



Taxation of international executives: Cyprus



September 2023

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01

Overview and Introduction

1 Overview and Introduction

A person's liability to Cyprus tax is determined by their residence status for taxation purposes.

The general rule is that a person who is a resident of Cyprus is assessable on worldwide income. A person who is a non-resident is only assessable on income accruing or arising from sources in Cyprus.

Net taxable income is taxed at graduated rates ranging from 20 percent to 35 percent. Non-cash benefits provided to employees are included in the employees' income and subject to income tax. Persons exercising employment in Cyprus may also be subject to Social Insurance Contributions.

The official Cyprus currency is the Euro (EUR).

Herein, the host country/jurisdiction refers to the country/jurisdiction where the expatriate is going on assignment. The home country/jurisdiction refers to the country/jurisdiction where the expatriate lives when they are not on assignment.

02

Income tax

2 Income Tax

2.1 Tax Returns and Compliance

When are tax returns due? That is, what is the tax return due date?

The deadline for submission of the personal income tax returns is 31 July following the year of income. The tax return is submitted in electronic format via the Taxisnet System.

What is the tax year-end?

31 December.

What are the compliance requirements for tax returns in Cyprus?

Residents

Individuals who derive taxable income must file their income tax returns electronically via the Taxisnet system, not later than 31 July following the end of the tax year (31 December).

A claim for deductions and allowances (IR59) is prepared at the beginning of the tax year and a statement of taxable income (IR63) for the tax year must accompany the tax return when submitted.

A self-assessment computation should be completed on the tax return. In the instance where a tax liability arises from the self-assessment computation, the tax should be paid by 31 July following the end of the tax year.

After receiving the completed return, the tax office will proceed to issue an assessment of the tax payable and will give credit for the tax deducted from remuneration during the year under the Pay-As-You-Earn (PAYE) system operated by the employer and for any tax paid by the individual through self-assessment. If the tax assessment is correct, any tax due should be paid by the end of the month following the month in which the assessment is raised. If the tax assessment is not correct, a notice of objection must be lodged not later than the end of the month following the month in which the assessment is raised.

Non-residents

Non-tax resident individuals are required to file a return if they derive any income accruing or arising from sources within Cyprus i.e. income from employment exercised in Cyprus.

2.2 Tax rates

What are the current income tax rates for residents and non-residents in Cyprus?

Residents

Income tax table for 2023

Taxable income bracket (From EUR)	Cumulative tax (To EUR)	Tax rate on income in bracket (EUR)	Percent
0	19,500	0	0
19,501	28,000	1,700	20
28,001	36,300	3,775	25
36,301	60,000	10,885	30
60,001	No limit	-	35

Non-residents

The above tax rates also apply to non-tax residents.

2.3 Residence rules

For the purposes of taxation, how is an individual defined as a resident of Cyprus?

Income Tax Law

The Cyprus income tax law defines the term “resident in Cyprus” when applied to an individual, meaning an individual who stays in Cyprus for a period or periods exceeding in aggregate 183 days in the year of assessment (1 January-31 December). A “non-resident or resident outside Cyprus” will be construed accordingly.

Furthermore, the definition of a tax resident has been amended to also provide that, an individual who does not stay in any other country/jurisdiction, for one or more periods exceeding in aggregate 183 days in the same tax year and is not tax resident in any other country/jurisdiction for the same year, is deemed as a resident in the Republic in that tax year, if all of the following conditions are met:

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

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

Special Contribution for Defense Law

The Special Contribution for Defense (SDC) law defines the term “resident in Cyprus” when applied to an individual, meaning an individual who is a Cyprus tax resident (as defined in the Income tax law - see paragraph above) and also is domiciled in Cyprus (as defined in the SDC Law). Therefore, if an individual is a Cyprus tax resident for income tax purposes but is not domiciled in Cyprus, s/he will not be considered as a Cyprus tax resident for Special Defense Contribution purposes.

Is there, a de minimus number of days rule when it comes to residency start and end date? For example, a taxpayer can't come back to the host country/jurisdiction for more than 10 days after their assignment is over and they repatriate.

There is no such restriction under Cyprus laws and the Cyprus tax residency is determined solely based on the rules described in the 'residency rules' section.

What if the assignee enters the country/jurisdiction before their assignment begins?

The days determining residency start as soon as the assignee enters the country/jurisdiction. Tax residency is determined solely based on the rules described in the 'residency rules' section.

2.4 Termination of residence

Are there any tax compliance requirements when leaving Cyprus?

Before leaving Cyprus, it is recommended that a tax clearance certificate is obtained from the Tax Authorities. In order to receive a tax clearance, all tax obligations must be settled.

