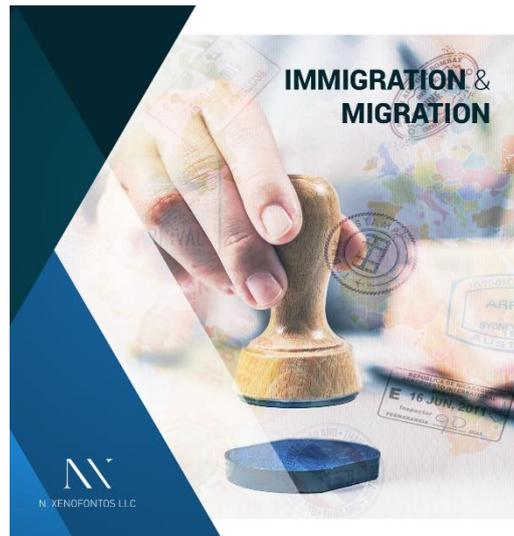




N. XENOFONTOS LLC

The Ultimate Guide for Relocating to Cyprus



Introduction

Emigrating to a new country is not an easy decision. There are many things to consider making sure you end up with the right decision. While considering a move to Cyprus – permanent or temporary – it is important to understand how this can be done.

This guide will give you the basic information that you need to know and will take you through all processes and make your relocation to Cyprus as smooth as possible.

Immigrating to and receiving citizenship in Cyprus

Depending on your existing citizenship and from where in the world you are moving to Cyprus, there will be different rules and regulations to consider. The key aspect is whether you currently have a citizenship in a country within EU, the EEA zone or Switzerland.

Emigrating to Cyprus when you already hold a citizenship in an EU member state is a lot simpler than if you are from anywhere else in the world.

Citizens from EU and EEA countries

These countries are either EU member states or EEA member states. If you live in one of these countries, you are free to move to Cyprus.

Cyprus is a full member of EU. If you are a citizen in another member state of the European Union or the European Economic Area (EEA) or Switzerland, you are free to move to Cyprus. You will also enjoy the same rights as Cypriot citizens. This includes engaging in economic activities such working and engaging in business.

If you will spend more than three months in Cyprus, you need to apply for a *Registration Certificate for EU Nationals*. This is also commonly referred to as a “*yellow slip*” and you must submit your application for the yellow slip within three months of entering Cyprus. The same is required by any family members, who are moving to Cyprus with you.

A. Pros of living in Cyprus

There are pros (and cons) about living in any country and it is the same about Cyprus. It is also to a large extent a personal perspective based on your own expectations and plans for life.

Here are some of the key pros about living in Cyprus:

✓ **Low crime – It is safe**

Cyprus has a very low crime rate and you will generally always feel safe.

✓ **The weather**

The weather is very stable in Cyprus and the summers always seem to last forever.

✓ **The tax system**

The taxation in Cyprus is low compared to most countries and there is a high threshold before you start paying income tax.

✓ **Pace of life**

The pace of life in Cyprus is exactly how you want it to be and that flexibility is a big positive. If you prefer it slow, go with the flow or if you like a more fast paced style of life – no matter whether that is partying, professional or outdoors – there is nothing stopping you.

✓ **Almost everyone speaks English**

If you don't speak Greek, it is a big advantage that most people speak English. Almost everywhere you go, you will be able to easily get by with English.

✓ **The beaches**

The beaches in Cyprus almost deserves a section of their own. They are consistently voted amongst the best beaches in Europe.

B. TAXATION IN GENERAL

The Cyprus tax system imposes taxes only to tax residents of Cyprus or persons who have income from sources in Cyprus.

I. Tax Residents in Cyprus:

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

a. Any individual who resides in Cyprus for one or more periods which exceed in total 183 days in the financial year, or

b. Any individual who stays in Cyprus for at least 60 days in the year of assessment, provided that:

- He/she is not tax resident in another country (i.e. does not spend more than 183 days in any other jurisdiction)
- He /she maintains a permanent residence in Cyprus which can be owned or rented
- He/she 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.

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 in Cyprus **and** abroad.

A person who is a tax resident of Cyprus, but his/her place of domicile is outside Cyprus can enjoy significant tax benefits as analysed in section D below.

A tax resident of Cyprus may be subject to the following type of taxes or deductions on income:

- 1) Income Tax
- 2) Special Defence Tax
- 3) Social Insurance Contributions
- 4) Contributions to the General Healthcare System
- 5) Capital Gains Tax

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.

III. **INCOME TAX**

Income tax is imposed on the chargeable income. Chargeable income includes the following types of income:

- 1) Employment Income
- 2) Benefits in Kind
- 3) Business Income (as a sole trader)
- 4) Royalty Income from Intellectual Property
- 5) Active Interest Income
- 6) Pension and Annuities
- 7) Rental Income from Property
- 8) Trading Goodwill

There are some types of income which are exempted from taxation. If you need more information, please let us know.

Tax credit relief is granted 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 Taxation Treatment of 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.

IV. SPECIAL DEFENCE CONTRIBUTION TAX (SDCT)

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 Law, in 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.
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 throughout the 20 years period preceding the year of assessment is considered as “Domiciled in Cyprus” for SDCT purposes and will therefore be subject to the relevant taxation if and when this condition will be met. In other words, the benefits granted to Resident but Non-Domiciled individuals can only be enjoyed for 17 years.

I. Cyprus “domiciled” tax resident individuals:

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

1. Dividends 17%;
2. Passive interest 30%;
3. Trading Interest – Nil (this type of interest is subject to income tax at the above indicated rates mentioned in section C.);

4. Rental income 3% on the 75% of the total rental income;

Tax credit relief is granted 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 Special Defence Tax. Therefore, dividend, passive interest and rental income received, is exempt from such taxation.

Our services and how we can assist

- Preparation, completion and submission of Permanent Residency or Citizenship application and relevant supporting documentation
- Introduction of real estate agents in Cyprus
- Registration with the Civil Registry and Migration Department
- Registration with the Tax Department as a resident but non domicile individual
- Obtaining tax residency certificate
- Opening of bank accounts in Cyprus
- Assistance to tax and legal related matters

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