

RELOCATING TO CYPRUS: UNLOCKING TAX ADVANTAGES AND STRATEGIC BENEFITS FOR INDIVIDUALS

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A. INTRODUCTION AND TAX ESSENTIALS IN CYPRUS

Since its accession to the European Union in 2004, Cyprus has established itself as a premier destination for investment, continuously enhancing its position as a competitive global hub for finance, tourism, retirement, and relocation. With a strategic location, a highly skilled workforce, modern infrastructure, reliable communication networks, and a stable legal system based on English Common Law, Cyprus offers an exceptional environment for both business and personal growth. This is further complemented by a favourable cost of living, a warm climate, and the renowned hospitality of its people.

The Government of Cyprus has long implemented policies designed to attract foreign investment and individuals to the island. Among the most significant of these policies are the "non domicile" status and the 'First Employment exemptions', which position Cyprus as one of the leading jurisdictions for High-Net-Worth Individuals seeking an ideal place to reside.

Furthermore, the recently announced and ongoing tax reform is planned to further modernize the Cypriot tax system, enhance competitiveness, and ensure a fairer distribution of the tax burden. The Cypriot government has introduced a series of measures that affect both businesses and individuals, including new provisions for the taxation of income, dividends, and corporate profits.

Herein, we present a summary of the principal tax considerations that an individual intending to relocate or retire in Cyprus will encounter.

This outline focuses on the tax considerations applicable to individuals and does not address those relevant to legal entities. For information pertaining to legal persons, please refer to our other relevant publications on corporate taxation.



B. OVERVIEW OF THE TAX SYSTEM: MAIN HIGHLIGHTS





NON-DOMICILE RULES FOR INDIVIDUALS

Individuals who are tax residents in Cyprus but do not have a Cyprus domicile, are exempt from Special Defence Contribution (SDC) tax on:

- Dividends (17%);
- Passive Interest (17%/3%); and
- Rental Income (3%).

Domicile Status

A Cyprus tax resident who has remained in Cyprus for at least 17 out of the last 20 years, will be considered domiciled for SDC purposes, and so be subject to the applicable SDC tax rates, irrespective of their original domicile of origin.

Duration of Tax Benefits

The SDC exemptions available to individuals who are residents but non-domiciled in Cyprus, are granted for a maximum period of 17 consecutive years (Please refer to **Section E** below).

'FIRST EMPLOYMENT' INCOME TAX EXEMPTIONS

- **50% exemption on gross remuneration:**

Under the island's expanding investment strategy, a revised tax deduction scheme is available to 'high-earning' individuals relocating to Cyprus, in an effort to attract high-calibre professionals to the local work force.

Following the amendment to the Income Tax Law, approved on 30 June 2023, individuals with employment income in Cyprus exceeding €55,000 annually (in the first 12 month period) are eligible for a 50% deduction from income for the first 17 years of employment.

To qualify, the individual must not have been a Cyprus resident for at least 15 consecutive years prior to beginning their first employment in Cyprus.

Additionally, individuals who started employment in Cyprus between 2012 and 2021 may still be eligible for this deduction, subject to certain 'grandfathering' provisions.

- **20% or €8,550 exemption of the remuneration earned, whichever is lower:**

Prior to the 26th of July 2022, individuals moving to Cyprus for both residence and employment were eligible for an annual allowance, for up to five years following the start of their employment, equal to the lesser of €8,550 or 20% of their salary.

This scheme was enhanced in 2022 as part of the new Cyprus investment strategy.

As of 26 July 2022, employees who for three consecutive years immediately prior to the commencement of their 'First Employment' in the Republic, were employed outside the Republic by an employer who is not a resident of the Republic, can now claim a 20%/€8,550 deduction for up to seven years, starting from the year after their employment begins. We note that such individuals will need to be able to demonstrate that they had remained in salaried employment positions for three consecutive tax years immediately prior to taking up employment in Cyprus.



OTHER KEY TAX EXEMPTIONS

- 100% exemption on profits from the sale of shares;
- 100% exemption on retirement lump sums received;
- capital sums from approved life assurance policies and provident or pension funds;
- 100% exemption on income derived from employment services provided overseas to:
 - a non-resident employer or
 - a permanent establishment of a resident employerfor a duration exceeding 90 days but less than 183 days within the tax year;
- 100% exemption on foreign exchange (FX) gains, with the exception of FX gains arising from trading in foreign currencies and derivatives;
- 100% exemption on salaries of officers and crew of ships owned by a Cyprus shipping company sailing under the Cyprus flag and operating in international waters; and
- 100% exemption on income from a qualifying scholarship, exhibition, bursary, or similar educational grant.

CAPITAL GAINS TAX (CGT)

Cyprus does not impose capital gains tax, except for a 20% CGT on capital nature gains (based on 'Badges of Trade') derived from the sale of real estate situated in Cyprus, or from the sale of shares in companies that directly or indirectly own real estate in Cyprus. In such cases, the taxable gain is determined by the portion of the gain related to the real estate. (See **Section H** Below).

RENTAL INCOME

Rental income derived from Cyprus sources or abroad, by a Cyprus tax resident individual, are subject to personal income tax at their marginal rates, whilst a flat 20% deduction is permitted. Additionally, capital allowances are available at the rate of 3% p.a., on the cost of acquiring the property, whilst interest expenses on loans specifically financing the purchase of the property may be deducted. Rental income is also subject to SDC, as explained in Section E below herein.