What if the assignee comes back for a trip after residency has terminated?

The individual is recognized as a Cyprus tax resident, if their stay in Cyprus satisfies the conditions described in the 'residency rules' section. Thus, if the assignee comes back for a trip and their overall stay in Cyprus in a calendar year does not exceed 183 days, they will not be regarded as a Cyprus tax resident and will only be liable to taxation on income sourced in Cyprus as a non-tax resident, which is in excess of EUR19,500.

Communication between immigration and taxation authorities

Do the immigration authorities in Cyprus provide information to the local taxation authorities regarding when a person enters or leaves Cyprus?

Not directly.

Filing requirements

Will an assignee have a filing requirement in the host country/jurisdiction after they leave the country/jurisdiction and repatriates?

Yes, if they spend in Cyprus more than 183 days in a calendar year. Otherwise, only if they have income sourced in Cyprus as a non-tax resident.

2.5 Economic employer approach

Do the taxation authorities in Mexico adopt the economic employer approach¹ to interpreting Article 15 of the OECD treaty? If no, are the taxation authorities in Mexico considering the adoption of this interpretation of economic employer in the future?

No, the taxation authorities in Cyprus do not adopt the economic employer approach to interpreting Article 15. There are no current plans to adopt it.

De minimus number of days

Are there a de minimus number of days before the local taxation authorities will apply the economic employer approach? If yes, what is the de minimus number of days?

Not applicable.

2.6 Types of taxable compensation

What categories are subject to income tax in general situations?

The following categories of income are subject to income tax:

- income from any trade vocation or business
- employment: including any other allowance granted in respect of employment (whether in money or otherwise)
- pensions and annuities
- rents, royalties, remuneration or other profits arising from property, including the value of the benefit, not exceeding the cost, derived by the owner of the land from the erection thereon at the expense of the tenant of any structure or improvement to any structure or building that shall become the property of the owner upon the termination of the tenancy
- patents: any sums received on the sale of patents or patent rights, and royalties or other income received in respect of such patents
- income derived by professional persons in Cyprus that are not resident in Cyprus, such as public entertainers, theatrical or musical or other groups of public entertainers, including football clubs and other athletic missions from abroad, are subject to tax with respect to their gross income sourced in Cyprus at the rate of 10 percent.

Intra-group statutory directors

Will a non-resident of Cyprus who, as part of their employment within a group company, is also appointed as a statutory director (i.e., member of the Board of Directors in a group company situated in Cyprus) trigger a personal tax liability in Cyprus, even though no separate director's fee/remuneration is paid for their duties as a board member?

Yes. The Cyprus tax Authorities will seek to tax in Cyprus a portion of the remuneration of the Individual, which can be attributed to their duties as a member of the board of directors of a Cyprus tax resident company.

a) Will the taxation be triggered irrespective of whether or not the board member is physically present at the board meetings in Cyprus?

Yes. The Cyprus Tax Authorities will seek to tax in Cyprus a portion of the remuneration of the Individual, irrespective of whether the individual will be physically present at the board meetings in Cyprus.

b) Will the answer be different if the cost directly or indirectly is charged to/allocated to the company situated in Cyprus (i.e., as a general management fee where the duties rendered as a board member is included)?

No. The same tax implications will apply.

c) In the case that a tax liability is triggered, how will the taxable income be determined?

The portion of the remuneration that can be attributed to the duties of the individual as a board member of the Cyprus tax resident company will be considered as a Cyprus sourced income and will be subject to taxation in Cyprus at the normal income tax rates.

2.7 Tax-exempt income

Are there any areas of income that are exempt from taxation in Cyprus? If so, please provide a general definition of these areas.

The categories of income, which are exempt from tax, include:

- retirement and death gratuities
- commutation of pension
- scholarship income
- any religious, charitable or educational institution of public character

- provident funds payments
- profit from the sale of securities.

Certain employer provided housing allowances (employer's contribution to rent)

Fully taxable.

Certain employer provided housing allowances (cost of utilities)

Fully taxable.

Living away from home allowance (LAFHA)

Fully taxable.

Certain employer provided tax reimbursements

Fully taxable.

Certain employer provided relocation reimbursements

Reimbursement for relocation expenses is not considered as a benefit in kind and therefore should not be taxable. This exemption is given up to EUR9,000 or the actual costs paid by the employer if there is documentary evidence (i.e. invoices paid supported by receipts).

Home leave

Fully taxable.

Certain employer provided education costs

Fully taxable, if the educational costs are primarily for the benefit of the employee.

Certain bonus payments

Fully taxable.

Certain interest subsidies

Fully taxable if comprises benefit in kind.

Certain auto allowances

Taxable under conditions.

