GUIDE

# Israel–Cyprus Tax Guide

Moving to Cyprus, or setting up a Cypriot company, can save tax. But the decision depends on two things: where you are actually tax resident, and who controls and manages the company.

Updated: 11 November 2026

This guide is for Israelis considering a move to Cyprus, for owners of Israeli companies considering operating through Cyprus, and for those who have already moved and need to close the Israeli side.

The guide reflects the Cyprus tax reform that took effect on 1 January 2026.

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## Tax residency: the question that decides everything

An Israeli resident is taxed in Israel on worldwide income, including income from Cyprus. A non-resident is taxed in Israel only on income generated in Israel. So any Cyprus plan starts with the question of whether you have actually cut ties with Israel.

### The Israeli test: centre of life

- The main test is substantive: where your family, permanent home, business, assets, bank accounts and social ties are.
- The existing presumptions: 183 days or more in Israel in the tax year, or 30 days in the year and 425 days in total over three years. The presumptions can be rebutted both by the

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taxpayer and by the assessing officer (Income Tax Ordinance, s.1).

- Under case law, it is very hard to sever Israeli residency without showing a real centre of life in another country. Economic ties abroad alone are not enough.
- Follow any legislative changes on residency before planning a move.

### The Cypriot test: the 183-day rule and the 60-day rule

- **183-day rule:** anyone who spent more than 183 days in Cyprus in the tax year is a Cyprus resident.
- **60-day rule:** you can be a Cyprus resident after only 60 days if all of these conditions are met: you do not spend more than 183 days in the tax year in any other single country; you carry on a business in Cyprus, are employed in Cyprus, or hold an office in a Cyprus tax-resident company at any time in the tax year, and that tie is not terminated during the year; and you maintain a permanent home in Cyprus, owned or rented (Cyprus Law 244(I)/2025).
- The 2026 reform did not change the 183-day rule. For the 60-day rule, it removed, from 1 January 2026, the condition of not being tax resident in another country (Cyprus Tax Department).

#### The trap

Meeting the Cypriot 60-day rule does not end Israeli residency. Someone whose family, home or business stayed in Israel may be treated as resident in both countries and pay full tax in Israel. The most dangerous position is "between the chairs": no longer reporting as an Israeli resident, but not properly set up as a Cyprus resident either.

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## There is no double tax treaty between Israel and Cyprus

There is no double tax treaty between Israel and Cyprus. Israel does not appear on the list of Cyprus double tax treaties published by the Cyprus Ministry of Finance (Cyprus Ministry of Finance). Various websites show "treaty rates" for dividends, interest and royalties between the two countries. They are wrong and should not be relied on.

### What this means in practice

- **No tie-breaker rules for dual residency.** Someone treated as resident in both countries cannot rely on a tie-breaker test that assigns one country. Israel will keep taxing under its domestic law.

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- **No mutual agreement procedure.** A dispute over residency or taxing rights is resolved separately with each authority.
- **No reduced withholding rates.** Payments from Israel to a Cyprus resident are subject to tax and withholding under ordinary Israeli law, with no treaty reduction. For example, dividends are taxed at 25% (30% for a substantial shareholder) (Income Tax Ordinance, s.125B), unless an exemption applies under domestic law.
- **Foreign tax credit only under domestic law.** An Israeli resident who paid tax in Cyprus can receive a credit under the Income Tax Ordinance, within its limits.
- **Information and enforcement.** Israel and Cyprus have both signed the OECD Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (CRS MCAA) (OECD signatories list). Do not assume activity there will go unnoticed.

### The unilateral credit in brief

Even without a treaty, the Income Tax Ordinance gives an Israeli resident a credit for tax paid in Cyprus on income that is also taxable in Israel. The credit cannot exceed the Israeli tax on the same income, and any excess can be set off over the next 5 years against tax on income from the same source. There is no credit on income that is exempt in Israel, and GHS contributions do not give a credit, in the firm's view (Income Tax Ordinance, sections 199 to 205A, Hebrew). A worked example: on the Cyprus services page.

**The bottom line:** without a treaty, planning that does not clearly sever Israeli residency is exposed to full tax in Israel, and sometimes to tax in Cyprus as well.

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## Taxation in Cyprus after the 2026 reform

From 1 January 2026 Cyprus corporate tax rose to 15%, and the tax on dividends paid out of 2026-onward profits, for residents who are not non-dom, fell to 5%. The non-dom regime stays in place.