PENSION RECEIVED FROM ABROAD

Foreign pension income is subject to a specific tax regime, where the initial €3,420 per year is exempt from taxation. Any amount exceeding this threshold is taxed at a reduced rate of 5%, provided it qualifies for this special taxation scheme. Alternatively, individuals have the option to elect to be taxed according to the standard income tax rates on their foreign pension income. Practically, taxpayers work out which regime is most suited to them on an annual basis, and elect accordingly. Kinanis LLC remains available to assist with this process upon request.

SUCCESSION TAXES

Cyprus does not impose any inheritance or other similar taxes.

TAX PAID ABROAD

Tax relief or credits for taxes paid in other countries may be granted through the provisions of a double tax agreement or, alternatively, through unilateral relief.



C. HOW TAX RESIDENCY IS DETERMINED FOR INDIVIDUALS

The Cyprus tax system may impose taxes only on tax residents of Cyprus or individuals who derive income from sources within Cyprus.

I. Tax Residents in Cyprus:

Tax resident of Cyprus, in the case of a physical person, means:

- a. **183 Days Rule:** Any individual who resides in Cyprus for one or more periods which exceed in total 183 days in the tax year (same as calendar year), or
- b. **60 Days Rule:** Any individual who stays in Cyprus for at least 60 days in the year of assessment, provided that:
 - 1) The individual is not tax resident in another country; and
 - 2) The individual does not spend more than 183 days in any other single jurisdiction; and
 - 3) The individual maintains a permanent residence in Cyprus which can be owned or rented; and
 - 4) The individual conducts any business or is employed in Cyprus or is a director in a Cyprus company as at the 31st of December in the year of assessment.

Further Clarifications and Special Circumstances on Cyprus Tax Residency:

Moving from UK: When an individual seeks tax residency in the Republic based on the 60-day rule for a specific tax year, and for part of that year he/she is also considered a tax resident of the United Kingdom (UK), the condition that the individual is not a tax resident in another country is not considered breached. The UK tax year runs from 6 April to 5 April of the following year. As a result, it is possible for the individual to be a tax resident of the UK during either the UK tax year that ends (or begins), which may overlap with the Republic's tax year being assessed.

Furthermore, upon prior approval from the Tax Commissioner, this treatment can also apply to individuals who are tax residents of another country for part of the year, where the tax year of that country does not align with the Republic's tax year.

Fiscal Year Definition: The "fiscal year concerned" refers to the fiscal year of the Contracting State where employment services were performed. Taxation may apply to remuneration in a different year from when services were rendered, depending on the relevant 12-month period, even if it spans two fiscal years (*OECD Model Tax Convention on Income and on Capital - Commentary on Article 15, Paragraph 4.1*).

Scope of Taxation: All Cyprus tax residents, as identified above, either Cypriots or foreign nationals, are taxed in Cyprus on their worldwide income accrued or derived from all sources, both in Cyprus **and** abroad. A person who is a tax resident of Cyprus but the place of domicile remains outside Cyprus can enjoy significant tax benefits as analysed in Section F below.



Cyprus tax residents are subject to the below types of taxes/deductions on income:

- 1) Income Tax (Analysed in Section D);
- 2) Proposed Tax Reform Overview (Analysed in Section E);
- 3) Special Defence Tax (Analysed in Section F);
- 4) Social Insurance Contributions (Analysed in Section G);
- 5) Contributions to the General Healthcare System (Analysed in Section H);
- 6) Capital Gains Tax (Analysed in Section I);
- 7) Indirect Tax (Analysed in Section J); and
- 8) Other Taxes (Analysed in Section K).

II. Non-Tax Residents in Cyprus:

Individuals who are not tax residents of Cyprus are taxed on income accrued or derived only from sources in Cyprus, if any, subject to the provisions of any Double Tax Treaty in place.



D. INCOME TAX

Income tax is imposed on an individual's 'chargeable income', where such chargeable income specifically includes the following types of income:

- 1) Employment Income;
- 2) Benefits in Kind (for more information, please refer to our publication, "*Taxation of Benefits in Kind in Cyprus*");
- 3) Deemed benefit of 9% per annum on the balance of any amount granted by a company (as a loan or any other financial facility) to its individual shareholders or directors or their spouses or relatives up to the second degree for non-business purposes;
- 4) Business Income (as a sole trader);
- 5) Royalty Income from Intellectual Property;
- 6) Active Interest Income;
- 7) Pension and Annuities;
- 8) Rental Income from Property (either in Cyprus or abroad); and
- 9) Trading Goodwill.

I. Obligation to submit personal income tax returns (TD1):

The obligation to prepare and submit an Income Tax Return for individuals (form TD1) arises for all employees, pensioners, and self-employed individuals whose personal annual gross income exceeds €19,500. Personal Income Tax Returns are prepared and submitted electronically only via the TaxisNet system.

II. Obligation for Individual's to submit annual Audited Financial Statements:

Cyprus tax residents or non-Cyprus tax residents who generate gross income in Cyprus from carrying out business activities (i.e., having Business Income as sole traders) which equals or is in excess of €70.000 per annum, are obliged to prepare and submit annual audited Financial Statements to the Tax Department and issue invoices and receipts in connection with the transactions and collections.

Cyprus tax residents or non-Cyprus tax residents, generating total gross income less than €70.000 per annum, are not required to prepare and submit audited financial statements, but are still obliged to maintain proper books and records.

Kinanis LLC remains available to assist with your personal income tax returns, upon request.



