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CYPRUS INTRODUCES NEW TAX RESIDENCY RULES FOR INDIVIDUALS

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INTRODUCTION

In an effort to attract foreign tax residents to Cyprus, the Government of Cyprus has been working closely with the private sector over the last few months in order to agree on specific changes in the tax legislation of Cyprus.

As at 14 July 2017, the Parliament voted an amendment to the Article 2 “Interpretation” of the Income Tax Law of 2002 as amended, by adding an alternative definition for a tax resident other than that of an individual who resides in Cyprus for more than 183 days.

The new definition applies to individuals who do not stay in any other country for a period or periods exceeding in aggregate 183 days in a fiscal year and who are not tax resident in any other country for the same fiscal year.

A. EXISTING LAW ENACTED FROM 1.1.2003

“Resident in the Republic”, when applied to an individual, means an individual who stays in the Republic for a period or periods exceeding in aggregate 183 days in the year of assessment.

For the purposes of calculating the days of stay in the Republic-

- (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.

The term “resident in the Republic” when applied to a company, means a company whose management and control is exercised in the Republic and “non – resident in the Republic” will be determined accordingly.

B. NEW DEFINITION AS PER THE ARTICLE 2

An individual, who does not stay in any other country for a period or periods exceeding in aggregate 183 days in the fiscal year and he/she is not tax resident in any other country for the same fiscal year, is deemed to be tax resident in the Republic of Cyprus if all of the following conditions are met:

- (i) Remains in the Republic for at least sixty (60) days in the fiscal year,
- (ii) Carries on business in the Republic and/or he/she is employed in the Republic and/or he/she holds an office in an enterprise/company resident in the Republic at any time during the fiscal year,
- (iii) Maintains a principal private residence in the Republic which is either owned or leased by the individual.

It is important to note that, for the purpose of the above mentioned law, if the employment/business or holding of an office as per the condition (ii) is terminated, during the fiscal year, then the individual shall cease to be considered a Cyprus tax resident for that tax year under these extended rules.

The law is applicable from 1st January 2017, basically from the current fiscal year.



KEY CONTACTS

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