Maksym Stepanenko

Cyprus: The Non-Dom Regime, the IP Box, and EU Tax Optimization

60-day residency, 12.5% corporate tax, and the path to Cypriot citizenship

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CHAPTER 1

Cyprus as an EU Tax Jurisdiction

Cyprus is an island state in the Eastern Mediterranean and has been an EU member since 2004. About 983 thousand people live in the part controlled by the government (an estimate for the end of 2024). Nicosia is the capital, and Limassol is the business and expat hub. For decades Cyprus has worked as a holding and tax jurisdiction, and after the 2026 reform it remains one of the most convenient in the EU for business owners and recipients of dividends.

The 2026 tax reform. Parliament passed the amendments to the Income Tax Law (N. 244(I)/2025) and to the Special Defence Contribution law in December 2025; they were published in the Official Gazette on December 31, 2025, and have applied since January 1, 2026. The main points for the reader of this book: corporate tax rose from 12.5% to 15%. SDC on dividends for domiciled residents was cut from 17% to 5% (for profit of 2026 and later). The deemed dividend distribution and SDC on rental income were abolished. The tax-free threshold of personal income tax was raised to €22,000. Stamp duty was abolished. For non-doms there is now a paid option to extend the status after 17 years.

The 15% corporate tax applies from January 1, 2026 (until December 31, 2025 it was 12.5%). The rate matches the OECD global minimum tax, and by nominal rate Cyprus is now in the middle of the EU range: lower rates are in Hungary (9%), Bulgaria (10%), and Ireland (12.5% for companies outside the global minimum rules). Cyprus’s strength now lies in its exemptions. Dividends received by a Cypriot company are exempt from corporate tax. Foreign dividends are also exempt from SDC if the paying company receives no more than 50% of its income from investment activity or pays tax at an effective rate of 7.5% or higher. Profit from the sale of securities (shares, bonds, and options on them) is exempt from corporate tax without conditions.

Capital Gains Tax of 20% is charged on the gain in value of Cypriot real estate and of unlisted shares in companies that own it; from 2026, indirect ownership falls under the tax if Cypriot real estate accounts for 20% or more of the value of the shares (previously 50%).

Non-Dom status for individuals. The Special Defence Contribution (SDC) is a separate tax on the passive income of individuals. It is paid only by Cyprus tax residents who have Cypriot domicile. A Non-Dom resident gets: 0% SDC on dividends. 0% SDC on interest. Ordinary income tax on salary and business income. SDC rates for domiciled residents in 2026: 5% on dividends from profit of 2026 and later, 17% on dividends from profit of earlier years, 17% on interest (3% on certain government bonds). From 2026, rental income no longer falls under SDC. The GESY healthcare contribution of 2.65% on dividends, interest, and rent is also paid by non-dom residents; the contribution base is capped at €180,000 of income per year, with a maximum of €4,770.

How to become a Non-Dom. Domicile of origin is determined at birth and, as a rule, matches the father’s domicile. If your domicile of origin is outside Cyprus, you are a non-dom from your first year of tax residency. The SDC exemption is claimed by a declaration on form T.D.38. Tax residency: more than 183 days in Cyprus in a calendar year OR the 60-day rule (details in Chapter 2). Non-Dom status lasts until you have been a Cyprus tax resident for 17 of the last 20 years. After that you are considered deemed domiciled and start paying SDC; this domicile stays until you have accumulated 20 years outside Cypriot tax residency. New from 2026: a deemed domiciled resident without a Cypriot domicile of origin can extend the exemption for two five-year periods by paying €250,000 for each (Article 3D of the SDC law, Tax Department circular 02/2026). The choice is irrevocable, and the payment is not refunded. At an SDC rate of 5%, the extension pays for itself from roughly €1 million of dividends per year.

IP Box. A regime for profit from qualifying intellectual property. The company deducts a notional expense of 80% of the qualifying profit from IP, so tax is paid on 20% of that profit. The effective rate from 2026: 15% × 20% = 3% (through 2025 it was 2.5%). Qualifying IP: patents, copyright-protected software, utility models, plant variety and genetic material protection, and orphan drug designations. Small companies (IP income up to €7.5 million, group revenue up to €50 million on average over five years) can also include other new, non-obvious, and useful IP with a certificate from the competent authority. Marketing IP, meaning trademarks and brands, is not covered by the regime. The regime is built on the OECD nexus approach (BEPS Action 5): a fraction is applied to the profit based on the share of the company's own R&D expenses. In-house development, development through a taxable permanent establishment abroad, and outsourcing to unrelated contractors all raise the fraction.