Health insurance

In the instance that the employer pays the employee's portion to the relevant medical or health insurance fund, the relevant contributions will be considered as benefit to the employee and the benefit will be fully taxable.

2.8 Expatriate concessions

Are there any concessions made for expatriates in Cyprus?

50 percent exemption from employment income.

- 50 percent of the total gross remuneration from employment in Cyprus by an individual who was not tax resident of Cyprus for a period of at least 15 consecutive years immediately preceding the commencement of employment in Cyprus, provided that such employment remuneration exceeds EUR55,000 per annum.

The exemption is granted for a period of 17 tax years starting from the tax year of employment in Cyprus.

20 percent exemption from employment income

- 20 percent (capped to EUR8.550) of the total gross remuneration from first employment in Cyprus by an individual who for 3 consecutive years immediately before commencement of employment in Cyprus was employed outside Cyprus by a non-tax resident employer.

The exemption is granted for a period of 7 years commencing from the tax year following the year of employment in Cyprus.

Note: An individual will not be entitled to both exemptions simultaneously.

2.9 Salary earned from working abroad

Is salary earned from working abroad taxed in Cyprus? If so, how?

Tax residents are taxed on their worldwide income.

A foreign tax credit is available up to the level of tax that would have been imposed in Cyprus on the same source of income. Where an expatriate is from a non-treaty country/jurisdiction, Cyprus will allow unilateral relief for foreign taxes payable, up to a maximum of the Cyprus tax payable on the same source of income.

The remuneration from rendering outside of Cyprus salaried services for a total 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 Cyprus of an employer resident in Cyprus is exempt from tax.

Foreign pensions in respect of services rendered outside of Cyprus are tax free in respect of the first EUR3,420 and, thereafter, are taxed at a flat rate of 5 percent. However, the taxpayer may opt to be taxed in the normal way where the special mode of taxing their income results in a higher tax liability.

2.10 Taxation of investment income and capital gains

Are investment income and capital gains taxed in Cyprus? If so, how?

Income from the sale of capital assets, or stocks and shares or options thereon is not taxable.

Capital gains tax is only imposed, at the rate of 20 percent, on any gains, after adjusting for inflation, arising from the sale of immovable property situated in Cyprus, sale of shares of companies that own immovable property in Cyprus, as well as from the sale of shares in companies that directly or indirectly participate in companies in which the underlying asset is an immovable property situated in Cyprus (corresponding to 50 percent or more of the value of the company), other than the sale of shares in companies listed on a recognized Stock Exchange.

Gains from immovable property held outside of Cyprus are not liable to capital gains tax.

Capital losses

Capital losses cannot be set-off against taxable income.

Capital losses arising from the disposal of immovable property situated in Cyprus are set off against chargeable gains made on the same date. If there are no gains on the same date or if the gains are not enough to absorb the capital losses, any unrelieved loss is carried forward and is set off against a chargeable gain or gains made from a future disposal until the loss is relieved.

No loss, however, may be allowed to be carried back and set off against a gain of a previous disposal.

Losses arising from the disposal of exempt assets (i.e. securities) are not allowable.

Exceptions

Lifetime exemptions are available to individuals for capital gains up to EUR17,086 or in the case of agricultural land owned by a farmer, up to EUR25,629. Gains on the disposal of a dwelling house are exempt up to EUR85,430 if the owner resides in it continuously for at least 5 years before the disposal and the land does not exceed 1.5 decares (i.e. 1,500m²). These exemptions are not available separately. Therefore, an individual claiming a combination of these, is only entitled to a maximum exemption of EUR85,430.

Dividends and interest

Dividends and interest are exempt from income tax but are subject to the Special Defence Contribution tax at a rate of 17 percent and 30 percent respectively. SDC is levied only on Cyprus Tax Resident individuals who are also Cyprus Domiciled.

In case of Cyprus sourced dividends and interest, the tax is withheld at source. Special Defence Contribution tax on foreign sourced dividends and interest must be paid on a self - assessment basis by the individual taxpayer by the end of the 6 months ending 30/6 and 31/12 of each year at the latest.

Rental income

Rental income received by a Cyprus resident is taxable under both the income tax and the Special Defence Contribution tax as follows:

Income tax

The net taxable rental income (after deducting 20 percent from gross rental income, any available capital allowances and interest on loan for the acquisition of the property) is included in the taxable income and taxed at the appropriate income tax rate.

Special Defense Contribution tax

Under the SDC tax, an amount of 25 percent is deducted from the gross amount of rental income. After this deduction, the remaining amount of rental income is subject to SDC tax at a rate of 3 percent.