Individual Income Tax Rate Brackets:

The following tax rates apply for physical persons who are tax residents of Cyprus:

Taxable Income €	Tax Rate %	Tax Amount €	Accumulated Tax €
0 – 19.500	0	NIL	NIL
19.501 – 28.000	20	1.700	1.700
28.001 – 36.300	25	2.075	3.775
36.301 – 60.000	30	7.110	10.885
Over 60.000	35		

The law provides for some expenses to be deductible from a physical person's taxable income. The list of such expenses can be found in Schedule 1 of this publication.

Further, there are some types of income which are exempted from taxation which can be found in Schedule 2 of this publication.

Tax credit relief is granted unilaterally under conditions, if on a particular income, taxation has already been paid abroad provided that the taxpayer provides the tax authorities with the original tax receipts evidencing the payment of such foreign tax.

Special Tax Treatment on Specific Types of Income

i) Cyprus Tax Residents

Pension income generated from abroad - Cyprus tax residents generating pension income from services rendered abroad are liable for 5% tax on the income exceeding €3.420 per annum. The taxpayer has the right to choose to be taxed either in accordance with the special treatment of taxation mentioned above, or under the individual income tax rates as indicated on the above table.

Individuals employed in the fund industry – Cyprus Tax resident employees who operates in the fund industry and generates variable remuneration connected to a carried interest, may be taxed at a flat rate of 8% on amounts constituting carried interest with a minimum tax liability of €10.000 per annum (conditions apply). Qualifying employees have the option to choose to be taxed under this special treatment of taxation on an annual basis for a 10-year period or otherwise to be taxed under the individual income tax rates as indicated in the above table.

ii) Non-Cyprus Tax Residents

Income generated from intellectual property rights – A non-Cyprus tax resident generating gross income arising from intellectual property rights or other similar income from sources within Cyprus, is subject to a 10% withholding tax (unless a tax treaty provides for a lower tax rate).



Profits of entertainers – The Gross income derived by an individual who is not resident in Cyprus from entertainment events (i.e., musical/theatrical performances, football clubs' performances etc) executed in Cyprus and which does not arise from a permanent establishment in Cyprus, is subject to a 10% withholding tax (unless a tax treaty provides for a lower tax rate).

Income from Oil & Gas related activities – The Gross income derived by an individual who is not resident in Cyprus from Oil & Gas related activities carried out in Cyprus (i.e., exploration or exploitation of the continental shelf, subsoil or natural resources, installation and exploitation of pipelines etc) and which does not arise from a permanent establishment in Cyprus, is subject to tax at the rate of 5% (unless a tax treaty provides for a lower tax rate).

Income from technical assistance - The gross income derived by an individual who is not resident in Cyprus from technical assistance services provided in Cyprus is subject to a 10% withholding tax. The withholding tax does not apply if the services are provided by a permanent establishment in Cyprus.

Cryptocurrency Taxation – Though no specific or separate tax regime for cryptocurrency trading activities exists, the practice of the tax authorities has strengthened the existing tax law's application on such activities. More specifically, crypto trading (i.e. active nature) transactions are subject to personal income tax at the marginal rates of taxation, on any realised crypto profits. On the other hand, un-realised crypto-profits, or capital nature gains do not trigger any taxation in Cyprus.



E. CYPRUS TAX REFORM PROPOSAL

Key Changes and Impact on Businesses and Individuals

The Cypriot government has announced a series of comprehensive tax reforms aimed at modernizing the local tax system, enhancing competitiveness, and ensuring a fairer distribution of the tax burden.

New Tax Residency Framework: 183 Days, 60 Days, and Centre of Vital Interests: Cyprus is introducing an updated tax residency framework, adding a new "Centre of Vital Interests" test (similar to the French system). While the 183-day and 60-day rules remain largely unchanged, this new criterion will allow individuals with significant economic and personal ties to Cyprus to qualify as tax residents, even if they do not meet the existing day-count thresholds. The 60-days rules will also be enhanced in order to strengthen its position for cross-border cases.

Retention of the 50% Exemption for High Earners: The existing 50% tax exemption on 'First Employment' income for individuals earning over €55,000 annually will remain in place. This incentive continues to attract foreign talent and senior executives to Cyprus, reinforcing the country's appeal as an international business hub. What is unclear however, is whether the 20% exemption will also remain, as this was not mentioned at all during the various announcements and consultations on the matter. Recent discussions hint to a reform or replacement of the 20% exemption, to be renamed into a Tax Incentive Scheme for overseas talent, aimed at aiding the 'repatriation of talent' to Cyprus, by increasing the threshold from €8,550 to €25,000 and extending its period of applicability. The stated strategy is thus to reverse the so-called 'brain drain' and attract top talent in STEM areas back to Cyprus.

Increase in Tax-Free Threshold and Personal Tax Bands: The tax-free income threshold will be raised by €1,000 from €19,500 to €20,500 (the highest in the EU), offering relief to low- and middle-income earners.

Retention and Extension of the Non-Dom Regime: The Non-Domiciled (Non-Dom) tax provisions will remain in place under the new tax reform, ensuring that qualifying individuals continue to benefit from exemptions on dividends and interest from SDC. However, the scheme shall be revised, whereby an annual 'non-dom charge' is being considered, which shall be similar to the UK's old remittance basis charge, further enhancing the attractiveness of the regime. Further key proposed changes in the area of SDC include the abolition of the old Deemed Dividend Distribution rules, abolition of SDC on rental income, as well as the reduction of SDC on dividends received from 17% to 5%.

