



CX Financia

CYPRUS "NON-DOM" REGIME



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CYPRUS “NON-DOM” REGIME

As from July 2015, the “non-dom” regime has been introduced within the Cyprus tax regime.

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)

The above exemption, coupled with the unconditional exemptions from tax on gains on disposal of shares/bonds and other titles make Cyprus a very tax-efficient jurisdiction for the relocation of HNWI who can qualify as “non-dom”.

CYPRUS TAX RESIDENCE STATUS

As per the Cyprus Income Tax Law, there are two routes based on which an individual can be considered as a Cyprus tax resident. This means that an individual may be regarded as a tax resident of Cyprus if that individual satisfies either the initial “183 days rule” or the new “60 day rule.”



“183 DAYS RULE”

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 primary residence;
- Own a bank account in Cyprus and use as the central banking facility for his personal needs;
- Own local telephone and or internet facility contract with a local provider;
- Be able to prove if required that is self-sufficient in terms of financing his cost of living;
- Be ready to show presence on the island for more than 183 days if needed.

Note that the above list is not exhaustive and not all points above are needed to prove tax residency except for 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.

“60 DAYS RULE”

As from 1 January 2017, the definition of Cyprus tax resident individual in the Income Tax Law was amended to include an alternative test, the “60 day rule”, to establish whether an individual can be considered as a tax resident of Cyprus.

More specifically, an individual may be considered to be a Cyprus tax resident if the following apply:

- The individual does not reside in any other single state for one or more periods exceeding in aggregate 183 days, and
- He/she is not a tax resident in any other state, and
- He/she resides in Cyprus for at least 60 days, and
- He/she carries out business in Cyprus or is employed in Cyprus or holds an office (e.g. appointment as a director) with a Cyprus tax resident company at any time during the tax year, provided that such is not terminated during the tax year, and
- He/she maintains a permanent home in Cyprus that is either owned or rented during the tax year.

BRIEF OVERVIEW OF THE CYPRUS INDIVIDUAL TAX BASIS

Income Tax

Applicable Rates for an individual are:

Chargeable income in €	Tax Rate %	Tax in €
0 – 19,500	Nil	Nil
19,501 – 28,000	20	1,700
28,001 – 36,300	25	3,775
36,301 – 60,000	30	10,885
Over 60,000	35	

For the avoidance of double taxation, tax credits may apply for taxes suffered abroad relating to income that is taxable in Cyprus

It should be noted that the following types of income are exempt from income tax:

- Dividend income
- Any remuneration from salaried services rendered outside Cyprus for a period of 90 days in the tax year to a non-Cyprus resident employer or a permanent foreign establishment of a Cyprus resident employer
- Profits from the sale of securities (e.g. shares, bonds, units in mutual funds, derivatives on shares etc.)
- Interest, except for interest arising from the ordinary business activities or closely relate to

the regular business activities of an individual (If interest income is taxed under income tax it is exempt from SDC).

Social Insurance

Contributions are as follows:

- Employer contribution 8.3%
- Employee contribution 8.3%
- Social Cohesion Fund (employer contribution) 2.0%
- Redundancy Fund (employer contribution) 1.2%
- Human Resources Development Fund (employer contribution) 0.5%
- Central Holiday Fund (employer contribution) 8.0%
- Self-employed contributions 15.6%

National Health Insurance System (“NHIS”)

The National Health Insurance System (“NHIS”) Law was introduced in 2019 and transforms the existing public health care system; The NHIS is a universal health care system, financed through individual, employer and government contributions.

As from 1st of March 2020, the contributions to cover both outpatient and inpatient care are:

- 2,65% for employees and pensioners,
- 2,90% for employers,
- 4% for self-employed individuals

- 2,65% for persons earning rental, interest, dividend and other income

NHIS contributions will be deducted from the **entire earnings** of the employee (as defined in the Social Insurance Law) up to €180,000 per annum. The insurable earnings limit of Social Insurance Fund Contributions does not apply in this case.

Special Defence Contribution (SDC)

In general, SDC is imposed on Cyprus tax resident individuals on certain types of income based on the applicable rates listed below:

- Dividend income (17%)
- Passive interest income (e.g. income from a fixed deposit account) (30%)
- Rental income (2.25% effective rate)

Exemptions from SDC for Non-Doms

Individuals who were born and raised outside Cyprus with non-Cyprus parents should generally qualify as Non-Doms which means that they should be completely exempt from SDC for a period of 17 years following the migration of their tax residence to Cyprus.

The main incentives for individuals moving their tax residence in Cyprus.

- No tax on income arising from the disposal of investments such as shares, bonds, etc.
- No withholding tax on the repatriation of income as dividends, interest and royalties.
- Income tax exemptions when employed in Cyprus, up to 50% of the remuneration for

10 years, in the case employment income is more than €100.000 per year OR

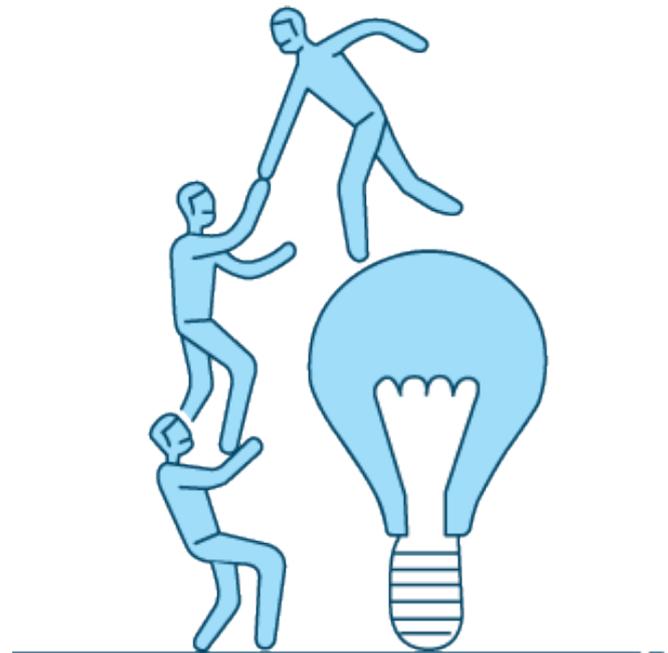
- 20% of the annual remuneration with a maximum of 8,550 euro is tax-exempt for a period of 5 years in the cases where the annual remuneration is less than 100,000 euro. This exemption is available until the year 2020
- No SDC tax on worldwide dividend and interest income for non-domiciled persons for 17 years.
- Non-taxable retirement gratuity and special tax regime on foreign pension income.
- Low social insurance contributions.
- There are no estate duties, wealth tax, gift tax or inheritance tax.
- Cyprus has an extensive worldwide network of double tax treaties.

Cavo Greko, Protaras



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- Company maintenance services, accounting, audit and directorship services
- GDPR audit and consultancy
- Legal support
- Due Diligence Work
- Office, Mail Forwarding and Office support
- Tax Planning



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