



# Cyprus: A place to relocate

A comprehensive guide  
for Immigration and Tax

May 2026

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# About Cyprus

## Location

With a strategic geographical location at the crossroads of three continents -Asia, Europe, and Africa, Cyprus is the third-largest island in the Mediterranean Sea and a natural gateway to the Middle East.

With a size that is large enough to be considered cosmopolitan, yet small enough to be regarded as an ideal place to raise a family, the island offers a unique balance.

Cyprus enjoys more than 300 days of sunshine each year, with mild winters and one of the highest numbers of Blue Flag beaches per coastline in the world.

A sovereign European country with a cultural heritage so rich that it is lost in the centuries, Cyprus is an island that patiently awaits exploration and rediscovery, offering an unparalleled quality of life that is second to none.

## Business

With more than 40 years of experience as an international business centre that is supported by an abundance of highly skilled professionals and complemented by a modern and investor friendly EU compliant tax system, a solid, impartial and credible legal system that is based on common law principles and a welcoming attitude towards expatriates, Cyprus is naturally the ideal hub for business and trade.

Two international airports (Larnaca, Paphos) with daily flights to all major destinations within and outside the EU and two multipurpose deep seaports (Limassol, Larnaca) connect the island to the rest of the world.

Even though the small and agile Cypriot economy has faced challenges as a result of the global pandemic and most recently the uncertainty as a result of geopolitical tensions, it is now on the path of steady and sustainable growth, evidenced by the recent positive upgrades to the Cypriot economy to investment grade by the international rating agencies (Moody's, S&P, Fitch).

Dynamic sectors of the economy such as energy, professional services, tourism, shipping, construction and real estate are enhancing this trend.

## Family

Cyprus has a multicultural population and enjoys a high standard of living and a very low crime rate. It is a great place to live in, embracing security and safety for the whole family.

Cyprus is home to many private schools offering a high level of education and their basic teaching language is English. There is also a number of reputable state institutions and private universities of higher education, which have secured endorsement of their diplomas by UK and USA educational establishments or cater for external degree programmes and professional examinations.

We, at KPMG in Cyprus, hope that through this brochure, readers will discover the endless opportunities and numerous benefits that Cyprus has to offer to families and businesses alike. We look forward to meeting you in person on your next visit to Cyprus.

# Why invest in Cyprus

## Positive economic outlook

- Robust GDP growth
- One of the fastest growing EU economies
- Consecutive upgrades by credit rating agencies
- Positive macroeconomic forecasts.

## Access to talent

- The youngest population and workforce in the EU
- 55% of the workforce has a tertiary degree
- Businesses in Cyprus operate in English and 73% of Cypriots speak English
- Booming private education sector with English taught programmes
- Visa-free access to European talent
- Easy access to global talent.

## Access to markets

- Full access to European markets
- Access to 40+ EU trade agreements
- A member of the Eurozone since 2008
- Geostrategic position
- Proximity and easy access to major markets.

## Excellent regulatory structure

- The legal system is closely aligned to the English common law legal system
- Frequently updated to meet investors' changing needs
- Strong protection for investment and Intellectual Property (IP)
- Establishing a business is simple and fast.

## Attractive tax regime

- One of the lowest corporate tax rates in the EU at 15%
- An attractive Double Tax Treaty network covering more than 60 countries
- Access to all EU Tax Directives
- Dividend income exemption based on relaxed conditions
- Capital gains tax exemption
- No withholding tax on outgoing dividend, interest or royalty payments
- Gains from trading in securities are tax exempt
- Notional interest deduction available for equity investment into Cypriot companies
- Foreign Exchange Gains or Losses are tax neutral
- An attractive personal tax regime for international professionals and non-domiciled individuals
- No succession or inheritance taxes

- No immovable property taxes
- A competitive Intellectual Property regime
- Tailor-made provisions for the investment funds industry
- Competitive Tonnage Tax for Shipping companies and an approved EU open registry
- Tax deductions for investment into startups.

## Strong business support services

- Wide range of services make starting and running a business easy
- 700+ registered accounting firms including all major global firms
- 2,700+ registered lawyers and 160 law firms
- A range of serviced offices and co-working spaces
- High availability of modern and affordable office space in all cities.

## Low cost of doing business

- Lower labour costs for technical and professional talents than in other major EU capitals
- Among the lowest office rental rates in Europe
- Highly affordable critical business support services
- Low administration cost.

## Quality of life

- One of the best climates worldwide
- Ranking upon the safest countries in the world
- Top 4 best retirement destination globally (Knight Frank 2016)
- Most Blue Flag beaches per capita in the EU (Eurostat)
- Increasing number of luxury resorts
- Good healthcare system.



# Main sectors of the Economy

## Tourism

- Record-breaking years in tourist arrivals
- Infrastructure revolution
- Numerous prestigious awards
- One of the best climates worldwide
- Most Blue Flags per capita in the EU
- Bathing water quality ranked “excellent”
- Casino resort project.

## Real Estate

- Increase in sale contracts and building permits
- Increase in properties sold to international investors
- Relocation of companies and need for offices & residential properties
- Hotel renovations/acquisitions
- Increasing construction activity
- Landmark residential and commercial projects.

## Shipping

- One of the largest maritime clusters worldwide
- Competitive EU-approved Tonnage Tax system
- European “Open Registry”
- Third largest merchant fleet in the EU and among the largest merchant fleets worldwide
- Advanced maritime infrastructure
- Autonomous Shipping Deputy Ministry to the President.

## Financial Services & Investment Funds

- Flexible structures: UCITS and AIFs
- Passporting to any EU member state
- Low set-up and operation costs
- High quality business support services
- Tax benefits for investors and fund managers
- Transparency and investor protection.

## Energy

- World-class natural gas discoveries
- Regional cooperation and synergies for gas exploitation and export
- Multi-billion infrastructure projects: EASTMED Pipeline and EuroAsia Interconnector
- Ideal regional base for serving the Eastern Mediterranean region - a rising fuel hub
- New opportunities and increased investments in renewable energy utilisation.

