CYPRUS: INDIVIDUAL TAX RESIDENT

An individual may be considered a Cyprus tax resident under either the 183-Day Rule or the 60-Day Rule.

The 183 days Rule:

Individuals are considered tax resident in Cyprus if they physically reside in Cyprus for a period or periods exceeding in aggregate 183 days in the year of assessment (1 January – 31 December).

The 60 days Rule:

As of 1st January 2017, the above tax residency rules have been amended to also provide that, an individual who does not stay in any other country, for one or more periods exceeding in aggregate 183 days in the year of assessment, is deemed as a resident in Cyprus in that tax year, if all of the following conditions are met :

- The individual does not spend more than 183 days in total in any other country during the tax year.
- Individuals are not considered tax resident by any other state (this condition no longer applies as from 1 January 2026),
- The individual spends at least 60 days in Cyprus during the tax year.
- The individual owns or rents a permanent residence in Cyprus during the relevant year.
- The individual carries out business activities in Cyprus, is employed in Cyprus, and/or holds an office in a Cyprus tax resident company during the year.

Tax residency in Cyprus is calculated as follows:

- The day of departure from Cyprus is considered one day outside Cyprus;
- The day of arrival in Cyprus is considered one day in Cyprus;
- Arrival in Cyprus and departure from Cyprus within the same day is considered one day in Cyprus; and
- Departure from Cyprus and return to Cyprus within the same day is considered one day outside Cyprus.

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Cyprus tax resident individuals are taxed on their worldwide income, subject to allowing a tax credit for any tax suffered in a foreign location on foreign income.

Individuals who are not tax residents of Cyprus are generally subject to Cyprus income tax only on income arising from sources within Cyprus.

Cyprus tax applies some exemptions on the income tax for physical persons thus making the country an attractive destination for professionals and entrepreneurs willing to operate from Cyprus.

1. Cyprus tax resident individuals are liable to income tax on their worldwide income, subject to any available exemptions, deductions, and foreign tax credits in accordance with Cyprus tax legislation and applicable double tax treaties.

   The first €19,500 of chargeable income is exempt from income tax up to 31 December 2025.

   The following personal income tax (PIT) rates and bands apply to individuals up to 31 December 2025:

Chargeable Income (€)	**Tax Rates (%)**
0 - 19,500	0
19,500 – 28,000	20
28,001 – 36,300	25
36,300 – 60,000	30
Over 60,000	35

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As from 1 January 2026, the first €22,000 of chargeable income is exempt from income tax.

The following personal income tax (PIT) rates and bands apply from 1 January 2026:

Chargeable Income (€)	**Tax Rates (%)**
0 - 22,000	0
22,000 – 32,000	20
32,001 – 42,000	25
42,000 – 72,000	30
Over 72,000	35

Tax Return Filing Requirement from 2026

As from the 2026 tax year, every individual who is a tax resident of Cyprus and who has attained the age of 25 but has not attained the age of 71 by 31 December of the relevant tax year will be required to submit an annual income tax return, irrespective of the amount of income earned, unless the relevant legislation is amended or repealed by the House of Representatives.

2. **Dividend income is exempt from personal tax in Cyprus**

3. **Interest income is exempt from personal tax in Cyprus.**

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4. **Profit from the sale of securities is exempt from personal tax in Cyprus.**

- Securities are defined as:

  Ordinary shares, founder shares, preference shares, options on shares, debentures, bonds, short position on titles to include futures, forwards, swaps and participation in companies.

5. **The 50% Exemption Rule (Article 8(23)):**

   Individuals who take up employment in Cyprus with an annual income in excess of €100.000 will be eligible for an exemption from taxation of 50% of their emoluments for a period of 10 years, commencing from the year of employment. Also, there is no restriction to the amount of deduction granted.

   The exemption is given to an employee who was not Cyprus tax resident for any three out of the last five tax years prior to commencement of employment in Cyprus and at the same time was not Cyprus tax resident in the previous tax year.

6. **New 50% Exemption Rule (Article 8(23A)) – Effective from 1 January 2022**

   With effect from 1 January 2022, eligible individuals may claim an exemption equal to 50% of their employment income for a period of up to 17 years.

   The exemption applies to individuals whose annual remuneration from employment in Cyprus exceeds €55,000 and who were not tax residents of Cyprus for at least 15 consecutive years immediately prior to the commencement of their first employment in Cyprus. Periods of short-term employment not exceeding 120 days in any tax year are disregarded for the purposes of determining eligibility.

   Where an individual's annual remuneration falls below €55,000 during the first or second year of employment, the exemption may nevertheless be granted, provided that the average annual remuneration for those two years exceeds €55,000. In such cases, the exemption may be applied retrospectively.