Comparison with other EU jurisdictions. Ireland: the Knowledge Development Box is 10% from October 1, 2023 (previously 6.25%). The Netherlands: the Innovation Box is 9% on qualifying IP. Cyprus: 15% corporate tax and an effective 3% on qualifying profit from IP. The Cypriot IP Box remains among the most favorable regimes in the EU for software and patent companies with their own development.

CHAPTER 2

The 60-Day Rule: Tax Residency

The Cypriot “60-day rule” is one of the most flexible ways to obtain tax residency in the EU. It makes you a Cyprus tax resident with just 60 days on the island in a year, provided the other conditions are met. The 60-day rule is a provision of tax law. The right to live in Cyprus (a visa or residence permit) is arranged separately; it is covered at the end of the chapter.

The conditions of the 60-day rule (according to the Tax Department) must be met at the same time during the tax year (January 1 – December 31): spend at least 60 days in Cyprus. Do not spend more than 183 days in total in any one other country. Run a business in Cyprus and/or work in Cyprus, as an employee or as an office holder (for example, a director) of a company that is a Cyprus tax resident. Have permanent housing in Cyprus, owned or rented. If the business or work in Cyprus ends during the year, 60-day-rule residency for that year is lost. From January 1, 2026, the condition “not to be a tax resident of another country” has been removed from the law. If a second country also considers you a resident, priority is decided by the double tax treaty between that country and Cyprus.

Counting days: the day of arrival counts as a day in Cyprus, and the day of departure counts as a day outside Cyprus. Arrival and departure on the same day count as a day in Cyprus; departure and return on the same day count as a day outside Cyprus. Documenting your stay: boarding passes, passport stamps, a rental agreement, utility bills, and card transactions in Cyprus. Tax residents receive a Tax Residency Certificate from the Tax Department. The certificate is needed to apply double tax treaties with other countries.

How it works for an entrepreneur: you are a director of a Cyprus Limited that is a Cyprus tax resident. You rent an apartment in Limassol. You spend 65 days in Cyprus over several visits. The rest

of the time you travel and work from a laptop, without accumulating more than 183 days in any one country. Result: a Cyprus tax resident. Non-Dom status. 0% SDC on dividends from the Cypriot company; the GESY contribution of 2.65% on dividends remains.

A practical “life” on the 60-day rule: January, 16 days in Cyprus. March–April, working from Thailand or Georgia. May, 16 days in Cyprus. June–August, trips around the EU and Asia. September, 16 days in Cyprus. December, 17 days in Cyprus. Total 65 days, with a margin for error in counting. The connection to Cyprus remains real: an apartment, a company, a bank account, and business activity on the island.

Risks: the tax authorities of the country you left may continue to treat you as their resident if your family, housing, business, or center of vital interests remain there. The stronger your ties to your former country, the higher the risk of a dispute. A strong position in such a dispute is real life in Cyprus: housing, work, accounts, and insurance. Before you move, check your country’s rules for ending tax residency and its double tax treaty with Cyprus.

The right to live in Cyprus and the Digital Nomad Visa. EU citizens live in Cyprus under the right of free movement. Citizens of other countries need a residence permit. One option is the Cyprus Digital Nomad Visa for citizens of non-EU/EEA countries who work remotely for an employer registered abroad or for foreign clients. Migration Department requirements: a stable net income of €3,500 a month or more after taxes and contributions; the threshold increases by 20% for a spouse or partner and by 15% for each child. The first permit is issued for 1 year, and an extension is possible for up to 2 more years. Family members live in Cyprus for the same period without the right to work or engage in economic activity. The application is filed within 3 months after entry at the department’s central office in Nicosia. Fees: €70 for issuance or renewal and €70 for initial registration in the Aliens’

Registry; review takes 5–7 weeks. The program limit is 500 permits; on December 31, 2025, the department announced that it was accepting applications again. A visa holder who has lived in Cyprus for more than 183 days in a tax year becomes a Cyprus tax resident.

