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# About Cyprus

## LOCATION

Nestled strategically at the crossroads of Asia, Europe, and Africa, Cyprus is the third-largest island in the Mediterranean Sea, serving as a natural bridge to the Middle East. Its cosmopolitan charm combined with a family-friendly environment makes it an ideal place to live and work. Cyprus boasts over 300 sunny days per year, mild winters, and the highest number of Blue Flag beaches globally, relative to the coastline.

## FAMILY

Cyprus offers a multicultural environment with a high standard of living and minimal crime, ensuring safety and security for families. The island is home to numerous private schools where English is the primary language of instruction. Furthermore, Cyprus hosts state and private universities recognized by prestigious institutions in the UK and the USA, providing opportunities for high-quality education.

## BUSINESS

With four decades of experience as a global business hub, Cyprus is backed by a skilled workforce and an investor-friendly, EU-compliant tax system. The legal framework, based on common law, is robust and trustworthy, making Cyprus a prime location for international business and trade.

**Cyprus is well-connected globally via two international airports (Larnaca and Paphos) and two deep seaports (Limassol and Larnaca). Cyprus's economy is amongst the strongest in the Eurozone, driven by sectors such as energy, technology, professional services, tourism, shipping, construction, and real estate.**





# Overview of the Corporate Tax System

## MAIN FEATURES:

- › Taxation Basis: Determined by residency (management and control or incorporation test).
- › Corporate Tax: 15% on trading profits.
- › Notional Interest Deduction (NID): Available for new capital introduced.
- › Intangible Property (IP) Regime: Compliant with OECD's 'nexus' principle.
- › Securities Sales: 100% corporate tax exemption.
- › No Withholding Tax: On outgoing dividends, interest, and royalties\*.
- › Dividend Income: Generally, exempt from tax.
- › EU Tax Directives: Fully applicable.
- › Foreign Exchange Differences: Tax-neutral.
- › Group Relief: Available for 75% holdings.
- › Tax-Exempt Reorganizations: Allowed.
- › Advance Tax Rulings: Provide predictability and safety for investments.
- › Double Tax Treaty Network: Extensive and expanding.
- › EU-Approved Tonnage Tax: In place.
- › SME Tax Incentives: Encouragement for investment in innovative SMEs.

\*Except for specific payments to blacklisted and low taxed jurisdictions.

# Tax Residency Rules and Rates for Individuals

## THE 183 DAYS RULE

Cyprus operates a residency-based taxation system. If an individual stays in Cyprus for over 183 days in a tax year (January 1 to December 31), they are considered a tax resident. Conversely, not spending more than 183 days makes them a non-resident for tax purposes.

## Personal Income Tax Rates

Cyprus imposes the following rates on tax-resident individuals

Type of Income	Tax Rate	Cumulative Tax
€	%	€
0 - 22,000	0	0
22,001 - 32,000	20	2,000
32,001 - 42,000	25	4,500
42,001 - 72,000	30	13,500
Over 72,000	35	

## THE 60 DAYS RULE

Introduced on January 1, 2017. An individual who does not stay in Cyprus for over 183 days in a tax year still qualifies as a tax resident if they:

› Stays in Cyprus for at least 60 days within the year.

› Engage in business or employment in Cyprus, or hold a position in a Cyprus tax-resident company.

› Maintains a permanent home in Cyprus (owned or leased).

If these conditions are met, and the individual does not stay in another country for over 183 days, they are considered a Cyprus tax resident.

# Non-Domicile Rules for Individuals

Individuals who are Cyprus tax residents but considered 'non-domiciled' are exempt from the Special Defence Contribution (SDC) law for a period of 17 years. This law applies to dividend and interest incomes which are typically subject to 5% and 17% SDC respectively, for domiciled residents. Non-domiciled residents enjoy these incomes tax-free under SDC.

## Domicile Definitions:

- › Domicile of Origin: The domicile at birth.
- › Domicile of Choice: Acquired by establishing a permanent home.

