

## Cyprus tax residency rules amended

September 18, 2017

In July 2017, the Cyprus Parliament approved a legislative proposal amending Section 2 of the Income Tax Law (ITL) and introducing an additional provision for determining Cyprus tax residency for individuals.

Until now, an individual could be considered a Cypriot tax resident only if he stayed in the Republic for more than one hundred and eighty-three (183) days in a tax year. The new “60-day rule” creates an alternative whereby an individual can still be considered a Cypriot tax resident even if he/she spends less than 183 days in the relevant tax year in the Republic of Cyprus but cumulatively meets the following conditions:

- Stays in the Republic for at least sixty (60) days in the relevant tax year; and
- Exercises any business in the Republic of Cyprus and/or is employed in the Republic of Cyprus and/or holds an office for a person tax resident in the Republic of Cyprus at any time during the relevant tax year; and
- Maintains a permanent residence in the Republic of Cyprus which is owned or rented by him/her; and
- Does not reside in any other state for any period exceeding an aggregate of 183 days; and
- Is not a tax resident in any other state in the same relevant tax year.

It is further provided however, that an individual, who cumulatively fulfils the aforementioned conditions, is not considered to be a tax resident of the Republic of Cyprus in the tax year, if in that year the exercise of any business and/or employment in the Republic of Cyprus and/ or the holding of a post to a taxable person of the Republic of Cyprus have ceased. For the purposes of calculating the days in the Republic under both the “60-day rule” and the “183-day rule”, Section 2 of the ITL provides the following clarifications:

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

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The amending law was published in the Official Gazette of the Republic on the 28th of July 2017. It is effective retroactively and applies as of the 1st of January 2017 (current tax year).

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