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## BENEFICIAL PERSONAL TAX PROVISIONS

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In an effort to attract high calibre executives and high net worth individuals in Cyprus a number of personal tax reliefs have been included in Cyprus tax laws as follows:

### **Taking up employment in Cyprus – 50% exemption of employment income**

An individual taking up employment in Cyprus with an annual income of over €100.000 will be allowed to a 50% exemption from income tax on the employment income. The individual will be considered to be a Cypriot tax resident if he/she spends more than 183 days in Cyprus over a calendar year.

This relief starts from the first year of employment (employment must start on or after 1 January 2012) and applies for a 5 year period.

The following tax rates (significantly lower compared with other EU countries) will apply on income in excess of the tax exempt amount of €50.000:

<b>Taxable income</b>	<b>Tax Rate</b>
€0 - €19.500	0%
€19.501 - €28.000	20%
€28.001 - €36.300	25%
€36.301 - €60.000	30%
Over €60.001	35%

### **Overseas Employment – Tax exempt income**

Income earned by Cypriot tax residents through performance of their activities outside Cyprus (whereby the individual is employed by non Cypriot employer or by foreign permanent establishment of a Cypriot employer) is exempt from taxation. This relief applies only in those cases where the individual's total time outside Cyprus in performance of the overseas duties exceeds 90 days in a calendar year.

### **Low Social Insurance Contribution**

The contribution is 6,8% for employees and 12,6% for self employed. The maximum salary for year 2012 on which social insurance contributions are capped is €53.300.

The contribution rates in Cyprus are considered to be significantly lower as compared to other EU countries.

### **Other advantageous provisions**

- Interest income is taxed at 15%
- Dividends are taxed at 17% (for 2012 and 2013 the rate is increased to 20%). Tax credits are allowed for taxes withheld overseas
- No inheritance tax, gift tax, wealth tax, estate duty
- No capital gains tax (unless in connection with immovable property in Cyprus)
- Pensions received from abroad are taxed at a flat rate of 5%