

NORDIC FINANCE LTD

Cyprus tax incentives for high net worth individuals

- ✓ No tax on dividends
- ✓ No tax on interest income
- ✓ No tax on capital gains

Cyprus offers an attractive Non-Domicile ("Non-Dom") tax regime for individuals who become Cyprus tax residents but are not considered domiciled in Cyprus.

Under the regime, qualifying individuals benefit from exemption from Special Defence Contribution (SDC) on dividends, interest, and rental income.

The non-dom status is granted for an initial period of 17 years of Cyprus tax residency. Following recent tax reforms, this period may be extended for additional years, subject to specific conditions and payment of a prescribed fee, allowing eligible individuals to benefit from the regime for up to 27 years in total.

Cyprus tax incentives for non-domiciled person

Dividends and bank deposit interest earned by individuals who are tax resident and domiciled in Cyprus are subject to SDC. Under the 2026 tax reform, the SDC rate on actual dividends has been reduced from 17% to 5%. In addition, SDC on rental income has been abolished, while certain categories of interest remain subject to SDC at reduced rates.

Non-domiciled tax residents are exempt from SDC on dividends and interest income. However, a non-domiciled individual is not exempt from income tax on rental income, which continues to be charged at the normal income tax rates.

Furthermore, irrespective of domicile, foreigners becoming Cyprus tax residents enjoy a number of significant tax advantage with the main ones being outlined below.

Domicile

A domiciled individual can be by domiciled by origin, which in Cyprus is decided by the fathers' domicile at birth, or an individual can be domiciled by choice, i.e the individual establishes a home with the intention of a permanent stay. So accordingly, an individual born to a non-Cypriot domiciled father is considered to be non-domiciled in Cyprus. However, an individual may still be considered domiciled in Cyprus if he/she has been a tax resident in Cyprus for at least 17 years out of the last 20 years.

Other tax advantages for individuals

- ✓ Capital gains from the sale of shares, bonds, and other financial instruments are generally fully exempt, except when linked to Cyprus immovable property. Gains from property located outside Cyprus are not taxed. The country imposes no estate, inheritance, wealth, or gift taxes.
- ✓ Cyprus maintains 65+ double tax treaties, often providing reduced or nil withholding taxes on dividends, interest, royalties, and pensions from abroad.
- ✓ Foreign pension income from services outside Cyprus may be taxed at a flat 5% on amounts exceeding €3,420 per year, offering further flexibility for retirees.

Tax Residency

An individual who spends more than 183 days in Cyprus in a year is a tax resident of Cyprus.

An individual can be tax resident in Cyprus even if he/she spends less than 183 days in Cyprus provided he/she satisfy all of the following conditions within the same tax year:

- Spends at least 60 days in Cyprus;
- Maintains a permanent home in Cyprus that is either rented or owned;
- They do not reside in any other single state for more than 182 days during the tax year;
- Carries on a business in Cyprus and/or is employed in Cyprus and/or holds an office with a Cyprus tax resident company at any time during the year.

Important 2026 change: The previous condition that the individual must not be a tax resident of any other country has been removed from the 60-day rule as part of the 2026 tax reform. This condition no longer needs to be satisfied to qualify as a Cyprus tax resident under the 60-day rule.



Corporate Tax

Cyprus is, as an EU member state an attractive tax destination for both companies and high net worth individuals and it is widely used as a residence for their operations and family relocation.

Main features for taxation of corporate entities:

- 15% income tax on corporate trading profits.
- 0% corporate tax on sale of securities.
- No withholding tax on outgoing payments (dividends, interest, royalties).
- Dividend income is generally exempt.
- 0% on foreign exchanges profits (losses not deductible).
- Advance tax rulings possible.
- Favorable tax regime for Intangible Property.

Exemptions to income tax

Under current Cyprus tax law (including post-2026 reform), an expatriate individual who relocates to Cyprus and takes up first employment in the Republic may qualify for a 50% exemption on personal income tax on remuneration from that employment under Article 8 (23A) of the Income Tax Law.

To qualify, the individual must not have been a Cyprus tax resident for at least 15 consecutive tax years prior to the commencement of their first employment in Cyprus, and the annual remuneration from that first employment must exceed €55,000 (with flexibility for meeting the threshold in the first or second year).

This exemption is available for up to 17 years from start of employment for those who meet the qualifying conditions. Individuals who qualified under the old regime (with a €100,000 threshold and a 10-year period) may continue to benefit under transitional provisions. If the remuneration does not satisfy the 50% regime conditions, an alternative 20% exemption (capped at €8,550 per year) may be available under specific conditions.

Income Tax-Individuals

An individual who is tax resident in Cyprus, irrespective of his/her domicile, is subject to income tax on his/her worldwide income.

Personal Income Tax

Taxable annual income (€)	Rates
0 - 22,000	0%
22,001 - 32,000	20%
32,001 - 42,000	25%
42,001 - 72,000	30%
72,001+	35%

Social Insurance and National Health Insurance (NHI) Contributions

As of 2026, social insurance contributions in Cyprus are 8.8% of gross earnings for both employee and employer (with an annual insurable earnings cap of €68,904) and 2.65% to the General Healthcare system up to a cap of EUR 180,000 per year.

Income exemption for overseas employment

There is a 100% Cyprus income tax exemption for remuneration from employment performed outside Cyprus for more than 90 days in a tax year when paid by a foreign employer or a foreign permanent establishment of a Cyprus employer.



Overview of tax advantages

Source of income	Taxation
Dividend income	Nil
Interest income	Nil
Rental Income	Nil SDC, Income tax at normal rates
Capital gains from sale of securities (provided underlying asset do not include immovable property in Cyprus)	Nil
Capital gains from sale of immovable property overseas	Nil
Gift tax, wealth tax, inheritance tax	Nil
Employment income from employment in Cyprus exceeding EUR 100,000	50% exempt
Employment income from services outside Cyprus from more than 90 days in a tax year	Nil

Tax Advice

An individual who is considering to re-locate to Cyprus is recommended to seek advice on the tax implications of the transition from the existing country of residency to Cyprus.

Contact us

Nordic Finance can assist you with the residence permit, application for non-domiciles status, bank contacts etc.

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