**Main changes in the Cyprus tax reform**

| Item | Until 2025 | From 2026 |
|---|---|---|
| **Corporate tax** | 12.5% | 15% |

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| Item | Until 2025 | From 2026 |
|---|---|---|
| **Defence contribution (SDC) on dividends for a resident who is not non-dom** | 17% | 5% on dividends from 2026-onward profits[1] |
| **SDC on dividends and interest for non-dom** | Exempt | Exempt |
| **Deemed dividend distribution** | Applies | Abolished for 2026-onward profits[2] |
| **Loss carry-forward** | 5 years | 7 years |
| **0% income tax band for individuals (taxable income up to)** | €19,500 | €22,000 |
| **Sale of crypto** | No special rate | 8% |

1. Dividends from a Cyprus tax-resident company paid out of profits of tax years up to 2025, distributed by 31 December 2031, remain subject to SDC at 17% (Cyprus Law 245(I)/2025). Back to table
2. Under the new section 3C (3Γ) of the SDC Law, 70% of a Cyprus tax-resident company's profits for tax years 2024 and 2025 (after corporate tax) are deemed distributed as dividends two years after the end of the tax year, and shareholders who are residents for SDC purposes are charged SDC at 17% (Cyprus Law 245(I)/2025). Back to table

Sources for the table: (Law 244(I)/2025) (Law 245(I)/2025) (Cyprus Income Tax Law 118(I)/2002, consolidated)

# The non-dom regime

- An Israeli who moves to Cyprus is usually a resident who is not domiciled, as long as they have not been a Cyprus resident for 17 of the preceding 20 years (Cyprus Tax Department).
- Exemption from defence contribution on dividends and interest. On dividends, only health insurance contributions (GHS) are paid, at 2.65%, up to a cap (General Healthcare System Law 89(I)/2001, s.19).

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- The reform allows extending the exemption after many years of residence, for a one-off payment of €250,000 per 5 years (SDC Law Article 3D and Circular 2/2026).
- Even without formal status, Cyprus tax may apply to Cyprus-source income, such as salary, services performed there and rent (Cyprus Income Tax Law, s.5(2)).

> **Important:** the Cypriot exemption does not help someone who is still an Israeli resident. Israel will tax the dividend in full, and since no tax was paid in Cyprus, there is no credit to offset. **The firm's position:** the health contributions (GHS) paid in Cyprus do not give a foreign tax credit in Israel.

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# A Cypriot company owned by an Israeli resident

A company registered in Cyprus but managed from Israel is an Israeli-resident company. It is liable to Israeli corporate tax of 23% on all its income.

## Control and management

- Under Israeli law, a company whose business is controlled and managed in Israel is an Israeli resident, regardless of where it is registered.
- The test looks at where strategic decisions are made, where the directors and senior management operate, and who actually runs the company.
- The 2026 Cyprus reform broadened the corporate residency rules and added a place-of-incorporation test. So a Cypriot company managed from Israel may be resident in both countries, with no treaty to decide.
- For management to count as Cypriot, real substance is needed: an active office (not just a registered address), directors who operate in Cyprus, a local bank account, employees and documented board meetings.

## Israeli rules that may apply even when the company is a Cyprus resident

- **Controlled foreign company (CFC):** when the cumulative conditions are met, including: more than 50% of the means of control are held, directly or indirectly, by Israeli residents; most of the income or profits are passive (interest, dividends, royalties, rent); and the foreign tax rate on the passive income does not exceed 15%, a deemed dividend may be taxed in Israel even without a distribution (Income Tax Ordinance, s.75B).

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- **Foreign professional company:** a foreign closely-held company in which 75% or more of the means of control are held, directly or indirectly, by Israeli-resident individuals, whose controlling shareholders carry on a special profession for it, and most of whose income or profits in the tax year derive from that special profession, may be taxed as if it had distributed its profits to the controlling shareholders (Income Tax Ordinance, s.75B1).
- **Dividend to an Israeli resident:** taxed in Israel at 25%, or 30% for a substantial shareholder, plus surtax above the threshold. Tax withheld in Cyprus gives a credit under domestic law.
- **Reporting duty:** an Israeli resident who holds a foreign company must report it in the annual Israeli tax return.

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# Moving to Cyprus: what to do and when

Severing residency is planned before the move, not after it. Most steps are hard to fix in hindsight.

