



NEW INCOME TAX EXEMPTIONS FOR EMPLOYMENT INCOME

On 26/07/2022, the Cyprus Income Tax Law of 2002 (N. 118(I)/2002) (the “**Law**”) has been amended through the Amending Law N. 121(I)/2022), with regards to the income tax exemptions for 1st employment¹ in the Republic of Cyprus. Specifically, the Articles 8(21) and 8(23) of the Law cease to be available for employments commenced after the 26/07/2022 and the new Articles 8(21A) and 8(23A) have been introduced, as part of the Government’s strategy to attract and retain talented individuals to the Republic.

A. NEW INCOME TAX EXEMPTIONS INTRODUCED WITH ARTICLES 8(21A) AND 8(23A)

Article 8(21A):

- Individuals whose 1st employment in Cyprus commences after 26/07/2022 are eligible to a 20% tax exemption for remuneration from 1st employment or EUR 8,550 (whichever is the lower), provided that:
 - they were not Cyprus tax residents for at least 3 consecutive years prior to their employment in Cyprus, and
 - were employed outside of the Republic by a non-Cyprus resident.
- Period of exemption: 7 tax years, starting from the tax year following the year of employment commencement.

Notwithstanding the above, for individuals whose first Cyprus employment commenced prior to 26/07/2022, the 20% tax exemption for 5 years remains.

Article 8(23A):

- 50% tax exemption from the remuneration from 1st employment in Cyprus of employees whose 1st employment commenced on or after the 01/01/2022, is granted, provided that:
 - their annual remuneration exceeds EUR 55,000, and
 - they were not residents of Cyprus for at least 10 years prior to their employment.

¹ An individual is considered to have “commenced first employment in Cyprus” when, for the first time, he/she exercises salaried services in Cyprus, either for a Cypriot or a non-Cypriot resident employer, without taking into account occasional or part-time employment in Cyprus for a period not exceeding 120 days within a tax year.



- Period of exemption: 17 tax years, starting from the tax year of employment.

Notwithstanding the above, for individuals whose first Cyprus employment commenced prior to 26/07/2022, the 50% tax exemption for 10 years, for remuneration exceeding the amount of **EUR 100,000** per annum, remains.

CLARIFICATIONS FOR 50% EXEMPTION UNDER CLAUSE 23A OF ARTICLE 8

- Exemption is granted for any year in which the remuneration from employment exceeds EUR 55,000. In the event of any subsequent reduction under EUR 55,000 in any tax year, the tax exemption is still applicable provided that the salary in the 1st or 2nd year was over EUR 55,000 and the Commissioner is satisfied that the initial salary over EUR 55,000 was not granted for the purpose of abusing the scheme.
- Exemption is granted provided that during the first and last 12 months of employment (or the 17th year thereof) the salary exceeds EUR 55,000.
- The new exceptions also apply for employments that commenced prior to 01/01/2022 up to the completion of 17 consecutive tax years, for individuals who were not Cyprus tax residents for at least 10 consecutive years prior to their 1st employment in Cyprus and:
 - who benefited from the previous exceptions and had continuous employment up to 2021; or
 - whose 1st employment commenced between 2016-2021, with annual remuneration over EUR 55,000; or
 - whose 1st employment commenced between 2016-2021 with annual remuneration less than EUR 55,000, and whose remuneration between 26/07/2022- 26/01/2023, exceeds the amount of EUR 55,000.
- Individuals to whom the 50% exemption under the new clause 23A of Article 8 has been granted, cannot benefit from the exemptions provided in clauses (21), (21A) or (23), of Article 8.

DISCLAIMER

This publication has been prepared as a general guide and for information purposes only. It is not a substitution for professional advice. One must not rely on it without receiving independent advice based on the particular facts of his/her own case. No responsibility can be accepted by the authors or the publishers for any loss occasioned by acting or refraining from acting on the basis of this publication.