Exceptions apply to individuals with a domicile of origin in Cyprus if they have not been tax residents for at least 20 consecutive years before the current tax year or the enforcement of the new provisions.

## Extension of non-domicile regime:

The period of SDC exemption may be extended for up two five-year periods upon an upfront payment of a fee of €250k per five-year period.



# Incentives for First-Time Employment in Cyprus

Individuals not previously tax residents of Cyprus may benefit from employment income exemptions:

› **50% Exemption [Article 8(23A)]**

For annual employment income exceeding €55,000, a 50% exemption applies for 17 years if the individual has not been a tax resident for at least 15 consecutive years before starting employment.

› **20% Exemption [Article 8(21A)]**

A 20% or €8,550 (whichever is lower) exemption applies for 7 years if the individual does not qualify for the 50% exemption and has been employed outside Cyprus for at least three consecutive years before starting employment.



# Additional Exemptions

## Remuneration:

100% exemption for employment services rendered outside Cyprus for over 90 days to a non-Cyprus resident employer.

## Lump Sum Payments:

Payments from life insurance schemes or approved provident funds are generally exempt.

## Capital Gains:

Only taxed on immovable property in Cyprus or shares in certain companies with immovable property in Cyprus.

## Overseas Pensions:

Tax-free up to €5,000, with a 5% tax rate thereafter.

## Fund Managers:

8% flat tax on carried interest earnings with a €10,000 annual minimum.



**NO INHERITANCE, GIFT, WEALTH, OR PROPERTY TAXES.**

# Social Insurance System

## SOCIAL INSURANCE SYSTEM

All employed individuals in Cyprus must contribute to the social insurance system. Contributions are capped at monthly earnings of €5,742 and annual earnings of €68,904. The rate is 8.8% for both employees and employers, totalling 17.6%. Employers also contribute to redundancy, industrial training, and social cohesion funds.

## GENERAL HEALTH SYSTEM (GHS)

Effective March 1, 2019, GHS requires employers to contribute 2.9% and employees 2.65% on gross earnings, capped at €180,000 annually.

## SAMPLE EMPLOYER CONTRIBUTIONS TABLE

Gross Salary	Social Insurance	Redundancy Fund	Industrial Training Fund	Social Cohesion Fund	General Health System	Total Employer Contributions
	8.8%	1.2%	0.5%	2.0%	2.9%	
85,000	6,064	827	345	1,700	2,465	11,401
65,000	5,720	780	325	1,300	1,885	10,010
42,500	3,740	510	213	850	1,233	6,546
22,500	1,980	270	113	450	653	3,466
17,500	1,540	210	88	350	508	2,696

# Case Example

## INDIVIDUAL PROFILE

An individual becomes a tax resident of Cyprus (183- or 60-days rule) and sets up a Cypriot holding company. This company owns various assets, including securities, and generates income from these assets.

### Tax Benefits:

#### FOR THE COMPANY:

- › **No Tax on Gains from Sale of Securities:** The Cypriot holding company is not taxed on gains from the sale of securities.
- › **No Capital Gains Tax:** Exemption on gains from the disposal of non-Cyprus real estate.
- › **No Tax on Dividend Income:** The company is not taxed on dividend income from shares
- › **Trading Income:** The effective tax rate can be as low as 3% under the Cyprus Intellectual Property provisions and Notional Interest Deduction provisions

#### FOR THE INDIVIDUAL SHAREHOLDER:

- › **No Tax on Dividends:** The individual does not get taxed on dividends received from the holding company, or any other company worldwide, for up to 27 years due to non-domiciled status.
- › **Additional Non-Dom Benefits:** Exempt from SDC on Interest income.
- › **Enhanced Substance position:** The shareholder is a tax resident in the same jurisdiction as its company.
- › **No inheritance and gift taxes.**
- › **No wealth taxes.**
- › **No immovable property taxes.**

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