



Gramaro Accounting Services Ltd

Member of Andreas Sofocleous Group of Companies

General information on tax matters for individuals in Cyprus

February 2017

Tax Residency

An individual is Tax resident in the Republic if he/she stays in Cyprus for a period or periods exceeding an aggregate 183 days in the year of assessment.

In the case of a person who is tax resident in Cyprus, tax is levied on all income accruing or arising from sources both within and outside Cyprus. In the case of a person who is not tax resident in Cyprus, tax is levied on the income accruing or arising from sources in Cyprus only.

Any tax suffered abroad on income subject to income tax in Cyprus will be credited against any Cyprus income tax payable on such income irrespective of the existence of a tax treaty.

Tax Rates –Individuals

Income Tax %	Tax Base <i>Gross Salary (EURO)</i>
0	Up to 19,500
20%	19.501-28.000
25%	28.001-36.300
30%	36.301-60.000
35%	60.000 and over

Social Insurance Contribution rates

	Employee	Employer
Social Insurance	7.8%	7.8%
Social Cohesion Fund		2%
Redundancy Fund		1.2%
Human Resource Development Authority Fund		0.5%
Self-employed individuals	14.60%	

The minimum monthly Salary upon recruitment is €870,00 Gross, and after a six-month period of employment at the same employer, is €924,00 Gross.

Limassol Office

Proteas House ,155 Makariou III Avenue
Limassol 3026 ,Cyprus
P.O. Box: 58159 Limassol 3731

Phone:+357 25 849000
Fax: +357 25 849100
E-mail: info@sofocleous.com.cy
Website: www.sofocleous.com.cy

Kiev Office

36-D Saksagavskgov Str.
Office2 ,Kiev 01033
Ukraine

Tel: +380-444902003/4/5
Fax: +380-444902006
Email: kiev@sofocleous.com.cy



Income Tax exemption for new individual taxpayers

Individuals taking up residency and employment in Cyprus are eligible to claim one of the following tax exemptions regarding Income Tax:

- (1) 20% of their annual employment income earned in Cyprus, up to a maximum of €8,550 for the first five years of residence (applicable for tax years up to 2020);
- (2) 50% of their annual employment income earned in Cyprus for the first ten years of residence, provided that the individual earns more than €100,000 per annum.

Regarding employments that started on or after 1 January 2015, there are additional requirements in order to be eligible for the 50% tax exemption:

- (1) The employee should not have been a Cyprus tax resident for a period of three out of five years prior to the commencement of their employment in Cyprus, and
- (2) The employee should not have been a Cyprus tax resident in the tax year preceding the year in which the employment began.

The 50% tax exemption will be available in respect of any tax year in which the taxpayer's annual employment income exceeds €100,000, regardless of whether the income falls below that amount in any year. This provision shall apply provided that when the employment started the income exceeded €100,000 and the Tax Authorities are satisfied that the variations in the annual income of the employee are not intended for the purpose of obtaining this tax benefit.

Introduction of non-domiciled regime

The Special Defence Contribution (SDC) Law is amended so that an individual will be subject to SDC only if he or she is a Tax Resident and domiciled in Cyprus.

Following the introduction of the "non-domicile" rule, Cyprus Tax Residents who are not domiciled in Cyprus will effectively not be subject to SDC in Cyprus on any dividends, interest and rental income earned.

An individual is considered to be domiciled in Cyprus if he or she has a domicile of origin unless an individual has:

- Obtained and maintained domicile of choice outside Cyprus, given that such an individual has not been a Tax Resident of Cyprus for a period of 20 consecutive years preceding the tax year, or
- Not been a Tax Resident of Cyprus for a period of 20 consecutive years prior to the introduction of the law.

An individual who has been a Tax Resident of Cyprus for at least 17 years out of the last 20 years preceding the tax year will be considered to be domiciled in Cyprus.