

Cyprus: Tax Benefits for Expatriates

Vistra (Cyprus) Ltd.

Vistra (Cyprus) Limited has a multi-resourced office located in Limassol, the second-largest city in Cyprus which is within 40 minutes of the airports of Larnaca and Paphos.

In recent years Limassol has become a hub of increased real estate and commercial investment thanks to an attractive permanent residence program, and various tax measures introduced by the government to lure high-net-worth individuals, entrepreneurs and highly skilled workers.

Limassol is a cosmopolitan city, and amongst our team consisting of thirty-five professionally qualified lawyers, accountants, trustees and international tax specialists, we can communicate in a multitude of languages (including English, Greek, Polish, Italian, Spanish and French), which subsequently offers us the ability to better understand clients' needs, take pride in applying a personal approach to our work and client-relationships, and ultimately provide a laser-focus on service-delivery excellence.

Introduction

In 2017, the Republic of Cyprus introduced of the concept of a resident non-domiciled individual, subsequently providing a viable solution to encourage high-net-worth-individuals and wealthy entrepreneurs to optimize their taxes and relocate to Cyprus and use the Republic as their family home and business base.

Up until the introduction of this 'Resident Non-Domicile Regime' (the "Regime") , apart from normal income tax, ALL Cypriot tax resident individuals were subject to another form of taxation on certain types of income, known as the Special Contribution for Defence (SDC), which are currently levied at the following rates:

- 17 percent on interest income (except for income earned from certain Cypriot financial instruments or state organisations)
- 17 percent on dividend income
- 3 percent on 75 percent of rental income

The SDC law also included provisions for the deemed distribution of profits of Cypriot tax resident companies where the shareholders (beneficiaries) of such companies are also Cyprus tax resident individuals.

Now, this general rule only applies to an individual if he or she is both a resident for tax purposes in Cyprus and is also domiciled in Cyprus.

Domicile in Cyprus

An individual can be considered as domiciled in Cyprus either (i) by domicile of origin; or (ii) by domicile of choice.

In order to understand the concept of "domiciled in Cyprus" one must look to the Wills and Succession Law Cap. 195:

- A person at any time can have either the domicile which he/she acquired at birth (domicile of origin) or the domicile which he/she acquired or maintained as a result of actions taken by him/her (domicile of choice).
- For a legitimate child, who was born when the father was alive, the domicile of origin of the child is the domicile of origin of the father, at the time the child was born.
- A person may acquire a domicile of choice with his establishment in any country outside Cyprus with the intention of the permanent or indefinite residence in such a country.

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For the purposes of the SDC Law only, an individual who has a domicile of origin in Cyprus, as described above, may still be considered not domiciled in Cyprus if he/she has not been a tax resident of Cyprus for a period of 20 years prior to the present tax year or any period prior to the introduction of the amendment to the SDC Law (July 17, 2015).

Notwithstanding the above, an individual who has been a tax resident of Cyprus for at least 17 years out of the last 20 years prior to the tax year will be considered to be "domiciled in Cyprus" and as such will be subject to Special Defense Contribution (SDC) the 18th year.

Being a Resident Non-Domicile in Cyprus

No Taxation on Dividend Income

Resident non-domiciled individuals who become tax residents in the Republic of Cyprus will not pay on worldwide dividend income, even if the profits are out of accumulated profits from previous years.

No Taxation on Foreign Interest Income

All interest from bank accounts in Cyprus and abroad are not taxable therein and might potentially be non-taxable in the country where the bank account is located.

Reduced or No Taxation on Rental Income from Cyprus or Abroad

Rental income from property situated in Cyprus will be exempt from SDC but is still taxable under income tax for individuals (certain deductions available) - rental income from property situated outside Cyprus is tax free in Cyprus.

Short-Term Tax Residency Rules in Cyprus

Previously, 'Resident in the Republic', when applied to an individual, meant an individual who stayed in the Republic for a period or periods exceeding in aggregate 183 days in the year of assessment (calendar year).

However, in accordance to provisions introduced in 2017, an individual is determined as a Cyprus tax resident where he does not remain in another state in excess of a 183-day period, within the same year of assessment and does not fulfil the criteria of tax residence in that or any other state

The Cyprus residency criteria are then further met if that individual:

- Remains in Cyprus for at least 60 days during a tax year;
- Carries out any business in Cyprus and/or is employed in Cyprus and/or holds an office to a person resident in Cyprus at any time during the year of assessment
- Maintains a permanent residence in Cyprus (owned or rented)

Exemption to Personal Income Tax

The concept of a resident non-domiciled personal income tax regulation provides a number of exemptions, thus further enhancing the advantages of setting up and operating from Cyprus.

For instance, individuals who were not previously resident in the Republic and take up residency in Cyprus for work purposes are entitled to a 50 percent exemption on remuneration for 'first employment', as long as their annual salary is greater than €55,000.

For each individual, the exemption will apply once in their lifetime for a period of 17 years.

A 20 percent exemption on remuneration (up to a maximum amount of exemption of EUR 8,550 per annum) applies for first employments in Cyprus by individuals who immediately prior to the commencement of their employment in Cyprus were not a resident of Cyprus for a period of at least three consecutive tax years and were employed outside of Cyprus by a non-resident employer.

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For each individual, the exemption will apply for a period of seven years, starting from the tax year following the tax year of commencement of employment. In order to prevent duplication of these new exemptions, individuals granted the above-mentioned 50 percent exemption will not be eligible for this exemption.

Our Services



Private Wealth Planning

- Individual and family relocation support
- Permanent residence applications
- Resident non-domicile registration and guidance
- 60-days tax residence application and filings
- Family office structuring and support
- Business relocation support



HR and Payroll Services

- Local HR and payroll solutions
- Payroll administration and bookkeeping
- Social insurance registration and filings
- Personal tax preparation under special deduction regime

Get in touch

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