Final Remarks: The tax reform requires further development before completion, with a targeted finalization by late 2025, and is expected to take effect from the 2026 tax year onwards. Following finalization, the measures must undergo legislative procedures, though we note that these proposals may still be further revised or excluded entirely from the final text. This ongoing effort enhances Cyprus' competitiveness, preserving its status as one of the most attractive jurisdictions in the EU for foreign investment.

Please keep monitoring Kinanis LLC website for any updates in relation to the Tax Reform, or contact us directly for any specific enquiries you may have.



F. SPECIAL DEFENCE CONTRIBUTION (SDC)

In 2015 the notion of Domicile was introduced into the Special Defence Contribution Tax. With this introduction, Cyprus tax resident individuals are classified either as Resident and Domiciled in Cyprus, or as Resident but not Domiciled in Cyprus. The term "Domiciled in Cyprus" is defined as an individual who has a Domicile of Origin, in accordance with the Wills and Succession Laws of Cyprus, but it does not include:

- 1) An individual who has obtained and maintains a Domicile of Choice outside Cyprus in accordance with the Wills and Succession Law, provided that the individual was not a Cyprus tax resident for a period of 20 consecutive years preceding the tax year under examination; and
- 2) An individual who has not been a Cyprus tax resident for a period of at least 20 consecutive years before the commencement of the law.

A physical person who is considered as Cyprus tax resident as defined by the Income Tax Law for at least 17 years out of 20 years period preceding the year of assessment, is considered as "Domiciled in Cyprus" for SDC purposes, and will therefore be subject to the relevant taxation if and when this condition is satisfied. In other words, the benefits granted to Resident but Non-Domiciled individuals can only be enjoyed for 17 consecutive tax years.

I. Cyprus "domiciled" & tax resident individuals:

Such physical persons will be subject to SDC. The tax rates are as follows:

- 1) Dividends 17%;
- 2) Passive interest 17%;
- 3) Trading Interest – Nil (this type of interest is subject to income tax at the above indicated rates mentioned in section C);
- 4) Interest received by an individual from Government Savings Certificates, Government Bonds and Corporate Bonds 3%;
- 5) Rental income 3% on the 75% of the total rental income (2.25% effective);
- 6) Interest earned by an approved provident fund 3%; and
- 7) Interest earned by the Social Insurance fund 3%.

A Tax credit relief is granted under conditions, if on the particular income, taxation has already been paid abroad provided that the taxpayer provides the tax authorities with the original tax receipts, as above.

II. Cyprus "non - domiciled" tax resident individuals:

Such physical persons will be **EXEMPTED** from SDC. Therefore, dividend, passive interest and rental income received, whether from sources within Cyprus or abroad, should be exempt from any such taxation in Cyprus.



G. SOCIAL INSURANCE CONTRIBUTIONS

Employed and self-employed persons who obtain employment income in Cyprus, are subject to Social Insurance Contributions, from the first euro of such income.

Social Insurance Contributions which are deducted from the emoluments of an employee/self-employed person, comprises of the following:

I. For Employees (i.e. Individuals):

- Social Insurance at 8.8%

Social Insurance Contributions are applicable on the amount of the annual gross employment income of an employee, up to a maximum annual insurable income of €66.612, €5.551 per month for monthly paid employees, and €1.281 per week for weekly paid employees, for 2025.

Such contributions are withheld by employers on a monthly basis, and are paid on behalf of the employee to the Social Insurance Office, at the end of the month following that in which the deduction are made.

II. For the Employer (i.e. the Company):

Employers are liable to pay contributions for every employee on a monthly basis, directly to the Social Insurance Office, at the end of the month following that in which the contribution relate to.

Any contributions that an employer must pay for each employee, and the applicable rates are as follows:

- Social Insurance at 8.8%;
- Redundancy Fund at 1.2% (*continues below*);
- Industrial training Fund at 0.5%;
- Social Cohesion Fund at 2.0%; and
- Central Holiday Fund at 8% (if not exempt).

Contributions are applicable on the amount of the annual gross employment income of the employee, up to the maximum annual insurable income of €66.612 for 2025, except for contributions to the Social Cohesion Fund. Any contributions to Social Cohesion Fund are applicable on the total amount of the annual gross employment income (i.e. even beyond the above-mentioned caps).

Employers are eligible to claim an exemption from the Central Holiday Fund, if they offer paid leave benefits to employees, in which case they will need to opt-out.



III. For Self Employed persons (i.e. sole traders):

- Social Insurance at 16.6%

Social Insurance Contributions are applicable on the fixed insurable earnings, in accordance with the category of business income of the self-employed person, subject to a compulsory minimum and a maximum insurable income, as defined by the Social Insurance Office.

A self-employed person is responsible for the calculation and payment of his Social Insurance Contributions, directly to the Social Insurance Office, on a quarterly basis.

Table summarizing Social Insurance contributions:

SOCIAL INSURANCE CONTRIBUTIONS 2025			
	Percentage (%) on employee's gross earnings		
Fund	Employer Contributions	Employee Contributions	Maximum Cap
Social Insurance	8.8%	8.8%	Capped
Redundancy	1.2%	-	Capped
Training and Development	0.5%	-	Capped
Social Cohesion	2%	-	Not Capped
Total	12.5%	8.8%	21.3% (Combined)

*EU nationals (or holder of EU work permits) partly working in, or relocating to Cyprus for a period of up to 2 years, can remain exempt from Cyprus SI, by presenting a valid A1 Certificate from their home EU Member State (and pay SI there).

