

APPENDIX B

Cyprus tax residency and non-domiciled rules

A tax resident in Cyprus is an individual who either spends at least 183 days in the country each year or meets the criteria established by the “60-day rule.” The relevant regulation is the Income Tax Law of 2002, and the amendments to the Cyprus tax law made on 14 July 2017.

The “60-day rule” concerns individuals who do not fulfil the tax residency requirements in any country.

How to become a Cyprus tax resident under the 60-day rule?

- To become a Cyprus tax resident based on the “60-day rule”, the individual must meet all of the following conditions:
- Remain in Cyprus for at least 60 days during the tax year in question; and
- Do not reside in any other single state for a period exceeding 183 days; and
- Is not a tax resident in any other state; and
- Carry out business activities in Cyprus and/or work in Cyprus and/or be a director in a company that is tax resident in Cyprus at any time of the tax year in question; and
- Maintain a permanent residence in Cyprus.

What are the applicable tax benefits?***Benefits for tax residents of Cyprus include, among others:***

- No income tax on dividends
- No income tax on interest
- No wealth tax
- No inheritance tax
- No gift tax
- More details are below.

Individuals who are Cyprus tax residents, whether under the “60-day rule” or the “183-day rule”, are taxed in Cyprus on their worldwide income, but certain exceptions apply, as follows:

- A Cyprus tax resident individual but non-domiciled in Cyprus is exempt from taxation on his/her worldwide dividend and ‘passive’ interest income. An individual who does not have a “Domicile of Origin” in Cyprus is only considered to be domiciled in Cyprus for tax purposes when the individual has been a tax resident of Cyprus for a period of at least 17 years out of the last 20 years before the tax year in question.

- Profit from the sale of securities is exempt from tax in Cyprus. 'Securities' include, among other things, shares in local or foreign companies, bonds, debentures, options, etc, except in cases where the value of the shares derives from the value of immovable property in Cyprus.
- An individual who is going to be employed in Cyprus and his/her income will exceed €100,000, and, provided that he/she has not been a tax resident of Cyprus before the commencement of his/her employment in Cyprus, he/she will enjoy 50% discount on his/her income tax in Cyprus, for ten years.
- Income from employment carried out outside Cyprus is exempt from Cyprus income tax, provided that the employment exceeds 90 days per tax year.

Who is domiciled in Cyprus?

A person is domiciled in Cyprus by domicile of origin and choice.

Domicile of origin is the domicile a person acquires at birth.

Domicile of choice means acquiring a residence in the Republic by choice (a person's actions and initiative). The residence has to be permanent and indefinite. The relevant law is the Wills and Succession Law, sections 6-11.

Moreover, a person who is a resident of the Republic for at least 17 out of the 20 years before the tax year in question is considered to be domiciled in Cyprus, no matter their domicile of origin. The relevant legislation is the Special Contribution for the Defence of the Republic Law (Law 117 (I)/ 2002, as amended).

What is a non-dom in Cyprus?

A Cyprus non-dom is a tax resident not considered domiciled under local law, which means they **do not have a domicile of origin or choice in Cyprus or have not lived in Cyprus for the last 17 out of 20 years before the tax year.**

Non-domicile status provides exemption from Special Defence Contribution (SDC) on worldwide dividend and passive interest income.

Benefits of non-domiciled tax residents of Cyprus

In brief, non-domiciled tax residents of Cyprus are entitled to:

- The tax benefits available to all tax residents of the Republic, and
- Exemption from paying the Special Contribution for the Defence tax (SDC tax).

Here is the table with all non-dom status tax benefits:

Special Contribution for the Defence Tax (SDC tax)	Exempted
Interest	Exempted
Dividends	Exempted
Income	Taxed on a scale, the first 19,500 euros are not taxed
Capital Gains	Taxed at 20% with allowances
Pension	Taxed (a special regime* applies; because of double-taxation treaties, you will not be taxed twice if your country has an agreement with Cyprus).

The SDC tax

The Special Contribution for Defence tax aims to boost the Republic's defence capability. The relevant legislation is the Special Contribution for the Defence of the Republic Law (Law 117 (I)/ 2002, as amended).

Non-domiciled tax residents of the Republic do not pay the SDC tax. To pay the SDC tax, individuals must be domiciled tax residents of the Republic.

Domiciled tax residents pay SDC tax as follows:

- 17% on dividends.
- 17% on interest. Interest received in the ordinary course of trade is exempted.
- 3% rental income (only 75% of the gross rental income is taxable under the SDC law).
- 3% on interest from government and corporate bonds.

Interest on compensation for disability or grievous bodily harm is exempted.

A person whose total annual income, including interest, does not exceed 12,000 euros may claim a return on the SDC tax on interest. Contributions over 3% will be returned.

