

## APPENDIX C

**Cyprus tax: An overview of the taxation system in Cyprus**

Cyprus (or “the Republic”) offers an attractive taxation system, having one of Europe’s lowest corporate tax rates. Moreover, as a member of the European Union, Cyprus is committed to fairness, justice, and the rule of law. At the same time, the Cypriot system benefits from the expertise of the European Commission on finance, competition, and corporate governance. This page contains general guidance on Cyprus tax rules and indicates the general framework of the taxing system.

**General framework**

The Cyprus Income Tax Laws apply identically to individuals (physical persons) and companies (legal persons). According to Euraxess Cyprus ([euraxess.org.cy](http://euraxess.org.cy)), partnerships are not taxed as separate units: each partner is taxed according to income. Husband and wife are taxed separately. The tax year in Cyprus is the calendar year.

**Individuals resident in Cyprus**

***A person is a resident of Cyprus for tax purposes if he/she remains in Cyprus:***

- For more than 183 days during the tax year (the “183-day rule”); or,
- For more than 60 days, and is not a tax resident anywhere else, has his or her permanent home in the Republic, and does business in the Republic (the “60-day rule”).

**Taxable Income**

A person who earns more than 19,500 euros per year pays income tax. Personal income tax (PIT) rates apply; for example, the rate is 20% for income between 19,501 and 28,000 euros.

**Types of Income Taxed**

Tax is charged on income from employment, trade, rent, property profits, pensions, and annuities. Artists or sports personalities from abroad pay a 10% tax on their income from Cyprus.

**High earners moving to Cyprus**

A high earner is someone who earns more than 100,000 euros per year. A high-earning person moving to Cyprus will receive a 50% deduction for the first ten years.

**Self-employment**

Self-employed persons pay 15.6% of their income for social security (some limits apply, set annually). The tax due must be estimated by 31 July each year, and it is paid in two equal instalments on 31/7 and 31/12. If a self-employed person earns over 70,000 a year, he/she must submit audited financial statements.

**Employers and employees**

Employers and employees each contributed 8.3% to social security.

Since December 31st, 2023, employers and employees have contributed 8.8%, and the state has contributed 5.2%.

**Other details**

Dividends are exempted from income tax.

Rental income is taxed at 20% (the taxable rental income is 80% of the whole; 20% of the rental income is not taxed).

There is no income tax for a retirement bonus.

Corporate income tax (CIT)

Companies should file annual tax returns, which are prepared using audited financial statements. The deadline to file an annual return is 31 December.

**Rate**

Cyprus provides one of the lowest corporate income tax rates in Europe. The standard rate is 12.5% of the company's worldwide income from outside and within Cyprus. There are exceptions to corporate income tax, such as income from dividends and profit from the sale of securities.

**When is a company taxed in Cyprus?**

A company is taxed in Cyprus if managed and controlled in Cyprus (the so-called "real seat theory").

Suppose a company is not a tax resident of Cyprus. In that case, it will be taxed on income from sources in Cyprus and on income from a business activity carried out through a permanent establishment (PE) in Cyprus. According to Bloomberg Tax & Accounting, a PE is defined as a "fixed place of business" and includes a place of management, an office/branch, factory, workshop, mine, oil or gas well, quarry, and generally any natural resources extraction unit.

## **Rental income tax**

Tax residents will need to pay taxes on their rental income.

### **In detail, the tax obligations for rental income in Cyprus are as follows:**

**Income tax** if the landlord's total income is over EUR 19,500 annually. The rate depends on scale.

Cyprus tax residents pay a special defence contribution of 3% over 75% of their gross rental income.

A General Health System (GeSy) contribution of 2.65% over rental income. Companies, partnerships, the Republic or a local authority, are excluded from the GeSy contribution.

VAT: If the tenant carries out taxable activities on the premises and is registered for VAT, the landlord pays 19% of the rental income.

Companies pay a 12.5 % tax rate on their income.

As of January 2021, 20% of gross rental income is deducted from tax.

## **Special contribution for defence (SCD)**

A special contribution for the defence applies to certain income types, such as dividends, interest, and rental income. The rate is 17%, but for rental income, see above.

Individuals pay SCD if they are both Cyprus tax residents and Cyprus domiciled. Cyprus domiciled means one of two things. Either that, first, they have a domicile (a home) from birth in Cyprus. Or they have got and retained a home in Cyprus (as per the Wills and Succession Laws); or, second, they have been tax residents of Cyprus for 17 out of 20 tax years before the year in question.

Companies pay SCD if they are Cyprus tax residents.

Non-tax residents do not pay SCD.

## **Real estate taxes**

The real estate tax was abolished on 1st January 2017. Now, the municipality charges real estate taxes as an annual municipality tax. The amount depends on the property's value, while rates may vary according to location. A community (local authority) charge will also apply.

## **Transfer of Land/ Buildings**

Transfer fees may be charged depending on the value of the land. If VAT was charged when buying the land, there would be no transfer fee.

