

- €0 - €3.420 Nil
- €3.420 - above 5%

However, the tax payer can elect to be taxed at the normal tax rates and bands set out above. This is a choice, which may be made year-on- year and is in accordance with the benefit that each pensioner will obtain.



## 90-day rule

The 90-day rule applies on the remuneration from salaried services rendered outside Cyprus (90 days rule) for more than 90 days if:

- employer not resident in Republic, or
- permanent establishment outside Republic of an employee tax resident in Cyprus is exempt from tax.

The calculation of the 90 days is as below:

$$\text{Days overseas} / 365 \times \text{Annual Salary} = \text{Exempt Tax}$$

## Rental income

Rental income earned from rental of immovable property in Cyprus is taxed under Income tax and a Special Defence Contribution.

For an Individual Cypriot resident, 80% of the rental income derived from the rental of the immovable property which is situated in Cyprus which is reduced also by Wear and Tear allowance. It can add the interest expense which is paid for the acquisition of the relevant property. The rental income is taxed under the Individual Cyprus Resident and will form part of the personal income tax of the individual.

The Cyprus Resident is also liable to payment of Special Defence Contribution. An amount of twenty five percent (25%) is deducted from the gross amount of rental income. The remaining amount (75%) is subject to special contribution tax at a rate of three percent (3%).

## Tax deductions

Below, there is an overview of the allowable tax deductions on Cypriot individuals. These deductions will reduce the Tax liability of Cypriot individuals. Please see examples of deductions below:

1. Contributions to trade unions or professional bodies. Those are allowable deductions. However, the whole amount can be deducted and reduce the tax on personal income.
2. 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). This deduction can apply for the whole amount.
3. 20% of rental income can be deducted.
4. Donations to approved charities are allowed and can deduct the whole amount.
5. Expenditure incurred for the maintenance of a building in respect of which there is in force a Preservation Order Up to €1.200, €1.100 or €700 per square meter (depending on the size of the building).
6. Social Insurance, provident fund, medical fund (maximum 1% of remuneration), pension fund contributions and life insurance premiums (maximum 7% of the insured amount). The deduction can be up to 1/6 of the chargeable income.

Source

## Why White November?

White November has extensive experience advising clients internationally, we have been involved in transactions in virtually every corner of the world. From our offices in London, Malta and Cyprus we offer a wide range of services to both corporations and individuals. We provide advanced, tailor-made solutions with care and confidentiality.

We pride ourselves on being one of the few providers of tax and corporate solutions who focus extensively on developing new technical solutions from our in-house IT department. Our clients have access to state-of-the-art web interfaces allowing easy and safe communication and storage of corporate data.

Our multicultural staff speak your language; Swedish, Norwegian, German, Italian, Czech, Polish, Russian, Maltese, English, Philippine, and Greek.

## The White November Story

The name “White November” was inspired by the rare and valuable “white truffle” or “trifola d’Alba Madonna”. The white truffle is found almost exclusively in a small area in Northern Italy. Unlike black truffles, which can be farmed and harvested, white truffles must be hunted by intrepid truffle hunters and their sniffer dogs. As of yet, no one has worked out how to cultivate this unusual truffle, thus increasing its value and desirability.

November is the month in which truffle hunters set out with their dogs in hope of unearthing some of these rare commodities. White truffles have an extremely short season, making November an exciting and lucrative time of the year in the small area where they can be found.

Our name, White November, thus reflects an allegory: white truffles are like your tax solutions and investments – the most rewarding ones are unlikely to just cross your path without some help from experienced, dedicated, and knowledgeable professionals.



*Disclaimer: Whilst every effort has been made to ensure that the details contained herein are correct and reflect the conditions at the time of publishing (October 2016), it does not constitute legal or professional advice. White November does not accept responsibility, legal or otherwise, for any errors or omissions.*



## In Cyprus?

Visit our Cypriot office for a complimentary introduction.

Contact our Finance & Strategic Development Director:



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