



# **The Legal 500 Country Comparative Guides**

## **Cyprus**

### **PRIVATE CLIENT**

#### **Contributor**

S.A. Evangelou & Co LLC (the PwC  
Network Legal Practice in Cyprus)



#### **Spyros Evangelou**

Advocate/Partner, In charge of Legal Practice in Cyprus | [spyros.evangelou@pwc.com](mailto:spyros.evangelou@pwc.com)

#### **Natalie Vassiliou Moustaka**

Advocate, Senior Manager | [natalie.v.moustaka@pwc.com](mailto:natalie.v.moustaka@pwc.com)

#### **Angelica Antoniadou**

Advocate, Manager | [angelica.antoniadou@pwc.com](mailto:angelica.antoniadou@pwc.com)

#### **Loukiana Protopapa**

Advocate, Assistant Manager | [loukiana.protopapa@pwc.com](mailto:loukiana.protopapa@pwc.com)

This country-specific Q&A provides an overview of private client laws and regulations applicable in Cyprus.

For a full list of jurisdictional Q&As visit [legal500.com/guides](https://legal500.com/guides)

# CYPRUS

## PRIVATE CLIENT



### 1. Which factors bring an individual within the scope of tax on income and capital gains?

#### Income Tax ("IT")

Cyprus tax resident individuals pay IT on their worldwide income.

Non-Cyprus tax resident individuals are taxed on Cyprus-sourced income.

#### Capital Gains Tax ("CGT")

The scope of CGT in Cyprus is limited. It is imposed on gains made as a result of the disposal of:

- Real estate in Cyprus (which is not otherwise subject to IT); or
- Shares in a company, which directly/indirectly owns real estate in Cyprus, provided that the value of the shares is at least 50% attributed to the market value of the real estate.

### 2. What are the taxes and rates of tax to which an individual is subject in respect of income and capital gains and, in relation to those taxes, when does the tax year start and end, and when must tax returns be submitted and tax paid?

#### Income Tax

The IT rates applicable to individuals are the following:

Chargeable income for the Tax Year	Tax Rate
EUR	%
First 19,500	Nil
From 19,501 - to 28,000	20
From 28,001 - to 36,300	25
From 36,301 - to 60,000	30
Over 60,000	35

#### Capital Gains Tax

CGT is imposed (where the disposal is not subject to IT) at a rate of 20% on the gain.

#### Deadlines

For the purposes of IT the tax year is 01 January of each year. The year ends on the 31 December.

The deadline for the:

- electronic submission of IT returns of physical persons preparing audited financial statements is 31 March.
- payment of personal IT under the self-assessment method by self-employed individuals preparing audited financial statements is 1 August.
- electronic submission of personal IT returns and payment of personal IT under the self-assessment method by employees and pensioners and other individuals is 31 July.

CGT tax forms should be filed, and CGT paid within one month from the disposal and before the transfer of the immovable property.

#### Social insurance and GESY

As from 1 January 2024, the social insurance contributions for employees are 8.9% of emoluments by the employee and 8.9% by the employer and the contributions of self-employed persons are 16.8% of their income.

Contributions to general health system range from 2.65% to 4.70%.

### 3. Are withholding taxes relevant to individuals and, if so, how, in what circumstances and at what rates do they apply?

A Cyprus tax resident individual who has Cyprus domicile, will be liable to Special Defence Contribution ("SDC") in respect of the following types of income:

- dividends (17%);
- (passive) interest (17%) (as of 01 January 2024); and
- rent (reduced by 25% at the rate of 3%).

For Cyprus sourced interest and dividends SDC due is withheld at source and is payable at the end of the month following the month in which they were paid. However, for foreign sourced dividends, interest and rental income SDC is payable in 6-month intervals on 30 June and 31 December each year.

#### **4. How does the jurisdiction approach the elimination of double taxation for individuals who would otherwise be taxed in the jurisdiction and in another jurisdiction?**

Cyprus has entered into 68 double tax treaties ("DTTs").

