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CYPRUS PERSONAL TAX PLANNING · 2026 EDITION

Cyprus Non-Domiciled Resident Regime: *Quick Reference Guide*

Eligibility criteria, income exemptions, residency rules, and practical structuring considerations for international founders and investors.

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OVERVIEW

What the Non-Dom Regime *Actually Is*

The Non-Domiciled Resident regime is a Cyprus personal tax status that exempts qualifying residents from Special Defence Contribution on dividends and interest, which in practice reduces tax on passive income from foreign sources to zero.

This came from a 2015 amendment to the Special Defence Contribution Law. Before it, all Cyprus tax residents paid SDC on dividend and interest income regardless of their domicile origin. The change was significant: Non-Dom status now applies to individuals who become Cyprus tax residents without holding a Cyprus domicile, effectively removing that SDC liability for the duration of the status.

0%

SDC on dividends
from non-Cyprus sources

0%

SDC on interest
income

17

Maximum years
of Non-Dom status

€19,500

Personal income
tax exemption threshold

WHAT SPECIAL DEFENCE CONTRIBUTION IS

SDC is levied on Cyprus tax-domiciled residents at 17% on dividends, 30% on interest income, and 3% on 75% of gross rental income. Under Non-Dom status, the dividend and interest components fall away entirely. The rental piece does not, which is a point many people miss when they first look at the regime.

CRITICAL DISTINCTION

Non-Dom exempts SDC. It does not exempt income tax.

Employment income, self-employment income, and Cyprus-source rental income remain subject to Cyprus income tax under the standard progressive schedule. Non-Dom is specifically a defence against SDC. It is not a broad personal income tax exemption. Many summaries omit this.

ELIGIBILITY

Who Qualifies

Non-Dom status applies automatically to any individual who satisfies both conditions below. There is no application form or administrative approval process; eligibility is determined by law.

| | |
|--------------------------------------|--|
| CONDITION 1 TAX RESIDENCY | The individual must be a Cyprus tax resident. This requires either spending more than 183 days in Cyprus in a tax year, OR meeting the "60-day rule" (see below). |
| CONDITION 2 NON-DOMICILE | The individual must not hold a Cyprus domicile of origin AND must not have been a Cyprus tax resident for 17 or more of the 20 years preceding the current tax year. |

DOMICILE OF ORIGIN VS DOMICILE OF CHOICE

Under Cyprus law, which follows common law principles, domicile of origin is acquired at birth, generally from the father. Most non-Cypriots won't hold a Cyprus domicile of origin, so that part is straightforward. The more nuanced question is domicile of choice. Someone who settles in Cyprus with genuine intent to stay indefinitely can, over time, acquire a Cyprus domicile of choice. That's a facts-and-circumstances test and it rarely becomes relevant in the early years of residency, but it's worth understanding before year ten arrives.

THE 60-DAY RULE

Since 2017, Cyprus offers an alternative residency test permitting individuals to qualify as tax residents by spending at least 60 days in Cyprus in a tax year, subject to three conditions:

- Not tax resident in any other country for that year
 - Not spending more than 183 days in any other single country
 - Maintaining a business, employment, or holding a directorship of a Cyprus company
-

DURATION OF STATUS

Non-Dom status is available for a maximum of 17 consecutive tax years. After 17 years of Cyprus tax residency, the individual becomes deemed domiciled in Cyprus and SDC applies on all qualifying income. This clock starts from the first year of Cyprus tax residency, not from the year Non-Dom was first claimed.

SCOPE OF THE EXEMPTION

What Is, and What Is Not, Exempt Under Non-Dom

| INCOME TYPE | SDC RATE (DOMICILED) | NON-DOM RATE | NOTES |
|-----------------------------------|----------------------|-----------------------------|--|
| Dividends from non-Cyprus company | 17% | 0% | Primary benefit of Non-Dom status |
| Dividends from Cyprus company | 17% | 0% | Also exempt; company source is irrelevant |
| Interest income | 30% | 0% | Applies to bank interest, bond coupons, loan interest received |
| Rental income | 3% of 75% of gross | Not exempt | SDC on rental income is NOT waived by Non-Dom status |
| Employment income (Cyprus-source) | N/A | Taxed under income tax | Progressive rates apply; 50% exemption available for first employment if salary >€55,000 |
| Capital gains (Cyprus property) | N/A | 20% CGT applies | Non-Dom status does not affect Cyprus capital gains tax |
| Capital gains (non-Cyprus assets) | N/A | 0% | Cyprus does not tax capital gains on non-property assets |
| Foreign pension income | N/A | 5% flat rate or progressive | Individual can elect whichever rate is lower each year |

INCOME TAX STILL APPLIES

Non-Dom status doesn't touch Cyprus income tax. Employment income, self-employment income, and other earnings outside the SDC scope are still taxed under the standard progressive schedule — first €19,500 exempt, then 20% to 35%.

