

The Cyprus Non-Domicile Status



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Foreigners who decide to move their personal tax residency in Cyprus, will automatically be considered as non-domiciled in Cyprus for a maximum of 17 years.

For tax purposes, non-domicile persons who become Cyprus tax residents are completely exempt from Special Defence Contribution tax (“SDC”).

SDC generally applies on dividends and interest. As SDC tax does not apply in the case of Cyprus tax resident individuals who are non-domiciled in Cyprus, dividend and interest earned by such persons will now be completely tax exempt in Cyprus. It is noted that the main income of high net worth individuals is generally dividends and interest.

Furthermore, irrespective of domicile, foreigners becoming Cyprus tax residents enjoy an array of other significant tax advantages; with the main ones being outlined below.

Cyprus tax residency

Cyprus tax residency for individuals is determined by the number of days spent in the island during a calendar year. There is the standard 183 days rule as well as a more recently introduced 60 days rule, which is subject to certain conditions. Cyprus tax residents are taxed on their worldwide income, with credit given on foreign tax suffered against the Cyprus tax resulting from the same income.

Non-Domiciled persons

Irrespective of the domicile of origin or choice, individuals who have been tax resident in Cyprus for at least 17 out of the last 20 years prior to the tax year in question, will be deemed to be domiciled in Cyprus for the purposes of the SDC Law.

In the case of persons who have their domicile of origin in Cyprus, they will nevertheless be considered as non-domicile in the following cases:

- If they have acquired and maintain a domicile of choice outside Cyprus, provided that they were not tax residents in Cyprus for any continuous period of at least 20 consecutive years prior to the tax year in question; or
- If they were not tax resident in Cyprus for a period of at least 20 consecutive years immediately prior to the entry into force of the non-domicile provisions (i.e. between the years 1995 and 2014 inclusive).

Non-dom Tax benefits

As per the provisions of the Cyprus SDC Law, dividends and bank deposit interest earned by individuals who are tax resident in Cyprus are subject to SDC tax at the rate of 5% and 17% respectively, regardless of the source of the income (i.e. from Cyprus or from abroad). SDC tax applies only for individuals who are both Cyprus tax resident and domiciled in Cyprus.

Therefore, non-domiciled tax residents will have dividend and interest completely tax exempt in Cyprus.

Other tax advantages

- Profit from sale of shares and other qualifying titles is specifically exempt from Cyprus taxation, provided that the underlying assets do not include immovable property located in Cyprus.
- First €22,000 of taxable income is tax exempt. Any taxable income in excess of this amount is taxed at progressive rates ranging from 20% to 35% (for taxable incomes over €72,000).
- 50% exemption for remuneration from first employment exercised in Cyprus by persons who were resident outside Cyprus before commencement of their employment. The exemption applies for 17 years commencing from the year of employment, if such income exceeds €55,000 per year.
- 20% exemption (subject to maximum cap of €8,550) for remuneration from first employment in Cyprus for persons that are not eligible for the 50% exemption. The exemption applies for 7 years commencing from the year following the year of employment.
- 100% exemption on remuneration for salaried services rendered outside Cyprus for more than 90 days in a tax year to a non-Cyprus resident employer.
- Pension received in respect of past employment outside Cyprus is taxed in Cyprus at the flat rate of 5% for amounts in excess of €5,000.
- 100% exemption on lump sum repayments from life insurance schemes or from approved provident funds.
- No Capital Gains Tax on the sale of immovable property located outside Cyprus.
- No inheritance tax, no wealth tax, no gift taxation.
- In case of non-domiciled resident individuals who are beneficiaries to a Trust, such individuals would be exempt from tax in Cyprus, to the extent that the income at the level of the Trust or distribution from the Trust effectively derives from interest or dividends.

Why Totalserve?

With five decades of experience, Totalserve can fully assist in a tailor-made and one-stop-shop approach with all the needed aspects of setting up, restructuring or relocating a company or the headquarters to Cyprus. Totalserve can assist in all areas and at all stages, including but not limited to:

- Relevant structuring, incorporation and transaction assistance.
- All corporate, commercial and legal aspects at all stages.
- Tax, accounting and audit compliance.
- Locating, staffing and setting up any needed office.
- All banking related needs.
- Personal aspects of the owners, management and employees - from immigration, work permits, naturalisations to personal tax issues and other personal or family needs.

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