

## Information Sheet No. 43

### Rental Income - Cyprus Tax Treatment

#### General Tax Issues for Rental Income

Rental income earned from the renting of immovable property is usually taxed at the hands of the recipient in accordance with the relevant provisions of the recipient's country of tax residence.

If the property is situated in another country, the recipient of the rental income may also be taxed in that other country as well (i.e. from the source country).

For example, assume the case where rental income is earned by a person (company or individual) resident in country A from a property situated in country B. Country B may have the right to tax that rental income. This will depend on the relevant legislation in country B as well as the relevant provisions of the double tax treaty in force (if any) between country B and country A.

In order to avoid double taxation on the same income, the country where the recipient of the rental income is tax resident may grant credit for the foreign tax suffered on the same income. This may be done either by unilateral provisions, which may exist in the legislation of the recipient's resident country or through the relevant provisions of the applicable double tax treaty.

It is noted that the national tax legislation of Cyprus provides for such unilateral tax relief, irrespective of whether a double tax treaty with the other country is in place.

#### Cyprus Taxes on Rental Income

Rental income earned from immovable property situated in Cyprus or abroad, received by a Cyprus tax resident person (company or individual), is subject to the following two taxes:

- (1) Income Tax
- (2) Special Defence Contribution

Individuals tax resident but non-domiciled in Cyprus and non-Cyprus tax residents are only subject to Cyprus Income Tax and NOT subject to Special Defence Contribution on rental income received from immovable property situated in Cyprus.

Note: Rental income is taxed in Cyprus on an accruals basis.

#### Actual Cyprus Tax Treatment of Rental Income

This information sheet demonstrates in a tabular form the applicable Cyprus taxes in the following cases:

- (a) Rental income earned by a Cyprus tax resident and domiciled individual
  - (b) Rental income earned by a Cyprus tax resident company
  - (c) Rental income earned by a non-Cyprus tax resident individual from a Cyprus situated property
- Rental income earned by a non-Cyprus tax resident company from a Cyprus situated property



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**Tabular outline of Cyprus tax on rental income**

	<b>Income Tax</b>	<b>Special Defence Contribution</b>
Individual who is Cyprus tax resident and domiciled	The gross <u>worldwide</u> rental income, after a 20% exemption and certain allowable deductions, is pooled along with all other taxable incomes of that person and taxed in accordance with the Cyprus personal income tax band rates*	Gross <u>worldwide</u> rental income taxed at the rate of 3% after allowing for a 25% exemption*
Company which is Cyprus tax resident	Gross <u>worldwide</u> rental income is pooled with all other taxable incomes and tax allowable expenses of the company. The resulting profit is taxed at the flat rate of 12.5%*	Gross <u>worldwide</u> rental income taxed at the rate of 3% after allowing for a 25% exemption*
Individual who is a non-Cyprus tax resident	The gross rental income <u>earned from Cyprus properties</u> , after a 20% exemption and certain allowable deductions, is pooled, along with all other Cyprus taxable incomes (if any) and taxed in accordance with the Cyprus personal income tax band rates *	N/A
Company which is non-Cyprus tax resident	Gross rental income <u>earned from Cyprus properties</u> is pooled with all other Cyprus taxable incomes (if any) and after deduction of tax allowable expenses the resulting profit is taxed at the flat rate of 12.5%	N/A

**\* NOTE 1 - Credit for foreign tax:**

*In the case of rental income earned from abroad, any foreign tax suffered on such rental income, may be claimed as credit against the Cyprus tax (income tax and special defence contribution) resulting from the same income. In order to receive this credit, original documentation supporting the foreign tax claimed as credit must be provided to the Cyprus tax authorities. Thus, in cases where the Cyprus tax is lower than the foreign tax this credit will eliminate all the Cyprus tax from that rental income.*

**NOTE 2 - Cyprus Personal Income Tax Band Rates for 2015:**

*The first €19,500 of taxable income is tax exempt. The remaining taxable income is progressively taxed as follows:*

*Between €19,501 and €28,000 taxed @ 20%, between €28,001 and €36,300 taxed @ 25%, between €36,301 and €60,000 taxed @ 30%, over €60,001 taxed @ 35%.*



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**NOTES:**

The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained. P.G. Economides & Co Ltd will be glad to assist you in this respect. Please do not hesitate to contact us.

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