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**Tax Incentives for Expatriate
and High Net Worth Individuals
relocating to Cyprus**

Your trusted advisors

Introduction

In light of the shifting international tax landscape, businesses are focusing on establishing economic substance, cautiously considering the jurisdictions they operate from in order to safeguard their interests.

Cyprus' strategic location, full EU membership, developed legal system, competitive corporate income tax rate of 12.5%, well-educated workforce and business-friendly environment make Cyprus an ideal country to establish business presence.

In addition to the above, Cyprus offers a number of personal tax incentives that aim to attract multinational companies to relocate key personnel to perform their duties from Cyprus. The tax incentives also appeal to high-net-worth individuals who are willing to relocate to Cyprus.

Below, we present an overview of Cyprus' personal tax regime as well as the key tax benefits provided to expatriate individuals relocating to Cyprus.

Personal Taxation

Personal taxes and contributions

The main types of direct taxes applicable to an individual in Cyprus are:

- income tax
- special defence contribution on dividend, interest and rental income
- capital gains tax on gains from the sale of Cypriot real estate

An individual working in Cyprus may also be subject to social insurance and other contributions.

An individual is subject to income tax and/or special defence contribution depending on his/her tax residency and domicile status.

Tax residency

An individual who spends more than 183 days in Cyprus is a tax resident of Cyprus. An individual can be a tax resident of Cyprus even if he/she spends less than or equal to 183 days in Cyprus provided that he/she satisfies all of the following conditions within the same tax year (1 January – 31 December):

- i. does not spend more than 183 days in any other country;
- ii. is not a tax resident of any other country;



- iii. spends at least 60 days in Cyprus;
- iv. maintains a permanent home in Cyprus that is either owned or rented;
- v. carries on a business in Cyprus, is employed in Cyprus or holds an office in a Cyprus tax resident person at any time during the tax year.

If the employment/business or holding of an office is terminated during the year, then the individual would cease to be considered a Cyprus tax resident for that tax year.

Domicile

An individual's domicile is that of his/her father's domicile (at birth) or that of his/her choice. Therefore, an individual born to a non-Cypriot domiciled father is considered to be non-domiciled in Cyprus. However, a non-domiciled individual may be deemed as domiciled in Cyprus if he/she has been a Cypriot tax resident for at least 17 out of the last 20 years prior to the relevant tax year. An individual born to a Cypriot domiciled father may also qualify as non-domiciled in Cyprus subject to certain conditions.

Taxable income

A Cypriot tax resident individual, irrespective of his/her domicile status, is subject to income tax on his/her worldwide income, subject to exemptions and allowances.

A tax resident individual who is non-domiciled in Cyprus is exempt from tax on dividend and interest income.

A non-Cypriot tax resident individual is subject to income tax on income accruing or arising only from sources within Cyprus and is exempt from tax on dividend and interest income.

Personal income tax rates

Taxable income up to €19,500 is effectively exempt from income tax. Taxable income exceeding this amount is subject to progressive income tax rates ranging from 20% to 35% (the highest rate applies to income exceeding €60,000).

Key Tax Benefits for Expatriate Individuals

Income tax exemptions for taking up employment in Cyprus

An expatriate individual relocating to Cyprus (irrespective of his/her tax residency or domicile status) is eligible to one of the following income tax exemptions on employment income:

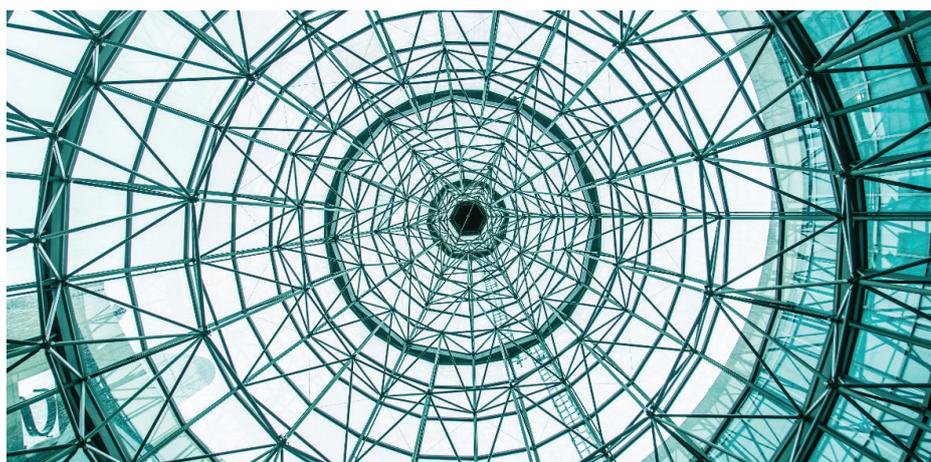
- 50% of the remuneration of employees whose first employment in Cyprus commenced from 1 January 2022 and onwards and who were not residents of Cyprus for a period of at least ten consecutive years immediately before the commencement of their employment in Cyprus.

