

Tax Incentives for Expatriates

Cyprus has uniquely positioned itself as a tax jurisdiction of choice for individuals.

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Background

Cyprus has uniquely positioned itself as a tax jurisdiction of choice for individuals. Various positive aspects of Cyprus Income tax legislation are available to individuals seeking a flexible and attractive tax regime.

What makes Cyprus a jurisdiction of choice for individuals is the non-domicile tax regime which allows qualifying individuals to receive dividend and interest income exempt of income tax. In addition, individuals relocating to the island for the first time can benefit from reduced taxation on their employment income.

Day traders or individuals holding and managing their own investment portfolio can benefit extensively from the exemption of capital gains on the sale of equities.

The 60-day tax rule lends itself well for highly mobile individuals who travel extensively for work purposes and are not tied to one particular place of residence.

The tax benefits are further extended to individuals looking for a place to retire to.

Income Tax Reduction on Employment Income

On the 26th July 2022 the long-anticipated tax incentives for individuals were 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.

Cyprus Tax Residency in 60 Days

An individual can become Cyprus tax resident in 60 days. This rule is applicable to individuals who do not spend more than 183 days in Cyprus or in any other jurisdiction.

The "60 day rule" applies to individuals who in the relevant tax year reside in Cyprus for at least 60 days, operate/run a business in Cyprus and/or are employed in Cyprus and/or are a director of a company which is tax resident in Cyprus.

Individuals must also have a residential property in Cyprus which they own or rent and not be tax resident in any other country. The individual must not reside in any other single country for a period exceeding 183 days in aggregate.

Non-domicile Status

Individuals can acquire Cyprus tax residency after having complied with spending either 183 days or 60 days in Cyprus. Please contact the Dixcart office in Cyprus for further details about these two alternatives: advice.cyprus@dixcart.com

The Non-domicile tax regime is particularly interesting for individuals whose main source of income is either dividend income or Interest Income. In addition individuals can take advantage of the exemption of taxation on capital gains.

UK nationals and Other Non-EU Resident Applicants

Due to Brexit, UK nationals are now considered as non-EU nationals and therefore need to follow the same application procedure as other non-EU nationals:

Non-EU nationals and the Permanent Residence through Investment Programme

In order to acquire a Permanent Residence Permit the non-EU national needs to make an investment of at least €300,000, (excluding VAT) in one of the following investment categories: residential real estate, other types of real estate such as offices, shops, hotels or investment in the share capital of a Cyprus company, or in units of a Cyprus Investment Organization of Collective Investments (type AIF, AIFLNP, RAIF). In addition, evidence of a secure annual income of at least €50,000 must be provided. This required annual income, increases by €15,000 for the spouse and €10,000 for every minor child.

- **Non-EU Nationals and Temporary Residence through a Foreign Interest Company**

A Foreign Interest Company is an international company, which, subject to meeting specific criteria, can employ non-EU national employees in Cyprus.

This programme enables employees and their families to gain residence and work permits under favourable terms. The main requirements enabling an international company to qualify as a Foreign Interest Company are all third country shareholder(s) must own more than 50% of the total share capital of the company, and there must be a minimum investment of €200,000 into Cyprus by these third country shareholder(s). This investment can be used at a later date, to fund future expenses incurred by the company when it is established in Cyprus.

- Temporary residence on a visitor basis without the right to undertake any form of employment.

Non-EU nationals can acquire a temporary residence permit based on a visitor visa, which can be renewed for a period of up to 10 years.

This type of residence does not allow the undertaking of any form of employment.

This basis of residence is most suitable for pensioners wishing to establish themselves in Cyprus and enjoy the advantageous tax regime applicable to foreign pensions. Please contact the Dixcart office in Cyprus for more details: advice.cyprus@dixcart.com.

Additional Information

For additional information about the attractive tax regime for individuals in Cyprus, please contact: Katrien De Poorter at the Dixcart office in Cyprus: advice.cyprus@dixcart.com.