## ICT, Startups and Innovation

- Fastest growing sector in the country
- Strong ICT and innovation ecosystem
- Vast pool of quality intellectual capital
- Tax incentives for investment into innovative companies and startups
- Low costs of launching and running a business
- Startup Visa for third country nationals
- Strong protection for IP.



## Education

- High-quality institutions and distinguished academics
- Multidisciplinary offering of English-taught programmes
- Close cooperation with universities from the UK, Germany and the US
- State support and EU funding opportunities
- Advanced research and state of the art infrastructure
- Multicultural environment and a large international community.

## Filming

- Tax incentives
- 300+ days of sunshine
- A wide variety of scenery
- Harmonious blend of centuries of art and culture
- Short distances within the country
- Short distances from major neighbouring countries.

## Primary Sector

- Increase in exports
- New Governmental Strategic Plan for sector redesigning

# Immigration and Residence pathways to Cyprus

Cyprus, despite its small size, has emerged as a popular relocation destination in recent years, driven by factors such as its favorable climate, English being widely spoken, and tax incentives. Various residency options are available, catering to various needs, and circumstances as outlined below.

## A. Residency requirements for EU nationals and their family members

### 1. Registration of EU/EEA/Swiss citizens - MEU1 certificate

EU/EEA/Swiss citizens can reside and/or work in Cyprus without any restrictions, however, they are required to register with the Migration Department in Cyprus in order to obtain an MEU1 certificate (i.e. Registration certificate for EU/EEA/Swiss citizens).

The relevant registration should be completed within four months from the date of entry of the individual into Cyprus.

### 2. Registration of family members of EU/EEA/Swiss citizens, who are third country citizens - MEU2 permit

Family members of EU/EEA/Swiss citizens, who are third country nationals and will accompany the EU/EEA/Swiss citizens to reside in Cyprus, are required to register with the Migration Department in Cyprus in order to obtain an MEU2 permit (i.e. residence permit for third country national family members of EU/EEA/Swiss citizens).

The relevant registration can be completed after the issuance of the MEU1 certificate of the of EU/EEA/Swiss citizen.

Family members of EU/EEA/Swiss citizens, as holders of the MEU2 permit, can have free access to employment or self-employment in Cyprus.

## B. Residency requirements for non-EU nationals and their family members

Relocation to Cyprus by non-EU nationals requires obtaining a relevant permit through the Migration Department. The specific requirements and processes vary for different permit options, depending on factors such as the purpose of the relocation and family situation.



### 1. Employment in Cyprus - Foreign Interest Entity regime

#### Registration of Cyprus entities with the Business Support Centre

Entities registered with the Business Support Centre (BSC) as Foreign Interest Entities are eligible to employ highly skilled third country nationals, without prior approval from the Cyprus Department of Labour. Registered local companies (HE) and registered branches of overseas companies (AE) can register with the BSC as Foreign Interest Entities, if they meet one of the following criteria:

1. The majority of the company's shares are ultimately owned by third country nationals (i.e. more than 50%).
2. The company's shares are held by third-country nationals in an aggregate shareholding of up to 50%, and the value of that foreign minority shareholding is at least EUR 200.000.
3. Public companies registered on any recognised stock exchange.
4. Companies of international activities (formerly offshore) that operated before the change of regime and whose data are held by the Central Bank.
5. Cypriot shipping companies.
6. Cypriot high-tech/innovation companies.

## Immigration and Residence pathways to Cyprus continued

7. Cypriot pharmaceutical companies or Cypriot companies active in the fields of biogenetics and biotechnology.
8. Companies in which the majority of the total share capital is owned by persons who have acquired Cypriot citizenship by naturalisation based on investment criteria.
9. Cypriot Private Institutes of Tertiary (Higher) Education licensed by the Ministry of Education, Sport and Youth.

For all the cases stated above, an investment of EUR 200.000 should be made, either as an initial investment to an account held by the company in a credit institution licensed by the Central Bank of Cyprus, or as an investment for the purposes of operating its business in Cyprus.

### Work permits for highly skilled third country national employees

After the registration of the entity with the BSC as a Foreign Interest Entity, third country national employees can proceed with the submission of the work permit application to the Migration Department in Cyprus.

The third country national employee, should meet the following main conditions in order to apply for a work permit under this fast track regime:

- The gross monthly salary should be at least EUR 2.500;
- The individual should have academic qualifications relevant to the position or/and relevant professional experience of at least two years;
- The employment agreement with the Cyprus entity should be for at least two years.

The maximum validity of the work permit to be issued is for three years (which can be renewed upon its expiry).

### Family reunification permit for the family members of a highly skilled third country national employee

Third country national family members of a highly skilled third country national employee can apply for a Family Reunification (FR) permit, provided they meet the following main conditions:

- The employee and the spouse should be married for at least one year before the submission of the FR application;

- The spouse should be at least 21 years old;
- The children should be under the age of 18 and not married;
- The employment contract of the employee should have a minimum duration of 18 months from the date of the submission of the FR application.

Spouses of highly skilled third country national employees, through the FR permit, have free access to employment in Cyprus.

## 2. EU Blue Card for third country national employees

The EU Blue Card allows highly skilled third country nationals, under various conditions and requirements, to live and work not only in Cyprus, but also in other EU Member States (with the exception of Denmark and Ireland) and EEA Member States (Iceland, Liechtenstein, Norway), through its short-term and long-term mobility functions.

Eligible third country nationals can apply for an EU Blue Card in Cyprus, if the following main conditions are satisfied:

- The applicant will be engaged in highly qualified employment in Cyprus, in specific sectors of the economy, as determined by a Decree issued by the Minister of Labour and Social Insurance.

Currently, qualified professions are those belonging to the following sectors:

- Information and Communication Technologies (ICT);
- Pharmaceutical (for research purposes);
- Maritime (excluding captains and ship's crew).
- The applicant has the required higher professional qualifications, which can be met under one of the following routes:
  - The individual is a holder of a higher education qualification; OR
  - The individual has higher professional experience of at least three years, acquired within the seven years preceding the submission of the EU Blue Card application, in one of the following positions:
    - o ICT Services Managers
    - o ICT Professionals.
- The minimum annual gross employment remuneration of the applicant in Cyprus should be EUR 43.632



The maximum validity of the EU Blue Card to be issued is for three years (which can be renewed upon its expiry).

