



## Cyprus Tax News

# Circular issued with clarifications for the application of the income tax exemptions for employment income

Further to our previous [alert](#) on the new income tax exemptions for employment income, on 1 November 2022 a [Circular](#) (No. 10/2022) was issued by the Tax Department which provides clarifications for the application of these exemptions as well as a number of examples to guide taxpayers with respect to their practical application.

Among others, the Circular touches upon the term “first employment” and specifies that an individual **is not considered to have a first employment or ceases to be considered to have a first employment** in the following cases:

- i. when at any time in the past he/she had performed salaried services in the Republic, which did not constitute occasional employment.
- ii. when he/she terminates the first employment contract and enters into a new employment contract with another employer.

In case the other employer is a member of the same consolidated group for accounting purposes, it is considered that the individual maintains his first employment.

- iii. when he/she has a second or more employments with other employers that run parallel to the first employment. In such a case, the exemption will be granted only on the remuneration from the first employment.

In case the other employers are members of the same consolidated group for accounting purposes as the first employer, it is considered that the specific employments also constitute first employment and the exemption is also granted on the remuneration from these other employment/s.

It is noted that “occasional employment” is interpreted as any full-time or part-time employment exercised in the Republic either:

- under a contract, of a total duration (including any renewals and periods during which the individual could have performed his duties outside the Republic) not exceeding 120 days, or
- without a contract and the total duration of the employment does not exceed 120 days.

It is also specified that the probationary period that may be provided for in employment contracts, constitutes part of the relevant employment.

### How can we help?

In light of the new Circular, all taxpayers should re-evaluate their position. We are available to assess the eligibility for the exemptions following the guidance issued by the Tax Department and identify any need for action.

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