2.10.1 General Rule for dividends, interest and rental income

Based on the provisions of the SDC law, any dividends, interest and rents received by individuals who are Cyprus tax residents but are not domiciled in Cyprus (as defined in the SDC law), irrespective of the origin of the relevant income (i.e. from sources within Cyprus or abroad), are exempt from SDC taxation for a maximum period of 17 years.

2.10.2 Gains from stock option exercises

Residency status	Taxable at:		
	Grant	Vest	Exercise
Resident	N	N	Y*
Non-resident	N	N	Y*/N
Other (if applicable)	N/A	N/A	N/A

* Only on difference between sale price less cost to acquire.

Personal use items

Gains realized from the disposal of personal use items (such as works of art, jewelry, coins, stamps, antiques etc.) are not subject to Cyprus personal income tax. Consequently, any losses incurred from such a disposal are not tax deductible.

Gifts

Gifts are not taxable.

2.11 Additional capital gains tax (CGT) issues and exceptions

Are there additional capital gains tax (CGT) issues in Cyprus? If so, please discuss?

No additional issues other than those covered above.

Are there capital gains tax exceptions in Cyprus? If so, please discuss?

No additional issues other than those covered above.

2.12 General deductions from income

What are the general deductions from income allowed in Cyprus?

Deductions from income

Generally, all outgoings and expenses wholly and exclusively incurred in the production of income are deductible for tax purposes. Specifically, however, the following deductions are allowed:

- Professional subscriptions
- Trade union subscriptions
- Charitable donations and contributions.

Personal allowances

- Life insurance premium relief on policies insuring the individual's life: Premiums allowed are restricted to 7 percent of the capital sum insured. Where a policy issued is cancelled at any time within the first 6 years, part of the premiums already allowed as tax deductions are treated as income of the policyholder in the year of cancellation. If the cancellation is made at any time within 3 years from the date of such policy, 30 percent of the premiums for which a deduction had been allowed is added to income and 20 percent of such premiums if the cancellation is within the fourth, fifth and sixth year from the date of the insurance policy.
- National health insurance contributions.
- Private health insurance contributions, under restrictions.
- Contributions to the social insurance fund or other approved pension, provident or other funds: Foreign nationals under conditions, may deduct their contributions to equivalent funds in their home country/jurisdiction provided that they are approved for tax purposes there.
- Premiums and contributions must not exceed 1/5th of net income.

2.13 Tax reimbursement methods

What are the tax reimbursement methods generally used by employers in Cyprus?

Current year gross-up is the normal method used.

2.14 Calculation of estimates/prepayments/withholding

How are estimates/prepayments/withholding of tax handled in Cyprus? For example, Pay-As-You-Earn (PAYE), Pay-As-You-Go (PAYG), etc.

Pay-as-you-earn (PAYE)

Tax on employment income must be withheld by the employer, under the PAYE system and remitted to the Tax Authorities monthly. This tax is credited towards the employee's final tax liability. The employer has the obligation to submit annually tax form (TD7) titled "Return for withheld taxes & contributions". This return should be filed by the employer not later than 31 May of the year following the year of assessment.

- Each employer is required to apply the PAYE regulations and make PAYE deductions of tax by reference to the Claim for Allowances form (TD 59) completed by each employee at the beginning of each year.
- The estimated tax for the year is divided by 12 (for monthly paid employees) or by 52 (for weekly paid employees).
- The monthly or weekly PAYE is withheld from each employee's emoluments.
- The base for PAYE deductions is form TD 59 which is handed over by the employee to the employer at the beginning of each year. It includes the salary together with benefits-in-kind. An employee must also declare other income such as rental income.
- Allowances/deductions must also be declared by the employees.
- The employer calculates the PAYE deduction based on the TD 59 and withholds monthly the respective tax from each employee's emoluments.

Totals of deductions for 1 month are remitted by the end of the following month.

2.15 Relief for foreign taxes

Is there any Relief for Foreign Taxes in Cyprus? For example, a foreign tax credit (FTC) system, double taxation treaties, etc.?

Yes, relief for foreign taxes suffered is available through a network of Double Tax Treaties up to the level of tax that would have been imposed in Cyprus.

Where an expatriate is from a non-treaty country/jurisdiction, Cyprus will allow unilateral relief for foreign taxes payable, up to a maximum of the Cyprus tax payable on the same source of income.

2.16 General tax credits

What are the general tax credits that may be claimed in your country/jurisdiction? Please list below.

When the final tax liability is computed, credit is given for taxes withheld at source and for interim tax payments.

2.17 Sample tax calculation

This calculation assumes a married taxpayer coming to Cyprus with two children whose 3-year assignment begins 1 January 2023 and ends 31 December 2025. The taxpayer is entitled to an annual base salary of 100,000 US Dollars (USD), an annual bonus, cash allowances and various benefits in kind which are listed below. The calculation covers 3 years.

