

New Cyprus 60-day tax residency test for individuals

In July 2017, Cyprus enacted new legislation, amending the income tax law and introducing a separate test for the purposes of determining Cyprus tax residency for individuals.

This enables individuals to be considered as tax residents of Cyprus if they reside on the island for at least 60 days per year, provided that some further cumulative conditions are met. This law is effective as from 1 January 2017 and shall be applicable on the current tax year (2017).

Therefore, an individual now has the option to be considered as a Cyprus tax resident if he/she satisfies either the current “183 day rule” or the new “60 day rule” for the tax year.

The “60 day rule” applies to individuals who in the relevant tax year do not reside in any other single state for a period exceeding 183 days in aggregate and are not tax resident in any other state, provided that such individuals:

- i. reside in Cyprus for at least 60 days;
- ii. carry out any business in Cyprus and/or be employed in Cyprus and/or hold an office (director) of a company which is tax resident in Cyprus at any time in the tax year, provided that such is not terminated during the tax year; and
- iii. maintain a permanent residential property in Cyprus, which must be either owned or rented.

The favourable tax rules in relation to non-domiciled Cyprus tax residents (“non-doms”), shall also apply to non-doms who are tax residents under the new “60 day rule”. It is important to note that non-doms are granted exemptions for income tax or defense tax on dividends and interest received either in Cyprus or abroad. Individuals who are not considered as Cyprus tax residents under the current “183 day rule” and may satisfy the new “60-day rule” should now assess whether they satisfy the requirements, which once effective, will apply as from the current tax year.

All impacted individuals need to take the appropriate steps which include, inter alia, registering with Cyprus tax authorities in order to confirm their tax position under the new amendment.

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