VAT is charged on new properties at a rate of 19% (with exceptions for reduced VAT for first primary residences) unless the building permit for the new property was granted before 1st May 2004.

**Value-added tax (VAT)**

Companies earning more than 15,600 euros for the last twelve months must be VAT registered. Self-employed must also be VAT registered and subject to VAT rules and regulations. VAT is payable electronically four times a year.

**General health system (GHS, Γεσυ)**

Since 1 March 2020, employees and pensioners have contributed 2.65% of their monthly income to the GHS. Employers pay 2.90% of each employee's salary to the GHS, and self-employed individuals contribute 4%.

**Payments of tax**

Registration for income tax (form T.D. 2001) and VAT registration (if applicable) (form T.D. 1101) is required. The individual or company will then receive a Tax Identification Code (TIC) and a VAT registration certificate (if applicable). All the forms to be filled out are available at [mof.gov.cy](http://mof.gov.cy).

Our tax services (through our associates Accountants/Auditors/Tax Experts) and legal department offer the following:

***For companies:***

- General Tax Advice
- Review and advice on the company's tax position
- Assist in filing tax returns
- Cooperate with the Cyprus Tax Department for any issues
- Obtaining a Cyprus Tax certificate
- Ensuring your company is fully compliant with tax regulations and deadlines

***For Individuals:***

- Preparation and submission of tax returns
- Advice on Income Tax, Inheritance Tax, and Capital Gains Tax
- Inform you of the deadlines and amounts involved for your tax payments

## Frequently asked questions

### ***How much is tax in Cyprus?***

Cyprus tax residents are taxed on their worldwide income, beginning with a rate of 20% for income of EUR 19,501 to 28,000. You are a tax resident of Cyprus if you live in Cyprus for 183 days in a tax year (1 January to 31 December).

If you are not a tax resident of Cyprus, you will be taxed (at the same rate) on your income from the Republic. There is no tax on dividends or interest, no inheritance or property tax, and companies are taxed at the rate of 12,5%.

Foreign pensions are taxed at the flat rate of 5%, with the first EUR 3,420 exempt from tax and the option to pay the normal rate.

Certain types of income are subject to a special defence contribution tax (normally 17% but may be higher depending on the type of income) for persons who are tax residents and tax domiciled in the Republic.

To be tax-domiciled, a person must reside in the Republic for 17 years out of 20, the year tax paying will start exempted. There is also a VAT at the rate of 19%, with reduced VAT applying to certain types of activity.

### ***Do foreigners pay taxes in Cyprus?***

Foreigners in Cyprus pay tax on their income coming from Cyprus. However, if they are tax residents of Cyprus (that is, spend 183 days in Cyprus in a year), they pay tax on their worldwide income. Cyprus has double tax treaties with several countries and tax benefits for foreigners to ease the financial burden of relocating.

### ***Why is Cyprus considered a tax haven?***

Cyprus has always been a centre for international business and commerce, attracting third-country nationals worldwide. It has created laws that make entrepreneurship and relocation easier through taxes and efficient corporate and commercial legislation, benefiting entrepreneurs and third-country nationals wishing to do business or relocate to Cyprus.

Benefits include no tax on dividends and interest, no inheritance tax, no capital gains tax for property from abroad, a low corporate tax rate (12,5), an IP package tax, exemptions on income levels for high-skilled personnel of foreign companies, etc.

***What is VAT in Cyprus?***

VAT in Cyprus is paid at the rate of 19%. Nevertheless, there is a reduced VAT of 5% or 9% on several types of goods and services (depending on the type of goods or services) and a reduced VAT of 5% for the first 130 square metres of primary residence upon certain conditions.

***What are the tax rates for individuals in Cyprus?***

The tax rates for individuals in Cyprus are as follows. The first EUR 19,500 of annual income is not taxable. Then, up to EUR 28,000 is taxable at 20%. Up to EUR 36,300 income is taxed at 25%, up to EUR 60,000 at 30%, and EUR 60,001 and over at 35%.

***Who is considered to be “domiciled” in Cyprus?***

If you have a domicile of origin in the Republic, you are considered domiciled in Cyprus if 1) you have a home from birth or 2) you have and retained a home in the Republic.

In such a case, you will be domiciled for tax purposes unless 1) your residence of choice is abroad for at least twenty years preceding the tax year, or 2) you have not been a resident of the Republic for at least twenty years preceding the tax year. Foreigners (EU and third-country nationals) are domiciled in Cyprus if they have been tax residents of Cyprus for 17 out of 20 years. The twenty years do not include the tax year in which you start paying tax.

***What company is considered to be a resident company of Cyprus?***

A company is resident in Cyprus if managed and controlled in Cyprus (this is the so-called “real seat” theory).

***How large is the corporate tax rate for companies?***

Companies pay a corporate tax rate of 12,5%, among the lowest corporate tax rates in the European Union (EU).