Tax Insights
from Tax Services Policy

Minds in Cyprus

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In brief

On 26 February 2026 the Cyprus Parliament voted an amendment (amending law 17(I)/2026) to the Income Tax Law of 2002, introducing the new Article 8(21B). The amending law was gazetted on 6 March 2026.

The new Article grants tax incentives aimed at attracting skilled workers to Cyprus and repatriating Cypriot citizens. This initiative is expected to contribute to sustainable economic growth.

In detail

As per the new Article 8(21B) of the Income Tax Law of 2002 an individual is entitled to a tax exemption of 25% of the remuneration from any employment in Cyprus, or of the profits from carrying on a business in Cyprus. The exemption is capped at EUR 25.000 per tax year.

This exemption is provided to an individual who meets all of the following criteria:

(a) he/she is a tax resident of Cyprus (except, perhaps, for the year in which he/she commences employment in Cyprus or commences carrying on a business in Cyprus); and

(b) the commencement of employment in Cyprus, or of carrying on of a business in Cyprus, takes place in the period 1 January 2025 - 31 December 2030; and

(c) during the 12 months immediately following the date of commencement of employment in Cyprus, or of carrying on a business in Cyprus, he/she had remuneration from employment in Cyprus, or profits from carrying on a business in Cyprus, exceeding EUR 30.000; and

(d) he/she was not Cyprus tax resident for the 7 tax years preceding the year in which he/she commenced employment in Cyprus or the carrying on of a business in Cyprus; and

(e) he/she was Cyprus tax resident in any tax year prior to the 7 tax years mentioned in point (d) above; and

(f) he/she meets at least one of the following two conditions:

(i) has a recognized university degree, as recognised by the Cyprus Council for the Recognition of Higher Education Qualifications (ΚΥ.Σ.Α.Τ.Σ.) for equivalence purposes, and he/she was employed on a full-time basis outside Cyprus by a non-Cyprus tax resident employer for a total period of at least 36 months (3 years) during the 84 months (7 years) prior to the month in which he/she commenced employment in Cyprus or the carrying on of a business in Cyprus,

> **Note**: we understand that the Cyprus tax authorities may be intending to interpret this as meaning that the 84 months could be at any time prior to the commencement of employment/business in Cyprus, i.e. they may be intending to interpret it more loosely, but unfortunately it can be argued that the law reads that the 84 months are those immediately prior to the commencement of employment/business in Cyprus;

or

(ii) he/she was employed on a full-time basis outside Cyprus by a non-Cyprus tax resident employer for a period of 84 months (7 years) prior to the month in which he/she commenced employment in Cyprus or the carrying on of a business in Cyprus;

> **Note**: it is clear that the 84 months could be at any time prior to the commencement of employment/business in Cyprus.

It is further provided, amongst others, that:

(a) the exemption is granted for the year an individual commences employment in Cyprus or the carrying on of a business in Cyprus, as well as for the immediately subsequent 6 tax years, provided that the individual’s remuneration from employment in Cyprus, or profits from carrying on a business in Cyprus, exceed €30.000 in each tax year;

(b) if this new 25% exemption is granted, then the exemption under Article 8(21A), i.e. the 20% exemption, is not granted;

(c) if the exemption under Article 8(23A), i.e. the 50% exemption, is granted, then this new 25% exemption is not granted;

(d) the exemption is granted to each individual once in a lifetime, for the years to which the provisions of Article 8(21B) apply.

The provisions of the new Article 8(21B) are in effect as from 1 January 2025.

The takeaway

The new Article grants tax incentives aimed at attracting skilled workers to Cyprus and repatriating Cypriot citizens. This initiative is expected to contribute to sustainable economic growth.

Let's Talk

For a deeper discussion of how this issue might affect your business, please contact:

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