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An individual who qualifies for the exemption may change employers during the exemption period without losing entitlement to the benefit, provided that all other qualifying conditions continue to be satisfied.

Transitional Provisions (Pre-2022 Regime)

Individuals whose employment in Cyprus commenced between 1 January 2016 and 26 July 2022, and whose annual remuneration exceeds €100,000, may continue to benefit under the previous 50% exemption regime.

The exemption applies for a period of up to 10 years from the commencement of employment and is available provided that:

The individual was not a Cyprus tax resident for at least 10 consecutive years prior to employment commencement; and
The individual was not a Cyprus tax resident for at least 3 out of the 5 tax years immediately preceding employment in Cyprus.

Under the transitional regime, the exemption applies to 50% of employment income with no monetary cap.

7. **The 20% exemption rule (Article 8(21) - Applicable for employments commencing up to 25 July 2022)**

Individuals who take up employment in Cyprus with an annual income in below of €100.000 will be eligible for an exemption from taxation of 20% of their emoluments or €8,550 (whichever is lower) for a period of 5 years, commencing from 1st January of the year following the year of commencement of such employment. Also, it is applied up to and including the last year of 5 years.

The exemption is given to an employee who was not Cyprus tax resident before the commencement of employment in the Republic.

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8. **The 20% Exemption Rule (New Article 8(21A) – Effective from 26 July 2022)**

A 20% exemption from income tax applies to individuals starting their first employment in Cyprus after 26 July 2022, up to a maximum of €8,550 per annum, for 7 consecutive tax years (starting from the year following the year of commencement of first employment) or until the termination of the first employment, whichever occurs earlier. No minimum salary required.

A person who, for 3 consecutive years immediately before the commencement of his first employment in the Republic was employed outside the Republic by an employer who is not a resident of the Republic. No prior salaried work in Cyprus (except for <120 days per year).

Both of the above exemptions are granted regardless of whether the person after starting his employment in the Republic becomes a tax resident of the Republic or remains a non-tax resident.

Cannot be combined with other income tax exemptions (Articles 8(21), 8(23), 8(23A)).

9. **The 90-day rule exemption:**

The remuneration from the rendering outside Cyprus of salaried services for an aggregate period in the year of assessment of more than 90 days to an employer not resident in Cyprus or to a permanent establishment outside the Republic of an employer in the Republic shall be exempt from tax.

10. **Foreign-Source Pensions**

A Cyprus tax resident individual receiving a foreign-source pension may elect, on an annual basis, one of the following taxation methods:

Option 1: The pension income is taxed under the normal personal income tax rates applicable in Cyprus.

Option 2: The pension income is taxed under a special regime, whereby the first EUR 3,420 per annum is exempt from tax and any excess amount is subject to tax at a flat rate of 5%.

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11. Widow(er)'s Pension

Cyprus tax resident individual receiving a widow's or widower's pension may elect, on an annual basis, one of the following taxation methods:

Option 1: The pension income is taxed under the normal personal income tax rates applicable in Cyprus.

Option 2: The pension income is taxed under a special regime, whereby the first EUR 19,500 per annum (up to 31 December 2025) or EUR 22,000 per annum (from 1 January 2026) is exempt from tax and any excess amount is subject to tax at a flat rate of 20%.

12. Any lump-sum amount received by an individual as compensation for death or personal injury is fully exempt from Cyprus Personal Income Tax (PIT).

13. Capital sums received by individuals from Cyprus or European Union approved funds, including provident and pension funds, as well as lump-sum amounts arising from the commutation of a pension, are fully exempt from Cyprus Personal Income Tax (PIT).

14. Additional Taxable Income and Benefits

As from 1 January 2026, the following income and benefits are also treated as taxable income:

- **Partial surrender of life insurance policies**

Part of the amount received from the partial surrender of a life insurance policy is taxable as follows:

(a) Where a partial surrender is made within four years from the commencement of the policy, 50% of the amount received is added to the individual's taxable income in the year of the surrender and taxed accordingly.

(b) Where a partial surrender is made after four years from the commencement of the policy, 50% of the amount by which the surrender proceeds exceed the cash surrender value as at 31 December of the fourth year preceding the year of the partial surrender is added to the individual's taxable income and taxed

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accordingly. The cash surrender value is reduced by the amount by which partial surrenders made during the preceding three years exceed the premiums paid during the same period.

- **Retirement and termination-related payments**

The following payments are subject to income tax at a flat rate of 20% on amounts exceeding EUR 200,000:

(a) Ex gratia payments made in connection with retirement (including early retirement) or the termination of employment or office (including early termination);

(b) Benefits granted under an early retirement scheme; and

(c) Compensation for the termination of employment or office where such compensation is not expressly provided for under the individual's terms of employment, whether arising from an employment contract, regulations, or otherwise.

