Cyprus Non-Domiciled Regime

Presents Attractive Non-Domiciled Status

An individual who obtains a tax residency status in Cyprus is eligible to 100% tax exemptions on any dividend, interest and rental income.

The Cyprus House of Representatives voted on numerous important changes concerning the tax legislation, enhancing the Cyprus tax system's attractiveness even more. One of the most important amendments the House of Representatives voted for was the implementation of a non-domiciled resident concept.

Cyprus has introduced a mechanism allowing certain eligible individuals to extend their non-dom status beyond the existing 17-year period. Effective from 01.01.2026 the extension may be granted for up to two additional five-year periods, increasing the potential duration of non-dom benefits to a maximum of 27 years.

Individuals electing to extend their non-dom status as per the provisions of this regime, will be required to pay an upfront lump sum of €250.000, for each five-year period. It is important to note that this election is irrevocable and under no circumstances, will the Tax Department refund the €250.000 lump-sum payment.

Up until recently, a Cyprus tax resident was subject to income tax as well as tax on other forms of income. This tax was known as the Special Contribution for Defence (SDC). The SDC rates were the following:

DOMICILED TAX RESIDENT INDIVIDUAL		
Type of Income	**Special Defence Contribution up to 31.12.2025**	**Special Defence Contribution from 01.01.2026**
Dividends	Taxable – 17% (for the profits arising up year 2025)	Taxable - 5% (for the profits arising from 01.01.2026 and onwards)
Interest	Taxable – Reduced from 30% to 17% (as of July 2024 amendment)	No change
Rental Income	Taxable – 3% on 75% of gross income (2.25%) up to 31.12.2025.	Exempt

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With the introduction of "non-domicile" rules, an individual who is a Cyprus tax resident and is not domiciled in Cyprus will effectively not be subject to SDC in Cyprus on any dividends interest and rent income regardless of whether such income is derived from sources within Cyprus and regardless of whether such income is remitted to a bank account in Cyprus. It should be noted that no other tax is imposed on individuals under any other tax Law in Cyprus in respect to such income.

The term "domiciled in Cyprus" is defined under the Cyprus Will and Succession Law as an individual who has Cypriot domicile of origin, but it does not include:

(a) an individual who has obtained and maintained a domiciled of choice outside Cyprus, provided that such an individual has not been a tax resident in Cyprus for a period of 20 consecutive years preceding the tax year; **or**

(b) an individual who has not been a tax resident of Cyprus for a period of 20 consecutive years prior to the implementation of the law.

An individual who during at least 17 out of the last 20 years has been a tax resident of Cyprus (applies in the case of individuals both domiciled and non-domiciled in Cyprus) will be considered as domiciled in Cyprus and become liable to SDC as from the 18th year onwards.

In brief, an individual whose domicile of origin is in a country other than Cyprus and becomes tax resident of Cyprus, is eligible to 100% exemption from SDC tax, which means no tax on dividend, interest and rental income.

It is highlighted that the extension of the non-dom regime is available only to individuals who do not have a domicile of origin in Cyprus and are considered as deemed domiciled in Cyprus, in accordance with the provisions of Article 2(3) of the SDC Law.

On 29 May 2026, the Cyprus Tax Department for extension of the non-dom regime providing clarifications on the following key aspects:

1. The individuals eligible to apply for extension of the non-dom status.
2. The procedure to be followed for applying for extension of the non-dom status.
3. Practical considerations regarding the payment of the required lump-sum amount.
4. The application form to be completed by individuals.

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It is anticipated that the introduction of the non-domicile regulations will further enhance corporate executives as well as High-Net-Individuals to relocate and establish their residence in Cyprus.

The *above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained.*