Kinanis LLC maintains a full scope Social Insurance Department, which can assist with any relevant work upon request, including registration, monthly payments and advice.



H. GENERAL HEALTHCARE SYSTEM (GHS) CONTRIBUTIONS

As from 1st of March 2019 individuals who obtain income in Cyprus, may have the obligation to contribute to the General Healthcare System ("GHS"), and benefit from the health care services provided.

Contributions are calculated and paid as a percentage on emoluments/pensions, as follows:

Category	1/3/2020 onwards	Explanation
Employees	2,65%	On their salaries
Employers	2,90%	On the salaries of every person employed by them
Self-Employed	4,00%	On their remuneration
Pensioners	2,65%	On their pension
Persons earning rental, interest, dividend, and other income	2,65%	On their income
State	4,70%	On the salaries of the employees, the remuneration of the self-employed and officials and on pensions

Contribution Threshold

The contributions will be deducted from the entire earnings of the individuals (including dividends, rental income, interest income) up to a maximum of €180.000.

The standard contribution rate is 2.65% for individuals. Therefore, the maximum annual contribution is:

$$€180,000 \times 2.65\% = \mathbf{€4,770}$$

This ensures that higher earners are not disproportionately affected by the contribution system.

Eligibility

All residents of Cyprus, regardless of nationality, are eligible to register with the GHS, provided they are:

- Legally residing in Cyprus; and
- Contributing to the system (either as employees, self-employed individuals, pensioners, or through other income).



Perks of the GHS

Once registered and contributing, beneficiaries are entitled to a wide range of healthcare services, including:

- Primary care from personal doctors;
- Specialist consultations;
- Laboratory tests and diagnostic imaging;
- In-patient and out-patient hospital care;
- Prescription medications;
- Emergency services; and
- Preventive care and vaccinations.

The GHS is designed to ensure **universal access, affordability, and high-quality healthcare** for all residents of Cyprus.

For more information, please refer to our publication, "The General Healthcare System in Cyprus."



I. CAPITAL GAINS TAX (CGT)

There is a 20% tax on gains from the disposal of immovable property situated in Cyprus, including gains from the disposal of shares in non-listed companies, which directly or indirectly own immovable property in Cyprus and in case of indirect disposal, derive at least 50% of their market value from such immovable property.

Disposal of shares of listed companies does not impose any capital gains tax even if the listed company owns immovable property in Cyprus.

A taxable gain is estimated by taking into consideration various factors, as they are specified in detail within the relevant Capital Gains Laws.

Any profit or gains made from the sale of immovable property abroad are not taxable in Cyprus under the local legislation even in the absence of any Double Tax Treaty being in place. This means that residents of a country that does not impose CGT to non-residents, may benefit from selling property after immigrating to Cyprus, and upon acquiring tax residency in Cyprus, where no CGT would be applied on any such foreign gains.

The following transactions are exempt from capital gains tax:

- 1) Transfers arising on death;
- 2) Gifts made from parent to child, or between husband and wife, or between relatives up to the third degree of kindred;
- 3) Gifts to a limited liability company, where the company's shareholders are members of the donor's family, and the shareholders continue to be members of the donor's family for five years after the day of the transfer;
- 4) Gifts by a limited liability company to its shareholders, whose shareholders belong to the same family, provided such property was originally acquired by the company by way of donation/gift. The property must be kept by the donee for at least three years;
- 5) Gifts to charities and the Government;
- 6) Exchange or disposal under the Agricultural Land (Consolidation) Laws;
- 7) Exchange, provided the gain is used for the acquisition of new property (Roll-Over Relief). The gain derived from the exchange reduces the cost of the new property and the tax is paid when the latter is disposed;
- 8) Expropriations;
- 9) Transfer ownership or share transfers in the event of company reorganisations;
- 10) Transfer of property of a missing person under administration; and



11) Transfer of ownership between spouses, whose marriage has been dissolved by a court order, or in case of transfer ownership between the same persons for the purpose of settling their property, according to the Settlement of Property Relationships between Spouses Law.

Lifetime Exemptions:

Every physical person is eligible to receive lifetime exemptions when disposing immovable property in Cyprus. Lifetime exemptions are deducted from the chargeable capital gain, hence reduces any capital gains tax which may be applicable.

The lifetime exemptions available are as follows:

- 1) Sale of own residence €85.430 (subject to conditions);
- 2) Sale of agriculture land by a farmer €25.629 (subject to conditions); and
- 3) Other sales €17.086.

The lifetime exemptions are granted over the lifetime of a physical person, until fully exhausted. The lifetime exemptions arising from a combination of exemptions cannot exceed the amount of €85.430 in total.

Levy on immovable property disposals in Cyprus

As of 22nd of February 2021, a levy of 0,4% applies on all disposals of immovable property that are within the current control of the Republic (i.e., both trading-nature and capital-nature disposals) as follows:

- a) on direct disposal of immovable property, the levy is imposed on the disposal consideration;
- b) on disposal of shares of a company which is not listed on a recognised Stock Exchange, and which directly or indirectly owns immovable property, the levy is imposed on the latest general valuation undertaken by the Department of Land & Surveys, relating to the shares of the company that are being sold.

The obligation for payment of the levy lies with the seller.

