

## Tax Efficiencies Available in Cyprus: Individuals and Corporates

Cyprus is a hidden European gem in terms of the opportunities and benefits available to individuals and corporates, moving there on a permanent basis and/or establishing residency through the '60 Day Tax Residency Rules'.

By **Charalambos Pittas**, 17th January 2024

### **Why Cyprus?**

Cyprus is an appealing European jurisdiction, located in the eastern Mediterranean Sea offering a warm climate, attractive beaches and the perfect balance of cosmopolitan living and rural villages. Strategically located at the crossroads of three continents, Cyprus is accessible from Europe, Asia and Africa. Nicosia is the centrally located capital of the Republic of Cyprus however, the growing financial hub is Limassol on the southern coast. The official language is Greek, with English also being widely spoken. Cyprus offers a palette of both corporate and personal tax incentives for expatriates and high net worth individuals relocating to Cyprus. Cyprus has a favourable business environment and, as a result, has become an attractive international business hub.

Are you looking to relocate your business and/ or start a new business in Cyprus? Maybe you're considering setting up a holding company or restructuring the fiscal position of a family office structure? If you are, please consider the below information and become convinced of a great way to optimize your business structure We will start by looking at the tax benefits available to individuals and to corporates.

### **Tax Benefits Available to Individuals**

#### **What are the Advantages of Becoming Cyprus Tax Resident?**

Cyprus non-domicile status can be an effective means to optimise personal wealth planning. The advantages of becoming 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 either dividend or interest income, as these sources of income are not taxed in Cyprus.

Individuals can also take advantage of the exemption from taxation of capital gains, other than on the sale of immovable property in Cyprus.

In addition, there is an exemption from taxation on capital sums received from pensions, provident and insurance funds as well as several other tax advantages, including; a low rate of tax on foreign pension income, and no wealth or inheritance taxes in Cyprus.

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

## *2. Employment Income Tax Exemption*

### **New incentives for first employment in Cyprus**

#### **The 50% exemption:**

As from 1 January 2022, 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 (previous threshold €100,000), 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.

In cases where in a tax year the relevant conditions are not satisfied (e.g., annual remuneration is less than €55,000) the above-stated exemption will not be granted for that specific tax year. This exemption is available for a period of up to 17 years.

#### **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 employees were not residents of Cyprus for a period of, at least, 3 consecutive years before the commencement of their employment in Cyprus.

This exemption can be claimed from the year following the year of commencement of employment in Cyprus.

## *3. 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.

### **Tax Benefits Available to Companies**

#### *1. Corporate Tax Rate*

Cypriot companies enjoy a 12.5% rate of tax on trading, and a zero rate of capital gains tax.

#### *2. NID*

NID is deducted from taxable income. It cannot exceed 80% of the taxable income, as calculated prior to the NID, arising from the new equity.

A company could achieve an effective tax rate as low as 2.50% (corporate tax rate 12.50% x 20%). Please contact the Dixcart office in Cyprus for further information: [advice.cyprus@dixcart.com](mailto:advice.cyprus@dixcart.com)

### *3. Increased Tax Deduction for Research and Development Expenses*

Eligible research and development expenses can be deducted from taxable income equivalent to 120% of the actual spend.

#### **Additional Information**

For further information about the attractive tax regimes available to individuals and companies in Cyprus, please contact the Dixcart office in Cyprus: [advice.cyprus@dixcart.com](mailto:advice.cyprus@dixcart.com).