Cyprus signed the Multilateral Convention to Implement Tax Treaty Related Measures ("MLI") to Prevent Base Erosion and Profit Shifting on 7 June 2017. Cyprus also ratified the MLI on 23 January 2020.

#### **5. Is there a wealth tax and, if so, which factors bring an individual within the scope of that tax, at what rate or rates is it charged, and when must tax returns be submitted and tax paid?**

In Cyprus there is no wealth tax (gift tax or inheritance tax).

#### **6. Is tax charged on death or on gifts by individuals and, if so, which factors cause the tax to apply, when must a tax return be submitted, and at what rate, by whom and when must the tax be paid?**

No tax is charged on death or on gifts by individuals.

The executor/administrator of the estate of the deceased is however required by the Deceased Persons Estate Law to submit, to the tax authorities, a statement of assets and liabilities of the deceased within six months from the date of death. The reason being to enable the tax authorities to consider and finalise any open matters in respect of the tax affairs of the deceased up to the date

of his death and safeguard payment of any taxes due.

#### **7. Are tax reliefs available on gifts (either during the donor's lifetime or on death) to a spouse, civil partner, or to any other relation, or of particular kinds of assets (eg business or agricultural assets), and how do any such reliefs apply?**

The following gifts are exempt from CGT:

(a) from parent to child; (b) between spouses; (c) between relatives up to the third degree; (d) from an individual to a company, where all the company's shareholders are (at the time of the gift), and continue to be for five years thereafter, members of the donor's family (i.e., spouse and/or relatives up to the third degree); and (e) by a family company to its shareholders, provided such property was originally acquired by the company by way of gift. The property must be kept by the donee for at least three years.

#### **8. Do the tax laws encourage gifts (either during the donor's lifetime or on death) to a charity, public foundation or similar entity, and how do the relevant tax rules apply?**

Yes, cash donation to approved charities are deductible for IT purposes.

Gifts of real estate to approved charities are exempt from CGT.

#### **9. How is real property situated in the jurisdiction taxed, in particular where it is owned by an individual who has no connection with the jurisdiction other than ownership of property there?**

In Cyprus there is no immovable property tax.

A 0.4% levy is imposed on the sale proceeds of all disposals of immovable property situated in Cyprus. The levy is also imposed on the disposal of shares of a company which owns immovable property situated in Cyprus to the extent that the buyer takes control of the company.

In Cyprus, there is also a small annual municipal tax on a recorded value of real estate, applicable at a rate not exceeding (10%0) of the value of the real estate.

## 10. Does your jurisdiction have any specific rules in relation to the taxation of digital assets?

Cyprus does not have any specific rules in relation to the taxation of digital assets.

## 11. Are taxes other than those described above imposed on individuals and, if so, how do they apply?

The VAT legal framework in Cyprus is fully in line with the European Union (EU) framework.

In addition to normal business activities which usually constitute the supply of goods and services for VAT purposes, the disposal of real estate may, under certain circumstances, render an individual liable to register as a taxable person for VAT purposes. Subject to certain conditions (e.g., town planning zones) the disposal (by way of sale or otherwise) of real estate for the first time may be subject to VAT.

## 12. Is there an advantageous tax regime for individuals who have recently arrived in or are only partially connected with the jurisdiction?

Individuals who have recently arrived in Cyprus can benefit from exemptions on the taxable remuneration on their first employment in Cyprus.

In addition, only Cyprus domiciled individuals are liable to pay SDC on their income. An individual is domiciled in Cyprus if they have a domicile of origin or domicile of choice in Cyprus or if they have been a tax resident in Cyprus for at least 17 out of the 20 tax years immediately prior to the tax year of assessment.

## 13. What steps might an individual be advised to consider before establishing residence in (or becoming otherwise connected for tax purposes with) the jurisdiction?

Cyprus has successfully transposed into its legal and tax framework all EU Directives on Administrative Co-operation and Mutual Assistance (i.e., DACs 1-6).

The Cyprus Parliament voted for the extension of the application of tax incentives relating to investments in innovative small and medium-sized enterprises until 30 June 2024.

