

Government service pensions under the UK/Cyprus Double Taxation Convention

Background

The UK and Cyprus signed a Double Taxation Convention on 22 March 2018 in Nicosia (“the 2018 Convention”). That Convention is now in force and will take effect for pension income received on or after 1 January 2019. It replaces a Convention with Cyprus which was signed in 1974, and updated in 1980 (“the 1974 Convention”).

The 2018 Convention changes the way that government service pensions are taxed. It means that government service pensions which are currently taxable in Cyprus will become taxable in the UK from 1 January 2019.

Amendment to the 2018 Convention

The UK government has agreed with the government of Cyprus to amend the 2018 treaty in respect of government service pensions. The amendment will allow individuals to choose which basis of taxation they want to apply to their government service pensions. This choice can be made from 1 January 2019 and will expire on 31 December 2024.

What is a government service pension?

Government service pensions include pensions and other similar remuneration paid in respect of services rendered to either the UK or Cyprus which are:

- paid by, or out of funds created by, the UK or Cyprus, or
- a political subdivision of the UK or Cyprus, or
- a local authority of the UK or Cyprus.

A state pension is not a government service pension. State pensions will continue to be taxable only in the country in which the recipient is resident for tax purposes.

What you need to do

If you want your government service pension to be taxed in the country in which you are resident

You must make an election to the tax authority of the country that is paying the pension. So, if your pension is paid by the UK, you must make an election to HMRC.

You can make an election at any time after 1 January 2019. Your election will apply to all pension payments received for the whole of the year in which your election is made, as well as to pension payments received in every year afterwards until 31 December 2024. So, if you make an election on 30 December 2020 it will apply to all pension payments you receive from 1 January 2020 until 31 December 2024.

Your election must be in writing and should state:

“I elect for my government service pension to be taxed in accordance with the 1974 Double Taxation Convention between the UK and Cyprus. I understand that this election will continue to apply until 31 December 2024 or until I revoke it.”

You should also include your full name and address, your UK Unique Taxpayer Reference (UTR) or National Insurance Number and your tax reference in Cyprus.

You can revoke your election at any time after you have made it. If you revoke the election the 2018 Convention will apply to all pension income received for the whole year in which the revocation is made.

Elections and revocations made to HMRC will automatically be shared with the Cyprus Ministry of Finance (and vice versa).

If you want your government service pension to be taxed in the country that pays the pension

You do not need to make an election. However, you may need to notify the relevant tax authority of your taxable income. So, if you are a Cyprus resident in receipt of a UK government service pension, [you may need to let HMRC know about your pension income](#). Failure to notify HMRC of your income may result in interest and penalties being charged.

Where to send your election

If your government service pension is paid by the UK, you should send your election to:

PAYE Self-Assessment
HM Revenue & Customs
United Kingdom
BX9 1AS

If your government service pension is paid by Cyprus, you should send your election to:

Commissioner of Taxation
Tax Department
1471 Nicosia
Cyprus