

## Reasons to Consider Relocating a Business to Cyprus

As an EU member state, Cyprus offers a pleasant climate, adequate infrastructure and a convenient geographical location. There are two main airports which provide frequent flights to most European cities as well as several international destinations. Cyprus has positioned itself well as a country of choice for both individuals and corporations, through the various tax incentives and benefits.

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The numerous tax incentives offered has seen a steady flow of EU and non-EU nationals establishing their business operations in Cyprus. In addition, individuals find Cyprus a tax efficient location to structure their personal tax positions by taking advantage of flexible tax resident rules and the Non-domicile tax regime.

Cyprus is a common law jurisdiction and its justice system is based on the adversarial model. Cypriot law has been modelled on English common law.

Cyprus also has access to all EU directives as well as an extensive network of double tax treaties.

### **Corporate Tax Benefits**

EU and non-EU nationals have the option to either establish a new company in Cyprus or migrate an existing business to Cyprus. English is widely spoken in Cyprus and staff can be easily sourced on the island. Most professionals have obtained their degrees from a UK university.

Once a company is established it can then access the tax incentives that are available.

The corporate tax rate in Cyprus is currently 12.5%, which is one of the lowest corporate tax rates in Europe. In addition, companies can apply the Notional Interest Deduction (NID) which can further reduce the overall corporate tax rate. NID was introduced in 2015, to reduce discrepancies in the tax treatment of equity financing compared to debt financing, and to promote an incentive for capital investment in Cyprus. NID is deductible, in the same manner as interest expenses, but it does not trigger any accounting entries as it is a 'notional' deduction.

Companies can also distribute dividends free of withholding tax. Dividends are, however, subject to contributions to the General Health System (GHS) at the rate of 2.65%, although there is a maximum cap of €180,000.

### **Summary of Corporate Tax in Cyprus**

The following sources of income are exempt from corporate income tax:

- Dividend income;
  
- Interest income, excluding income arising in the ordinary course of business, which is subject to corporation tax;
  
- Foreign exchange gains (FX), with the exception of FX gains arising from trading in foreign currencies and related derivatives;
  
- Gains arising from the disposal of securities.

### **Personal Taxation**

- **Tax Residence in 183 days**

If an individual becomes tax resident in Cyprus by spending more than 183 days in Cyprus in any one calendar year, they will be taxed on income arising in Cyprus and also on foreign source income. Any foreign taxes paid can be credited against the personal

- **Tax Residence under the 60 Day Tax Rule**

An additional scheme has been implemented whereby individuals can become tax resident in Cyprus by spending a minimum of 60 days in Cyprus, provided that certain criteria are met.

- **Non-Domicile Tax Regime**

Individuals who were not previously tax resident can also apply for non-domicile status. Individuals who qualify under the non-Domicile Regime are exempt from tax on; interest\*, dividends\*, 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. In addition, there is no wealth and no inheritance tax in Cyprus.

\*subject to contributions to the General Health System at the rate of 2.65%.

### **Salary Income in Cyprus**

*On the 26<sup>th</sup> of July 2022 the long-anticipated tax incentives for individuals have been implemented. As per the new provisions of the income tax legislation, a 50% exemption for income in relation to first employment in Cyprus is now available for individuals with annual remuneration in excess of €55,000 (previous threshold € 100,000). This exemption will be available for a period of 17 years.*

### **Additional Information**

If you would like additional information about Cyprus residency and business relocation to Cyprus, please contact the Dixcart office: [advice.cyprus@dixcart.com](mailto:advice.cyprus@dixcart.com).