

Cyprus - Non-Dom Tax Residency

Any national individual can apply for the Non-Dom Tax Residency under the **new 60 day** or the previous 183 day rule. A Cypriot Tax resident under the 60- or 183-day rule is subject to tax in Cyprus on their worldwide income.

According to the Cyprus legislation, an individual who spends more than 183 days on Cyprus territory is considered to be a Cypriot Tax resident. As from the 2017 tax year, the new, 60 day rule can be additionally applied for individuals who want to acquire the Non-Domicile Status.

As part of the overall effort to continuously improve and simplify the Cypriot tax system there has been the introduction of the concept of ***Non-Domiciled individuals*** for tax purposes. The main aim of introducing the Non-Domicile concept is to constitute Cyprus as a prime choice of destination for persons (both EU and non-EU) wishing to move their personal tax residency to another country. The non-domicile concept offers significant tax advantages and already enjoys a great interest and dynamic.

What Does It Mean?

Foreigners who decide to move their personal tax residency to Cyprus, will automatically be considered as non-domiciled in Cyprus for a maximum of 17 years. ***For tax purposes, non-domicile persons who become Cypriot tax residents will now be completely exempt from Special Defence Contribution tax (SDC).***

SDC generally applies on dividends and interest. As SDC tax does not apply in the case of Cypriot tax resident individuals who are non-domiciled in Cyprus, dividend and interest earned by such persons will now be completely tax exempt in Cyprus. It is noted that the main income of high net worth individuals is generally dividends and interest. Furthermore, irrespective of domicile, foreigners becoming Cypriot tax residents enjoy an array of other significant tax advantages; with the main ones being outlined below.

Definition Of Non-Domiciled Persons

In accordance with the provisions of the Wills and Succession Law, there are two kinds of domicile:

- domicile of origin; i.e. the domicile received at birth (generally dependent on the father's side), or
- domicile of choice; i.e. domicile acquired by establishing physical presence in a particular place and by demonstrating sufficient intention to make it the place of permanent residence. Irrespective of the domicile of origin or choice, individuals who have been tax residents in Cyprus for at least 17 out of the last 20 years prior to the tax year in question, will be deemed to be domiciled in Cyprus for the purposes of the SDC Law.

In the case of persons who have their domicile of origin in Cyprus, they will nevertheless be considered as non-domicile in the following cases:

- If they have acquired and maintained a domicile of choice outside Cyprus, provided that they were not tax residents in Cyprus for any continuous period of at least 20 consecutive years prior to the tax year in question; or
- If they were not tax residents in Cyprus for a period of at least 20 consecutive years immediately prior to the entry into force of the non-domicile provisions (i.e. between the years 1995 and 2014 inclusive).

Tax Benefits Of Non-Domiciled Persons

As per the provisions of the Cyprus SDC Law, dividends and bank deposit interest earned by individuals who are tax residents in Cyprus are subject to SDC tax at the rate of 17% and 30% respectively, regardless of the source of the income (i.e. from Cyprus or from abroad). SDC tax applies only for individuals who are both Cypriot tax residents and domiciled in Cyprus.

Therefore, non-domiciled tax residents will be completely tax exempt from any dividends and interest received in Cyprus (except for minimal GeSY contributions), Dividend income is subject to GeSY contributions, (at the rate of 2,65%), restricted to a maximum of EUR180,000 income annually.

Other Cypriot Tax Advantages For Individuals

- Dividends and interest are exempt from Cyprus income tax and subject only to SDC in the case of domiciled tax residents.
- Profit from sale of shares and other qualifying titles is specifically exempt from Cyprus taxation, provided that the underlying assets do not include immovable property located in Cyprus.
- First €19,500 of taxable income is tax exempt. Any taxable income in excess of this amount is taxed at progressive rates ranging from 20% to 35% (for incomes over €60,000).
- 50% exemption for remuneration from employment exercised in Cyprus by persons who were resident outside Cyprus before commencement of their employment. The exemption applies for 10 years commencing from the year of employment, if such income exceeds €100,000 per year.
- In case of Cypriot remuneration, which is less than €100,000, a 20% exemption is granted, up to a maximum of €8,550, for a period of 5 years commencing from the 1st January of the year following the year of employment, and until the year 2020.
- 100% exemption on remuneration for salaried services rendered outside Cyprus for more than 90 days in a tax year to a non-Cyprus resident employer.
- 100% exemption on lump sum repayments from life insurance schemes or from approved provident funds.
- No Capital Gains Tax on the sale of immovable property located outside Cyprus.
- No inheritance tax, no wealth tax, no gift taxation.
- In case of individuals who are beneficiaries to a Trust, such individuals would be exempt from tax in Cyprus, to the extent that the income at/from the Trust would be in the form of interest or dividends.