

Personal Income Tax 2015

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1. Tax Residency

To be considered a tax resident of the Republic of Cyprus, an individual needs to be situated in the Republic for a period exceeding 183 days in a tax year.

For the purpose of calculating the days of residence in the Republic:

- The day of departure from the Republic is considered to be a day of residence outside of the Republic.
- The day of arrival into the Republic is considered to be a day of residence in the Republic.
- The arrival into the Republic and departure from the Republic on the same day is considered to be a day of residence in the Republic.
- The departure from the Republic and return to the Republic on the same day is considered to be a day of residence outside of the Republic.

Where an individual is a resident in the Republic, tax is imposed on income accruing or arising from sources both within and outside the Republic.

Where an individual is not a resident in the Republic, tax is imposed on income accruing or arising only from sources within the Republic.



2. Tax levy of Cyprus Tax Residents

For a tax resident individual of the republic of Cyprus, tax is levied on all his / her income accruing or arising from sources both within and outside Cyprus, in respect of:

- Profits or other benefits from any business;
- Profits or other benefits from any office or employment;
- Dividends, interest or discount, rents, royalties or other profits arising from property;
- Any amount or consideration in respect of any trade goodwill reduced by any amount incurred for the purchase of such trade goodwill.

3. Personal Income Tax Rates

The following income tax rates apply to individuals for 2015:

Taxable income (in Euro)	Rate %	Accumulated tax €
0 – 19,500	0	Nil
19,501 – 28,000	20	1,700
28,001 – 36,300	25	3,775
36,301 – 60,000	30	10,885
Above 60,000	35	

The pension income of any individual resident in the Republic, which arises from services rendered abroad, is taxed at a rate of 5% for amounts exceeding €3,420 per annum. The taxpayer has the right to choose to be taxed either under the special mode of taxation as stated above or at normal rates. If the latter is chosen the pension is added to the individual's other income.

4. Deductions and allowances for individuals

- Expenses of rented property (allowance) - 20% of the rent
- Interest paid in respect of rented buildings - 100%
- Subscriptions to unions or professional associations- 100%
- Donations to approved charitable institutions, supported by receipts- 100%
- Social insurance contributions, life insurance premiums and contributions to approved pension funds or medical funds for insuring the life of the taxpayer - up 1/6 of taxable income before the deduction of these allowances
- Special Contribution (refer to relevant section below) – 100%
- Profits from the exploitation and/or disposal of intellectual property rights – 80%
- Interest with respect to the purchase of fixed assets that are used in the business- 100%

5. Personal Income Tax – Exemptions

Type of income	Exemption limit
Interest, except for interest arising from the ordinary business activities or closely related to the ordinary business activities of an individual.	The whole amount.
Dividends.	The whole amount.
Remuneration from any office or employment exercised in Cyprus by an individual who was not resident of Cyprus before the commencement of his employment, for a period of 3 years commencing from 1st January following the year of commencement of the employment.	20% of income with a maximum amount of €8,550.00 annually.
Remuneration from any office or employment exercised of the in the Republic by an individual remuneration who was resident outside the Republic before the commencement of his employment in the Republic. The exemption applies for a period of 5 years starting from the first year of employment provided that the above income of the employee exceeds €100.000 per annum.	50% of the remuneration.
Remuneration from salaried services rendered outside Cyprus for more than 90 days in a tax year to a non- Cyprus resident employer or to a foreign permanent establishment of a Cyprus resident employer.	The whole amount.
Profits of a permanent establishment abroad under certain conditions.	The whole amount.
Capital sums accruing to individuals from any payments to approved funds (e.g. provident funds).	The whole amount.
Lump sum received by way of retiring gratuity, commutation of pension or compensation for death or injuries.	The whole amount.
Profits from the sale of securities. *	The whole amount.

**Securities are defined as shares, bonds, debentures, founders' shares, options on Securities, short positions on Securities, futures/ forwards on Securities, swaps on Securities, depositary receipts on Securities, rights of claim on bonds and debentures (rights on interest of these instruments are not included), index participations only if they represent Securities, repurchase agreements or repos on Securities, units in open-end or close-end collective investment schemes. In cases where it is not certain whether a specific financial instrument falls under any of these categories of Securities, then a request for a ruling may be submitted to the Commissioner of Taxation.*

(Promissory notes and Bills of Exchange do not represent securities)

(Forex does not represent securities)

It should also be noted that gifts are not a taxable source of income.

6. Special Contribution

Each employee, self-employed, or person operating in the private sector receiving a pension, shall pay a special contribution to the Republic in order to strengthen public finances. The contribution is a percentage levied on the gross earnings and the relevant bands and applicable rates from 1 January 2014 up to 31 December 2016 are as shown in the table below.