### **Family reunification permit for the family members of an EU Blue Card holder**

Third-country national family members of an EU Blue Card holder can apply for a FR permit, provided they meet the relevant conditions of the policy.

Spouses of EU Blue Card holders, through the FR permit, have free access to employment and self-employment in Cyprus.

### **3. Digital nomad visa scheme**

The Cyprus Digital nomad visa scheme allows third-country nationals who can perform their work remotely, to reside temporarily with their families in Cyprus and at the same time work for an employer registered abroad (in case of an employee) or perform work for companies or clients located abroad (in case of a self-employed individual).

Applicants should fulfill the following specific criteria, including:

- Employment, as remote workers for a non-Cypriot company or self-employment, providing of services to clients based outside of Cyprus.
- Stable and sufficient monthly net income of at least EUR 3.500, with incremental increases of 20% for the spouses and 15% for each minor child.

Holders of the digital nomad residence permit are entitled to reside in Cyprus for an initial period of one year, with the option to renew for an additional two years.

Family members, including spouses and minor children, can also apply for residence permits as dependents of the digital nomad.

### 4. Temporary Residence in Cyprus – Cyprus Pink Slip

The Cyprus Temporary Residence Permit, commonly referred to as the Pink Slip, allows third country nationals to legally reside in the Republic of Cyprus for extended periods as visitors without the right to employment. The Permit is typically issued for one year and may be renewed on an annual basis, provided that all regulatory requirements continue to be fulfilled. Its issuance and renewal are governed by the provisions of Aliens and Immigration Regulation 14 of the Cyprus legal framework.



Applicants are required to demonstrate adequate financial resources originating from abroad, maintain appropriate accommodation, and hold valid health insurance, alongside other supporting documentation. Applications are submitted at the competent District Immigration Unit, with the Migration Department responsible for the final examination and approval.

The Pink Slip also contributes to long-term residence planning. After five consecutive years of lawful and continuous residence in Cyprus, individuals may become eligible to apply for the Long Term Resident status.

#### Who can apply

The Pink Slip is intended for third-country nationals (non-EU, non-EEA, non-Swiss citizens) who wish to extend their lawful stay in Cyprus beyond the standard 90-day entry allowance, without undertaking employment in the Republic.

Eligibility requires compliance with the following conditions:

- Reside in the Republic of Cyprus as visitors, without engaging in any form of paid or unpaid employment.
- Demonstrate sufficient annual income derived from abroad, generally not less than EUR 24.000 for an individual, with proportionate increases for dependent family members.
- Maintain appropriate accommodation in Cyprus, either through a long-term rental agreement or property ownership.
- Hold valid health insurance coverage applicable within Cyprus for the full duration of residence.
- Undergo the required medical examinations for first-time applicants, as prescribed by the competent authorities.
- Possess a clean criminal record and ensure all supporting documentation is duly certified, legalised, and translated in accordance with applicable standards. Pink Slip holders must not remain outside Cyprus for more than three consecutive months, as doing so results in the automatic cancellation of the permit.

#### Family inclusion

The Pink Slip framework allows for the inclusion of immediate family members under the financial sponsorship of the main applicant. Eligible family members include:

- Spouse
- Minor children.

Each family member receives an individual residence card, and all applications may be submitted concurrently, provided the sponsor demonstrates sufficient annual income to support the household.

Dependent children may attend public or private schools, and family permits may continue to be renewed annually as long as the relevant criteria remain satisfied.

### 5. Permanent Residence in Cyprus

Permanent Residence in Cyprus under Category 6(2) is a structured immigration pathway for non-EU nationals seeking long-term residence through qualifying investment, in accordance with Regulation 6(2) of the Aliens and Immigration Regulations of the Republic of Cyprus.

## Immigration and Residence pathways to Cyprus continued

The Programme provides a clear and accelerated route to permanent residency, allowing applicants and their families to plan long-term residence within a stable European Union Member State.

### Who can apply

The Programme applies to third-country nationals who meet the required investment, financial, and qualitative criteria and can demonstrate financial independence and a clean personal background.

Permanent Residence may be granted to the main applicant as well as eligible family members, subject to the applicable conditions.

### Qualifying investment pathways

Permanent Residence may be obtained through a minimum qualifying investment of EUR 300.000 plus VAT, provided that the Programme's financial and qualitative requirements are met.

Eligible pathways include:

- Investment in real estate
- Investment in Cyprus business activities
- Investment in regulated collective investment schemes (i.e. AIF, AIFLNP, RAIF).

### Investment in a house or apartment (Category A)

One of the most selected pathways is the purchase of new residential property in Cyprus.

To qualify under this category, the applicant must:

- Purchase a new house or apartment directly from a development company
- Complete a first sale with a minimum value of EUR 300.000 (plus VAT)
- Demonstrate a stable annual income of at least EUR 50.000, adjusted for dependents
- Transfer the investment funds from abroad to Cyprus.

This option is particularly attractive for individuals and families seeking both permanent residence and a long-term home in Cyprus, combining immigration security with property ownership in a high-quality living environment.

The investment may include up to two residential units, provided the total value meets the required threshold.

### Key advantages of Permanent Residence in Cyprus

Permanent Residence under Category 6(2) offers:

- Indefinite right to reside in Cyprus
- Residence in a stable EU Member State
- No requirement for continuous physical presence in the Republic, provided the holder is not absent from Cyprus for a period exceeding two consecutive years



## Immigration and Residence pathways to Cyprus continued

- All stages of the application process may be carried out remotely, with the sole exception of biometric data collection
- A predictable and structured legal framework
- Access to Cyprus' quality of life, healthcare, and education environment.

### Permanent Residence via Alternative Investment options

In addition to residential property investment, Category 6(2) allows applicants to qualify through alternative investment pathways, depending on their personal, professional, and business objectives.

