

Cyprus to Introduce an Additional Corporate Tax Residency Test

January 2022

On 21 December 2021, an amendment ("Law Amendment") to the Income Tax Law was published in the Cyprus Government Gazette, which introduced an additional Cyprus corporate tax residency test that aims to capture Cyprus incorporated or registered companies that are not tax resident in any other jurisdiction (commonly referred to as "stateless companies").

The Law Amendment will enter into force on 31 December 2022.

In accordance with the current Income Tax Law, a company is considered as Cyprus tax resident if its management and control is exercised in Cyprus.

The existing corporate tax residency test will continue to apply, so that a company that has its management and control in Cyprus will continue to be considered as Cyprus tax resident, i.e., its tax residency status will not be affected by the Law Amendment.

In accordance with the new provision, the definition of a "resident in Cyprus" is enhanced so that a company established or registered under any applicable law in the Republic that has its management and control exercised outside the

Republic, is considered to be a resident of the Republic unless such company is tax resident in any other jurisdiction.

This means that Cyprus incorporated or registered companies with (i) management and control exercised outside Cyprus; **and** (ii) which are not tax resident in any other jurisdiction will now be considered as Cyprus tax residents and as such, taxed in Cyprus on their worldwide income.

For more information, please feel free to contact our Cyprus experts or your designated customer relationship manager.

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