Kinanis LLC maintains a full scope Properties Department, who in conjunction with our Tax Department, can assist on any CGT matters from both a sellers and buyer's perspective, including but not limited to due diligence work and property suggestions or selection assistance.



J. INDIRECT TAX (VAT)

Types of indirect taxes include VAT, excise tax and customs duty (import duty and export duty).

VAT is imposed on the provision of goods or services in Cyprus, on the acquisition of goods in Cyprus from other Member States and on the importation of goods in Cyprus from any place outside the EU countries.

The current VAT rates are as follows:

- 0% Zero rate;
- 5% Reduced rate;
- 9% Reduced rate; and
- 19% Standard rate.

*VAT Registration Threshold of €15,600 within a tax year (same as calendar year)

VAT registered companies are required to prepare and submit quarterly VAT returns, which should be based on accurate and well-maintained accounting records.

Kinanis LLC maintains a fully-fledged VAT Department, who can assist for any VAT matters, upon request.

K. OTHER TAXES

Other types of taxes, such as Wealth Tax, Inheritance Tax, Succession Law, and Immovable Property Tax, are not applicable in Cyprus.



L. TAX CALENDAR

2025	Obligation
31 January	Payment of SDC and GHS contributions on deemed dividend distribution for the profits of tax year 2022.
31 March	Electronic submission of the income tax return for individuals and companies preparing audited financial statements for the tax year 2023.
31 May	Electronic submission of the 2024 employer's return via Tax For All Portal.
30 June	Payment of special contribution for defence on rental income if such tax is not withheld at source by tenant and on dividends or interest from sources outside of Cyprus for the first 6 months of 2025.
31 July	Electronic submission of the 2024 tax return by all individuals who have gross income that falls under Article 5 of Income tax law.
	Payment of tax balance for the previous year by individuals who do not prepare audited financial statements.
	Submission of the 2025 provisional tax return and payment of the first provisional tax instalment.
1 August	Payment of the 2024 tax balance through self-assessment by individuals preparing audited financial statements and companies.
31 December	Payment of special contribution for defence on rents if such tax is not withheld at source by tenant and on dividends or interest from sources outside of Cyprus for the last 6 months of 2025.
	Submission of the 2025 revised provisional tax return (if considered necessary) and payment of the second provisional tax instalment.
Within 30 days	Payment of Capital Gains Tax and levy on immovable property disposals in Cyprus.
End of each month	Payment of TAX (PAYE) deducted from employee's salaries for the previous month.
	Payment of tax withheld on payments made to non-Cyprus tax residents during the previous month.
	Payment of SDC (and GHS contributions if payment is made to a Cyprus tax resident individual) withheld on dividends and interest paid in the previous month to Cyprus tax residents.

Note: In case of late submission of the relevant tax forms and late payment of the tax due, penalties will apply.



M. HOW KINANIS CAN ASSIST

- Preparation, completion and submission of Permanent Residency or other Migration application and relevant supporting documentation;
- Introduction of real estate agents in Cyprus;
- Registration with Migration department;
- Registration with the Tax Department as a resident but non domicile individual;
- Completion and submission of annual tax returns;
- Obtaining tax residency certificate;
- Opening of Bank accounts in Cyprus;
- Assistance to tax and legal related matters; and
- Accounting and Payroll Services.

N. CONCLUDING REMARKS

Relocating to a new country is a significant decision, requiring careful consideration of various factors. In this publication, we provide a brief overview of the potential tax implications and how migration may affect an individual's income.

With thoughtful pre-immigration tax planning, any negative tax consequences can often be minimized or avoided. However, it is essential to carefully assess your personal situation and make informed decisions in advance when planning your tax strategy.

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June 2025



Schedule 1 - Tax deductions

In general, all expenses incurred wholly and exclusively for the production of taxable income are deductible including the following:

Tax Deductions	
a) Subscriptions to trade unions or professional bodies	All
b) Loss of current or previous years (losses of the previous five years only may be deducted) in respect of taxable income	All
c) Rental Income	20% of rental income
d) Interest in respect of the acquisition of property for rental purposes	All
e) Donations to approved charities (with receipts)	All
f) Expenses for the maintenance of a building in respect of which there is a preservation order	Subject to the area of the building
g) Social insurance contributions, contributions to the General Healthcare System, life insurance premiums and contributions in approved provident funds, pension funds or medical funds	Up to 1/5 of the chargeable income prior to the deduction of the relevant contributions
h) Donations to political parties (conditions apply)	Up to €50.000
i) Expenditure for scientific research and for R&D (conditions apply)	All (and for expenditure incurred in years 2022, 2023 and 2024, an additional 20%)
j) Investment in an innovative small/medium sized business (subject to conditions)	Up to 50% of taxable income (capped at €150.000)
k) Expenses for film infrastructure (conditions apply)	Up to 20%
l) Interest relating to acquisition of asset used in the business	All
m) Profits from the exploitation of intellectual property rights (conditions apply)	Up to 80%
n) Profits from disposal of intellectual property rights	Up to the whole amount
o) Individuals carrying on a business are allowed to deduct wear and tear allowances on assets used in the business from their taxable income. Annual wear and tear allowances are calculated as a percentage on the cost of acquisition of the asset used in the business and are deductible from the taxable income.	All
Note 1: In the case of life insurance, the life insurance must be for the benefit of the taxable person and not for his / her spouse.	
Note 2: The allowable deductions on the annual premiums for life insurance are restricted to 7% of the insured amount.	
Note 3: The life insurance allowance is granted provided that the life insurance company is either a Cyprus company or a foreign company which is licensed to exercise insurance business in Cyprus.	



