

CYPRUS TAX GUIDE 2025

Your Complete Guide to Cyprus Tax Benefits

For Entrepreneurs, Digital Nomads & Investors

Disclaimer: This guide provides general information only. For personalized tax advice, please consult with a qualified tax professional. Information accurate as of January 2025.

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1. Why Choose Cyprus?

Cyprus has become one of Europe's most attractive jurisdictions for entrepreneurs, digital nomads, and international businesses. With its strategic location, favorable tax regime, and EU membership, Cyprus offers unparalleled opportunities for growth and wealth optimization.

Key Advantages:

- **12.5% Corporate Tax** - One of the lowest in the EU
- **0% Dividend Tax** - For non-Cyprus tax residents
- **0% Capital Gains Tax** - On securities (with exceptions)
- **EU Member State** - Full access to European markets
- **60+ Double Tax Treaties** - Avoiding double taxation globally
- **English Common Law** - Familiar legal system
- **300+ Days of Sunshine** - Outstanding quality of life
- **Strategic Location** - Bridge between Europe, Middle East & Africa

2. Corporate Tax Benefits

Cyprus offers one of the most competitive corporate tax regimes in Europe, making it an ideal jurisdiction for holding companies, trading companies, and international business operations.

Corporate Tax Rate: 12.5%

All companies incorporated in Cyprus are subject to a flat corporate income tax rate of 12.5% on their worldwide income. This is one of the lowest rates in the European Union.

Tax Exemptions & Reliefs:

- **Dividend Income:** Dividends received from other companies are tax-exempt (with conditions)
- **Capital Gains:** Profits from sale of securities are exempt from tax
- **Foreign Permanent Establishment:** Profits of foreign branches are exempt
- **Intellectual Property:** 80% tax deduction on qualifying IP income (IP Box)
- **Group Relief:** Losses can be offset within group companies
- **Restructuring Relief:** Tax-neutral reorganizations and mergers

Cyprus vs Other EU Jurisdictions:

Country	Corporate Tax Rate
Cyprus	12.5%
Ireland	12.5%
Malta	35% (refunds available)
Netherlands	25.8%
Germany	30%
France	25%
UK	25%

3. Personal Income Tax

Cyprus offers progressive personal income tax rates with generous allowances and deductions, making it attractive for high-income individuals and expatriates.

Tax Rates (2025):

Annual Income (EUR)	Tax Rate
0 - 19,500	0%
19,501 - 28,000	20%
28,001 - 36,300	25%
36,301 - 60,000	30%
60,001+	35%

Special Tax Benefits for Expats:

- **50% Income Tax Exemption:** First 10 years for salaries >€100,000/year
- **20% Income Tax Exemption:** First 17 years for new residents (alternative)
- **0% Tax on Dividends:** For non-Cyprus tax residents
- **Social Insurance Cap:** Maximum €58,080 annual ceiling
- **Tax-Free Allowance:** First €19,500 is tax-free

4. VAT & Indirect Taxes

Value Added Tax (VAT):

Cyprus follows EU VAT directives with competitive rates for businesses.

Category	VAT Rate
Standard Rate	19%
Reduced Rate (hotels, restaurants)	9%
Reduced Rate (basic necessities)	5%
Zero Rate (exports, international services)	0%

Other Indirect Taxes:

- **No Inheritance Tax:** Cyprus abolished inheritance tax
- **No Wealth Tax:** No annual wealth or net worth tax
- **Property Transfer Fees:** 3-8% (one-time on purchase)
- **Stamp Duty:** €1.50 - €20 per document
- **Annual Levy:** €350 for companies (flat fee)

5. IP Box Regime

Cyprus offers one of Europe's most generous intellectual property (IP) tax regimes, providing an 80% tax deduction on qualifying IP income.

Effective Tax Rate on IP Income: 2.5%

With the 80% deduction, the effective corporate tax rate on IP income is just 2.5% ($12.5\% \times 20\% = 2.5\%$), making Cyprus highly attractive for tech companies, software developers, and content creators.

Qualifying Intellectual Property:

- Patents
- Copyrights (software, content)
- Trademarks
- Industrial designs
- Confidential business information
- Genetic material

Who Benefits?

- Software development companies
- Mobile app developers
- SaaS businesses
- Content creators and publishers
- Pharmaceutical companies
- Technology startups
- R&D-intensive businesses

6. Non-Domicile (Non-Dom) Status

Cyprus offers special tax benefits to individuals who are tax residents but not domiciled in Cyprus. This status is particularly attractive for high-net-worth individuals.

Key Benefits:

- **0% Tax on Dividends:** All dividend income is tax-free
- **0% Tax on Interest:** Most interest income is exempt
- **0% Special Defense Contribution (SDC):** Exemption from 30% SDC on dividends/interest
- **17-Year Duration:** Non-dom status lasts for 17 years minimum
- **Automatic Status:** No application needed if you weren't Cyprus-domiciled at birth

How to Qualify:

You qualify for non-dom status if you:

1. Become a Cyprus tax resident (spend 183+ days per year in Cyprus, or meet the 60-day rule)
2. Were not domiciled in Cyprus at birth
3. Have not been Cyprus tax resident for at least 20 of the last 22 years before becoming resident

7. Double Tax Treaties

Cyprus has signed over 60 double tax treaties (DTTs) with countries worldwide, preventing double taxation and facilitating international business operations.

Benefits of Cyprus DTT Network:

- Avoid paying tax twice on the same income
- Reduced withholding tax rates on dividends, interest, and royalties
- Legal certainty for cross-border transactions
- Enhanced credibility with international partners
- Facilitate repatriation of profits

Key Treaty Partners:

Cyprus has double tax treaties with major economies including: United Kingdom, Germany, France, Italy, Russia, China, India, UAE, Singapore, Hong Kong, Switzerland, Luxembourg, Netherlands, Belgium, Austria, Sweden, Denmark, Norway, Poland, Czech Republic, Hungary, Romania, Greece, Malta, and many more.

8. Next Steps: How Free Harbor Can Help

Ready to take advantage of Cyprus's tax benefits? Free Harbor connects you with licensed professionals who can guide you through every step of the process.

Our Services:

- **Company Formation:** Register your Cyprus company in 5-7 days
- **Tax Residency Planning:** Optimize your personal tax situation
- **Relocation Support:** Visa assistance, housing, banking setup
- **Accounting & Compliance:** Ongoing support from licensed accountants
- **Legal Services:** Contracts, IP protection, corporate governance
- **Cyprus BootCamp:** 1-4 week intensive programs to fast-track your move

Ready to Get Started?

Visit **freeharbor.ai** to:

- Chat with our AI assistant about your specific situation
- Get matched with verified Cyprus formation specialists
- Book a consultation with licensed professionals
- Join our Cyprus BootCamp program

Free Harbor - Your Partner in Cyprus Relocation

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Please consult with qualified professionals for advice specific to your situation.*