#### Investment in Commercial Real Estate (Category B)

Applicants may qualify through the purchase of non-residential real estate, such as offices, retail units, hotels, or mixed-use developments, with a minimum total investment value of EUR 300.000.

This option offers flexibility for investors seeking exposure to the Cyprus commercial property market and may include resale properties, subject to meeting programme requirements.

#### Investment in the share capital of a Cyprus company (Category C)

Permanent Residence may also be obtained through an investment of at least EUR 300.000 in the share capital of a Cyprus registered company that maintains a physical presence and active business operations in the Republic.

This pathway is particularly suitable for individuals wishing to:

- Establish or expand business activities in Cyprus
- Participate in an operational local company
- Combine long-term residence planning with entrepreneurial or commercial engagement.

The company must demonstrate genuine economic activity and satisfy the applicable employment criteria.

#### Investment in regulated Collective Investment Schemes (Category D)

Applicants may alternatively qualify through an investment of EUR 300.000 in units of Cyprus regulated collective investment schemes (i.e. AIF, AIFLNP, RAIF).

This pathway is often preferred by individuals seeking a financial investment-based solution, rather than direct involvement in real estate or business operations, while benefiting from a regulated and transparent investment environment.



#### Financial independence requirement

In addition to the qualifying investment, applicants must demonstrate a secure and sufficient annual income to support themselves and their dependent family members in Cyprus.

The minimum income thresholds are:

EUR 50.000 for the main applicant

EUR 15.000 for a spouse

EUR 10.000 for each dependent minor child or financially dependent adult child, who is a student of tertiary education abroad.

Depending on the selected investment category, income may originate from abroad or, in certain cases, from lawful sources within Cyprus, ensuring ongoing financial independence during residence in the Republic.

#### Family inclusion

The Permanent Residence permit covers the spouse and minor children of the applicant.

Additional options exist for financially dependent adult children, who are students of tertiary education abroad, subject to enhanced investment and financial criteria.

As a result, Category 6(2) is particularly suited to family relocation, inter-generational planning, and long-term settlement in Cyprus.

# Employment and Real Estate Laws

## An overview for employers and employees in Cyprus: The legal framework

Cyprus offers a modern and comprehensive employment law framework designed to balance flexibility for businesses with strong protections for employees. As a Member State of the European Union, Cyprus fully implements EU employment directives while maintaining a well-established national legal system governing labour relations.

Employment rights in Cyprus are underpinned by constitutional principles, EU legislation, and domestic laws, ensuring transparency, fairness, and legal certainty in the workplace.

### The legal landscape

Employment relationships in Cyprus are regulated by a wide range of Statutes, Regulations, and case law that define minimum standards, employee entitlements, and employer obligations.

Key pillars of the system include:

- Constitutional protection of the right to work
- Full alignment with European Union employment legislation
- Statutory safeguards against discrimination and unfair treatment based, among other grounds, on age, sex, religion or belief, disability, sexual orientation, ethnic origin, or race
- Clear and structured rules governing termination of employment
- State supported social insurance and welfare benefits.

### Social Insurance and employee benefits

Cyprus operates a comprehensive social insurance scheme financed through contributions from employees, employers, and the state. Through this system, eligible employees may receive:

- Maternity and paternity benefits
- Sickness allowances for temporary incapacity
- Unemployment benefits (subject to conditions)
- Pensions for retirement, disability, and survivors.

This framework ensures income support and social protection throughout different stages of working life.



### Key features of Employment Law in Cyprus

- Secure legal basis for employment relationships
- Strong alignment with EU labour, social standards and legislation
- Protection against unlawful and unfair dismissal
- Clearly defined employee rights and employer obligations
- The Labour Disputes Court, a specialised court with jurisdiction over employment and labour related disputes
- Mandatory participation in the national social insurance system.

### Fundamental rights of employees

Employees working in Cyprus benefit from a range of statutory rights, including:

- Written information regarding the essential terms and conditions of employment
- Statutory minimum wages in designated sectors and occupations for certain sectors and roles
- Regular payment of remuneration, in accordance with agreed frequency
- Maximum average working time of 48 hours per week, including overtime
- Daily and weekly rest periods in line with EU working time rules
- Minimum notice periods and legally regulated probationary periods
- Protection during termination and access to legal remedies.

### Working time and leave entitlements

Employees are entitled to adequate rest and paid leave, which contribute to health, safety, and work life balance:

- Daily rest period of at least 11 consecutive hours
- Paid annual leave of no less than 20 working days for employees working a five day week, excluding public holidays
- Statutory public holidays observed in Cyprus.

### Family related rights

Cyprus Legislation recognises and protects family life by providing statutory leave entitlements such as:

- Paid maternity leave, amounting to a total of 18 consecutive weeks for the first child, with additional weeks granted for each subsequent child.
- Paternity leave entitlements, consisting of two consecutive weeks of unpaid leave, for which eligible fathers may claim a Social Insurance allowance.
- Parental leave rights, available to parents who have completed at least six consecutive months of employment with the same employer, allowing parental leave of up to 18 weeks per child.

### Resolving employment disputes

Employment related disputes in Cyprus are adjudicated by the Labour Disputes Court, a specialised and independent court with jurisdiction over employment and labour matters. The system provides a structured and accessible forum for resolving disagreements between employers and employees, ensuring fairness, efficiency, and legal certainty.

### Acquiring a residential property

Cyprus offers a relatively straightforward property acquisition process for both EU and non-EU nationals. EU citizens face no restrictions and enjoy the same rights as Cypriot nationals, while non-EU buyers are generally permitted to purchase property, subject to administrative approval by the Council of Ministers.

The purchase process typically begins with due diligence and a reservation agreement, followed by a binding Sale and Purchase Agreement, which should be lodged at the Land Registry within six months to protect the purchaser's rights.

New properties are subject to a standard VAT rate of 19%, and, subject to the relevant application and conditions, this rate can be reduced. Second-hand property transactions are subject to transfer fees.





