

New conditions for Cyprus Tax Resident individuals – the “60 Days rule”

The Cyprus government in an effort to enhance the competitiveness of the “Non-Domicile Scheme” which was introduced in 2015, has amended the criteria applicable for the tax residency of an individual in Cyprus by **adding a second test, “the 60 days rule”**. The new legislation was published in the official Cyprus Gazette on 28 July 2017, applicable for the tax year 2017 and beyond.

Before the amendment of the legislation

“Resident in the Republic” when applied to an individual means an individual who stays in the Republic for a period or periods exceeding in aggregate 183 days in the year of assessment and “non-resident or resident outside the Republic” shall be interpreted accordingly.

The “60 days rule”

The Income Tax Law has been amended so that an individual, who does not remain in any other jurisdiction for a period exceeding 183 days in aggregate in the same tax year and who is not tax resident in any other state for the same tax year, shall be considered to be a tax resident of Cyprus, provided that ALL the following conditions are met:

- a. He should remain in Cyprus for at least **60 days** during the tax year;
- b. He should **pursue any business in Cyprus** or **work in Cyprus** or be a **director in a company tax resident in Cyprus** at any time during the tax year, provided that such is not terminated during the year;
- c. He should maintain a **permanent home in Cyprus**, which is either owned or rented by him.

Points for consideration

An individual concerned about the new rules for tax residency in Cyprus should note that the Cyprus Tax Department should be satisfied that does not remain in any single jurisdiction for more than 183 days during a calendar year and does not maintain a tax residency in another jurisdiction under the local legislation of such a jurisdiction, taking into consideration any Double Tax Treaty with Cyprus of such a jurisdiction.

The “Non-domicile” concept

A non-domicile Cyprus tax resident individual is exempt from tax in Cyprus on his worldwide **dividend income and “passive” interest income both from sources in Cyprus and abroad.**

An individual is considered as domiciled in the Republic of Cyprus if:

- A. An individual has “Domicile of Origin” in the Republic of Cyprus as defined in the Wills and Succession Law. “Domicile of Origin” is acquired at birth and as a rule is the same as the domicile of the father at the time of birth; OR
- B. The individual was a Cyprus tax resident for more than 17 out of the last 20 years prior to the tax year in question.

Therefore, an individual who does not meet any of the above conditions, is considered as “Non-Domicile” and can benefit from the exemptions applicable for dividends and “passive” interest income.

Tax incentives for foreign individuals to relocate and become Cyprus tax residents

Cyprus tax resident individuals are subject to tax in Cyprus on their worldwide income irrespective if they become Cyprus tax residents either under the “183 days rule” or the “60 days rule”. However, there are several exemptions (please see below) which makes Cyprus an attractive place to relocate and become Cyprus tax residents.

100% exemption of the profit from the sale of securities which include shares, bonds and options.

Employment income exemption for high paid individuals taking up employment in Cyprus

50% exemption applies for a period of 10 years for individual persons who were not tax resident of Cyprus before the commencement of their employment in Cyprus and provided that the annual remuneration exceeds EUR 100,000.

Employment income exemption for individuals taking up employment outside Cyprus

100% exemption from Cyprus income tax for any income from employment exercised outside Cyprus by a Cyprus tax resident individual for more than 90 days in a tax year to a non-Cyprus resident employer or to a foreign permanent establishment of a Cyprus tax resident employer.

Overseas pensions

Overseas pensions are tax at a flat rate of 5% on amounts in excess of EUR3,420.

No Inheritance tax, Wealth tax or Gift taxes in Cyprus.

No Capital Gains Tax on the sale of immovable property situated outside Cyprus.

For any further information and or clarification please feel free to contact us:

27, 25 Martiou Str., D. Michael Tower, Office 105, 2408 Engomi, Nicosia - Cyprus

T: +357 22205990 • E: info@asuspluscy.com • www.asuspluscy.com