

# HOW TO SAVE UP TO 80% OF YOUR TAXES

## ARTICLE BY

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## The answer is simple. You should start using the Cyprus tax regimes!

Cyprus is considered as one of the most business-friendly countries globally, consistently ranking among the top in terms of its benefits and ease of doing business. The effective tax regimes and double-taxation treaties are only a few of the reasons to consider Cyprus for investing, company formation and re-domiciliation purposes.

### 1.The Corporate Tax Regime.

It is well known that the Corporate Income Tax of Cyprus companies remains one of the lowest in Europe, at 12.5%. This, combined with schemes such as the Notional Interest Deduction (NID) or IP Box Regime, can be further decreased by up to 80%, resulting to an effective tax rate of only 2.5%!

#### NID Scheme:

Companies are entitled to this tax deduction upon the **contribution of new equity** (either by cash or with assets contributed in kind) in the form of **paid-up share capital or share premium**. The deduction, which is calculated as a percentage on the value of equity, **can decrease the taxable profit up to 80%** and it is **recurring** (can be used every year). The Cyprus NID reference rate for 2024 is at 8.25%.

#### IP Box Tax Regime:

The IP Box Regime (also known as Patent Box, Innovation Box, or IP Box) is a corporate tax regime addressed to research and development expenses: **80% of qualifying profits** generated from Cypriot tax resident companies (net of any direct expenses) is **exempt from Cyprus corporation tax**. This scheme is ideal for **tech companies and the gaming industry!**

#### Tax-Free Income:

**Dividends** (except on certain payments to companies in jurisdictions included on the EU blacklist), **Investment gains, Foreign PE trading profits, Passive Interest Income and Profits from the sale of shares and other securities** (capital gains) are **exempt from corporation tax!** In addition to that, the **extensive DTT network** of Cyprus, as well as the full adoption and access to all EU Directives, make Cyprus an ideal **'holding company' EU jurisdiction**.

### 2.The Income Tax Regime.

Cyprus offers major personal tax regime benefits to those considering relocating here.

#### Employee Salary Reduction:

**A 50% income exemption** has been introduced in relation to first employment in the island. This exemption is available **for individuals with an annual remuneration in excess of €55,000, for a maximum period of 17 years**. Moreover, any earning from overseas employment, for which a Cyprus tax resident spends **more than 90 days abroad** in rendering their services, **is exempt from Cyprus tax!**

#### Exemptions for Non-Doms:

Cyprus Tax Resident individuals who are not domiciled in Cyprus (Non-Doms) are **exempt from Special Defence Contribution (SDC) tax for 17 years**. As a result, their Dividends and Passive Interest Income are only subject to General Health System (GHS) contribution of just 2.65%, **with a maximum annual cap payable of €4,770 on total taxable income**.

Cyprus tax residency can be achieved by spending just 60 days in Cyprus per year, subject to certain conditions.



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