

Non-Domiciled (non-dom)

As part of the overall exertion to improve Cyprus' attractiveness as an international business and financial center, and in order to remain highly compliant as a traditional jurisdiction, the House of Representatives on 16 July 2015 passed a number of new laws.

One of the changes, introduced the new status of a “non-domicile” (non-dom) individual, with tax exemptions over dividends and interest earned by qualifying “non-doms”. With this amendment, individuals who have non-dom status are no longer subject to Special Defence contribution (SDC) noting, as well, that the new law creates an attractive tax environment for non-doms residing in Cyprus.

The Special Contribution for the Defence of the Republic Law (SDC) imposes tax on certain categories of income (interest, rents, dividends) received by persons who are considered to be residents for tax purposes of Cyprus, subject to any available exemptions. The SDC Law also includes provisions for the deemed distribution of profits of Cypriot tax resident companies to the extent that the shareholders of such companies are Cypriot tax residents. An individual is considered to be a resident for tax purposes of Cyprus if he/she is physically present in Cyprus for a period or periods exceeding in aggregate 183 days during the calendar year. The SDC law is amended so that an individual will now be subject to SDC if he/she is both a resident for tax purposes of Cyprus and is also considered to be domiciled in Cyprus.

The term “domiciled in Cyprus” is defined in the law as an individual who has a Cypriot domicile of origin in accordance with the Wills and Succession Law but it does not include:

- (i) An individual who has obtained and maintained a domicile of choice outside Cyprus in accordance with the Wills and Succession Law, provided that such an individual has not been a tax resident of Cyprus for a period of 20 consecutive years preceding the tax year; or
- (ii) An individual who has not been a tax resident of Cyprus for a period of 20 consecutive years prior to the introduction of the law.

Notwithstanding the above, an individual who has been a tax resident of Cyprus for at least 17 years out of the last 20 years prior to the tax year will be considered to be “domiciled in Cyprus” and as such be subject to SDC regardless of his/her domicile of origin.