	2023 USD	2024 USD	2025 USD
Salary	100,000	100,000	100,000
Bonus	20,000	20,000	20,000
Cost-of-living allowance	10,000	10,000	10,000
Housing allowance	12,000	12,000	12,000
Company car	6,000	6,000	6,000
Moving expense reimbursement	20,000	0	20,000
Home Leave	0	5,000	0
Education allowance	3,000	3,000	3,000
Interest income from non-local sources	6,000	6,000	6,000

Exchange rate used for calculation: EUR1= USD1.1234

Other assumptions

- All earned income is attributable to local sources.
- Bonuses are paid at the end of each tax year and accrue evenly throughout the year.
- Interest income is not remitted to Cyprus and it is received on 31 December.
- The company car is used for private purposes only.
- The employee is deemed resident throughout the assignment.
- Relocation expenses where receipts are not available.
- Tax treaties and totalization agreements are ignored for the purpose of this calculation.

Calculation of taxable income

Year ended	2023 EUR	2024 EUR	2025 EUR
Days in Cyprus during year	345	330	320
Earned income subject to income tax:			
Salary	89,015	89,015	89,015
Bonus	17,803	17,803	17,803
Cost-of-living allowance	8,902	8,902	8,902
Housing Allowance	10,682	10,682	10,682
Company car	5,341	5,341	5,341
Moving expense reimbursement*	17,803	0	17,803
Home leave	0	4,451	0
Education allowance	2,670	2,670	2,670
Total earned income	152,216	152,216	152,216
Interest income**	0	0	0
Total income subject to income tax	152,216	152,216	152,216

Year ended	2023 EUR	2024 EUR	2025 EUR
Deductions			
50 percent Exemption***	76,108	69,432	76,108
Social Insurance contributions****	4,985	4,985	4,985
National Health Insurance Contributions*****	4,175	3,821	4,175
Total taxable income	66,948	60,626	66,948

Calculation of tax liability

Year ended	2023 EUR	2024 EUR	2025 EUR
Taxable income as above	66,948	60,626	66,948
Cyprus tax thereon	13,317	11,104	13,317
Less:			
Tax rebates (dependent spouse)	0	0	0
Foreign tax credits	0	0	0
Total Cyprus tax	13,317	11,104	13,317

* Subject to certain conditions, the moving expense reimbursement may be exempt from taxation in Cyprus.

**Interest income is exempt from income tax, but the gross amount is subject to Special Defence Contribution at a rate of 30 percent with tax credit available for any foreign withholding tax suffered. Based on the provisions of the SDC law any interest income received by individuals who are Cyprus tax residents but are not domiciled in Cyprus irrespective of the origin of the relevant income (i.e. from sources within Cyprus or abroad) are exempt from taxation. However, interest income is subject to National Health Insurance System (NHIS) contributions at the current rate of 2.65 percent. The NHIS contributions are capped up to the maximum annual earnings of EUR180,000.

*** 50 percent exemption of the gross emoluments, under the assumption that the conditions of the relevant exemption for first employment in Cyprus are satisfied.

**** Social insurance contributions assuming that the expatriate is subject to Social Insurance in Cyprus:

For 2023 year: Maximum yearly insurable earnings EUR60,060 x 8.3 percent

For the purpose of this computation, the social insurance contributions for the 2024 and 2025 year are the same as the contributions of the 2023 year (i.e. EUR60,060 x 8.3 percent).

***** National Health Insurance System contributions assuming that the expatriate is subject to Social Insurance in Cyprus:

For 2023 year: (Total earned income + Interest income) x 2.65 percent

For 2024 year: (Total earned income + Interest income) x 2.65 percent

For 2025 year: (Total earned income + Interest income) x 2.65 percent

The NHIS contributions are capped up to the maximum annual earnings of EUR180,000.

03

**Special considerations
for short term
assignments**

3 Special considerations for short-term assignments

For the purposes of this publication, a short-term assignment is defined as an assignment that lasts for less than 1 year.

3.1 Residency rules

Are there special residency considerations for short-term assignments?

Individuals who remain in Cyprus less than 183 days in a calendar year are considered non- Cyprus tax residents.

However, the definition has been amended to also provide that, an individual who does not stay in any other country/jurisdiction, for one or more periods exceeding in aggregate 183 days in the same tax year and is not tax resident in any other country/jurisdiction for the same year, is deemed as a resident in the Republic in that tax year, if all of the following conditions are met:

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

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

3.2 Payroll considerations

Are there special payroll considerations for short-term assignments?

No.

3.3 Taxable income

What income will be taxed during short-term assignments?

