



National Health Insurance System clarifications

4 April 2019 – The Cyprus Commissioner of Taxation has provided clarifications in relation to the National Health Insurance System (NHIS) contributions, which came into effect on the 1st of March 2019.

Below is an unofficial translation of the clarifications provided.

1. Cyprus tax residents and non-domiciled

Cyprus tax resident and non-domiciled individuals are not exempt from the NHIS contributions. Consequently, such individuals are subject to the NHIS not only on their employment income but also on their world wide income such as foreign pensions, dividends, interest and rental income.

2. Directors and Secretary

Individual directors and secretaries (irrespective of their tax residency) are considered persons holding an office in a company and, therefore, their remuneration (actual or deemed) is subject to the NHIS. The responsible person for withholding the relevant contributions is the company which will need to withhold the contributions from the officers but at the same time pay its portion as an employer.

The above covers Cyprus tax resident individuals but also non-resident individuals being directors to Cyprus companies earning directors' fees/remuneration.

3. Profit from disposal of securities

The profit from the disposal of securities will be subject to the NHIS if such profit will be considered as trading profit.


4. Public bodies and companies paying rents

Public bodies and companies paying rents to individuals are obliged to withholding the relevant NHIS contributions on behalf of the individual landlords.

5. Article 5 of the Income Tax Law, as amended

The NHIS contributions are applied on the sources of income mentioned in Article 5 of the Income Tax Law, as amended. The tax exemptions provided under the Income Tax Law, as amended, are ignored for NHIS purposes.





Below is a list of sources of income included in Article 5:

- Profits or other benefits from trading activities
- Holding of an office (directorships and secretaries)
- Employment income and benefits in kind
- Interest and dividends (including deemed dividends)
- Pensions, including overseas pensions
- Amounts of income payable in accordance with a court decision or in accordance with a term included in a will or agreement, as well as an annuity;
- Rents, royalties, remuneration or other profits arising from property, including the value of the owner's benefit
- Trading goodwill
- 9% deemed benefit relating to interest free financial assistance provided by companies to shareholders/directors.

6. Exempt income

The following are exempt from the NHIS contributions:

- Income which is exempt under the Cyprus Tonnage Tax Regime i.e. dividends from qualifying shipping activities;
- Income from preserved buildings;
- Income associated with the United Nations
- Income of individuals which are insured in another EU Member State (A1/S1 certificate should be submitted)

7. 1/6th Restriction

The NHIS contributions are subject to the 1/6 restriction applicable to individuals for income tax purposes.

As always, the Taxation Department of Costas Tsielepis & Co Ltd is at your disposal should you require any further information or clarifications.