



AMENDMENTS TO ARTICLE 8(23A) OF THE INCOME TAX LAW - 50% EXEMPTION UPDATE

With reference to the previous Cyprus Tax Update (July 2022-B), on 30th June 2023 an amending law was published in the Gazette with respect to the 50% exemption of the remuneration from employment, as provided in Article 8(23A) of the Income Tax Law.

Below is a summary of the main amendments voted:

- (a) The non-tax residency requirement of the individual has been extended from 10 consecutive years to at least 15 consecutive years immediately before the commencement of the individual's first employment in Cyprus.
- (b) The provision now applies to remuneration from **employment** in Cyprus, whereas before it was limited **only** to the remuneration from **first employment** in Cyprus. This amendment broadens the scope of the provision and allows individuals to qualify for the exemption even if they change employer within the period of the 17 years. Thus, the provision would also apply to any subsequent employments within the period of the 17 years.
- (c) The exemption applies **for a period of 17 tax years or until the provisions of this Article are abolished**, whichever is the earlier, starting from the tax year of commencement of the first employment of the individual in Cyprus.
- (d) The amending law clarifies that the **"second year"** referred to in the below paragraph, is the year which follows the date of the first year of employment in Cyprus:

The exemption is granted in any year in which the remuneration from employment in Cyprus exceeds €55,000, regardless of whether in any tax year the remuneration is reduced below €55,000, provided that in the first or **second year** of employment in Cyprus the remuneration exceeded €55,000 p.a. and the Commissioner is satisfied that the fluctuation in the annual remuneration is not an arrangement put in place with the purpose of obtaining the exemption.

- (e) The exemption is granted in the tax year of commencement of first employment, provided that the remuneration from employment in Cyprus during the first 12 months exceeds €55,000.
- (f) The provision regarding the tax year of termination, as shown below in italics, is deleted.

"The exemption is granted during the tax year of termination of employment in Cyprus or at the end of the 17 years period, provided that the remuneration from employment in Cyprus during the last 12 months of employment in Cyprus exceeds €55,000".



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- (g) An individual is considered to have “Commencement of **first employment** in Cyprus” when the individual for the first time, after the period of **15 consecutive tax years** during which he/she was **not** performing any salaried services in Cyprus, commences the exercise of employment in Cyprus with a Cyprus or a non-Cyprus employer.

It is noted that the previous reference to occasional full or part-time employment in Cyprus, in the above paragraph, was deleted.

- (h) Individuals who were previously eligible for the 50% exemption of their remuneration from their first employment, based on the **old** provisions of Article 8(23A), will continue to benefit from the exemption provided that all the conditions, as they were in effect before the date of the publication of the Amending Law of 2023, are met.

Further, based on the amendments voted, regardless of the year of commencement of first employment in Cyprus, the provisions of Article 8(23A) of the ITL apply from the 1st of January 2022 and up to the completion of the period of 17 consecutive tax years, or until the abolishment of the current Article, whichever is the earlier, starting from the tax year of the commencement of first employment in Cyprus of an individual who has continuous employment in Cyprus from the year of commencement of his first employment up to and including the tax year 2021 and for a period of at least 15 consecutive years immediately before the commencement of his first employment in Cyprus was considered as a non-Cyprus tax resident and:

- i. He/she was eligible for the 50% exemption based on Article 8(23) of the ITL; **or**
- ii. Whose first employment commenced in Cyprus between the tax years 2016-2021, with emoluments exceeding €55,000 per annum; **or**
- iii. Whose first employment in Cyprus between the tax years 2016-2021, with emoluments that did not exceed €55,000 per annum and within 6 months period from the date that the previous amendments were published in the Gazette, i.e. as from 26/07/2022, the individual’s remuneration exceeded €55,000 per annum.

The amending law has a retrospective effect as from 1 January 2022.

We expect that the Cyprus Tax Authorities will provide further guidance and clarifications on the practical application of the above exemption.