

Cyprus Tax Residency for Individuals

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Any individual who resides in Cyprus for more than 183 days in a calendar year is automatically a Cyprus Tax Resident and may benefit from several personal tax advantages. A Cyprus tax resident is taxed on his local and worldwide income under the Cyprus tax regime.

As of 2017, a new rule came into effect which provides incentives for highly paid individuals to become Cyprus Tax Residents. Under the new provisions, an individual may be a tax resident of Cyprus even though he spends less than 183 days in the presence of the following conditions (within the same tax year):

- Resides in the Republic for at least 60 days per annum.
- Does not reside in a different country for 183 days per annum.
- He is not a tax resident in another country.
- Owns a company/business in Cyprus, he is a director of a Cyprus company or is employed in Cyprus.
- Owns/rents a residential property in Cyprus.

In case the employment/business or holding of an office is terminated during the year, then the individual would cease to be considered a tax resident of the Cyprus for that tax year.

Advantages of Being a Tax Resident in Cyprus

- Dividend Income and Interest income are exempt from Income tax, but are subject to Special Contribution for Defence Tax.
- 50% exemption is provided under Income tax on the remuneration from any employment exercised in the Republic by an individual who was a tax resident outside of the Republic before the commencement of the employment, provided that the annual remuneration exceeds the amount of EUR 55,000. The exemption applies for a period of 17 years.
- 20% exemption or EUR 8,550 (whichever is lower), under Income tax on remuneration, from any employment exercised in the Republic by an individual who was a tax resident outside the Republic before the commencement of the employment.
- Income tax exemption from foreign employment; remuneration from rendering services outside of Cyprus to a non-resident employer or to an overseas permanent establishment of a resident employer for more than 90 days in a tax year is exempt from income tax.
- No tax on any profits earned from the disposal of securities including shares and bonds.
- No tax on any lump sum received as a retirement gratuity.
- No tax on lump sum repayment from life insurance schemes or approved provident funds
- 5% tax on pension received from abroad exceeding €3,420.
- No estate duty, wealth, gift or inheritance tax.
- Contributions to social insurance, GESY, approved provident and pension funds, medical or other approved funds are tax allowable (limited to the 1/5 of the net taxable income).
- 5% tax on pension received from abroad exceeding €3,420.
- No estate duty, wealth, gift or inheritance tax.
- Contributions to social insurance, GESY, approved provident and pension funds, medical or other approved funds are tax allowable (limited to the 1/5 of the net taxable income).

Non-Domiciled Status

Special Contribution for Defence Tax (SDC) is payable on dividends, interest and rental income by Cyprus tax resident individuals.

As of July 2015, the SDC Law was amended to further encourage high net worth individuals to apply for Cyprus tax residency. The new amending provisions provide that a tax resident for the purposes of SDC law, should be a person also having her domicile of origin in Cyprus.

Accordingly, non-domiciled Cyprus tax residents will be exempt from taxation in Cyprus on their worldwide income from dividends, interest and rent*.

Irrespective of the domicile of origin, an individual who remains a tax resident in the Republic for 17 years out of the last 20 years, shall be deemed as domiciled in Cyprus for SDC purposes.

**Rental Income is subject to both Income Tax and Special Defence Contribution Tax. Non-domiciled Cyprus tax residents are only subject to Cyprus Income Tax and NOT subject to Special Defense Contribution.*



Registering a Company vs Employment

Among others, taxation is an added benefit for which a company is often preferable than operating a self-employed business or acting as an employee.

Cyprus companies pay 12.5% corporation tax on profits. Profits can then be distributed to the shareholders as dividends. Dividend income is taxable at the rate of 17% for Cyprus tax resident domiciled individuals but are tax free in the presence of a non-domicile status.

On the other hand, income tax rates on individuals go as high as 35%.

Other factors to consider before reaching a decision is the set-up and annual costs for

maintaining a company.

The following costs are indicative for setting up and maintaining a company:

One time Set-up Costs €2,400 - €3,000

Annual Recurring Costs

Provision of registered office/company secretary	€ 700
Accounting Services	€1,800 - €2,000
Audit Services	€ 2,000
Annual Company Levy payable to the Registrar of Companies	€ 350

Frequently Asked Questions

1. Who is considered a Cyprus tax resident?

An individual who spends at least 183 days a year in Cyprus is considered a Cyprus tax resident. As of January 2017, a second test has been enacted – the 60 day rule – in determining Cyprus tax residency for individuals.

2. How do I become a Cyprus tax resident based on the 60 days rule?

The individual must meet all of the following conditions:

- Resides in Cyprus for at least 60 days per annum.
- Does not reside in another country for 183 days per annum.
- Is not a tax resident in another country.
- Owns a company/business in Cyprus or is a director of a Cyprus company or is employed in Cyprus.
- Owns/rents a residential property in Cyprus.