The exemption applies for a period of 17 years, starting from the first year of employment in Cyprus, provided that their remuneration exceeds €55,000.

Individuals whose employment commenced before 1 January 2022, may also qualify for this exemption, subject to conditions.

Individuals who met the conditions for the former exemption before its termination date (26 July 2022) and who are not eligible for the new exemption, will continue to benefit for the relevant ten year period.

- 20% of the remuneration of employees (up to a maximum amount of exemption



of €8.550 per annum) whose first employment in Cyprus commenced after 26 July 2022, provided the employees immediately before the commencement of their employment in Cyprus, were employed outside of Cyprus by a non-Cyprus resident employer for at least three consecutive tax years.

The exemption applies for a period of seven years and it is first granted in the tax year following the tax year of commencement of employment in Cyprus.

Individuals who met the conditions for the former exemption before its termination date (26 July 2022) and who are not eligible for the new exemption, will continue to benefit for the relevant five year period.

Income tax exemption for overseas employment

The rendering of salaried services outside Cyprus, to a non-Cyprus tax resident employer, or to an overseas permanent establishment of a Cyprus tax resident employer, for more than 90 days in a tax year, is exempt from income tax.

Social insurance and other contributions

Employees and employers are subject to social insurance contributions at the rate of 8.3% and 10% respectively, on the employees' gross employment income, subject to an annual income ceiling of €58,080. Furthermore, employers are subject to an additional 2% Social Cohesion Contribution calculated on the employees' gross employment income.

An exemption from contributing to the Cyprus social insurance scheme may be granted for a period of time to qualifying

expatriate EU nationals who take up employment in Cyprus.

Employees and employers are also subject to contributions* to the General Healthcare System (GHS) at the rate of 2.65%.

No tax on dividend and interest income

A non-domiciled individual, irrespective of his/her tax residency status is exempt from tax on dividend and interest income.

However, for Cyprus tax resident individuals (irrespective of their domicile status) such income is subject to contributions* to the GHS at the rate of 2.65%.

No tax on gains arising from the disposal of investments

Any gains arising from the disposal of shares, bonds and other similar financial instruments (including options and rights thereon) are exempt from tax.

However, such income (of trading nature only) is subject to contributions* to the GHS at the rate of 2.65%.

Nil/reduced withholding tax on income received from abroad

Cyprus is a party to more than 65 tax treaties that provide for nil or reduced

withholding tax rates on dividends, interest, royalties and pensions received from abroad.

No tax on retirement gratuity and special tax regime on foreign pension income

Any lump sum received as a retirement gratuity is exempt from tax. Further, a Cypriot tax resident individual receiving pension income from services rendered abroad may choose to be taxed at a flat rate of 5%, on amounts exceeding €3,420 per annum.

Exemption from capital gains tax (CGT) on sale of real estate

Gains arising from the disposal of non-Cypriot real estate are exempt from CGT.

Estate duty, wealth tax, gift tax and inheritance tax

There is no estate duty, wealth tax, gift tax or inheritance tax in Cyprus.

Sample Personal Tax Computation

To numerically demonstrate the tax benefits available to qualifying expatriate individuals relocating to Cyprus, we calculate below the Cypriot tax charge of a Cypriot tax resident and non-domiciled individual who takes up employment in Cyprus, earns income from investment sources, and realizes a capital gain on the sale of real estate situated overseas.

An individual with the above profile would be liable to total Cypriot taxes and contributions of approximately €22,000.

Find out more

Where an individual is considering relocating to Cyprus, bespoke advice should be obtained on both the Cypriot as well as the cross border tax implications of such relocation.

SOURCES OF INCOME	AMOUNT	TAXES AND CONTRIBUTIONS	EXEMPTIONS
Employment income	€150,000	€21,430	50% tax exempt
Interest income	€30,000	€800	100% tax exempt
Dividend income	€70,000	NIL **	100% tax exempt
Gains from disposal of shares	€5,000	NIL **	100% tax exempt
Capital gain on sale of overseas real estate	€200,000	NIL	100% tax exempt
Total	€455,000	€22,230	

* The (total) income ceiling on which contributions to the General Healthcare System are calculated is €180,000 per annum.

** No GHS contributions, as the individual has paid contributions on the maximum of €180,000 per annum.

Reach out

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