



New Tax Incentives: 50% exemption from Income Tax for individuals whose annual remuneration exceeds EUR55,000.

On 15 July 2022, the House of Representatives in Cyprus passed an amendment to the Income Tax Law ("ITL") in respect of Articles 8(21) and 8(23) of the ITL, providing for a 20% or 50% exemption from income tax for individuals exercising employment in Cyprus.

On 26 July 2022, the legislative amendment was published in the Official Gazette of the Republic of Cyprus.

New 20% and 50% exemption

The amendment of the law provides for new exemptions in respect of employment income exercised in Cyprus.

50% exemption

- The exemption applies for an individual whose annual remuneration from employment in Cyprus exceed EUR55.000.
- The individual must be a non-Cyprus tax resident for at least 10 consecutive years immediately prior to commencing employment in Cyprus.
- First employment exercised in Cyprus is defined in the amending law as when an individual first exercises salaried services in Cyprus (for a resident or non-resident employer in Cyprus) without taking into account occasional full or part-time employment in Cyprus for a period not exceeding a total of 120 days in a tax year.
- For each individual, the period of the exemption is for 17 tax years from the tax year of commencement of first year.
- The effective date of application of the new 50% exemption is 1 January 2022.
- The exemption applies to an individual who:
 - Started the first employment in Cyprus within the period of 2016-2021 and the remuneration at the commencement of first employment in Cyprus exceeded EUR55.000 per annum.
 - Started the first employment in Cyprus within the period of 2016-2021 and the remuneration at the commencement of first employment did not exceed EUR55.000 per annum and within 6 months following the publication of the amending law (26 July 2022) the remuneration exceeds EUR55.000 per annum.





- Started the first employment in Cyprus in 2022 onwards and in the first or second year of first employment, the remuneration exceeds EUR55.000 per annum.

20% exemption

- In respect of employment commenced after the publication of the amendment of the law (26 July 2022), the exemption applies for an individual who immediately prior to the commencement of their first employment in Cyprus was non-tax resident of Cyprus for at least three consecutive years and must be employed outside of Cyprus by a non-Cyprus tax resident employer.
- The exemption will apply for a period of 7 tax/calendar years, starting from the year following the year of commencement of employment.
- The maximum amount of exemption is EUR8.550.
- An individual who is eligible for the 50% exemption (as set out below) will not be entitled to claim the 20% exemption.

Existing 20% and 50% exemption

Individuals that are eligible for the existing 20% and 50% exemption on employment remuneration will continue to benefit from the existing exemptions respectively.

The existing exemptions will apply as follows:

- 20% exemption for remuneration from any employment exercised in Cyprus by an individual who was not resident of Cyprus before the commencement of the employment. The exemption starts from the year following the year of the first employment and is available for a period of 5 years for employment commencing during or after 2012.
- 50% exemption for remuneration from any employment exercised in Cyprus by an individual who was not resident of Cyprus before the commencement of the employment. The exemption applies for a period of 10 years for employment commencing as from 1 January 2012, provided that the annual remuneration exceeds EUR100.000. For employment commencing as from 1 January 2015, the exemption does not apply in case the said individual was a Cyprus tax resident at least for 3 years out of the 5 years immediately prior to the tax year of commencement of the employment nor in the preceding year.