During short assignments that do not result in Cyprus tax residency, only profits or other benefits from any office or employment exercised in Cyprus and other income arising from sources in Cyprus is subject to Cyprus taxation.

3.4 Additional considerations

Are there any additional considerations that should be considered before initiating a short-term assignment in Cyprus?

Exemption from Cyprus tax may be available under the relevant article from a Double tax treaty.

A foreign employer of a person liable to Cyprus personal income tax on their salary is required to register with the Cyprus tax authorities and operate the PAYE system.

04

Other taxes and levies

4 Other taxes and levies

4.1 Social security tax

Are there social security/social insurance taxes in Mexico? If so, what are the rates for employers and employees?

Employer and employee

The current social insurance rates in Cyprus are as follows:

Type of insurance	Paid by employer	Paid by employee	Total
Social insurance*	8.3%	8.3%	16.6%
Redundancy*	1.2%	-	1.2%
Training and development*	0.5%	-	0.5%
Social cohesion**	2.0%	-	2.0%
Total	12.0%	8.3%	20.3%

* For the 2023 year the maximum amount of insurable earnings has been set to EUR1,155 per week, EUR5,005 per month and EUR60,060 per annum.

** Contributions to the Social Cohesion Fund are calculated on actual earnings and are not subject to cap.

Compliance requirements

The Cyprus social insurance scheme is earnings related and is obligatory with some exceptions for all employed and self-employed persons on the island. Non-employed persons may under certain conditions join the scheme on a voluntary basis.

For the purpose of calculating employees' contributions, the actual gross earnings, subject to ceilings as mentioned above, are taken into consideration. In the case of the self-employed, however, the law prescribes notional income, which varies according to the occupational category.

The social insurance scheme provides equality of treatment for nationals and non-nationals. Non-resident companies have the same obligations for the payment of contributions to the social insurance fund and to the various other funds, as all other employers.

Contributions to the various funds are tax deductible. The employer's contribution is not considered taxable income to the employee. Capital sums payable out of these funds do not form part of the taxable income of the recipients.

The employer is liable for withholding and remitting the total amount of contributions. All contributions are remitted to the Social Insurance Office in the month following.

National Health Insurance System

Under the current NHIS rules, employers are contributing 2.90 percent and employees 2.65 percent on the employee's gross earnings up to maximum annual earnings of EUR180,000.

Please find below a table summarizing the current contribution rates for National Health Insurance System in Cyprus:

Category	Contribution 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%

It should be noted that in accordance with the informational guidance issued by the Cyprus Tax Department, individuals who have an obligation to pay Social Insurance contributions in any other Member States and have in their possession an A1 certificate should not be subject to NHIS contributions in Cyprus.

Further, it should be noted that non-tax residents are subject to NHIS contributions only on their Cyprus sourced income.

4.2 Gift, wealth, estate, and/or inheritance tax

Are there any gift, wealth, estate, and/or inheritance taxes in Cyprus?

No.

4.3 Real estate tax

Are there real estate taxes in Cyprus?

No.

4.4 Sales/VAT tax

Are there sales and/or value-added taxes in Cyprus?

Yes, there is VAT. The Standard VAT rate is 19 percent. Further, a reduced VAT rate of 3 percent applies to various products and services such as books, entry fees to theaters, concerts and other similar cultural events.

Also, a reduced VAT rate of 5 percent among others applies to food products, certain medicines, supply of water and use of sporting facilities.

A reduced VAT rate of 9 percent applies to domestic transport services, holiday accommodation and restaurant / catering services.

Finally, a zero VAT rate applies to certain supplies such as export of goods and international passenger transport.

4.5 Unemployment tax

Are there unemployment taxes in Cyprus?

No.

4.6 Other taxes

Are there additional taxes in Cyprus that may be relevant to the general assignee? For example, customs tax, excise tax, stamp tax, etc.

Stamp Duty

Under Stamp Duty Law, stamp duty is imposed on documents (i.e. written agreements / contracts) concerning assets situated in Cyprus and transactions or matters that will be carried out in Cyprus.

Stamp duty payable on contracts and various agreements is determined by taking into account the value of the contract/agreement and/or any amounts exchanging hands by virtue of the agreement.

The due date for such payment is within 30 days from the day of the signing of the contract/agreement. Penalties are imposed in cases of non-compliance.

Please note that in accordance with the Stamp duty legislation the scaled amounts of stamp duty for contracts subject to stamp duty are at the following rates:

Value of agreement EUR	Rate
Up to – 5,000	0
5,001 – 170,000	0.15%
170,001 and over	0.20%*

* Stamp duty due on agreements effected is capped at a maximum of EUR20,000 for each agreement subject to stamp duty.