For someone whose main income comes from dividends out of a privately held company, the income tax position is typically zero or close to it. Dividends don't enter the income tax base at the individual level. This is where much of the planning value sits.

PRACTICAL APPLICATION

Structuring for *Non-Dom*

The regime's value depends entirely on the structure beneath it. Non-Dom status on its own does not produce a tax saving. It eliminates SDC on dividends and interest only when those amounts are actually received by the individual.

SCENARIO A: FOUNDER WITH FOREIGN OPERATING COMPANY

Situation: UK-based software founder relocates to Cyprus. Holds 100% of a UK Ltd company generating £400,000 profit annually. Extracts £300,000 as dividends.

Before Cyprus: UK income tax at 39.35% on dividends above the allowance. Effective rate approximately 38%+ on dividend income.

With Cyprus Non-Dom: UK Ltd remains subject to UK corporation tax (25%). Dividends paid to the Cyprus-resident founder are subject to 0% SDC and 0% Cyprus income tax (dividends are not employment income). Net Cyprus personal tax: zero on dividend income.

Consideration: UK exit tax and treaty analysis required. The individual must establish genuine Cyprus tax residency and break UK tax residency. Professional advice on the transition is essential.

SCENARIO B: CYPRUS HOLDING STRUCTURE

Situation: International entrepreneur relocates to Cyprus and restructures through a Cyprus holding company. Operating subsidiary in the UAE. Profits flow up as dividends to the Cyprus HoldCo, then distributed to the individual founder.

Cyprus HoldCo receives dividends: Exempt under the Cyprus participation exemption (subject to conditions; see the Holding Company brief).

Founder receives dividends from HoldCo: As a Cyprus Non-Dom resident, 0% SDC. Cyprus income tax: also zero, as dividends are not included in the income tax base.

Net effective personal rate on distributed profits: 0%. Corporate tax at operating level applies in the UAE (9% CT from 2023).

COMMON PITFALLS

- Insufficient days in Cyprus: the residency threshold must be met every year Non-Dom status is claimed
- Maintaining a tax home in the prior country: exit from prior tax residency must be clean and documented
- Rental income in SDC calculations: a common oversight; rental SDC applies even under Non-Dom
- Salary from a Cyprus employer is still taxed under income tax; Non-Dom does not change this
- 17-year clock misunderstood: it runs from first Cyprus tax residency, not from when Non-Dom is first claimed

PROCESS

Steps to Establish *Non-Dom Status*

| | |
|---|--|
| STEP 1 EXIT PRIOR RESIDENCY | Formally terminate tax residency in the prior jurisdiction. This typically requires a change-of-residency notification and meeting that country's exit criteria. UK, Germany and South Africa have detailed exit tax rules that require specialist advice. |
| STEP 2 ESTABLISH PHYSICAL PRESENCE | Secure accommodation in Cyprus (rental or purchase) and begin accumulating days. If using the 183-day test, track days carefully from 1 January. If using the 60-day test, ensure the Cyprus business connection is established before year-end. |
| STEP 3 REGISTER AS CYPRUS TAX RESIDENT | Submit a tax registration application to the Tax Department of Cyprus. Non-EU nationals may also need to register with the Civil Registry and Migration Department. A Tax Identification Code (TIC) is issued on registration. |
| STEP 4 FILE ANNUAL TAX RETURNS | Cyprus tax residents must file an annual income tax return (IR1). Non-Dom status is claimed on the return; there is no separate application form. Supporting records (days in Cyprus, income received) should be maintained contemporaneously. |
| STEP 5 STRUCTURE REVIEW | Review the ownership structure of any companies, investment accounts, and income-producing assets. Distributions should flow in a way that maximises the Non-Dom exemption, such as taking income in dividend rather than salary form where the individual controls that decision. |

MAINTAINING STATUS

Non-Dom status requires annual renewal of Cyprus tax residency. If the residency threshold is not met in a given year, Non-Dom status is lost for that year. Days of physical presence should be tracked and documented throughout.

IMPORTANT FOR 2026

The Non-Dom Regime Is Preserved Under the 2026 Tax Reform

Proposed amendments to Cyprus income tax law under review in 2025–2026 do not affect the Non-Dom SDC exemption. The exemption on dividends and interest income remains intact. The reform focuses on progressive income tax rates and Pillar 2 compliance, which are separate from SDC.

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