Such payments are not deductible for tax purposes by the employer.

- **Employee share-based benefits**

Benefits derived by employees and/or company directors through share option rights or rights to acquire shares are subject to tax at a flat rate of 8%, provided that the relevant statutory conditions are satisfied.

- **Cryptocurrency gains**

Gains arising from cryptocurrency transactions are subject to tax at a flat rate of 8%. This special tax treatment does not apply to gains derived from crypto-assets acquired through mining activities.

- **Deemed benefit on non-trading financing**

The 9% benefit-in-kind charge applicable to non-trading financing arrangements extends to indirect individual shareholders, in addition to direct individual shareholders and company directors.

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15. Other deductions

As from 1 January 2026, the following additional deductions are available if you are Cyprus tax resident:

- Premiums paid under an insurance policy covering a primary residence against natural disasters are deductible in full, subject to a maximum deduction of EUR 500 per spouse, partner, or single individual.

- Donations or contributions made to approved cultural institutions are deductible in full, subject to a maximum deduction of EUR 50,000.

- Additional tax deductions are available to families whose annual family income does not exceed:
  - EUR 100,000 where there are no children or up to two children;
  - EUR 150,000 where there are three or four children; or
  - EUR 200,000 where there are five or more children.

  For a single individual (i.e. a person living without a spouse or children), annual income must not exceed EUR 40,000 in order to qualify for the deductions relating to interest or rental expenses and capital expenditure.

- A child-related tax deduction is granted to each parent as follows:
  - EUR 1,000 for the first child;
  - EUR 1,250 for the second child; and
  - EUR 1,500 for the third and each subsequent child.

For single-parent families, as well as in cases where one parent has sole custody of the child(ren), the above child-related deduction is doubled.

- A deduction of up to EUR 2,000 per spouse, partner, or single individual is available in respect of interest expenses or rental expenses incurred for a primary residence.

- A deduction of up to EUR 1,000 per spouse, partner, or single individual is available for capital expenditure incurred to improve the energy efficiency of a primary residence and for expenditure relating to electric vehicles.

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16. Rental income from preserved buildings is exempt from income tax and granted a deduction for expenditure incurred for the maintenance of a preserved building.

17. No inheritance and gift taxes

18. Capital gains from the sale of immovable property situated outside Cyprus is exempt from personal tax

19. An individual can become Cyprus tax resident and obtain a Cyprus Tax Identification number (TIN) within a short period of time;

Example (The below incomes earned in 2026):

Sources of Income	Amount	Taxes and contribution	Comments
Employment income	€144,000	€13,500	Applies 50% Exemption Rule
Dividend income	€50,000	NIL	100% exemption
Interest income	€20,000	NIL	100% exemption
Salaries under 90 days rule	€50,000	NIL	100% exemption
Gains from disposal of shares	€10,000	NIL	100% exemption
Foreign sourced pension	€10,000	€329	Select 2nd method First €3,420 tax free and any balance 5% flat rate
Widow pension	€15,000	NIL	Select 2nd method First 22,000 tax free and any balance 20% flat rate
Capital gain on sale of overseas real estate	€100,000	NIL	100% exemption
Total	€399,000	€13,829	

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SPECIAL DEFENCE CONTRIBUTION:

Special Defence Contribution (SDC) is a local tax that applies on specific actual and deemed incomes arising from passive sources (interest, dividends and rents)

As from the 16th July 2015, the definition of "domiciliation" has been introduced to Cyprus tax resident physical person as a result SDC applies to individuals that are both tax resident and domiciled in Cyprus.

An individual's domicile is that of his/ her father's domicile (at birth) or that of his/her choice. Therefore, an individual born to a non-Cypriot domiciled father is considered to be non-domiciled in Cyprus. However, a non-domiciled individual may be deemed as domiciled in Cyprus if he/ she has been a Cypriot tax resident for at least 17 out of the last 20 years prior to the relevant tax year. An individual born to a Cypriot domiciled father may also qualify as non-domiciled in Cyprus subject to certain conditions.

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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Notes:

- For the dividends any profits earned before December 31, 2025, are subject to the old 17% SDC if distributed by December 31, 2031.
- The Deemed dividend distribution provisions have been abolished on profits relating to years 2026 onwards.

NON-DOMICILED TAX RESIDENT INDIVIDUAL	
Type of Income	**Special Defence Contribution**
Dividends	Exempt
Interest	Exempt
Rental Income	Exempt

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

For professional assistance please contact us at solutions@oxfordcy.com .