Foreign Financial Assets

Is there a requirement to declare/report offshore assets (e.g., foreign financial accounts, securities) to the country/jurisdiction's fiscal or banking authorities?

The Government of the Republic of Cyprus has signed the CRS Multi-lateral Agreement for the implementation of CRS as well as the FATCA IGA with the United States of America. The Assessment and Collection of Taxes Laws has been as such been amended to allow the automatic exchange of information in order to transpose the FATCA and CRS requirements to the Cyprus legislation. The EU has further transposed CRS within the amended EU Directive on Administrative Cooperation.

The implementation of CRS and FATCA in Cyprus as such requires the reporting of Financial Accounts which fall under the decree for the application of CRS and FATCA, to the Cyprus Tax Department.

05

Immigration

5 Immigration

Following is an overview of the concept of Cyprus's immigration system for skilled labor.

(E.g. which steps are required, authorities involved, in-country/jurisdiction and foreign consular processes, review/draft flow chart illustrating the process)

EU nationals are allowed to undertake employment activities in Cyprus without any restrictions.

Highly skilled third-country/jurisdiction national employees may undertake employment in Cyprus either under the normal procedure through the Department of Labour or through the Migration Department if their employer is registered as a Foreign Interest Entity.

- **Employment of highly skilled employees through the Department of Labour:** Highly skilled employees with gross annual earnings in excess of EUR35,000 may obtain an approval for employment from the Department of Labour in an expedited procedure. Once the approval from the Department of Labour is obtained the highly skilled employee may proceed with the submission of the work permit application at the Migration Department.
- **Employment of highly skilled employees of a Foreign Interest Entity (FIE):** Highly skilled employees of a FIE, which is registered with the Migration Department may apply directly to the Migration Department for a work permit without the prior approval from the Department of Labour.

5.1 International Business Travel/Short-Term Assignments

Describe (a) which nationalities may enter Cyprus as non-visa national, (b) which activities they may perform and (c) the maximum length of stay.

- Please refer to the below website for further details regarding countries/jurisdictions whose nationals do not need a visa to enter Cyprus for tourism/business purposes Visa Information – MFA.
- Only for business purposes for attending meetings, visits to sites, etc. Actual employment activities are not permitted.
- Up to 90 days within a 180-day period.

Describe (a) the regulatory framework for business traveler being visa nationals (especially the applicable visa type), (b) which activities they may perform under this visa type and the (c) maximum length of stay.

- Business travelers may enter Cyprus with a tourism visa which will be for business purposes. The relevant application should be submitted to the Cyprus Embassy of the country/jurisdiction of residence of the business traveler.
- Business related activities (meetings, visits of sites, etc.). Actual employment activities are not permitted.
- 90 days within a 180-day period.

Outline the process for obtaining the visa type(s) named above and describe (a) the required documents (including any legalization or translation requirements), (b) process steps, (c) processing time and (d) location of application.

Please find below information for the process of obtaining a visa.

- Consular officers at the Diplomatic Mission (or Consulate) of the Republic of Cyprus where the visa application is lodged, assess the applicant's purpose of travel and willingness to return to their home country/jurisdiction;
- Visa applicants should submit their visa application and supporting documents to the accredited (<https://mfa.gov.cy/embassies.-high-commissions.-consulates-general-and-honorary-consulates-by-country.html>) (or Consulate) of the Republic of Cyprus in their country/jurisdiction of habitual residence (or elsewhere), or in the country/jurisdiction that they intent to use as transit during their journey to Cyprus;
- Passports must be valid for at least 3 months from the intended date of departure from Cyprus;
- Valid proof of residency (visa/permanent residence card/passport);
- Duly signed application form;
- A passport –size photograph must be affixed on the visa application form;
- Applicable governmental fee;
- Invitation letter from the host-company/ firm/ associate in the Republic of Cyprus. [Assumption of Responsibility](#) Form is always required. The form must be completed by the host and certified by a notary public.
- Flight pre-bookings (round-trip) and hotel reservation or proof of other accommodation. The applicant is advised not to purchase their travel ticket to Cyprus before having their application approved and the visa issued.

Please note that submitting the aforementioned documents does not guarantee automatic issuance of the visa. The Diplomatic Mission (or Consulate) of the Republic of Cyprus, where the visa application is lodged, reserves the right to request additional documents, such as:

- Bank guarantee;
- Proof of applicant's employment;
- Proof of sufficient financial means;
- Additional documentation regarding the applicant, as requested by the relevant Cyprus Embassy.

Please note that the possession of a valid visa does not grant the holder of an absolute right of entry to the Republic of Cyprus. The applicant may as well be required to present certain evidence upon arrival.