CHAPTER 3

Registering a Cyprus Limited and Structuring

A Cyprus Private Company Limited by Shares (Limited) is the most common form of business. Registration is handled by the Department of Registrar of Companies and Intellectual Property (companies.gov.cy), and documents can be filed online.

Requirements: at least 1 shareholder and 1 director. A registered office in Cyprus. A Company Secretary (an individual or a company). Every year: an Annual Return (form HE32) and audited financial statements.

Company tax residency and substance. From 2026, a company registered in Cyprus or one that has moved its registered office there is considered a Cyprus tax resident, unless a double tax treaty provides otherwise. The criterion of management and control from Cyprus also continues to apply. To apply treaties, to protect against claims from other countries, and for banks, you need real substance: board decisions are made in Cyprus, meetings are held on the island and minuted, directors are Cyprus residents, the bank account is held at a Cypriot bank, documents and records are kept in Cyprus, and the office and staff match the scale of activity. Substance requirements tightened after the EU Anti-Tax Avoidance Directive (ATAD). From 2026, Cyprus withholds SDC of 5% on dividends to companies in low-tax jurisdictions and 17% to companies in non-cooperative jurisdictions on the EU list.

The registration procedure: approval of the company name by the Registrar. Preparation of the Memorandum and Articles of Association. Filing of forms HE1 (a lawyer’s declaration), HE2 (registered office address), and HE3 (first directors and secretary). The state fee for the HE1–HE3 package is €165, the same online. Expedited registration costs €100 extra. Annual Return (HE32): €20. The annual levy of €350 was abolished from 2024. Stamp duty

was abolished from January 1, 2026. An auditor is mandatory: €1,000–€5,000 a year for a small business (2025 data). A Corporate Services Provider with full support: €2,000–€5,000 a year (2025 data).

Company taxes and VAT: corporate tax of 15% from 2026. VAT: a standard rate of 19%, reduced rates of 9%, 5%, and 3%, plus a zero rate. VAT registration is mandatory at turnover above €15,600 over the previous 12 months, or if the threshold is expected to be exceeded within the next 30 days.

Typical structures. Solo entrepreneur: a Cyprus Limited, you are the shareholder and director, a Cyprus tax resident with non-dom status. Taxes: 15% corporate plus 0% SDC on dividends plus GESY of 2.65% on dividends. Holding structure: a Cyprus Holding Co. owns operating companies in other countries. Incoming dividends are exempt from corporate tax; dividends to a non-dom shareholder are subject to SDC at a rate of 0%. IP Holding: a Cypriot company owns the IP (software, patents) and licenses it to operating companies. The IP Box, if the nexus is met, gives an effective 3% on qualifying profit from royalties.

Banks in Cyprus: Bank of Cyprus is the largest. Eurobank: in 2025 it completed the acquisition of Hellenic Bank, and the banks were merged into Eurobank Ltd. Alpha Bank Cyprus: from October 31, 2025 it took over the banking business of AstroBank and became the third largest bank in the country. Opening an account: KYC is strict after the financial crisis of 2012–2013 and the subsequent pressure from international regulators. Verification of the source of funds and business reputation takes several weeks or more. Prepare documents on the origin of the money in advance and consult a local lawyer before applying.

CHAPTER 4

Life in Cyprus: Limassol, Climate, Community

Cyprus is a Mediterranean island with a very rich history. Limassol is the main expat and business hub, Nicosia is the capital with administrative functions, and Paphos and Larnaca are resort towns.

Limassol: the de facto business capital of Cyprus. A large port. The most developed expat community. The Russian-speaking population is substantial and has formed over a long period. Modern infrastructure: shopping centers, restaurants, a marina, and a beachfront.

Cost of living (2025 data): rent for a 1BR in central Limassol is €1,050–2,000 a month. Outside the center, €1,000–1,500. Lunch at an inexpensive restaurant: €15–30. Taxi: a €5–10 starting fare and about €1–2 per kilometer. A personal car is needed outside the center. One person's expenses without rent are about €1,000 a month; with rent, a comfortable budget is €2,000–3,000.