Schedule 2 – Tax Exemptions

Tax Exemptions	
a) Interest	<p>The full amount of passive interest received or credited is exempt from income tax. Passive interest refers to interest earned from sources such as fixed deposit bank accounts, which is not related to the execution of any trade. While exempt from income tax, this interest is subject to Special Defence Contribution (SDC) for Cyprus-domiciled individuals (see Section E).</p> <p>Trading interest refers to interest earned from the regular activities of a person or that is closely related to their business. This type of interest is subject to income tax, according to the tax rates outlined in Section D.</p>
b) Dividends	<p>The whole amount of dividend income is exempt from income tax but subject to SDC for Cyprus domiciled individuals outlined in Section E.</p>
c) Lump sum received by way of retiring gratuity, computation of pension or compensation for death or injuries	<p>The whole amount of such lump sum is exempt from income tax.</p>
d) Capital sums accruing to individuals from any payments from approved funds (e.g., provident funds) or other funds or a lump sum from life insurance.	<p>The whole amount of such capital sums is exempt from income tax.</p>
e) Profits from the sale of titles i.e., shares, bonds, debentures, founders' shares and other titles of companies or other legal persons, incorporated in Cyprus or abroad and options thereon.	<p>The whole amount of such profit is exempt from income tax. If a non-listed company whose shares are being sold is the owner of immovable property situated in Cyprus, then there is capital gains tax at the rate of 20% on net profit calculated in a particular way as specified in the relevant law. For more details refer to section F concerning capital gains tax. The above provision does not apply to listed companies whose shares are traded on the Stock Exchange.</p>
f) Income from the provision of salaried services abroad for a total number of more than 90 days to an employer who is not a tax resident of Cyprus or by employment by a permanent establishment abroad of an employer who is a tax resident of Cyprus.	<p>The amount of the salaried income that is attributable to the salaried services rendered abroad is exempt.</p>
g) Income from employment of high salary employees who undertake their First Employment in the Republic.	<p>As of 1 January 2022, individuals taking up first-time employment in Cyprus with annual remuneration over €55,000, who were non-tax residents for at least 15 consecutive years prior, are eligible for a 50% income tax exemption. This applies once per lifetime for a maximum of 17 years, even if the individual changes employer.</p>

