

Cyprus Tax Incentives for High Net Worth Individuals

(Advantages for Non domiciled Cyprus Tax Residents)

Outline of presentation

- ▶ Quick summary of tax incentives to non domiciled tax residents
- ▶ Overview of personal taxation in Cyprus & concept of Cyprus tax residency
- ▶ How is taxable income determined
- ▶ Taxation of Cyprus tax residents
- ▶ Concept of 'Non domiciled status'
- ▶ Exemption from SDC for non domiciled tax residents
- ▶ Other significant tax advantages offered to Cyprus tax residents
- ▶ Benefits for expatriates taking up employment in Cyprus
- ▶ Other benefits of relocating to Cyprus

A quick summary of key tax incentives offered to non domiciled tax residents

- ✓ No tax on dividends
- ✓ No tax on interest income
- ✓ Rental Income – partly exempt (only subject to Income Tax at normal rates)
- ✓ No tax on capital gains
- ✓ No tax on proceeds from sale of securities, including shares

Overview of personal taxation in Cyprus

The main types of direct taxes applicable to an individual in Cyprus are:

- ▶ income tax
- ▶ special defence contribution (SDC) on dividend, interest and rental income
- ▶ capital gains tax on gains from the sale of immovable property in Cyprus

Overview of personal taxation in Cyprus

- An individual working in Cyprus may also be subject to social insurance and other contributions.
- An individual is subject to income tax and/ or SDC depending on his/her tax residency and domicile status.

Cyprus Tax Residency

- ▶ An individual who spends more than 183 days in Cyprus in a year is a tax resident of Cyprus.
- ▶ An individual can also be tax resident in Cyprus even if he/she spends less than 183 days in Cyprus provided he/she satisfies all of the following conditions within the same tax year:
 - does not spend more than 183 days in any other country;
 - is not a tax resident of any other country;
 - spends at least 60 days in Cyprus;
 - maintains a permanent home in Cyprus that is either rented or owned;
 - carries on a business in Cyprus and/or is employed in Cyprus and/or holds an office with a Cyprus tax resident company at any time during the year.

How is Taxable Income Determined

- ▶ A Cyprus tax resident individual, irrespective of his/her domicile status, is subject to income tax on his/her worldwide income, subject to exemptions and allowances.
- ▶ A tax resident individual who is nondomiciled in Cyprus is exempt from tax on dividend and interest income.
- ▶ A non-Cyprus tax resident individual is only subject to income tax on income accruing or arising from sources within Cyprus and is exempt from tax on dividend and interest income.

Taxation of Cyprus tax residents

- ▶ Subject to income tax on worldwide income - irrespective of domicile
- ▶ Subject to SDC on passive income from dividends, interest and rentals.
- ▶ However:
 - ❖ Enjoys relief from double taxation applicable in Cyprus either as per Treaties or unilaterally, as well as a number of other significant tax advantages outlined further below.
- ▶ The SDC Law also includes provisions for the deemed distribution of profits of Cypriot tax resident companies to the extent that the shareholders (beneficiaries) of such companies are Cyprus tax resident individuals & must also be Cyprus domiciled.

‘Non Domiciled Tax Status’

- ▶ Since July 2015 the concept of Non-domiciled Individuals for tax purposes was introduced
- ▶ In general, individuals can be deemed to be non-domiciled if :
 - they have not been born in Cyprus (“domicile of origin” is outside of Cyprus”)
or
 - they have not lived in Cyprus for at least 17 consecutive years (“domicile of choice”)

Exemption from SDC for non-domiciled Cyprus tax residents

Non-domiciled Cyprus tax residents are exempt from SDC and they will therefore enjoy dividends, interest and rental income from foreign and local investments, free from tax in Cyprus.

- ❖ Important Note: These individuals are tax residents in Cyprus and they are subject to Cyprus taxes on all their other worldwide income – but continue to be able to enjoy the other significant tax advantages offered to tax residents.

Other significant tax advantages for tax resident individuals

- ✓ No tax on capital gains from the disposal of shares, bonds, and other financial instruments
- ✓ No tax on capital gains from sale of immovable property outside Cyprus.
- ✓ No estate duty, wealth tax, gift tax or inheritance tax in Cyprus.
- ✓ Nil or reduced withholding tax on dividends, interest, royalties and pensions received from abroad.
- ✓ No tax on retirement gratuity & special tax regime on foreign pension income

Benefits for expatriates taking up employment in Cyprus

- ✓ 50% of the remuneration is exempt from income tax (if the annual income exceeds EUR100.000) and this exemption applies for a period of 10 years.
- ✓ If the annual income falls below EUR100.000 a 20% deduction may apply in such case with a ceiling of EUR 8 550 (lowest of 20% and 8 550 applies).

Benefits of relocating to Cyprus

- ▶ Cyprus is a full member of the EU and of the EURO Zone.
- ▶ The membership of the EU enables employment of any EU national without complicated procedures. Non EU personnel may also be employed following the required procedure for securing work-residence permits.
- ▶ English is widely spoken all over the island and used as the prevailing business language
- ▶ Compliance with OECD and FATF standards
- ▶ No exchange controls.
- ▶ Numerous tax benefits for individuals and companies



The real reason to chose Cyprus!

- ▶ Fabulous climate with more than 300 days of sunshine in a year
- ▶ Over 60 blue-flag beaches
- ▶ Ranked No. 1 safest among small countries in the world
- ▶ One of the countries with the lowest air pollution in the EU



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- ▶ We hope to see you in Cyprus next year for the EMEA meeting.

Thank you

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Accountants, Auditors & Business Consultants

