



Cyprus Non-Dom Regime

The Special Contribution for Defense Law (the SDCLaw) imposes tax on income (dividends-17%, interest -30%, rental income -3%) received from within or outside of Cyprus by individuals who are considered to be tax residents of Cyprus. An individual is considered to be a tax resident of Cyprus if he/she physically spends more than 183 days in Cyprus during a tax year.

The SDC Law has now been amended to incorporate the non domiciled rules exempting the income (whether actual or deemed) of persons who are not considered to be domiciled in Cyprus from payment of special contribution for defense tax, even if they are considered to be tax residents of Cyprus.

An individual is considered as domiciled in Cyprus by way of domicile of origin or by domicile of choice.

In order to understand the concept of “domiciled in Cyprus” one must look to the Wills and Succession Law Cap. 195. In accordance with the Wills and Succession Law:

- A person at any time can have either the domicile which he/she acquired at birth (domicile of origin) or the domicile which he/she acquired or maintained as a result of actions taken by him/her (domicile of choice).
- For a legitimate child, which was born when the father was alive, the domicile of origin of the child is the domicile of origin of the father, at the time the child was born.
- For a legitimate child, which was born after the father died or in the case of an illegitimate child, the domicile of origin is the domicile of origin of the mother, at the time the child was born.
- A person may acquire a domicile of choice with his establishment in any country outside Cyprus with the intention of the permanent or indefinite residence in such a country.
- A domicile of choice is maintained until abandoned in which case a new domicile of choice is acquired or the domicile of origin is reinstated.

Individuals that are Cyprus tax residents for at least 17 out of the last 20 years are considered to be domiciled in Cyprus and they are subject to SDC.

Non Domiciled individual is now exempt from Special Defense Contribution for 17 out of the last 20 years even though during the same years (s) he was also a Cyprus Tax Resident. Therefore, an individual who has been a tax resident of Cyprus for at least 17 years out of the last 20 years prior to the tax year will be considered to be “domiciled in Cyprus” and as such will be subject to special contribution for defense from the 18th year.

In other words, non-domiciled individuals’ worldwide income having the form of dividends and interests from fixed deposits will not be subject to any taxation in Cyprus and their rental income will not be subject to Special Defense Contribution for 17 years from the year they become tax residents.

Individuals that were born in Cyprus are considered NOT to be domiciled in Cyprus where they have not been Cyprus tax residents for at least 20 years before returning to Cyprus.

Cyprus tax resident non-doms will continue to be subject to taxation at the normal applicable personal tax rates in respect of rental and other forms of income that they receive (salaries, directors fees etc.) This new law creates an attractive tax environment for non-doms residing in Cyprus