

Reside in Cyprus 60 days – Obtain Cyprus Tax Residency

Summary

In order to boost the competitiveness of the newly launched Cypriot Non-Domicile Scheme, the Government of Cyprus has also amended the criteria for individuals wanting to become Cyprus tax residents from 183 to 60 days per annum, thereby paving the way for many more individuals to enjoy the country's beneficial tax regime.

Background

Following a unanimous approval by the Cyprus Parliament in July 2017, the classification of 'Cyprus Tax Resident Individual' can now be granted to any person who spends more than 60 days within the jurisdiction. However, they cannot spend more than 183 days within a tax year in any other State, and cannot be a tax resident at any other country within that same tax year. The Cyprus Tax department needs to be satisfied that an individual does not maintain any other tax residency in a different jurisdiction under the local laws of such a jurisdiction, taking into consideration any applicable Double Taxation Treaties between Cyprus and such a jurisdiction.

Application Criteria

The following three criteria need to be satisfied by an individual to be considered a Cyprus tax resident¹:

- 1) The individual is expected to spend a minimum of 60 days within the year under assessment in the Republic of Cyprus;
- 2) The individual should maintain a permanent residence in Cyprus, which can be either owned or rented;
- 3) The individual carries out any kind of business within Cyprus or is employed within Cyprus, or holds an office as a Director of a Company which is tax resident in the Cyprus jurisdiction, starting at any time during the tax year, under consideration and throughout to the completion of that year.

1. Ref: Amended Art. 2- Income Tax Law N118 (I)/02

In tandem with the above criteria, the previous '183-day rule' also stands valid, whereby an individual who resides in the Republic of Cyprus for at least 183 days within a tax year, is automatically considered a Cyprus Tax Resident, without having to fulfil any other additional criteria.

Additionally, this regime is applicable retrospectively as from 1st January 2017 onwards².

What counts as a 'resident day'?

The legislation provides the following guidance for airport arrivals and departures:

- A day of arrival counts as a day of residency within Cyprus
- A day of departure counts as a day of residence outside Cyprus
- An arrival followed by same-day departure counts as a day of residence within Cyprus
- A departure followed by same-day arrival counts as a day of residence outside Cyprus

Relevant Tax benefits

Furthermore, individuals who wish to become Cyprus tax residents, but are not domiciled in Cyprus, will also be exempt from special defence contribution which is levied on dividends, interest and rental income.

Another benefit to individuals interested in the Cyprus tax regime, is the 'Employment income exemption for Employment exercised in Cyprus which grants the following 10-year exemption from Income Tax and 50% of the emoluments from employment exercised in Cyprus, by any person whom was not a tax resident of Cyprus before the commencement of the employment, and provided that their annual salary exceeds €100,000.

Along similar lines, an additional incentive applicable up to year 2020 applies for individuals who were not Cyprus tax residents prior to their employment in Cyprus, either the lower of € 8,550 or 20% of their Salaried Emoluments from any office or employment exercised in Cyprus is exempted from Income tax for a period of maximum 5 years (up to 2020).

Tax bands

Applicable tax rate bands for Cyprus tax residents are follows, on their net chargeable income resulting after all allowable deductions:

For up to € 19.500 > Tax rate is: Nil on the first €19.500

For €19.501 to € 28.000 > Tax rate is 20%

For the next € 28.001 to € 36.300 > Tax rate is 25%

For the next € 36.301 to €60.000 > Tax rate is €30%

For over €60.000 > Tax rate is 35%

These rates are applicable on the entirety of their income earned worldwide.

100% tax Exemption for Cyprus tax residents working abroad

A special employment income exemption is available for Cyprus tax resident individuals who undertake employment outside Cyprus. In short, there is a total 100% exemption from Cyprus income taxes for any income earned from employment exercised outside the Republic of Cyprus by a Cyprus tax resident individual for a period of more than 90 days in a tax year, when this individual is employed by a non-Cypriot resident employer or by a foreign Permanent Establishment abroad of a Cyprus tax resident employer.

Additional longer-term tax considerations and benefits

Furthermore, for Cyprus Tax Resident individuals, overseas pensions are taxed at a flat rate of only 5% on all amounts above € 3,420 - with the first €3,420 being tax exempt. Alternatively, overseas pensions recipients can also choose to be taxed under the above income tax bands, thereafter obtaining the first €19.500 as tax exempt instead, depending on which option creates the most cumulative tax savings.

Finally, there is no Inheritance tax, Wealth tax, or Gift tax applicable in Cyprus, and there is no Capital Gains Tax on the sale of immovable property situated outside Cyprus.

For further information relating to this scheme, feel free to contact White November Corporate Services where our experienced team can tailor a solution to your requirements.

Christiana Nicolaou

Finance Manager

White November Corporate Services (Cyprus) Ltd

Office M102 Michalakopoulou Tower
25 Michalakopoulou Street
1075 Nicosia, Cyprus

Tel: +357 2200 7940

Email: cyprus@whitenovember.com



whitenovember
creating wealth

Malta

8th floor, Plaza Commercial Centre
Bisazza Street, Sliema
SLM 1640, Malta

Tel: +356 2010 4000

Email: malta@whitenovember.com

London

111 Buckingham Palace Road
Victoria Westminster, London
SW1W 0SR, United Kingdom

Tel: +44 845 834 4000

Email: uk@whitenovember.com

Cyprus

Office M102 Michalakopoulou Tower
25 Michalakopoulou Street
1075 Nicosia, Cyprus

Tel: +357 2200 7940

Email: cyprus@whitenovember.com