



- Individuals are taxed in Cyprus solely based on their residency status, which falls into two main categories, permanent residents and non residents.
 - **Permanent residents** – An individual who spends at least 183 days in Cyprus in the tax year will be considered to be a Cyprus resident for tax purposes. These consist of foreign private individuals:
 - Retired, settled permanently.
 - Reside indefinitely or for a fixed period of time in Cyprus as employees of either their own companies or of other.
 - Those wishing to take advantage of the tax and other fiscal advantages offered when having a Cyprus tax residency.





- Individuals are taxed on the following types of income:
 - Profits from a business activity in Cyprus, including rent, etc. from property. Profits earned from a permanent establishment abroad, are fully exempt from corporation tax.
 - Worldwide employment income.
 - Pensions in respect of past employment exercised in Cyprus.
 - Pensions exercised outside Cyprus will be taxed either at normal income tax rates as shown below, or at the option of the taxpayer, at the flat rate of 5% on the excess of €3,400.

Up to €19,500	Nil
From €19,501 to €28,000	20%
From €28,001 to €36,300	25%
Above €36,301	30%



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□ Deductions and allowances

The following can be deducted in calculating the tax liability:

- There will be a deduction of 20% for the first 3 years in Cyprus, limited to CYP 5,000 per annum.
- Life assurance premiums.
- Contributions to state social security and welfare fund and pension funds.

□ Expatriate Tax and Social Security Contributions

Expatriate employees are taxed as follows:

- Individuals who perform all their employment duties abroad will not be taxed on their earnings.
- Those who are present for 183 days or more in Cyprus in the tax year will be taxed on their worldwide earnings.



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- **Expatriate Tax and Social Security Contributions (...continued)**
 - Those who are present for less than 183 days in Cyprus in the tax year will be taxed on their earnings attributed to their days work in Cyprus.
 - Non EU citizens who originate from countries where a social security agreement has not been signed between their country and Cyprus, will be liable to social security contributions.
- Contributions are Currently Payable by Both Employer and Employees, at a ratio of 6:3.
- Individuals are not taxed in Cyprus on interest or dividends received from sources either within Cyprus or from abroad, except for Defense Fund Contribution.



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□ Gains from Disposal of Securities

- Any gains made from the disposal of securities are not subject to taxation in Cyprus. The exemption applies for all gains, including those that arise from trading in securities.



Old window, Lempa, Paphos



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□ Double Tax Treaties (DTT)

- Individuals or companies who choose to reside in Cyprus may also enjoy, under certain circumstances, the benefits of the DTT of their country of origin with Cyprus, if there is one in place. The main objective of the DTT is to avoid the double taxation of income earned in any of the two contracting countries.
- Cyprus has signed 40 such treaties, in effect regulating tax regulations with over 50 countries. For example, UK citizens may receive their pensions and investment income in Cyprus free of UK withholding tax. This Treaty is unique to Cyprus, since it includes both public and private sector pensions.
- Insurance pensions can be paid to retirees in Cyprus on a similar tax-free basis, and are index-linked by virtue of the Reciprocal Agreement, compared to their "frozen" status in other overseas destinations.



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■ Cyprus signed double tax treaties with:

- Armenia
- Austria
- Belarus
- Belgium
- Bulgaria
- Canada
- China
- CIS (ex-USSR)
- Czech Republic
- Denmark
- Egypt
- Finland
- France
- Germany
- Greece
- Hungary
- India
- Iran
- Ireland
- Indonesia
- Italy
- Japan
- Kuwait
- Lebanon
- Malta
- Mauritius
- Moldova
- Montenegro
- Norway
- Poland
- Qatar
- Romania
- Russia
- Serbia
- Seychelles
- Singapore
- Slovakia
- South Africa
- Sweden
- Syria
- Thailand
- Ukraine
- United Kingdom
- United States



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- **Non residents** – Entities that,
 - Are either holiday makers who purchase properties in Cyprus as holiday homes or for possible permanent living upon retirement, or for the sale thereof with a reasonable profit at a later stage.
 - Are business investors and companies that acquire property in Cyprus for tourist or industrial purposes.
- Individuals are taxed in Cyprus on the following types of income:
 - Employment income for work performed in Cyprus.
 - Profits from a business activity, which is carried out through a permanent establishment in Cyprus.
 - Pensions in respect of employment exercised in Cyprus, except for pensions paid from a fund established by the Cypriot Government or any local authority.



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□ VAT

- In most cases, VAT is 15%.
 - There are reduced rates of VAT of 5% and 8% that refer mainly to food and agricultural products, books, newspapers, rural transportation, etc.
- VAT is charged on assets and services in Cyprus as well as on imports of Cyprus.
- Exports are not subject to VAT.

□ VAT on Immovable Property

- For those buildings for which an application for a town planning permit was submitted prior to the 01.05.2004, no VAT is charged in the event of a sale. For those after the above date, a VAT of 15% is charged (no VAT is charged on land/building plots for purchases prior to 01.01.2008)





□ VAT on Immovable Property (...continued)

- In case of a house purchase which is classed as the main/permanent resident of the purchaser, and provided that it is not larger than 250 m², the VAT is refunded up to 10% (out of the 15%).
- The applicant will be required to declare that he/she has no other house as such (permanent), whereas foreign purchasers must live in the house at least 183 days p.a.
- VAT is paid only once.
- In case that property is bought in order to be sold but is not used by the buyer but e.g. rented, no VAT paid. When this particular property is sold then VAT must be charged by the original buyer to the new buyer and paid to the authorities.



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□ VAT on Immovable Property (...continued)

- If a person claims and receives a refund, he/she must then reside in it for a period of 10 years. If he/she leaves the property, e.g. he/she decides to sell the property on the 8th year, he/she must refund the VAT refund in proportion to the period outstanding out of the ten years, i.e. in this case the 2/10. If he lives in the house for 10 years, he /she can acquire other property with the same VAT rights.
- Refund is only given to residents.
- For commercial and or industrial use developed for own use, no VAT is charged.
- Rents are not charged with VAT (but licenses are).



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