### **How we can assist**

Our firm provides practical, business focused advice on all aspects of Cyprus employment law, including:

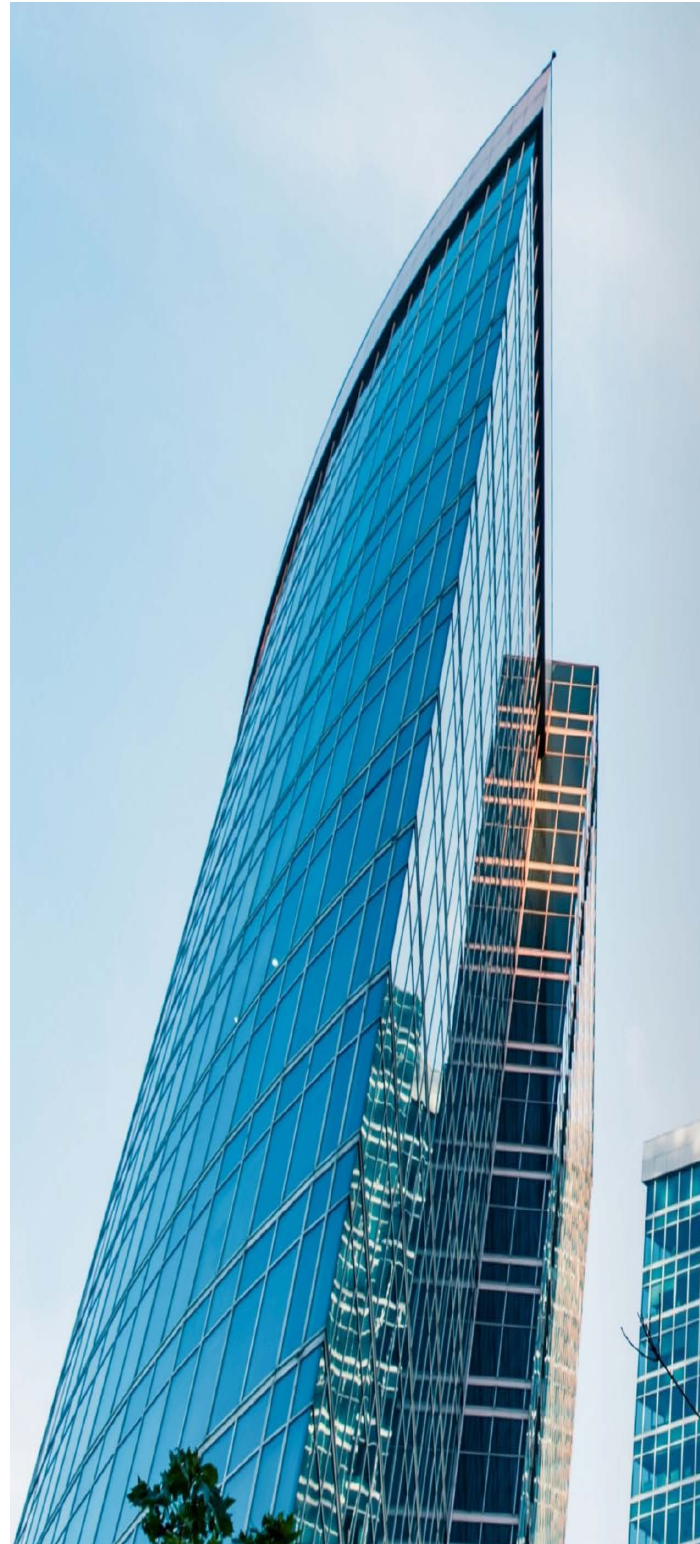
- Reviewing and drafting employment contracts and other documents relating to employment/ labour matters
- Mandate agreements
- Reviewing employee manuals/policies and HR policies
- Employment law advice with respect to the transfer of employees within or outside the organisation shifts in roles, changes in policies, etc
- Collective bargaining agreements
- Headcount reduction measures
- Individual dismissals, terminations and collective redundancies
- Drafting legal documentation for reward/bonus policies and equity-based incentive schemes
- Employment law compliance and licences
- Regulatory advice for occupational pension schemes
- Legal advice relating to social security/pension
- Registrations, clearances, approvals and consents relevant to employment /labour matters.

# The corporate tax system at a glance

## Main Features:

- Taxation is based on residency status (management and control test or incorporation test)
- 15% corporate tax on trading profits
- Notional Interest Deduction (NID) available for new capital introduced
- Attractive Intangible Property (IP) Regime in line with OECD's "nexus" principle
- Corporate tax on sale of securities: 100% exemption
- No withholding tax on outgoing payments (dividends-interest-royalties\*)
- Dividend income is exempt from taxation (subject to relaxed conditions)
- Special mode of taxation of 8% on benefits arising from stock options (subject to conditions)
- Flat tax rate of 8% for taxation of gains arising from crypto-assets
- Applicability of all EU tax directives
- Foreign exchange differences are tax neutral
- Group relief availability (for 75% holdings)
- Tax exempt re-organisations
- Advanced tax ruling practice offers safety and predictability for investments
- Attractive and constantly expanding Double Tax Treaty network
- EU approved tonnage tax regime
- Tax incentives for investing in Innovative Small and Medium Enterprises (SMEs).

\*Except on certain payments to companies in low tax jurisdictions as well as in jurisdictions featured in the EU list of non-cooperative jurisdictions.



# Tax residency rules for individuals

## The 183 days rule

Cyprus has adopted a residency-based system of taxation, whereby physical presence in Cyprus exceeding 183 days in a tax year (1 January to 31 December) will constitute tax residency for individuals.

Therefore, if an individual is physically present in Cyprus for more than 183 days in a tax year, s/he will be considered a tax resident of Cyprus in that tax year. Consequently, if the individual is physically present in Cyprus for less than 183 days in a tax year, s/he will be considered to be a non-Cyprus tax resident in that tax year.

