

Cyprus Tax Advantage

Compared with other international financial centres, Cyprus offers a distinct benefit in the form of double taxation treaties. In practice, the tax levied by one country is credited against the tax levied in the taxpayer's country of residence. Where different tax rates apply, the taxpayer will ultimately not pay more than the higher of the two rates of the respective countries. Such treaties combined with very favorable tax rates for international business entities in Cyprus, opens the door to significant tax planning opportunities. The fact that Cyprus is not considered a tax haven, but rather a country offering tempting tax incentives, expels the distrust that international tax havens often arouse.

To date double taxation treaties exist between Cyprus and the following countries: Austria, Belarus, Bulgaria, Canada, China, Czech Republic, Denmark, Egypt, France, Germany, Greece, Hungary, India, Ireland, Italy, Kuwait, Malta, Norway, Poland, Romania, Russia, Slovakia, Sweden, Syria, United Kingdom, South Africa, United States and Yugoslavia. There are negotiations for the ramification of treaties with Egypt, Malta, Syria, Belgium, Finland and the countries comprising the Commonwealth of Independent States. The main purposes of these treaties are the avoidance of double taxation of income earned in any of these countries. For example British citizens may take advantage of the double Taxation Treaty existing between the UK and Cyprus.

This enables you to receive your pensions and investment income into Cyprus **FREE of UK withholding tax**. This Treaty is unique to Cyprus since it includes both public and private sector pensions. Furthermore, Cyprus taxes the assets of expatriates only on a remittance basis. Many expatriates can, therefore, keep assets growing free of tax in an offshore bank, investments or trust, and simply bring into Cyprus what they need. The remittance system compares extremely well with the more common world-arising tax system, used in many other countries, including favoured sunspots like Spain. Recent tax reforms sharply reduce the tax burden in alien residents, in recognition of their value to the economy.

Individual alien residents are now taxed on a flat basis of **5% per annum on pension and investment income brought into Cyprus**. In special circumstances exemptions totaling up to CYP 4,000 per person or CYP 8,000 per married couple may apply. Consequently, the total tax burden on alien residents is in practice often only 3%. This compares dazzlingly with competing destinations where property owners are subject to high tax exposure up to levels of 60%. Insurance pensions can be paid to retirees in Cyprus on a similar tax-free basis, and are index-linked by virtue of Reciprocal Agreement, compared to their