

Cyprus - Attractive Lifestyle and Tax Benefits

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Cyprus Lifestyle and Tax Benefits

Why choose Cyprus for relocation purposes?

Surrounded by the bright blue waters of the Mediterranean Sea, Cyprus has always been an enticing location for high-net-worth individuals considering relocation. It is a member of the EU and therefore well positioned for those who seek global mobility and ease of travel across Europe, as well as the Middle East and Africa.

English is widely spoken in Cyprus, having been part of the Roman Empire and a British colony for many years, however traditions run deep through the island's villages, with each enjoying a variety of cultural influences to share with newcomers.

Cyprus has a Mediterranean climate. Whilst small, the island is an archaeological and natural haven, with stunning seaside villages and beaches. It is also home to a large community of expats who have relocated to Cyprus to enjoy the benefits that the island, and the tax regime offers.

Cyprus offers the following lifestyle benefits:

- A Mediterranean lifestyle and peaceful, friendly community
- A good work-life balance

- Excellent transport links

- A diverse range of amenities

- Low cost of living

- Excellent private and state healthcare sectors

- A large expat community

- A high quality of education, there is the option for private education (English curriculum) or public education, as well as several international Universities located on the island

- Attractive tax benefits

Cyprus Offers a Range of Interesting Tax Incentives for Individuals

Many high-net-worth individuals relocate to Cyprus due to its advantageous non-domicile tax regime, whereby individuals who were not previously tax resident can apply for non-domicile status.

Cypriot non-domiciles benefit from a zero rate of tax on; interest, dividends, and capital gains (apart from capital gains derived from the sale of immovable property in Cyprus), and capital sums received from pension, provident and insurance funds.

These zero tax benefits are enjoyed even if the income has a Cyprus source or is remitted to Cyprus. There are several other tax advantages, including a low rate of tax on foreign pensions, and there are no wealth or inheritance taxes in Cyprus.

Options for Relocating: Permanent Residence and Temporary Residence Permits

Individuals wishing to move to Cyprus can apply for a Permanent Residence Permit which is useful as a means to ease travel to EU countries and organise business activities in Europe.

Applicants must make an investment of at least €300,000 in one of the investment categories required under the programme, and prove they have an annual income of at least €50,000 (which can be from pensions, overseas employment, interest on fixed deposits, or rental income from abroad).

If the holder of a Permanent Residence Permit resides in Cyprus, this may make them eligible for Cyprus citizenship by naturalisation.

Alternatively, a temporary residence permit can be obtained by establishing a foreign investment company (FIC). Through this kind of international company, work permits can be obtained for relevant employees, and residence permits for them and family members. Another key advantage is, again, that after residing for seven years in Cyprus, within any ten-calendar year period, third country nationals can apply for Cyprus citizenship.

Moving to Cyprus to take up Employment.

It is common for high-net-worth individuals to relocate to Cyprus for employment purposes. If the Permanent Residence Permit is not the right route for you and/or your family, Cyprus offers several alternate ways to live and work in Cyprus:

- **Business Facilitation Unit:** visas for highly skilled third country nationals – the Ministry of Finance announced in 2022, that they are introducing the Business Facilitation Unit to assist highly skilled third country employees with a minimum gross salary of €2,500 per month, to gain work permits in Cyprus. These permits will last up to three years.

- **Digital Nomad visa:** non-EU nationals who are self-employed, salaried, or on a freelance basis can apply for the right to live and work in Cyprus remotely, for up to one year. The visa can be renewed for another two years.

Why Relocate to Cyprus for Work?

Personal taxation benefits:

- A tax exemption, of 50% of employment income, is available to an individual employed in Cyprus who was resident outside of Cyprus before he/she commenced employment in Cyprus. The exemption applies for a period of seventeen years starting from the first year of

employment in Cyprus, provided that employment income exceeds €55,000 per year.

- Cyprus has more than 65 tax treaties that provide for zero or reduced withholding tax rates on; dividends, interest, royalties, and pensions received from abroad. In addition, lump sums received as a retirement gratuity, are exempt from tax.
- A Cypriot tax resident receiving pension income from abroad, can choose to be taxed at a flat rate of 5%, on amounts exceeding €3,420 per year.

Starting a Business in Cyprus as a Means of Relocation

The reputation of Cyprus as an international financial centre has grown significantly over recent years. Cyprus is an attractive jurisdiction for trading and holding companies and offers a number of tax incentives.

In order to encourage new businesses to the island, Cyprus offers two temporary visa routes as a means for individuals to live and work in Cyprus:

- **Establishing a Cyprus Foreign Investment Company (FIC):** individuals can establish an international company which can employ non-EU nationals in Cyprus. Such a company can obtain work permits for relevant employees and residence permits for them and their family members. A key advantage is that after seven years, third country nationals can apply for Cyprus Citizenship.
- **Establishment of a small and medium sized Innovative Enterprise (Start-up visa):** this scheme allows entrepreneurs (individuals or a team), from countries outside the EU and outside the EEA, to enter, reside and work in Cyprus in order to; establish, operate, and develop a start-up business. This visa is available for one year, with the option to renew for another year.

Corporate Tax Benefits:

- Cypriot companies enjoy a 12.5% rate of tax on trading, and a zero rate of capital gains tax. In addition, Cyprus tax resident companies and

Cyprus permanent establishments (PEs), of non-Cyprus tax resident companies, are entitled to a Notional Interest Deduction (NID), on the injection of new equity used to generate taxable income.

- NID is deducted from taxable income. It cannot exceed 80% of the taxable income, as calculated prior to the Notional Interest Deduction, arising from the new equity. A company could achieve an effective tax rate as low as 2.50% (income tax rate 12.50% x 20%).

Get in Touch

For additional information about the attractive tax regime for individuals moving to Cyprus, or information regarding relocating there, please contact:
advice.cyprus@dixcart.com.