## The 60 days rule

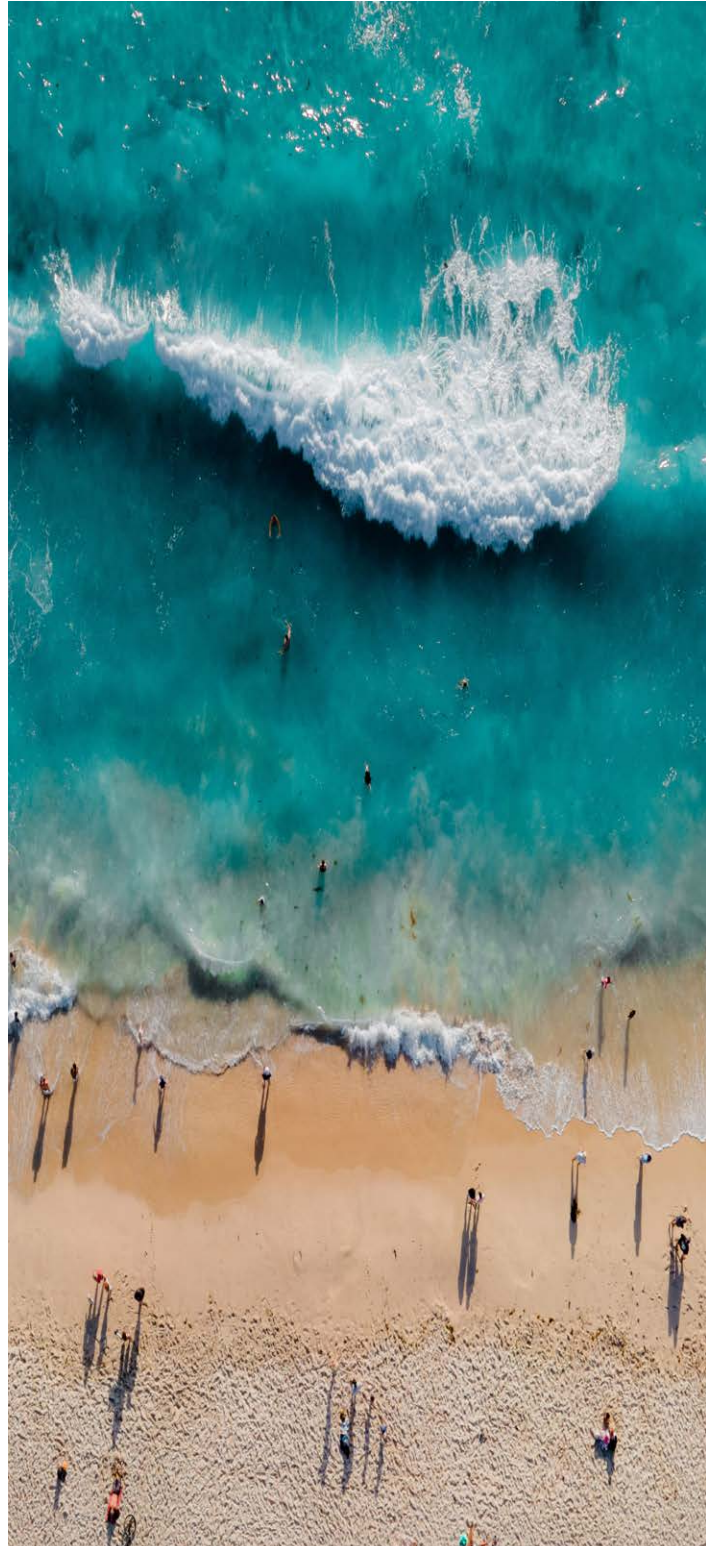
An individual who does not stay in any other country for one or more periods exceeding in aggregate 183 days in the same year, is deemed as tax resident in Cyprus in that year, if the following conditions are cumulatively met:

- (i) the individual stays in Cyprus for at least 60 days in the year,
- (ii) exercises a business and/or is employed in Cyprus and/or holds an office with a Cyprus tax resident company at any time during the tax year,
- (iii) maintains (by owning or leasing) a permanent home in Cyprus.

The law further clarifies that an individual that cumulatively meets all the above conditions shall not be treated as a Cyprus tax resident in the year, if during that year the exercise of any kind of business in Cyprus and/or employment in Cyprus and/or holding of an office with a tax resident person in Cyprus, is terminated.

Days spent in Cyprus should be calculated as follows:

- a) The day of departure from the Republic is deemed to be a day outside of the Republic;
- b) The day of arrival in the Republic is deemed to be a day in the Republic;
- c) The arrival in the Republic and the departure from the Republic in the same day is deemed to be a day in the Republic;
- d) The departure from the Republic and the arrival in the Republic in the same day is deemed to be a day outside the Republic.



# Non-domicile rules for individuals

According to the provisions of the Cyprus tax laws, an individual who is a tax resident of Cyprus under the provisions of the Income Tax Law (either under the 183 days rule or the 60 days rule) but is regarded as “non-domiciled” in the Republic of Cyprus, will be exempt from the provisions of the Special Defence Contribution (SDC) Law.

As per the SDC Law, dividends and interest income earned by individuals who are tax residents and domiciled in Cyprus, are subject to tax at the rate of 5% and 17% respectively, regardless of the country of origin of the income (i.e. from Cyprus or from abroad). Therefore, tax residents but non-domiciled individuals will enjoy dividend and interest income free from SDC tax in Cyprus.

As from 1 January 2026, rental income is not subject to SDC.

For SDC purposes, the term domicile is defined in accordance with the rules of the Wills and Succession Law, as follows:

- A domicile of origin (i.e. the domicile received by an individual at birth); and
- A domicile of choice (i.e. the domicile acquired by an individual by establishing a home with the intention of a permanent or indefinite stay).

A person who has a domicile of origin in Cyprus will be treated as “domiciled in Cyprus” for SDC purposes with the exception of:

- An individual who has obtained and maintained a domicile of choice outside Cyprus under the provisions of the Wills and Succession Law, provided that this individual was not a Cyprus tax resident for a period of at least 20 consecutive years prior to the tax year in question; or
- An individual who was not a Cyprus tax resident for a period of at least 20 consecutive years immediately prior to the entry into force of the introduced provisions (i.e. prior to 16 July 2015).

