

Why Cyprus is the Perfect Retirement Destination and the Tax Benefits

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By **Jake Magell**, 25th February 2025

Introduction

If you are considering retiring abroad, there are numerous factors to take into account, ranging from affordability and quality of life to visa requirements and taxation policies.

With over 320 days of sunshine a year, free healthcare, and a variety of visa options with attractive tax benefits, Cyprus has become a top choice for retirees seeking to make the most of their retirement.

Immigration Options

As a member of the European Union (EU), Cyprus offers the right to live and work in the country for all EU and European Economic Area (EEA) citizens, making relocation straightforward for those from these regions.

For non-EU and non-EEA citizens, commonly referred to as third-country nationals, there are several pathways to residency. The two most popular options are:

1. Establishing a Foreign Interest Company (FIC)

Please find our detailed article on these routes [here](#).

Other residency pathways are available, though they tend to be less commonly used and may involve a more extended application process. If you are considering moving to Cyprus and feel that neither of the above options suit your circumstances, please feel free to contact our team. We would be happy to explore alternative solutions tailored to your situation.

Tax Benefits

Tax on your foreign pension

Once you become a tax resident in Cyprus, your foreign pension income becomes subject to Cyprus taxation on a worldwide basis (provided it is not an excluded pension, such as a UK Government service pensions).

You have the flexibility to choose between two tax options each year:

Option 1 – 5% tax

This straightforward option taxes all your pension income at a flat rate of 5%, after applying a tax-free allowance of €3,420.

Option 2 – The standard income tax rates

Under this option, your pension income is combined with your other annual income and taxed according to the standard income tax rates, as outlined below:

Chargeable income for the tax year (EUR)	Tax rate (%)
0 – 19,500	0%
19,501 – 28,000	20%
28,001 – 36,300	25%
36,301 – 60,000	30%
60,001 and above	35%

Each individual should assess their situation annually and select the most suitable option, declaring their choice on their tax return.

Pension Lump Sums

Pension commencement lump sums are not taxable in Cyprus, even if received whilst resident in Cyprus. This exemption falls under the domestic 'exempt income' rules.

Other Tax Benefits

Non-Domicile Regime:

In addition to the previously mentioned benefits, you may also qualify for the Cyprus Non-Dom regime. This tax regime lasts for 17 years with no buy-in cost. If eligible, you can take advantage of the following benefits:

- 0% income tax on dividends, capital gains, and most types of interest
- 50% exemption on salaried income, provided you meet the criteria

For those with investment income or those receiving dividends from a family business, this regime allows you to receive these amounts free from personal income tax.

For more detailed information about the Non-Dom regime, please refer to our article [here](#).

Inheritance Tax

It is important to note that there is no inheritance tax or gift tax in Cyprus, a benefit available to both Non-Doms and ordinary residents.

Other Notable Advantages

While the tax advantages are significant, they are rarely the sole reason individuals move to Cyprus. Individuals and their families relocate to the island for a variety of reasons, including:

- Cyprus has a very high standard of living and is considered one of the safest countries in Europe.
- The island offers excellent free healthcare, ranked among the highest quality in the world, surpassing countries like Canada and the UK.
- Cyprus is well connected with two international airports providing links to many European destinations and daily flights to hubs such as Dubai, Qatar, and Abu Dhabi.
- The local culture is welcoming and friendly, with a strong emphasis on family-oriented lifestyles.
- Of course, the weather is a significant draw. Cyprus enjoys over 320 days of sunshine per year, with minimal rainfall compared to the rest of the EU. While summers can be very hot, the island experiences all four seasons, and it cools off nicely in the winter. There is even a ski resort on the highest mountain.

How Can Dixcart Help?

At Dixcart, we leverage over 50 years of experience to assist individuals worldwide in finding tailored solutions and executing their plans. For immigration clients, we provide comprehensive support, from gathering required documents for visa/residency permits to guiding you through tax structuring and even accompanying you to immigration offices.

If you are considering moving to Cyprus, reach out to us at advice.cyprus@dixcart.com to see how we can assist you.