Non-domiciled tax residents' obligations

- Non-domiciled tax residents of Cyprus still have to pay tax on:
- Income (with the abovementioned exceptions).
- Capital gains (gains from selling property like land, buildings and shares) with some general allowances under the Capital Gains Tax Law of 1980.
- The relevant municipality taxes for the area they live in.

- Tax for the General Health System.

Frequently asked questions**Do non-residents pay taxes in Cyprus?**

Non-residents pay tax in Cyprus for income they get from sources within Cyprus. They don't pay tax on their worldwide income.

The tax paid on income from Cyprus is charged according to a rate. For example, the first 19,500 euros are not taxable. Then, income between 19,501 and 28,000 euros is taxed at a 20% rate, and so on. Any income over 35,000 euros is taxed at a 35% rate.

There are income sources exempt from income tax, such as interest and dividends.

Does Cyprus have a favourable tax system?

Absolutely. Cyprus boasts a favourable tax system for both individuals and businesses. Non-residents of Cyprus pay tax only on income from sources within Cyprus, with the first 19,500 being tax exempted. Other exceptions also apply.

Individuals do not have to pay tax on dividends, interest (unless it is interest from activities closely related to your business), gains arising from the disposal of Securities and others. If you are an expat pensioner, you may opt to pay tax at a flat rate of 5% on any amount over 3,420 euros.

Moreover, companies registered and conducting business in Cyprus pay among the lowest corporate tax rates in the EU (12.5%) and enjoy exemptions from income tax, such as income from dividends and interest (unless it is interest from activities closely related to your business). Certain intellectual property assets have an 80% exemption from income tax. There are also exceptions for certain types of shipping activities.

Finally, suppose you are non-domiciled in the Republic. In that case, you do not have to pay the SDC tax (Special Contribution for the Defence), a tax levied on certain income and activities, such as dividends, interest and rental income.

Who is a non-Cyprus tax resident?

A non-Cyprus tax resident is a person who spends less than 183 days in the Republic in a tax year (1 January - 31 December of any calendar year), does not spend more than 183 days in another country, spends less than 60 days a year in Cyprus, and is a tax resident of another country.

What is a non-domiciled tax resident in Cyprus?

A non-domiciled tax resident of Cyprus is a person who is not domiciled in Cyprus but is a tax resident of Cyprus; that is, they spend at least 183 days a year in Cyprus or they spend less than 183 days a year but do not spend more than this amount in another country, spend at least 60 days in Cyprus and are not tax residents in another country.

A person is domiciled in Cyprus in one of two ways: first, because they have their domicile of origin in Cyprus, or second, because they have their domicile of choice in Cyprus. They have a domicile in Cyprus and intend to stay there permanently or indefinitely.

How do you become a tax resident of Cyprus?

You become a tax resident of Cyprus according to the 183-day rule or the 60-day rule. The 183-day rule states that a person is considered a tax resident of Cyprus if they spend at least 183 days per year (from 1 January to 31 December) in Cyprus.

The 60 days rule says that a person is a tax resident of Cyprus if they spend at least 60 days a year (1 January - 30 December) in Cyprus and fulfil all the following conditions: 1) they do not reside in any other country for more than 183 days, 2) they are not tax resident in any other state, 3) carry on business activities in Cyprus, 4) maintain a permanent residence in Cyprus.

What are the Cyprus tax residency requirements?

The Cyprus tax residency requirements are summed up in the 183-day or 60-day rule. The 183-day rule says that a person is a tax resident of Cyprus if they spend at least 183 days a year (1 January - 31 December) in Cyprus.

The 60 days rule says that a person is a tax resident of Cyprus if they spend at least 60 days a year (1 January - 30 December) in Cyprus and fulfil all the following conditions: 1) they do not reside in any other country for more than 183 days, 2) they are not tax resident in any other state, 3) carry on business activities in Cyprus, 4) maintain a permanent residence in Cyprus.

Do foreigners pay taxes in Cyprus?

Yes, if they have sources of income within the Republic. If they are tax residents of Cyprus, they pay tax on income from sources within Cyprus and abroad.

What are the Cyprus tax rates for foreigners?

The tax rates for foreigners in Cyprus depend on whether they are tax residents of Cyprus. If a foreigner is a tax resident, they will pay tax on their worldwide income from sources within and outside Cyprus. The exact rate is charged to both foreigners and non-foreigners.

If a foreigner is not a tax resident of Cyprus, they will pay tax on their income from sources within Cyprus. The exact rate is charged to foreigners and non-foreigners. Expat pensioners may pay a flat rate of 5% on their pension, with the first 3,420 euros being tax-exempt.

Our services

Our legal team offers expert guidance on Cyprus tax residency rules, including the 60-day rule, and can assist with applications for non-domiciled status. We advise individuals seeking to structure their affairs in Cyprus and help them to understand the related tax benefits and obligations.

Contact us for a free personal consultation and learn about our competitive fee services