



CYPRUS NON-DOM REGIME

In an effort to encourage high net worth individuals to apply for Cyprus tax residency, the government simplified the Cyprus Tax System by eliminating taxation on passive income and by applying a deduction of 50% on Income Tax for non-Doms high earners taking up employment in Cyprus.

Cyprus Tax residence may be obtained by either spending 183 days in Cyprus or by spending only 60 days annually provided the applicant follows within the 60-day rule scheme (please refer to our separate brochure).

Individuals tax residents are taxed on worldwide income, however there is unilateral tax credit available for taxes paid abroad.

WHO IS A NON DOM

- A person who is not a Cypriot at birth and was not a Cyprus tax resident for a period of at least 20 consecutive years prior to the tax year of application; or
- A person who is a Cypriot at birth and was not a Cyprus tax resident for a period of at least 20 consecutive years prior to the tax year of application;

(A) TAX EXEMPTION ON PASSIVE INCOME

The regime provides Tax exemption on Special Defence Contribution Tax (SDC) under which passive income is taxed (derived from dividends, interest, royalties and rent) to individuals who are Cypriot tax residents but are not domiciled in Cyprus.

PERIOD OF EXEMPTION

20 years

ADVANTAGES FOR THE 'NON-DOM' INDIVIDUALS

Dividends: A non-dom earning **dividend income**, from foreign as well as local investments will not be subject to SDC in the amount of 17%. In addition, dividend income is unconditionally exempt from Income Tax.

Interest: A non-dom earning interest income, from foreign as well as local sources, will not be subject to either in the amount of 30% as of 16 July 2015. In addition, interest income is also exempt from Income Tax.

Rental income: A non-dom earning rental income, from properties in Cyprus or abroad, will not be subject to SDC in as of 16 July 2015. 80% of the rental income declared is subject to Income Tax at the normal rates (i.e there is a 20% allowance).

EFFECT

A non-Dom Cyprus tax resident will not be subject to SDC in Cyprus on any interest, rents or dividends (whether actual or deemed) regardless of whether such income is derived from sources in Cyprus and regardless of whether such income is remitted to a Cyprus bank account.



(B) PERSONAL INCOME TAX EXEMPTIONS

High earning individuals moving to Cyprus for employment will qualify for 20% or 50% deduction on their income tax in accordance with the provisions below:

EXEMPTION	ELIGIBILITY	PERIOD OF EXEMPTION
20% EXEMPTION	<p>(b) Employees whose 1st employment¹ in the Republic commenced as from 26/07/2022 and until 2027, are eligible to a 20% tax exemption from the remuneration of their 1st employment or EUR 8,550 (whichever is the lower), provided that for 3 consecutive years before the employment commencement, were employed outside of Cyprus by a not Cyprus resident.</p> <p>For individuals whose first Cyprus employment commenced prior to 26/07/2022, the 20% tax exemption for 5 years remains.</p>	<p><u>7 tax years</u>, starting from the tax year following the year of commencement of employment in the Republic.</p>
50% EXEMPTION	<p>(b) 50% tax exemption from the remuneration from 1st employment of employees whose 1st employment began on or after the 01/01/2022, are exempted from income tax, provided that their annual remuneration exceeds EUR 55,000, and they were not Cyprus residents for at least 10 years prior to the employment commencement.</p> <p>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.</p>	<p><u>17 tax years</u>, starting from the tax year of employment.</p>

Further information with regards to the personal income tax amendments and exceptions can be found in our Article "*NEW INCOME TAX EXEMPTIONS FOR EMPLOYMENT INCOME*".

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.