

## Amendments to Article 8(23A) of the Income Tax Law for the 50% Exemption on employment income

We would like to inform you that the House of Representatives recently voted further amendments to the Income Tax Law ("ITL") in relation to the provisions of Article 8(23A) which are effective as of 1 January 2022. The amended law has been published in the Official Gazette on 30 June 2023.

As a reminder, the previous amendment in the law was introducing Articles 8(21A) and 8(23A) allowing some more flexibility in the pre-existing exemptions on employment income, setting out certain conditions for their eligibility.

The amendments made to Article 8(23A) for the 50% exemption on employment income mainly relate to:

- The 10-year period requirement immediately before the commencement of the first employment in Cyprus for the individual being a non-tax resident has been increased to 15 consecutive years.
- The exemption period is applicable for 17 years from the year of first employment in Cyprus or until the termination of the current provisions, whichever comes first.
- Individuals who met the conditions for the exemption with a previous employer are allowed to continue to benefit from the exemption even if they change employer within the period permitted (first employment is no longer a requirement).
- The exemption is granted in any tax year in which the remuneration from employment in Cyprus has exceeded €55,000.
- It is no longer required that the remuneration exceeds €55,000 in the last 12 months for the individual to benefit from the exemption in the last year of employment in Cyprus/at the last year of the 17-year period. Hence any fluctuations coming from the 12-month period prior to the termination would not affect the eligibility for the exemption.
- The definition of "Commencement of **first employment** in Cyprus (**ref. to note**) is **no longer satisfied** if the individual performed **temporary** salaried services (full time or part time) in Cyprus in the look-back period.
- Individuals who were previously eligible for the 50% exemption of their remuneration from their first employment, based on the old provisions of Article 8(23A), will continue to benefit from the exemption provided that all the conditions, as they were in effect before the date of the publication of the Amending Law of 2023, are met.
- The transitional provisions that were initially introduced in Article 8(23A) continue to apply including the above amendments.

We note that the Circular which was published explaining the provisions for the above exemption before their last amendment is expected to be updated to reflect and explain the application of the new provisions. You may refer to our previous alert [here](#), regarding the Circular 10/2022 which provides clarifications on the application of the first employment exemptions and our earlier newsletter [here](#) on the previous amending law of 26 July 2022. For further tax assistance, please contact [tax@hlb.com.cy](mailto:tax@hlb.com.cy).

### Note

"Commencement of first employment in Cyprus": when the individual for the first time, after the period of 15 consecutive tax years during which he/she was not performing any salaried services in Cyprus, commences the exercise of employment in Cyprus with a Cyprus or a non-Cyprus employer (i.e. a permanent establishment of a non-Cyprus tax resident company).

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