Climate: Mediterranean. Hot summers (30–38°C), mild winters (10–18°C), and more than 300 sunny days a year. In winter it snows in the Troodos mountains. Cyprus covers 9,251 km², almost 30 times more than Malta (316 km²): there is noticeably more room for living and travel.

The Russian-speaking community: one of the most visible in the EU. Thousands of Russian speakers live here as Cypriot citizens or as permanent and temporary residents. There are Russian-language schools, restaurants, shops, doctors, and lawyers. Since 2022 the influx of Ukrainians and Russians has grown.

Education: English is widely spoken. International schools: American Academy, The Grammar School, and Foley's. State schools teach in Greek. Universities: the University of Cyprus, the

Cyprus University of Technology (Limassol), and the University of Nicosia.

Healthcare: GESY (General Healthcare System) is the state system for residents. Contributions: an employee pays 2.65% of salary (the employer pays another 2.90%), a self-employed person pays 4%, and income from rent, interest, and dividends is 2.65%; the base is capped at €180,000 a year. Private clinics exist in all major cities, and many of them work within the GESY system.

History and culture: Cyprus is one of the oldest sites of civilization in the Mediterranean. Paphos, the Neolithic settlement of Choirokoitia, and the painted churches of Troodos are UNESCO sites. Crusader castles, Byzantine churches, Roman ruins. Greek culture: food, dance, music. The island has been divided since 1974: the northern part is not controlled by the government of the Republic of Cyprus, and EU law does not apply there. The business structures in this book work in the Republic of Cyprus (the south).

CHAPTER 5

The Path to Cypriot Citizenship

The Cypriot “citizenship by investment” program has been closed since November 1, 2020. Today a Cypriot passport is obtained through years of legal residence, marriage to a Cypriot citizen, or a fast track for highly qualified employees.

Naturalization through residence (amendments to the Civil Registry Law of late 2023): 12 months of continuous legal residence before applying (absences totaling up to 90 days do not interrupt the period), plus at least 7 years of legal residence over the previous 10 years, about 8 years in all. Requirements: Greek at level B1, a written exam on the basics of Cyprus’s political and public life, a stable income to support yourself, housing in Cyprus, an impeccable reputation, and the intention to live in Cyprus. Cyprus checks compliance with the requirements strictly.

The fast track for highly qualified employees of companies with foreign capital: 12 months of continuous residence before applying, plus 4 years (Greek A2) or 3 years (Greek B1) of legal physical presence, for a total of 5 or 4 years. You need documented education and experience and a salary of €2,500 a month or more. Spouses and partners apply on the same terms.

Marriage to a Cypriot citizen: a separate procedure on form M125, with a minimum marriage duration of 3 years. Check the residence requirements with the Migration Department before applying. Citizenship by marriage is granted by a decision of the state after review of the documents.

The former Cyprus Investment Programme (CIP) granted citizenship for investments from €2 million. After the Al Jazeera investigation, on October 13, 2020 the Council of Ministers decided to abolish the program from November 1, 2020. The Maltese program, which used to be called the closest analogue, is also barred: on April 29, 2025, the EU Court of Justice (case C-181/23, Commission v Malta) found it contrary to EU law. The

route to an EU passport through investment is effectively closed.

The alternative is EU long-term resident status: 5 years of legal residence give you a Long-Term Resident permit (Directive 2003/109/EC). The status gives you the right to work and the right to move to another EU country on the terms of the host country. An EU passport comes only with citizenship.

The actual residence requirement: for naturalization you need real physical residence in Cyprus. The 60-day rule is not enough for citizenship: before applying you need 12 months of continuous residence with absences of no more than 90 days, and years of legal stay in the country.

Cypriot citizenship is EU citizenship with the right to live and work in all 27 EU countries. Cyprus allows dual citizenship, and you can keep your previous passport if your country permits it. Cypriot citizens still need to obtain a US visa: Cyprus's application to the Visa Waiver Program is frozen as of August 2026 while the US reviews the program.

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Housing prices and cost of living are given as of 2025 data. Tax rates, thresholds, and immigration requirements change every year: before deciding, check the Tax Department and Migration Department websites and consult a local tax adviser.

What next

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Maksym Stepanenko, Innova Publishing.