

Is your Portuguese NHR coming to an end? Have you considered Cyprus?

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By **Jake Magell**, 8th May 2024

Introduction

Here is the scenario; You have been making the most of Portugal's fantastic tax regime for Non-Habitual Residents (NHRs) for the last 9 years. But you know that your NHR status will come to an end after the 10th year, and, if you stay in Portugal, you will have to pay tax at the standard Portuguese rates once it does end.

We understand that many of those coming to the end of their NHR status will have made Portugal their home and will be willing to remain tax resident in Portugal. However, others may decide that their tax exposure would be too great and so will be considering moving and becoming a tax resident somewhere else. But where?

The Dixcart Group have been advising clients on questions such as this for over 50 years. Being a global group we have experienced teams with expert local knowledge in a variety of jurisdictions working as one to help you with your decision.

In this article we explore why we believe a move to Cyprus could be exactly what you are looking for.

Why Cyprus?

Cyprus is an appealing European jurisdiction, located in the eastern Mediterranean Sea offering a warm climate and attractive beaches. Cyprus is the 3rd largest and 3rd most populated of the Mediterranean Islands and so offers a lot of choice for those

considering relocating. There is a perfect balance of cosmopolitan living and rural villages to choose from. While Nicosia serves as the centrally located capital of the Republic of Cyprus, the growing financial hub resides in Limassol on the southern coast.

Strategically located at the crossroads of three continents, Cyprus is accessible from Europe, Asia and Africa. The official language is Greek, with English also being widely spoken. Cyprus also offers great public sector services such as a fantastic healthcare system and excellent schools.

Given the high standard of living and the palette of choice available on the island, together with the corporate and personal tax incentives for expatriates and high net worth individuals, relocating to Cyprus has long been the first choice for many expats looking for a place to settle.

How do I Become a Cyprus Tax Resident?

Individuals can move to Cyprus and become a Non-Domiciled Tax Resident, by spending at least 183 days in Cyprus without additional conditions. This Non-Domiciled Tax Residency status is applicable for 17 out of 20 years and comes with a wide array of benefits.

For individuals with closer ties to Cyprus such as running/operating a business in Cyprus and/or being a director of a company which is tax resident in Cyprus, the increasingly popular '60 Day Tax Residency Rule' might be of interest.

To be eligible for the '60 Day Tax Residency Rule' you're required to meet the below criteria:

- Reside in Cyprus for at least 60 days in a property which you own or rent.
- Operate/run a business in Cyprus and/or be employed in Cyprus and/or act as a director of a company which is tax resident in Cyprus.
- You must not reside in any other single country for a period exceeding 183 days in aggregate.

In order to reside in Cyprus, you have a variety of options. These differ for EU nationals and non-EU nationals. It is also worth considering that, in some cases, after only 5 years of residency you can apply for citizenship through naturalisation and receive your Cypriot passport. We have included a brief summary of the most options below:

Residency procedure for citizens of the EU/EEA/Switzerland

1. Registration of E.U. citizens (MEU1)

All citizens of the EU/EEA/Switzerland, as well as their family members who are also citizens of the EU/EEA/Switzerland, have the right to work and reside for a period of up to 3 months without any conditions or any formalities other than the requirement to hold a valid identity card or passport.

After 3 months they still have the right to work and live in the republic but just register their presence with the immigration office. They must hold a valid identity card or passport and:

- be workers or self-employed persons in Cyprus; or
- have sufficient resources for themselves and their family members not to “become a burden on the social assistance system” during their period of residence and have comprehensive sickness insurance cover in Cyprus.

Residency options available for non-EU nationals

1. Starting a business

a. Establishing a Foreign Interest Company (FIC)

Work and residency permits can be obtained for relevant employees and Directors, as well as their family members.

- *Establishment of a Small/Medium Size Innovative Enterprise (Start-up Visa)*

The core goal of the Cyprus start-up visa scheme is to allow talented, non-EU entrepreneurs to reap the benefits of residing and working in Cyprus. There are two main schemes: (1) the Individual Start-up Visa Scheme; and (2) the Team Start-up Visa Scheme. This visa is available for one year, with the option to renew and allows you to work and reside in Cyprus.

- **Permanent Residence through Investment Programme (PRP)**

Applicants must make an investment of at least €300,000 in one of the investment categories required. The most popular of which are real estate and investing capital into in a Cyprus company. They must also have an annual income of at least €50,000 and deposit a minimum €30,000 into a bank account in Cyprus, for a minimum period of three years.

- **Other less popular options available that our team can help with**

There are less individuals using these permits due to their specific nature. However, for the right individual they can be the right choice. These include the Permanent Residence Permit on a Visitor Basis (Category F) Permit. This does not allow you the right to work but you can still receive income from overseas, such as a pension or dividends. There is also a Digital Nomad Visa, however the cap of the total amount of allowed applications has been reached and therefore this programme is currently unavailable.

If you would like to hear more about each option, please contact a member of the team here in Cyprus and we will be more than happy to run through the options in full detail with you and discuss what might be best for you.

What are the Advantages of Becoming a Cyprus Tax Resident?

Cyprus non-domicile status can be an effective means to optimise personal wealth planning. The advantages of becoming a Cyprus tax resident, an option for individuals not previously tax resident in Cyprus, include the following:

1. Non-Domicile Status

The non-domicile tax regime is particularly interesting for individuals whose main source of income is not salary based. This is because the following sources of income attract a 0% tax rate in Cyprus:

- Dividends
 - Interest income
 - Capital gains, other than on the sale of immovable property in Cyprus

There are also other tax advantages, including a low rate of tax on foreign pension income, as well as no wealth or inheritance taxes.

The zero tax benefits, mentioned above, are enjoyed even if the income has a Cyprus source and/or is remitted to Cyprus.

- **Employment Income Tax Exemption**

For those that do receive a salary, Cyprus has recently updated its income tax laws and now has some very attractive income tax exemptions for those Non-Domiciled Tax Residents who do take up employment in the Republic.

- a. *The 50% exemption:*

50% of the remuneration of employees whose first employment in Cyprus began on, or after, 1 January 2022 is exempt from income tax for a period of 17 years, provided that their annual remuneration exceeds €55,000, and the employees were not residents of Cyprus for a period of at least 15 consecutive years before the commencement of their employment in Cyprus.

- *The 20% exemption:*

Individuals whose first employment in Cyprus began after 26 July 2022 and earn less than €55,000 are eligible for a 20%, or €8,550 exemption (whichever is lower) from their

employment income, for a maximum period of 7 years provided that the employee was not a resident of Cyprus for a period of at least 3 consecutive years before the commencement of their employment in Cyprus.

- **Tax Exemption on Income from Employment Outside Cyprus**

Individuals who are employed outside of Cyprus, for more than 90 days in aggregate in a tax year, by a non-Cyprus tax resident employer or foreign permanent establishment of a Cyprus tax resident employer, are exempt from income tax on this income.

If you are interested in making the most of the benefits outlined above and would like to hear more, please contact a member of our expert team who would be more than happy to outline how we can help you make the most of the fantastic tax efficiencies that Cyprus has to offer.