Gross monthly salary (EUR)	Rate (%)
0 – 1,500	0
1,501 – 2,500	2.50
2,501 – 3,500	3.00
Above 3,500	3.50

The above special contribution is calculated on the total gross earnings with no restriction or maximum limit on the amount of the levy. For employees of the private sector, the following are exempt from the special levy:

- Retirement bonus
- Amounts paid by provident funds
- Remuneration of a foreigner who is employed by a foreign government or by an international organization
- Remuneration of foreign diplomats and consular representatives who are not citizens of the Republic
- Remuneration of Cypriot ship's crew
- Allowances paid to employees covering business expenses on behalf of an employer

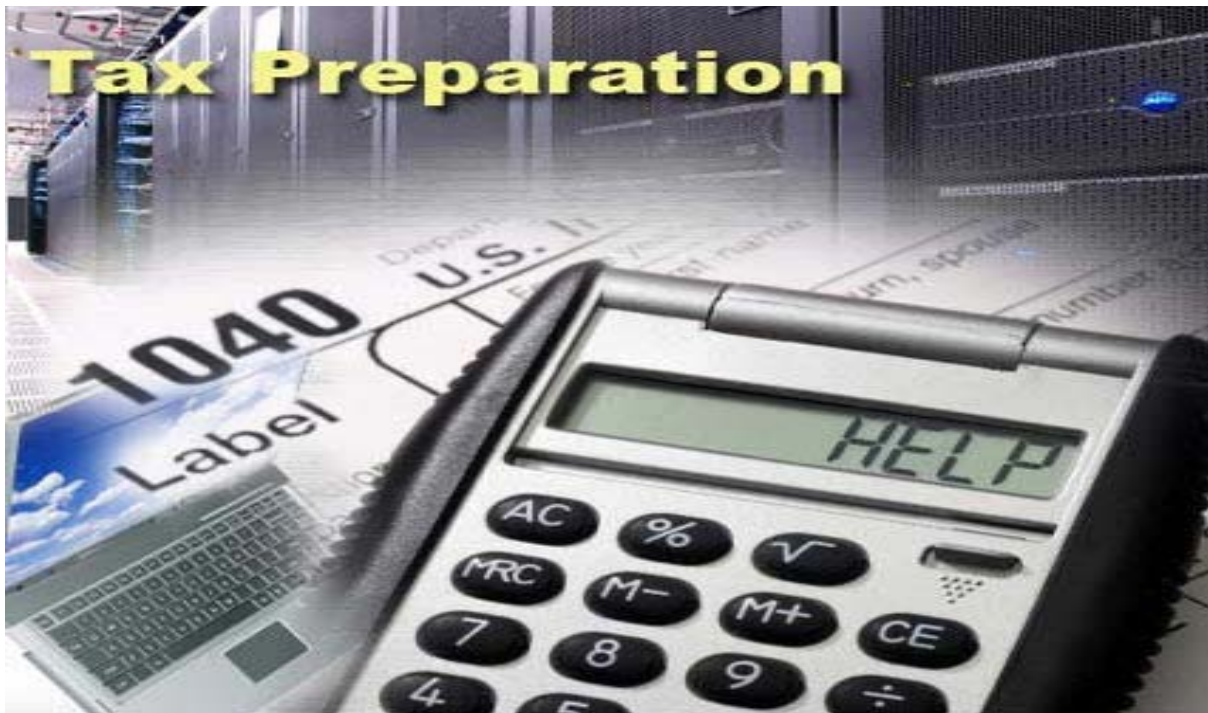
Employees or pensioners, who pay the Special Contribution under the Officers, Employees and Pensioners of the State and Public Sector Law on their salaries or pensions, are exempt from the above payment.

In the case of an employee, the payment of the special contribution is shared equally by the employer and the employee, (i.e. 50% of the special contribution is paid by the employee and 50% is paid by the employer).

The special contribution paid is deductible from the taxable income of the employee/employer that it relates to.

7. Capital Allowances

The same capital allowances given to companies are allowed to physical persons who prepare audited financial statements.



8. Tax Losses

Individuals who have an obligation to prepare audited financial statements (i.e. with turnover in excess of EUR 70,000) will be able to carry forward tax losses incurred over the next five years from the end of the tax year in which they were incurred, to be offset against taxable income.

Losses arising from a permanent establishment abroad can be set off with profits arising in Cyprus. Subsequent profits of the permanent establishment abroad are taxable up to the amount of losses allowed.

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