The application submission fee for a short stay visa is EUR80.

The visa should be issued within 15 business days assuming that no further documents are required for the examination of the application.

Are there any visa waiver programs or specific visa categories for technical support staff on short-term assignments?

Not applicable.

5.2 Long-Term Assignments

What are the main work permit categories for long-term assignments to Cyprus? In this context outline whether a local employment contract is required for the specific permit type.

A third-country/jurisdiction national should obtain a residence permit for employment purposes from the Migration Department in order to undertake employment activities in Cyprus. For this purpose, a local employment contract should be in place.

The main routes for obtaining a work permit are the following:

- Obtain approval for the employment of a third-country/jurisdiction national from the Department of Labour;
- Proceed with the submission of the work permit application at the Migration Department

Provide a general process overview to obtain a work and residence permit for long-term assignments (including processing times and maximum validation of the permit).

As a first step, an approval from the Department of Labour should be obtained for the employment of the third-country/jurisdiction national in Cyprus.

Firstly, in order for the company to be eligible to employ third-country/jurisdiction nationals it should fulfill the following conditions:

- The company should seek actively to find an employee from the local labor force. Also, it should publish the available position via the Employment services of the District Labour Offices, in the EURES network (European Job Mobility Portal) and at the same time publish the vacancy in a daily local newspaper for a period of at least 6 weeks.
- The employer should run a “properly organized and sustainable business” meaning that the company should be registered with the Cyprus Social Insurance Department, VAT Department and Cyprus Tax Authorities. Moreover, the company should employ a sufficient number of employees from the local labor force to run the business and the number of foreign employees should not be more than 30 percent of the average total number of employees for the 12 months period preceding the submission of the application (periods of suspension or partial suspension of work are excluded). In addition, the company should be in compliance with the relevant employment legislation;
- The company should not have previously employed illegally foreign individuals;

Further, please find below the list of the criteria that should be satisfied, in order for the Department of Labour to recommend the employment of foreign individuals:

- Non-availability of suitably qualified local personnel (Cypriot or European citizens) in order to satisfy the specific needs of the employer;
- Saving and better utilization of the local labor force; Improvement of working conditions at the workplace;
- Terms and conditions of employment of foreigners should be the same as those for Cypriots.

Is there a minimum salary requirement to obtain a long-term work and residence permit for assignments? Can allowances be taken into account for the salary?

Yes, depending on the type of the application and the position of the individual. Benefits in kind and bonuses are not included in the required minimum salary.

Is there a fast-track process which could expedite the visa/ work permit?

Yes, if the employer is registered at the Migration Department as a Foreign Interest Entity (FIE).

At what stage is the employee permitted to start working when applying for a long-term work and residence permit (assignees/ local hire)?

Once the final application has been submitted to the Migration Department and prior to the issuance of the actual residence permit card.

Can a short-term permit/ business visa be transferred to a long-term permit in Cyprus?

Yes, depending on the application to be submitted.

Is it possible to renew work and residence permits?

Yes, depending on the type of the application to be submitted.

Is there a quota or system or a labor market test in place?

Yes. For general employment the company should employ a sufficient number of employees from the local labor force to run the business and the number of foreign employees should not be more than 30 percent of the average total number of employees for the 12-month period preceding the submission of the application (periods of suspension or partial suspension of work are excluded).

For Foreign Interest Entities, the maximum number of third country nationals that can be employed is set at 70 percent of the total number of all the employees of the company. The rest 30 percent of the total number of all the employees of the company should be Europeans. This limit should be achieved over a period of 5 years, from the date of the enactment of this policy (i.e. 1/1/2022). On that basis the first evaluation of this condition will be undertaken on 1/1/2027.

5.3 General Immigration Related Questions

Would it be possible to bring family members to Cyprus?

Yes, through the family reunification process for employees at a foreign interest entity.

Is it possible to obtain a permanent residence permit?

Yes, subject to various conditions.

What if circumstances change after the Work and Residence application process (e.g., change of employment or personal situation, including job title, job role or salary)?

A notification should be submitted to the Migration Department informing them on the relevant changes. Depending on the case, a new application needs to be submitted.

How long can a permit holder leave Cyprus without their permit becoming invalid?

Up to 90 consecutive days.

Must immigration permissions be cancelled by the end of the assignment/employment?

The card will expire automatically upon its expiration date. In case where the employment terminates prior to the expiration date of the residence permit, a notification needs to be submitted to the Authorities by the employer.

Are there any penalties for individuals and/or companies in place for non-compliance with immigration law?

Yes, strict penalties apply depending on the case.

List any other important items to note, or common obstacles faced, in Cyprus when it comes to the immigration processes.

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