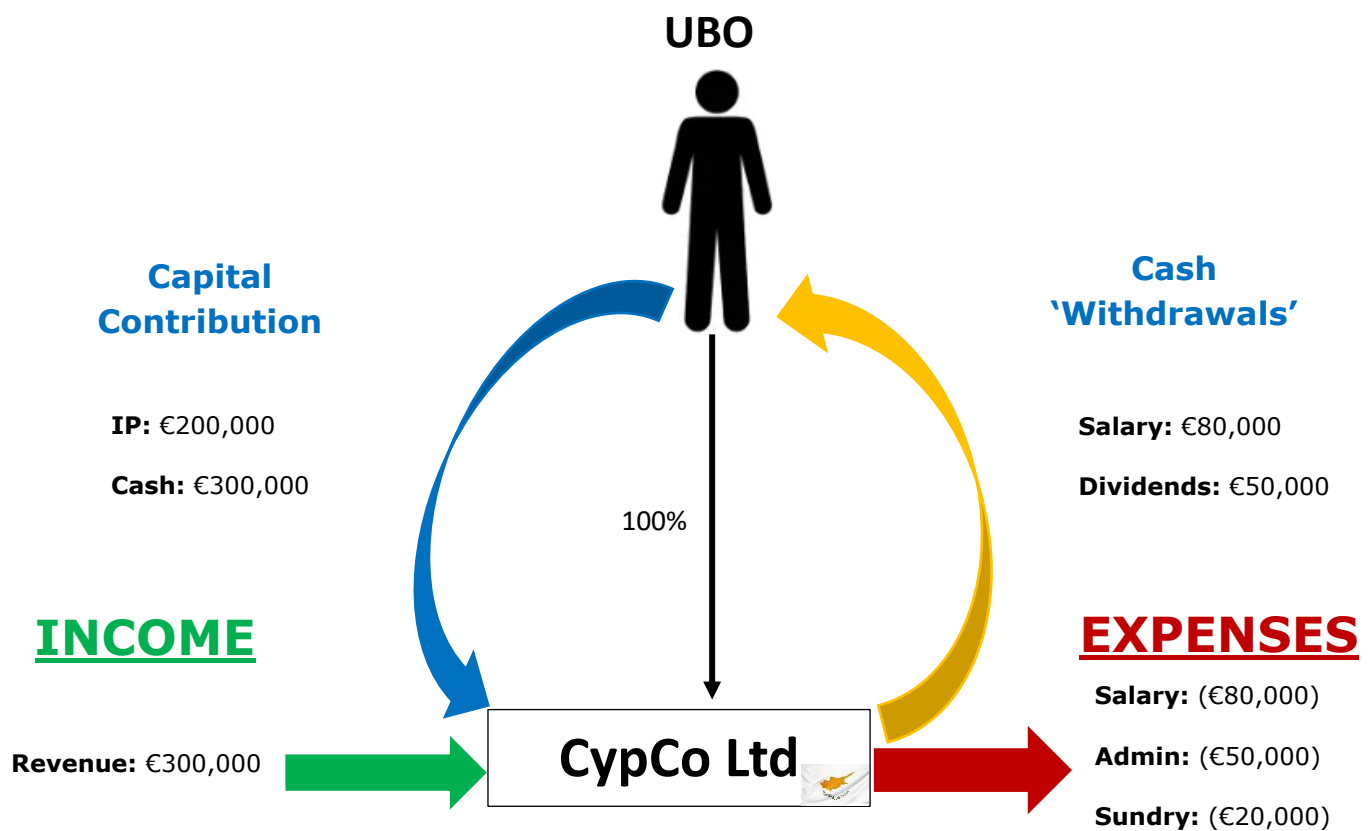


	<p>Individuals whose employment started before 1 January 2022 may also qualify under certain conditions.</p> <p>For employment that began up to 26 July 2022, a similar 50% exemption applies for salaries over €100,000, valid for 10 years, provided the individual was not a Cyprus tax resident in the year before and in 3 of the 5 years preceding employment. (Note 1)</p>
h) Income of a person from employment in Cyprus who was not tax resident of Cyprus before his / her employment.	<p>For employment starting after 26 July 2022, individuals who were non-residents of Cyprus for at least 3 consecutive years and were employed abroad by a non-resident employer are eligible for a 20% income tax exemption (up to €8,550). The exemption applies for 7 years, starting from the tax year after employment begins.</p> <p>For employment starting up to 26 July 2022, a similar 20% exemption (up to €8,550) applies for 5 years, valid until 2025, provided the individual was a non-resident before starting work in Cyprus.</p> <p>This exemption cannot be claimed in addition to the exemption provided in point g above. (Note 1)</p>
i) Foreign exchange (FX) gains, with the exception of FX gains arising from trading in foreign currencies and derivatives.	<p>The whole amount.</p>
j) Pensions	<p>The income of any individual from a foreign pension which exceeds Euro 3.420 is taxed in Cyprus at the flat rate of 5%. Irrespective of the amount of the pension, the first Euro 3.420 is tax free. A person may however, elect to be taxed at the normal tax rates as identified above in section D. The option to be taxed either at 5% per annum or according to the normal tax rates can be exercised every year.</p>
Note 1: Individuals that were eligible to claim the 20% or 50% exemptions that applied before 1 January 2022 may continue to claim the said exemption for any remaining period if they are not eligible to claim the exemption for employments commencing as from 1 January 2022. The 20% and 50% exemptions that applied before 1 January 2022 were available for a total period of 5 or 10 years respectively per individual.	



Schedule 3 – Practical Example

Mr. John Smith, a digital entrepreneur, relocated to Cyprus in January 2025 and established a Cyprus-resident private limited company, CypCo Ltd, of which he is the 100% beneficial owner. The company operates in the field of online content creation, servicing clients globally and generating an annual turnover of approximately €300,000. Mr. Smith was advised that instead of lending funds to his company, it would be more efficient to proceed with a contribution of capital, consisting of €200,000 in certain rights held and €300,000 in cash. This approach would also allow him to claim the Notional Interest Deduction (NID) on the income generated going forward.



Item Description:	Amount (€):	Calculations Reference:
Corporation Tax:	11,135	1. P&L Statement
Employer SIC & GHS:	10,915	3. 8.8% + 1.7% + 2% + 2.9%
Employee SIC & GHS:	7,982	3. 8.8% + 2.65%
Dividend Tax (GHS):	1,325	4. Dividend Contributions
Personal Income Tax:	2,705	3. Progressive Tax Rates
Total:	34,062	<i>Please refer to the next page</i>

Resulting Total Effective Tax Leakage Rate: **11.35%**



1. Corporate Tax Computations (Based on Simplified Profit & Loss)

Item	Amount (€)
Revenue	300,000
Less: Administrative Expenses	(50,000)
Less: Sundry Expenses	(20,000)
Less: Salary to Mr. Smith	(80,000)
Less: Employer SIC & GHS*	(10,915)
Less: NID (See Below) **	(50,000)
Accounting Profit Before Tax	89,085

Employee SIC & GHS deducted from this

This cost is over and above gross remuneration

NID: $500,000 * 10\% (5\% + 5\%) = 50,000$

Corporation Tax: €11,135 ($89,085 * 12.5\%$)

2. Notional Interest Deduction (NID)

- Mr. Smith made a capital contribution, and said capital is used in the business for the production of taxable income, so CypCo qualifies for NID.
- NID cannot create a tax loss and is capped at 80% of taxable profits before NID. No Cap is applicable in the present case, so additional capital can be contributed.

3. Mr. John Smith - Personal Income Tax Computation and Contributions

Type	Amount (€)	Calculations & Notes
Salary	80,000	Assumption
50% Exemption	(40,000)	'First Employment' Exemption
SIC & GHS:	(7,982)	SIC @ 8.8% + GHS @ 2.65%
Taxable:	32,018	
Tax Due:	2,705	$€1,700 + (€4,018 * 25\%)$

4. Mr. John Smith – Dividend contributions

As a non-domiciled individual, Mr. Smith will only be subject to GHS on any dividend income received from CypCo, up to the cap of €180,000 (not yet reached).



OUR FIRM

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Our Firm provides to our clients' businesses full legal, tax and accounting support on a daily basis, as well as offering tailored solutions to today's global economic and legal challenges, always compatible with the latest global developments and innovations.

We actively participate in the operations of our clients, and our vision is to become part of their story under the motto **"...Being part of your story is our pride..."**

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