Irrespective of a domicile of origin, an individual who remains a tax resident of Cyprus for a period of at least 17 years out of the last 20 years prior to the tax year in question, shall be deemed as domiciled in Cyprus for SDC purposes.

## Extension of non-dom status

As per the recent amendments of the SDC Law, an alternative mode of taxation is available for individuals who are considered as deemed domiciled in Cyprus and they would like to extend their non dom status, for a maximum of two additional 5-year periods (i.e. 5+5 years).

This alternative method of taxation will extinguish the SDC liability of a taxpayer (covering interest and dividend income derived from both Cyprus and abroad, irrespective of the level of the income), with an upfront lump sum payment of EUR 250.000, for each 5-year period.

## Taxation of domiciled tax resident individuals

Type of Income	Income Tax	SDC
Dividends	Exempt	Taxable
Interest	Exempt	Taxable
Rental Income	Taxable	Exempt

## Taxation of non-domiciled tax resident individuals

Type of Income	Income Tax	SDC
Dividends	Exempt	Exempt
Interest	Exempt	Exempt
Rental Income	Taxable	Exempt

# Personal income tax

## Income tax rates

A tax resident individual will be subject to tax in Cyprus under the following income tax rates:

Chargeable Income €	Tax Rate %	Tax Amount €	Cumulative Tax €
0-22.000	0	—	—
22.001-32.000	20	2.000	2.000
32.001-42.000	25	2.500	4.500
42.001-72.000	30	9.000	13.500
Over 72.000	35		

## Tax deductions

Annual life/disability insurance premiums (<7% of insured amount), Social Insurance Contributions, Provident and Pension Fund contributions (up to 10% of net taxable income), contributions to Medical Funds*, contributions to equivalent foreign funds** and contributions to the General Healthcare System.	Restricted to 1/5 of the taxable income before deduction of these allowances
Subscriptions to trade unions and professional bodies.	100%
Rental Income.	20% of gross rental income before interest and wear and tear allowance
<b>Family based deductions***</b> Tax deduction based on number of dependent children. Interest expense or rental expense on primary residence. Green transition capital expenditure for the current and the following four years.	From €1.000 Up to €2.000 Up to €1.000
Insurance premiums for residential properties against natural disasters.	Up to €500
Contributions and donations to approved charities (with receipts). Contributions and donations to approved cultural institutions.	100% Up to €50.000
Losses of current and previous seven years (for self-employed individuals with an obligation to prepare audited financial statements).	100%
Amount invested in an approved small and medium innovative company.** (applicable until 31/12/2026).	50% of taxable income (up to maximum annual deduction of €150.000)
Expenditure for a building in respect of which there is in force a Preservation Order.	EUR €                      Per m <sup>2</sup> 1.400                      1 - 300 1.300                      301 - 1.000 1.000                      1.001 - over

\*Maximum 2% of gross taxable income. \*\* Under certain conditions. \*\*\*Subject to annual (family) income threshold and timely filing.

## Submission of tax returns

Cyprus tax resident individuals who derive taxable income are obliged to file an income tax return (TD1).

Cyprus tax resident individuals, aged between 25-70, also have an obligation to file a TD1, even if they don't derive any income.

Non-Cyprus tax resident individuals are obliged to file a TD1 if they derive any Cyprus sourced income which is taxable in Cyprus.

The submission deadline for the income tax return (TD1) is the 31st July following the relevant tax year.

Sole proprietors with an annual turnover of more than €120.000 are obliged to prepare audited financial statements.

The income tax return (TD1) of an individual is submitted electronically.

# Exemptions for first time employment in Cyprus

## Exemptions regarding employment income

Individuals who were not Cyprus tax residents before the commencement of their employment in Cyprus, may be entitled to one of the following exemptions:

### The 50% exemption rule under Article 8(23A)

Individuals with an annual employment income in excess of EUR 55.000 who take up first employment in Cyprus, may be eligible for an exemption from taxation of 50% of their employment income from sources in Cyprus.

Notes:

- This exemption applies for a 17-year period commencing from the year of employment.
- The exemption is granted to an individual who has not been a Cyprus tax resident for at least 15 consecutive years prior to the commencement of the employment in Cyprus.
- Subject to grandfathering provisions, individuals who commenced employment in Cyprus prior to 2022, may still claim an exemption under Article 8(23A), with a maximum lifetime duration of the exemption for 17 years as from the date of the commencement of employment in Cyprus.

### The 20% exemption rule under Article 8(21A)

Individuals who take up first employment in Cyprus and do not qualify for the 50% exemption under Article 8(23A), may be eligible for a 20% or EUR 8.550 exemption (whichever is lower) from their employment income from sources in Cyprus.

Notes:

- This exemption applies for a period of seven years commencing from the year following the year of commencement of employment in Cyprus.
- This exemption is granted to an individual who had been employed outside of Cyprus at a non-Cyprus tax resident employer for at least three consecutive years prior to the commencement of the employment in Cyprus.



**Individuals who were not Cyprus tax residents before the commencement of their employment in Cyprus, may be entitled to one of the available exemptions for first employment in Cyprus.**

# Other tax considerations

- 100% exemption on remuneration for salaried services rendered outside Cyprus for a period in excess of 90 days in a tax year to a non-Cyprus resident employer.
- Gains arising from crypto-assets are taxed with a flat rate of 8%. Any losses arising from crypto-assets may only be offset against profits from the disposal of crypto-assets occurring within the same tax year.
- Share based awards, as part of an approved employer share based scheme, are taxed with a flat rate of 8% (subject to various thresholds and restrictions).
- Ex-gratia payments (subject to conditions) are tax free up to EUR 200.000 and taxed thereafter at a flat rate of 20%.
- Overseas pensions are exempt from tax up to the amount of EUR 5.000 and taxed at the rate of 5% thereafter. The taxpayer may opt to be taxed in the normal way, where this special mode of taxation of income results in a higher tax liability (this selection can be made from year to year).
- Flat taxation at the rate of 8% (minimum tax of EUR 10.000 per annum) available to fund managers of specific Cyprus-based funds in regards to earnings from carried interest, under conditions.
- 100% exemption on lump sum payments from life insurance schemes or from approved provident funds.
- No inheritance and gift taxes.
- No wealth taxes.
- No immovable property taxes.
- Capital gains
  - Capital gains tax is only imposed on the disposal of immovable property situated in Cyprus, as well as on the transfer of shares directly or indirectly held in companies (other than listed shares) in which the underlying asset is immovable property situated in Cyprus and at least 20% of the fair market value of the shares is derived from the immovable property.
  - The sale of immovable property situated outside Cyprus is exempt from capital gains tax.