## 14. What are the main rules of succession, and what are the scope and effect of any rules of forced heirship?

The Succession Laws of Cyprus provide for a mixed system i.e. a system which recognises the right of a person to leave property by will subject to the application of forced heirship rules depending on the personal circumstances of the person e.g. whether married with children or not. Under this mixed system, a deceased may leave part of his estate by will to whoever he wishes while the rest of his estate will go to his heirs.

## 15. Is there a special regime for matrimonial property or the property of a civil partnership, and how does that regime affect succession?

Community property is not part of Cyprus Law. The matrimonial property regime in Cyprus recognises that each spouse's property is his or hers (i.e. personal) even if acquired after marriage. The matrimonial property rules are triggered only on divorce and such rules do not apply to all property.

Under Cyprus Law, marriage settlements/agreements for the distribution of property of the spouses, concluded prior to the marriage/separation of the spouses, are not binding; the Cyprus Family Courts are bound to disregard them. In principle pre/postnuptial agreements are not recognised and enforced in Cyprus. However, a foreign judgement recognising a pre/postnuptial agreement and regulating potential property claims between spouses, subject to certain requirements being satisfied, may be recognised and enforced in Cyprus.

### EU Matrimonial Property Regulation (2016/1103) ("MPR")

Since 2019, in case of divorce proceedings in Cyprus, the MPR forms part of the legal framework regulating the determination of property rights of spouses with cross-border or international connections.

The MPR provides a universal application and establishes that the applicable law designated shall be applied whether or not it is the law of an EU Member State and regardless of where the assets are located. As a result of the MPR coming into force in Cyprus, prenuptial or postnuptial agreements may now be recognised and enforced by Cyprus Courts.

The Civil Partnership Law (184(I)/2015) provides that the institution of civil partnerships are recognised under Cyprus law and are afforded the same protection as

spouses under the Cyprus Marriage Law.

## **16. What factors cause the succession law of the jurisdiction to apply on the death of an individual?**

Cyprus is bound by the EU Succession Regulation 650/2012 ("Succession Regulation").

The general rule established is that the succession of a person who has a connection with an EU Member State is governed by the succession laws of his country of habitual residence or country of his citizenship (if a choice for the latter is made) irrespective of where his assets are situated.

If there is no cross border connection, then the Cyprus succession rules will apply to persons who have the Cyprus Domicile.

## **17. How does the jurisdiction deal with conflict between its succession laws and those of another jurisdiction with which the deceased was connected or in which the deceased owned property?**

From the Cyprus Law perspective such issues will be dealt with in accordance with the provisions of the Succession Regulation i.e. by the laws of habitual residence or, if chosen, nationality. Cyprus has bilateral agreements with non-EU Member States which regulate succession matters regarding the recognition of wills, enforcement of relevant court orders and other legal declarations.

## **18. In what circumstances should an individual make a Will, what are the consequences of dying without having made a Will, and what are the formal requirements for making a Will?**

If a person dies intestate, the forced heirship rules of Cyprus will apply and specific heirs will inherit the entire net estate. Having a will in place allows the testator to leave a percentage of his estate freely. When a person dies testate, a grant of probate must be obtained by the executor of the will.

In order for a will to be valid under Cyprus Law:

1) The testator and witnesses must be of sound mind and at least 18 years old.

2) The will must be in writing and executed at the end by the testator (or by some other person on his behalf, in his presence and by his direction).

3) The signature must be made in the presence of two witnesses present at the same time and such witnesses shall sign/initial each sheet and shall sign the will in the presence of the testator.

## **19. How is the estate of a deceased individual administered and who is responsible for collecting in assets, paying debts, and distributing to beneficiaries?**

In the event a person dies intestate, a close relative has to apply to the Court for letters of administration i.e. to appoint an administrator of the estate. In the event that a person dies testate, the executor must apply to the courts for a grant of probate.

The executor or administrator must file several documents at Court together with the application. Once formally appointed, the executor or administrator must collect all information regarding the assets and liabilities of the estate, file statements at the Court declaring this information and update the Court on the course of the administration procedure.

