

### Basis of taxation

All Cyprus tax residents are taxed on all income accrued or derived from all sources in Cyprus and abroad. Individuals who are not tax residents of Cyprus are taxed only on income accrued or derived from sources in Cyprus.

An individual is tax resident in Cyprus if he spends in Cyprus more than 183 days in any year. Days in and out of Cyprus are calculated as follows:

- a. The day of departure from Cyprus counts as a day of residence outside Cyprus.
- b. The day of arrival in Cyprus counts as a day of residence in Cyprus.
- c. Arrival and departure from Cyprus in the same day counts as one day of residence in Cyprus.
- d. Departure and arrival in Cyprus in the same day counts as one day of residence outside Cyprus.

### Personal tax rates

The following income tax rates apply to individuals:

Chargeable income	(€)	Tax rate
0 - 19.500	0	Nil
19.501 - 28.000	20	1.700
28.001 - 36.300	25	2.075
36.301 - 60.00	30	7.110
Over 65.000	35	

Foreign pension is taxed separately at the rate of 5 percent and an annual exemption of €3.417 is granted. A person may elect in any year to have his/her pension included in his/her chargeable income so as to utilize personal allowances. This would lead to a tax saving where the chargeable income including the pension is less than €25.000.

As from 1st January 2012 a 9% deemed benefit in kind applies to all debit balances and loans of directors, shareholders, spouses and up to second degree relatives of limited liability companies. The aforesaid benefit in kind is taxable in the hands of the above persons and accounted accordingly when arriving at the PAYE of each tax payer. Non residents are outside the scope of this provision.

**Exemptions**

The following income is exempted from tax:

Type of income	Exemption limit
Interest	the whole amount but subject instead to SCD* at the rate of 30%
Remuneration from any office or employment exercised in Cyprus by an individual who was not resident in Cyprus	
As from 1st January 2012, in the case of an individual who was resident in Cyprus and took up employment outside Cyprus for more than 90 days in a tax year	50% allowance on their gross salary for a period of 5 years
Remuneration from salaries or services rendered outside Cyprus for more than 90 days in a tax year	
Profits of a permanent establishment abroad under certain conditions	
Lump sum received by way of gratuity, compensation or compensation for death or injuries.	
Dividends.	The whole amount but subject to SCD* at the rate of 20%
Capital sums accruing to individuals from any payments from approved funds (eg provident funds)	
Deposits in the amount deposited in the bank or other financial institution. The amount deposited in the bank or other financial institution does not exceed 25 percent of a person's total income. The amount deposited in the bank or other financial institution does not exceed 25 percent of a person's total income.	
Contributions to trade unions or professional bodies	the whole amount

\* SCD Special Contribution for Defense

\*\* Securities is defined as shares, bonds, debentures, founders' shares and other securities of companies or other legal persons, incorporated in Cyprus or abroad and options thereon. A circular was issued by the Tax Authorities in 2008 further clarifying what is included in the term "securities". According to the circular the term includes short positions, futures, forwards and swaps where they are in respect of securities and depositary receipts (ADR,GDR). Index participations are considered securities only if they derive from participation. Where it is not certain whether a specific financial instrument falls under any of the categories included in the circular, a request for a ruling may be submitted to the Commissioner of Income Tax.

**Tax deductions**

The following are deducted from income:

Type of income	Exemption limit
Loss of current year and previous years	amount with maximum period of 5 years
Profits from the sale of securities**	the whole amount
Rental income	20% of gross rental income
Donations to approved charities (with receipts)	the whole amount

Social Insurance, provident fund, medical fund, pension fund contributions and life insurance premiums (the allowable annual life insurance premium is restricted to 7 percent of the insured amount) up to 1/6 of the chargeable income

**Social grants**

The following social grants are given:

- □ Grant for every child receiving full time higher education in Cyprus (with certain restrictions) or full time university education outside Cyprus. Families with more than three children receive an additional grant.
- □ Grant for blind persons.
- □ Basic child grant and additional child grant for families that have a gross family (applicant, spouse, and children) income below the specified threshold.

The actual amounts of social grants are revised annually and announced at the beginning of each year.

