

Cyprus Non-Domicile Regime

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Author: Maria Vira

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As of July 2015, the Special Defense Contribution Law was amended, to further encourage high net worth individuals to apply for Cyprus tax residency.

Before the amendment to the law, Special Defense Contribution (SDC) was payable on dividends, interest and rental income earned by ALL **Cyprus tax resident individuals**. Cyprus tax resident is an individual residing in the Republic for more than 183 days.

The new amending provisions of the SDC law, provide that a tax resident should be a person also having its domicile origin in Cyprus. Accordingly, only those who are both Cyprus tax residents and domiciled in Cyprus will pay SDC.

“NON-DOMICILED CYPRUS TAX RESIDENTS WILL BE EXEMPT FROM TAXATION IN CYPRUS ON THEIR WORLDWIDE INCOME FROM DIVIDENDS, INTEREST AND RENT (FOREIGN TAXES MAY APPLY).”

An individual can be considered as domiciled in Cyprus *either by domicile of origin or by domicile of choice*. The terms are defined based on the provisions of the Wills and Succession Law.

Domicile of Origin is a domicile a person has from birth. A legitimate child takes the fathers domicile, while a non-legitimate child takes the domicile of the mother. The domicile of origin remains with an individual until the individual decides to acquire a domicile by choice.

Domicile of Choice is the domicile which a person chooses to replace its domicile of origin. As per the new provisions of the SDC law, a domiciled individual can still be exempt from SDC, in the presence of the following conditions:

The individual had domicile of origin in Cyprus, but has acquired a domicile of choice outside Cyprus and has not been a tax resident of Cyprus of at least 20 consecutive years prior to the relevant tax year.

The individual has not been a Cyprus tax resident for a period of 20 years prior to the amendment of the law.

Regardless of the domicile of origin, any person who is considered resident in Cyprus (as defined in section 2 of the Income Tax Law) for at least 17 years out of a 20-year period, will be deemed as domiciled in Cyprus for the purpose of this Law.

To become a tax resident in Cyprus an individual shall reside in the country for at least 183 days per calendar year. The following factors may be considered in assessing the tax resident of an individual:

- Permission to reside (various options available depending on the origin of the individual)

- and rent or own immovable property in the Republic of Cyprus as the main residence;
- Own a bank account in Cyprus and use as the main banking facility for his personal needs;
 - Own local telephone and or internet facility contract with a local provider;
 - Own means of transportation on the island;
 - Be able to prove if required that is self-sufficient in terms of financing his cost of living;
 - Be able to prove presence on the island for more than 183 days if required.

Note that the above list is not exhaustive and not all points above are needed to prove tax residency with the exception of the 183 days' rule.

It should also be noted that the tax authorities of the country of prior tax residency of the individual shall be informed of the decision to move to the Republic and obtain tax residency as well as provide any form of evidence requested thereafter.

If you would like to discuss this option further, please contact a member of our team at Royal Pine.



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Contact



Berengaria 25, 4th Floor
25 Spyrou Araouzou
3036 Limassol, Cyprus



+357 25040404 / +357 25050600



info@royalpine.com



www.royalpine.com



ROYAL PINE