The executor or administrator must pay any taxes due to the authorities and obtain discharge from the tax authorities. Thereafter, they can distribute the estate to the heirs, file final accounts at Court and close the administration.

## **20. Do the laws of your jurisdiction allow individuals to create trusts, private foundations, family companies, family partnerships or similar structures to hold, administer and regulate succession to private family wealth and, if so, which structures are most commonly or advantageously used?**

The Cyprus International Trust ("CIT") Law offers international families the opportunity to create trusts with advantageous features. Cyprus residents may create Trusts as well. The same principles equally apply to such Trusts although such Trusts do not enjoy all the advantages of a CIT.

Companies Limited by Guarantee ("CLG") can provide an alternative to trusts and foundations and may provide increased asset protection where required because of their nature. The main features of CLGs are:

- Limited liability for members up to the amount they undertake to pay in the event of winding up;
- Members not having a property right ;
- Easy entry/exit in the company;
- No capital required;
- DTT protection.

## 21. How are these structures constituted and what are the main rules that govern them?

To be eligible for a CIT, the Settlor and the Beneficiaries must not be tax resident in Cyprus in the calendar year preceding the creation of the Trust and at least one Trustee must be tax resident in Cyprus for the duration of the Trust.

Companies are incorporated and registered with the Registrar of Companies in Cyprus ("Registrar") in accordance with the Companies Law. The constitutional documents (namely the Memorandum and Articles of Association) must be signed by the original shareholder(s) and a minimum of one director and a secretary appointed.

## 22. What are the registration requirements for these structures and what information needs to be made available to the relevant authorities? To what extent is that information publicly available?

The constitutional documents, details of the directors, secretary, registered office and shareholders of Cyprus companies are publicly available on the Registrar's website or through a search. Details of the ultimate beneficial owners, if different from the shareholders, are not publicly available.

The Registrar maintains a beneficial ownership register ("BO Register"). The BO Register is a centralised register that contains information about the beneficial owners of Cyprus entities.

The Trustees of a Trust governed by Cyprus Law must register certain details of the Trust with their relevant Regulatory Authority.

The Trustees (when resident or domiciled in Cyprus or when resident in a third country or jurisdiction and enter into a business relationship or acquire real estate in Cyprus) must register details of the Trust and parties to the Trust in the Cyprus Trusts and Beneficial Ownership Register ("CyTBOR").

## 23. How are such structures and their settlors, founders, trustees, directors and beneficiaries treated for tax purposes?

### Trusts

The Tax Commissioner in Cyprus (i) treats trusts as tax transparent (i.e. trusts are not treated as tax entities) and (ii) taxes the Trustee(s) as agent(s) of the Beneficiaries.

However, the Settlor of the Trust may be liable to tax for any income or gain attributed to a minor Beneficiary.

In relation to CITs:

(i) Where the Beneficiary is resident in Cyprus, the income and profits of a CIT which are earned or deemed to be earned from sources within and outside of Cyprus, are subject to every form of taxation imposed in Cyprus; and

(ii) Where the Beneficiary is not a resident of Cyprus, the income and profits of a CIT which are earned or deemed to be earned from sources within Cyprus, are subject to every form of taxation imposed in Cyprus.

### Foundations

IT Law provides that the income of any non-for-profit organisation including a foundation, or a company formed exclusively for the purpose of promoting art, science or sport, not involving the acquisition of profit by such company or by its individual members, and whose activities are confined solely to that purpose, should be exempt from IT (subject to the conditions imposed by the Council of Ministers).

Foundations may also be subject to SDC.

### CLGs

CLGs are subject to IT law. The exemption from IT relating to charities applies to CLGs as well.

## 24. Are foreign trusts, private foundations, etc recognised?

Foreign trusts and foreign private foundations are recognised in Cyprus. Cyprus is a member of the Hague Convention on the Law applicable to Trusts and on their Recognition. Foreign Private Foundations are recognised in Cyprus and may hold assets situated in Cyprus.



