

Important amendment on Income Tax Law - Residency of Cyprus Companies - Incorporation Rule applicable from 31/12/2022

As from 31/12/2022, a new development has been introduced in relation to the residency of Cypriot Companies and their taxation under Cyprus Tax Laws. Particularly, the definition of “resident in the Republic” has been amended with an important addition.

According to Law 193(I)/2021, which amends the Income Tax Law, 118(I)/2002, a company, which is incorporated or registered according to any law in force in the Republic of Cyprus, will by default be considered as resident in the Republic, and therefore liable to Cyprus Taxation, on its worldwide income, provided that such company is not tax resident in any other country.

Particularly, the important addition to article 2 of the Income Tax Law 118(I)/2022, reflects the following exact wording:

“It is provided that, a company which has been established or registered pursuant to any law in force in the Republic, of which its management and control is exercised outside the Republic, it is considered that it is resident in the Republic, unless the said company is tax resident in any other country”.

The exact additional wording, including the relevant limitation, as shown in the relevant Law, is cited below in Greek as well:

«Νοείται έτι περαιτέρω ότι, εταιρεία που έχει συσταθεί ή εγγραφεί δυνάμει οποιοδήποτε σε ισχύ Νόμου στη Δημοκρατία, της οποίας ο έλεγχος και η διεύθυνση ασκούνται εκτός της Δημοκρατίας, θεωρείται ότι είναι κάτοικος της Δημοκρατίας, εκτός εάν η εν λόγω εταιρεία είναι φορολογικός κάτοικος σε οποιοδήποτε άλλο κράτος.».

In light of the aforesaid amendment, the companies that have been established or registered pursuant to any law in force in the Republic, are by default considered to be residents of the Republic even if their management and control is exercised outside the Republic of Cyprus, with the only limitation to be that the companies in question shall not be tax residents in any other country.

In other words, as from 31/12/2022 the Companies that are registered in Cyprus are liable to Cyprus tax on their worldwide income and are considered to be residents in the Republic of Cyprus for the purposes of the aforesaid definition, unless they are managed and controlled from abroad **AND** are tax resident in another country, two criteria that shall apply cumulatively in order for the limitation to be applicable.