



## Relocating from the UK to Cyprus, for work

### Cypriots in the UK

Despite the rainy weather and the high cost of living, the UK continues to be a top destination for Cypriots when it comes to studying and working. The UK has some of the greatest universities in the world and London is one of the best places to start and build a career.

Over the last few years, Brexit and the rise of remote working have pushed many Cypriots to reconsider moving back home, where they can enjoy warmer climate and a Mediterranean lifestyle, closer to family and friends.

Cypriots that have been working in the UK for many years, are often sceptical in moving back to Cyprus, especially if they have already managed to be earning a high remuneration and have built a career with a reputable employer.

In order to incentivise people (Cypriots as well as non-Cypriots) to move to Cyprus for work, the House of Parliament has recently voted into law, enhanced personal income tax incentives.

### Enhanced personal income tax incentives for relocation

In brief, the new income tax exemptions (which are subject to conditions) are outlined below:

1. **“50% income tax exemption”** on remuneration for first employment commencing as from 1 January 2022 exercised in Cyprus with remuneration exceeding EUR55.000 per annum, by individuals who

were not a tax resident of Cyprus for a period of at least 10 consecutive tax years immediately prior to the commencement of their employment in Cyprus.

For each individual the exemption will apply once in their lifetime for a period of 17 years. Subject to certain conditions, individuals whose employment commenced prior to 1 January 2022, may also be eligible to transition into the new 50% exemption.

2. **“20% income tax exemption”** on remuneration (up to a maximum amount of exemption of EUR8.550 per annum) will apply, for first employment exercised in Cyprus, by individuals who immediately prior to the commencement of their employment in Cyprus were not a tax resident of Cyprus for a period of at least 3 consecutive tax years and were employed outside of Cyprus by a non-resident employer. For each individual the exemption will apply for a period of 7 years, starting from the tax year following the tax year of commencement of employment.

For the full details, click [here](#).

### Existing tax incentives

In addition to the newly introduced (see above) incentives, there are some existing tax incentives for individuals wishing to move to Cyprus:

- The remuneration from employment outside of Cyprus, to an employer not resident in Cyprus, for more than 90 days per Cyprus tax year is exempt from tax.
- The pension income of any individual resident in Cyprus which arises from services rendered abroad, is taxed at a flat rate of 5% for amounts exceeding €3.420 per annum. Article 17 of the [Cyprus – UK tax treaty](#) provides for the taxing rights.

### What else to consider when relocating to Cyprus

People thinking of moving from the UK to Cyprus, should also keep in mind the following:

#### [Different tax residency rules](#)

The UK tax year (6 Apr – 5 Apr) is different from the Cyprus tax year (1 Jan – 31 Dec) and so are the tax residency rules. Therefore, upon departure from the UK, one needs to carefully consider the rules of both countries, to ensure he/she avoids being treated as a UK tax resident.

An individual establishes Cypriot tax residency if he/she:

- Spends more than 183 days in Cyprus during a calendar year (1 January - 31 December) or;
- Spends at least 60 days in Cyprus during a calendar year and the following four conditions are also met:
  - i. Does not spend more than 183 days in any other country.
  - ii. Is not a tax resident of any other country.
  - iii. Maintains a permanent home in Cyprus that is either rented or owned.
  - iv. Carries on a business in Cyprus, is employed in Cyprus or holds an office in Cyprus at any time during the tax year.

Based on a Circular (link [here](#)) issued by the Cyprus Tax Authorities, when a person is claiming tax residency in Cyprus under the so called “60-days rule”, and for part of that year he/she is also considered a tax resident of the UK, the Circular clarifies that condition (ii) above is not infringed. Hence, an individual can still claim tax residency in Cyprus during the tax year if all other conditions are satisfied.

In case both Cyprus and the UK claim the tax residency of an individual, the tie-breaker clause in the Cyprus – UK tax treaty (link [here](#)) should be examined to establish which country “wins” the tax residency of the individual (and thus the taxing rights over his/her worldwide income).

### [Cypriot Domicile status](#)

Individuals who are tax residents but do not have their domicile in Cyprus will be exempt from special contributions for defence (SDC), a type of tax that is levied on passive income (dividends, interest and rental income). For the Cypriot domicile test, click [here](#).

### [Continue working for a UK employer](#)

Several people who decide to relocate to Cyprus, have offers from their UK employers to continue working from them. If a Cyprus tax resident decides to continue working for a UK employer a number of issues need to be carefully considered including but not limited to:

- **Taxing rights over their employment income:** The allocation of taxing rights between the two countries as per Article 14 of the Cyprus – UK tax treaty;
- **PE considerations for the UK employer:** Whether the presence of an employee in Cyprus would create taxable presence (permanent establishment) for the UK employer. This will depend on a number of factors including but not limited to the role of the employee and the place from which he/she performs his/her responsibilities.
- **Compliance obligations for the UK employer:** The UK employer may need to register with local authorities including the Cyprus Registrar of Companies and the Social Insurance Department and to follow the local PAYE rules.
- **Social insurance (SI) and other contributions:** In terms of SI contributions, following Brexit, it would be generally expected that employees working from Cyprus contribute to the Cyprus SI fund, as the exemption which was otherwise available under the EU regulations is not applicable anymore. Employers and employees would also be expected to contribute to the General Healthcare System.

### **Moving back home**

Any decision to move from the UK to Cyprus requires careful consideration of all the relevant facts and circumstances, as well as an appropriate tax analysis in order to mitigate potential risks and maximise the benefits. Since each individual’s tax position is different, it is imperative to request tailored consultation prior to taking any decisions.

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