ONE STEP IMMIGRATION
Your Future is our Commitment

THE "NON-DOM" PRINCIPLE IN THE CYPRUS TAXATION SYSTEM

INTRODUCTION

The main aim of introducing of Non -domiciled concept is to constitute Cyprus as a prime choice of destination for persons wishing to move their personal tax residency. This concept offers significant tax advantages and already enjoys great interest and dynamic.

WHAT DOES THIS MEAN

The Non – Dom tax residents, for 17 years, do not pay tax, in the form of Special Contribution for Defence SCD, imposed on dividends, bank deposit interest and rent.

Cyprus tax residents are liable to SCD tax at the rate of 17% on dividends, 30% on bank deposit interest and 3% on rental income. The Non-Dom tax amendment of the law distinguishes the Cyprus tax residents into those who are domiciled in Cyprus and those who are not. Non-Doms are henceforth exempted from SCD tax on the above three sources of income irrespective of whether such income is derived from sources within Cyprus or whether such income is brought and/or used in Cyprus.

DEFINITION OF NON-DOM

The term "domiciled in Cyprus" is defined by law as a person who has either his/her **domicile of origin** (given at birth) in Cyprus or **domicile of choice (**establishing a home with the intention to reside in Cyprus permanently or indefinitely). It is noted that the determination of domicile is a distinct concept from citizenship or residence.

For the purposes of SCD, the following are exempted from the above definition (i.e. labelled Non-Doms):

a) An individual who has obtained and maintained a domicile of choice outside Cyprus, provided that this person was not a Cyprus tax resident for any period of at least 20 consecutive years preceding the tax year in question; or

b) An individual who has not been a tax resident of Cyprus for a period of 20 consecutive years prior to the introduction of the law (i.e. prior to 16 July 2015), provided the qualified individual has not been a Cyprus tax resident for 17 years out of the last 20 years prior to the tax year in question.

APPLICABILITY- TAX RESIDENCY REQUIREMENTS

- **183 Day Rule**

  The ‘183 day rule’, i.e. an individual is deemed a Cyprus tax resident if he/she spends at least 183 days in the tax year in Cyprus

  Or

- **60 Day Rule**

  In July 2017, the Income Tax Law was amended by adding a second tax residency test- the ‘60 day rule’. Under the ‘60 day rule’, an individual is now considered as a tax resident of Cyprus if, in the relevant tax year, he/she:

  a) remains in Cyprus for at least 60 days in the year of assessment; and

  b) is engaged in any business in Cyprus and/or is employed in Cyprus and/or holds an office (director) under a Cyprus tax resident company at any time during the year of assessment, provided that such is not terminated during the tax year; and

  c) maintains a permanent residence in Cyprus (whether owned or rented).

  The ‘60 day rule’ allows an individual who in the relevant tax year (i) does not remain in any other country for more than 183 days in total, and (ii) who is not a tax resident in any other country, to be considered as a tax resident of Cyprus.

OTHER CYPRUS TAX ADVANTAGES FOR INDIVIDUALS

- On Inheritance tax, no wealth tax, no gift tax for family members
- Profit from sale of shares and other qualifying titles are exempt from Cyprus Tax
- No capital gains tax for sale of property outside Cyprus
- Tax motives for employees who relocate to Cyprus earning more than €100.000

WHAT ONESTEP CAN DO

We can advise on clients on the practical issues of obtaining the Non – Dom as well as how to utilise this in the best possible way in a combination with either the Cyprus nationality or the Cyprus Permanent Residency.

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