## Before the move

1. **Centre-of-life review:** map all ties to Israel (family, home, work, business, accounts, children's schooling) and decide what to cut.
2. **Family:** moving the whole family and enrolling the children in Cypriot schools is much stronger than one family member moving.
3. **Your home in Israel:** a home that stays empty and available weakens the severance. Better to rent it out long-term or sell it.
4. **Exit tax (section 100A):** on the day residency ends, assets are treated as sold, including shares in companies. You must choose between paying immediately and deferring to the actual sale.
5. **The Israeli company:** decide whether it stays, moves or closes. A controlling shareholder who keeps managing it from Cyprus may shift its management out of Israel, and vice versa.
6. **Working for an Israeli employer:** an employee who stays with the same employer must coordinate withholding in Israel and reporting duties in Cyprus.
7. **National Insurance (Bituach Leumi):** National Insurance has a separate residency test. Notify it and check the effect on entitlements (old-age pension, health insurance).

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## After the move

1. **Registration in Cyprus:** tax registration (TIN), application for non-dom status, and a tax residency certificate.
2. **Annual return in Cyprus:** check with the Cyprus Tax Department whether you are required to file an annual return.
3. **Declaration in Israel:** file a declaration of foreign residency (Form 1348) when required, and an annual return for the year of departure.
4. **Ongoing records:** keep a log of days spent in each country, and keep the lease, bills and school certificates.
5. **Visits to Israel:** track the number of days against the presumptions.

# FAQ

**Is there a double tax treaty between Israel and Cyprus?**

No. Information online about "treaty rates" between the two countries is wrong.

**If I stay in Cyprus for 60 days, am I no longer an Israeli resident?**

No. The 60-day rule determines residency in Cyprus only. Israel will examine your centre of life, and someone who stays connected to Israel may be resident in both countries.

**What happens if I am resident in both countries?**

Without a treaty there is no deciding mechanism. Israel will tax all your income, and will give credit for tax paid in Cyprus only under Israeli law.

**Can I open a Cypriot company and keep living in Israel?**

You can, but if the company is managed from Israel it is an Israeli resident and liable to Israeli corporate tax. The dividend you receive from it is fully taxable in Israel.

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**Cyprus corporate tax went up. Is it still worthwhile?**

Corporate tax rose to 15%, but dividends to a non-dom are still exempt from defence contribution. Someone who has truly severed ties with Israel can still enjoy a lower tax burden than usual in Israel.

**I am already in Cyprus and haven't dealt with the Israeli side. What now?**

Check your residency status, filings and tax exposure as soon as possible, and review with a professional how to regularise your filings.

## How we help

Alon Schreiber, CPA, served as Chief Inspector, Companies, at the Israel Tax Authority, and the firm supports clients between Israel and Cyprus in cooperation with a licensed accountant in Cyprus.

- Residency review and severance planning before the move.
- Exit tax calculation and choice of payment route.
- Planning the company structure in Israel and Cyprus, and control-and-management review.
- Annual returns and declarations in Israel, and coordination of reporting in Cyprus.
- Representation before the Israel Tax Authority and the Cyprus tax authorities.

**Considering a move or activity in Cyprus?** Book a consultation: phone +972-3-560-9462 · office@accounter.co.il

Service page: Cyprus tax advice and support →

## Sources


- Income Tax Ordinance [New Version] — consolidated text, National Insurance website (PDF), Hebrew (https://www.btl.gov.il/Laws1/00_0103_000000.pdf)
- Cyprus Ministry of Finance: Double Tax Treaties (https://www.gov.cy/mof/en/documents/double-tax-treaties/)



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- Cyprus Tax Department: Tax Residency/Domicility (https://www.gov.cy/mof-tax/en/documents/tax-residency-domicility/)
- CyLaw: Income Tax Law 118(I)/2002 (consolidated, Greek) (https://www.cylaw.org/nomoi/enop/non-ind/2002_1_118/full.html)
- Cyprus Gazette: Law 244(I)/2025 amending the Income Tax Law (Greek) (https://cylaw.org/nomoi/arith/2025_1_244.pdf)
- Cyprus Gazette: Law 245(I)/2025 amending the Special Defence Contribution Law (Greek) (https://cylaw.org/nomoi/arith/2025_1_245.pdf)
- CyLaw: General Healthcare System Law 89(I)/2001 (consolidated, Greek) (https://www.cylaw.org/nomoi/enop/non-ind/2001_1_89/full.html)
- OECD: Signatories of the CRS Multilateral Competent Authority Agreement (https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/tax-transparency-and-international-co-operation/crs-mcaa-signatories.pdf)

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