# The Cyprus Social Insurance and National Health Insurance Systems at a glance

## Social Insurance System

Any person who is undertaking employment activities in Cyprus is subject to social insurance contributions in Cyprus.

- The social insurance contributions for 2026 are capped to monthly earnings of EUR 5.742 and annual earnings of EUR 68.904. The social insurance contribution rate is 8,8% for the employee and 8,8% for the employer (for a total of 17,6%). The employer is also liable for a contribution of 1,2% to the Redundancy Fund, 0,5% to the Training and Development Fund and 2% to the Social Cohesion Fund. The cap mentioned above does not apply to the Social Cohesion Fund contributions. Instead, the Social Cohesion Fund contributions are applied on the gross remuneration received.
- Foreign nationals will be liable for social insurance contributions to the Cyprus Social Insurance System, if they are physically exercising their employment activities in Cyprus.
- An EU/EEA/Swiss national exercising employment in Cyprus may be eligible to remain insured under the Social Insurance System of his/her home country, as per the provisions of the applicable Regulation (EC) No. 883/2004, on the coordination of social security systems (i.e. a valid A1 certificate should be available).

**Table summarising the social insurance contributions for 2026**

Fund	Percentage on employee's earnings		
	Employer	Employee	
Social Insurance	8,8%	8,8%	C
Redundancy	1,2%	-	C
Training and Development	0,5%	-	C
Social Cohesion	2%	-	NC
<b>Total</b>	<b>12,5%</b>	<b>8,8%</b>	

C=Cap at EUR 5.742/month; NC= No Cap

## National Health Insurance System (NHIS)

The National Health Insurance System (NHIS) Law is applicable as of 1 March 2019.

Under the NHIS rules, employers are contributing 2,9% and employees 2,65% on gross earnings with an annual cap of EUR180.000.

**Table summarising the NHIS contribution rates**

Category	Current rates
Employees	2,65%
Employers	2,90%
Self employed	4,00%
Income earners (e.g. rents, interests, dividends)	2,65%
Persons holding office	2,65%
Pensioners	2,65%

## Exemption from NHIS contributions

Individuals may be exempted from NHIS contributions in Cyprus if they fall under one of the following main categories:

- Employees working in Cyprus, holding an A1 certificate;
- Pensioners residing in Cyprus, holding an S1 certificate.

# How can KPMG in Cyprus help?

## Investments and Real Estate

- Market and financial feasibility studies – strategic market assessment and comprehensive financial analysis to assess potential investment returns for different projects in different target markets.
- Project conceptualisation and investment planning – development of realistic and implementable concepts with short, medium and long term investment planning.
- Project Management and Business plans – strategic direction for the realisation and delivery of project concepts, from financing to staffing and marketing & sales.
- Business performance improvement – assessing existing facilities and providing approaches for cost savings whilst simultaneously enhancing market opportunities.
- Valuation services – preparation of asset and business valuations for financing assessment.
- Deal structuring – advice as to the efficient legal and tax structuring of a transaction.
- Investor search – preparation of the information memorandum for the investment opportunity, as well as approach and selection of interested investors and assistance in the transactions process.

## Compliance and Tax planning

- Corporate Taxation (local and international)
- Global Tax Compliance services
- Tax services – advice, including in relation to transfer of immovable property and property taxes
- Global Mobility services and Personal Income Tax
- Capital Gains Tax
- Value Added Tax (VAT), including assisting in the procedure for claiming the reduced 5% VAT rate on the acquisition of residential property.

## KPMG's role in your immigration journey

Relocating to Cyprus involves legal, procedural, and strategic decisions that require careful planning and expert guidance. KPMG supports individuals and families throughout their immigration journey by combining local regulatory expertise with a structured advisory approach, ensuring clarity, compliance, and confidence at every stage.



KPMG provides end-to-end immigration support, including:

- Assessment of the most appropriate residence pathway
- Evaluating each client's personal, family, and professional objectives to identify the most suitable option, whether Permanent Residence, Temporary Residence, or other applicable immigration routes
- Eligibility and compliance review
- Advising on eligibility requirements, investment thresholds, financial criteria, and supporting documentation in line with Cyprus immigration regulations
- Application preparation and coordination
- Managing the preparation, review, and submission of residence applications and supporting documentation, ensuring accuracy, completeness, and regulatory compliance
- Liaison with the authorities
- Acting as the primary point of contact with the Migration Department and other relevant authorities throughout the application process
- Support for family members
- Advising on family inclusion, dependent applications, and future residence planning for spouses and children
- Ongoing immigration support
- Assisting with renewals, status changes, and transitions between temporary and long-term residence pathways, as required.

## Corporate Services

Our Corporate Advisory Services provide corporate clients in Cyprus and internationally with a range of advisory and company secretarial services, tailored to their specific needs. We often work in collaboration with our tax and other KPMG professionals, ensuring our clients benefit from the full breadth of our commercial experience. KPMG's Corporate Advisory Services include:

- Corporate and Commercial
- Investment Funds and Asset Management Services
- Company Secretarial Services
- Competition Law and EU Law
- Private Client Services - Family Offices
- Intellectual Property
- Real Estate – Due diligence, contracts review and monitoring the execution of transactions
- Employment Law
- Banking Units and Investment Firms licensing
- Capital Markets
- Trust Law.



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