

## Cyprus Non-domicile provisions

On 16 July 2015 Cyprus, has enacted a law which provides the exemption from taxation of personal investment income (dividends, interest and rent) earned by non-Cyprus domiciled individuals. Prior to this amendment, Cyprus tax resident individuals earning the aforementioned types of income from Cyprus or foreign sources, were subject to Special Defence Contribution (SDC) tax, at the rate of 17% on dividends, 30% on interest and 3% on the 75% of rental income, irrespective of their domicile status.

That is, Cyprus non-domiciled tax residents, are now exempted from any tax on dividends and passive interest. Rental incomes, whether Cyprus or foreign sourced, are subject only to income tax, when received by Cyprus tax resident individuals who have non-dom status.

For Special Defence Contribution (SDC) Law an individual is considered to have his domicile in Cyprus if:

**(a)** He is an individual who has a domicile of origin in Cyprus, as defined in the Wills and Succession Law **except of:**

- an individual who has acquired and maintains a domicile of choice outside Cyprus, based on the provisions of the Wills and Succession Law, and such individual was not a tax resident of Cyprus per the Income Tax Law (ITL) for any period of at least 20 consecutive years prior to the tax year of assessment;

or

- an individual who was not a resident of Cyprus per the ITL for a period of at least 20 consecutive years immediately before these amending provisions enter into force.

or,

**(b)** irrespective of (a) above, an individual who is a resident of Cyprus per the ITL for a period of at least 17 years out of the last 20 years prior to the tax year of assessment.

It can be derived from the above, that an individual who has a domicile of origin outside Cyprus and was not a Cyprus tax resident per the Cyprus Income Tax Law (ITL), for any period of at least 20 consecutive years prior to the tax year that becomes a Cyprus tax resident, is considered as non-domiciled for the purpose of SDC Law and is eligible for the related exemptions.

According to ITL provisions, an individual is tax resident of Cyprus if he/she spends in Cyprus more than 183 days in any one calendar year.

Should you require any further information or clarifications regarding the above, please do not hesitate to contact us:

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