## 25. How are such foreign structures and their settlors, founders, trustees, directors and beneficiaries treated for tax purposes?

### Foreign Trusts

In terms of IT, the crucial test for the tax treatment of any income is the tax residency of the Beneficiaries. In terms of CGT, the crucial test for the tax treatment of any capital gain is the location of the real estate which must be in Cyprus.

### Foreign Foundations

Where the structure has a separate legal personality and the fiduciary (whether the donor and/or Beneficiary or a third person) is Cyprus tax resident and effectively manages and controls the structure, tax implications may arise in Cyprus.

## 26. To what extent can trusts, private foundations, etc be used to shelter assets from the creditors of a settlor or beneficiary of the structure?

The Cyprus Legal System provides a number of wealth holding options which can provide asset protection. The CIT which has specific firewall provisions providing that a creditor may only bring a claim on the grounds of defraud of a creditor within the first two years following the transfer of assets to the Trustees of a Trust is one. The use of discretionary trusts or protective trusts are other examples.

The CLG is another excellent option as is a normal company. Asset protection may be achieved with purpose planning and the creation of special shareholders rights.

## 27. What provision can be made to hold and manage assets for minor children and grandchildren?

Trusts offer an effective way to plan for minor children and grandchildren. The Settlor may determine the purposes and terms of the Trust based on their own specific and personal circumstances. Checks and balances may be also put in place by appointing a Protector(s) with an oversight role and with certain powers (e.g., to approve certain decisions or to provide their consent before the exercise of certain Trustee powers).

## 28. Are individuals advised to create documents or take other steps in view of their possible mental incapacity and, if so, what are the main features of the advisable arrangements?

In Cyprus it is not possible to appoint (via a lasting power of attorney or otherwise) a personal representative or an agent to manage the affairs of a person who (permanently/temporarily) becomes incapable of acting because of an accident or serious illness or other reason. In such a case, a personal representative must be appointed through the Court (and such a procedure is not always pleasant, easy or quick).

This personal representative is accountable and must report to the Court at regular intervals. An administrator in such cases is appointed at the application of any parent, child or other relative or person who has a legitimate interest.

Cyprus has ratified the Hague Convention on the International Protection of Adults. Accordingly, Cypriots having an international connection with countries that have also ratified this Convention and foreigners who have a Cyprus connection, may issue lasting powers of attorney to their attorneys to deal with their affairs following their incapacity which will be recognised and be given full effect in Cyprus.

## 29. What forms of charitable trust, charitable company, or philanthropic foundation are commonly established by individuals, and how is this done?

A charitable entity established by individuals commonly takes the form of either a company limited by guarantee which is registered with the Registrar, a foundation which is registered with the Commissioner or a charitable Trust which is usually recorded in a trust deed setting out the purposes of the Trust.

## 30. What is the jurisdiction's approach to information sharing with other jurisdictions?

All Registers in the EU, including those kept in Cyprus in line with EU law, are interconnected with a Central Platform kept by the EU. Being an EU Member State, Cyprus is bound by EU legislation on cooperation for tax matters to share information with other Member States. Furthermore Cyprus has a wide network of DTTs with

many countries which also provide for sharing of information.

31. What important legislative changes do you anticipate so far as they affect your

advice to private clients?

In Cyprus currently there is no legal framework for private foundations (the law currently provides for non-profit/charitable foundations). A bill to introduce private foundations has been put for consultation in recent years.

Contributors

Spyros Evangelou  
Advocate/Partner, In charge of  
Legal Practice in Cyprus

[spyros.evangelou@pwc.com](mailto:spyros.evangelou@pwc.com)



Natalie Vassiliou Moustaka  
Advocate, Senior Manager

[natalie.v.moustaka@pwc.com](mailto:natalie.v.moustaka@pwc.com)



Angelica Antoniadou  
Advocate, Manager

[angelica.antoniadou@pwc.com](mailto:angelica.antoniadou@pwc.com)



Loukiana Protopapa  
Advocate, Assistant Manager

[loukiana.protopapa@pwc.com](mailto:loukiana.protopapa@pwc.com)