3. What are the obligations of a Cyprus tax resident?

Cyprus tax residents are taxed on their worldwide income. Each individual is required to obtain a Cyprus Tax Identification Code (TIC) and submit to the Cyprus tax authorities an annual personal income tax return. The submission deadline is usually the end of July of the year following the tax year in question. The personal income tax rates are as follows:

Chargeable Income €	Tax Rates %
0 - 19,500	0
19,501 - 28,000	20
28,001 - 36,300	25
36,301 - 60,000	30
Over 60,000	35

Individuals receiving a salary in Cyprus are also required to pay Social Insurance Contributions and contributions to the National Health System (GESY). The applicable rates are as follows:

	Employee	Employer	GESY **	%
	%	%		
Social Insurance Fund	8.30	8.30	Employee	2.65
Redundancy Fund	-	1.20	Employer	2.90
Industrial Training Fund	-	0.50	Self Employed	4.00
Social Cohesion Fund	-	2.00	Income earners (rent, interest, dividends)	2.65
			Persons holding office	2.65
			Pensioners	2.65

*** For every natural person, the total maximum annual amount on which GESY contributions will be paid is EUR 180,000.*

Below is an illustrative example of personal tax computation:

Type of Income	Amount	Taxes & Contributions	Notes
	€	€	€
Salary	180,000	10,885	50% exemption from income tax/less allowable contributions to social insurance and GESY
Dividend	500,000	Nil	GESY already paid in the total capped amount of EUR180k
Interest	100,000	Nil	exempt
Profit from disposal of shares	200,000	Nil	exempt
Total Income	980,000	10,885	

4. How is the number of days in and out of Cyprus calculated?

Days in and out of Cyprus are calculated as follows:

- The day of departure from Cyprus counts as a day of residence outside Cyprus.
- The day of arrival in Cyprus counts as a day of residence in Cyprus.
- Arrival and departure from Cyprus in the same day counts as one day of residence in Cyprus.

- Departure and arrival in Cyprus in the same day counts as one day of residence outside Cyprus

5. What kind of evidence is required to prove presence in Cyprus?

The following supporting evidence may be required:

- Permission to reside e.g. Yellow Slip.
- Rent or own immovable property in Cyprus as the main residence (rental agreement or title deeds).
- Maintain a bank account in Cyprus and be used as the main banking facility for personal needs (bank statements).
- Be an employee in Cyprus and pay social insurance contributions (payroll slip, social insurance receipts etc).
- Own local telephone line and/or internet facility contract with a local provider (utility bills).
- Own means of transportation (car) on the island (lease agreement, ownership deed).
- Be able to prove if required financially self-sufficient in terms of being able to finance cost of living.
- Travelling receipts (flight tickets) proving entrance and exit in Cyprus.

6. What kind of evidence is required to prove that I have not resided in another state for 183 days?

The following supporting evidence may be used:

- Travel tickets (exit and entry).
- Hotel invoices.
- Utility bills in case you own a property.
- Credit card transactions showing the leaving expenses during the stays.

It may be more challenging for EU citizens to prove such condition since the passports are not stamped while travelling within EU.

7. What is the process of obtaining a residence and work permit for a European citizen?

The Registration Certificate (otherwise known as Yellow Slip) gives EU citizens and their family members the right to stay and work in Cyprus. An application must be submitted within four months from the date of entry into Cyprus and the applicant is required to be physically present during submission.

The application must be accompanied by certain documents, which vary depending on the purpose of residing in Cyprus.

The Registration Certificate is issued within approximately one week from the application submission.

8. What are the requirements for obtaining a Cyprus Tax Identification Code (TIC) and how long does it take for the TIC to be issued?

Applying for a Cyprus TIC is a rather simple procedure and it takes no more than 2-3 days (approximately). The applicant should be able to present:

- Copy of ID or passport and residence permit.

- Rental contract or a copy of utility bill in Cyprus.
- Employment agreement or any other evidence proving business ties in Cyprus (such as copy of shareholders certificate).

9. When should I apply for a Tax residency certificate (TRC)?

The application for a TRC can be made at the end of the respective year for the authorities to assess the proof of residence during the year. Once the application is made and if all conditions are met it takes up to 2 months to provide the certificate (subject to workload). The TRC may be obtained earlier (within the year) only if the individual receives interest or dividend from abroad during the same year. In such case the following evidence shall be provided:

- The individual has a Cyprus TIC.
- Written declaration that he intends to reside in Cyprus for a period of 183 days or more or a declaration that he intends to reside in Cyprus for 60 days (subject to the relevant conditions).
- Evidence for the dividend/interest income which he is about to receive.
- Evidence to show that he will indeed reside in Cyprus for a period of 60 or 183 days (eg. employment agreement, or rental agreement of residential property).

At the end of the year, the Cyprus tax authorities will examine whether all conditions have been met and if not, they have the right to revoke the TRC issued.

10. Is a TRC mandatory in Cyprus?

TRC are usually requested by foreign tax authorities to apply the terms of a double tax treaty or to confirm that the individual is residing in Cyprus.

11. Do I need to apply for a TRC on an annual basis?

If a TRC is required every year by a foreign tax authority, then the application procedure should be repeated annually, and all relevant conditions should be met and be presented to the Cyprus tax office.

12. How much is cost of living in Cyprus?

Depending on the individual's lifestyle the basic cost of living starts from EUR 2,000 per month.

	EUR per month (from)
Rent	700
Utilities (Electricity, Heating, Water)	150
Internet/Landline Connection	35
Grocery	200
Entertainment/purchases	200
Car Rental	400
Petrol	150

Contact Us

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