



Grant Thornton

Cyprus Tax Facts 2026

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The present publication aims to provide the reader with an overview and a quick reference guide to the Cyprus tax system. The information contained in this publication relates to the regulations in force as of 01 January 2026.

It is not intended to be comprehensive therefore specific professional advice should always be obtained before taking any action.



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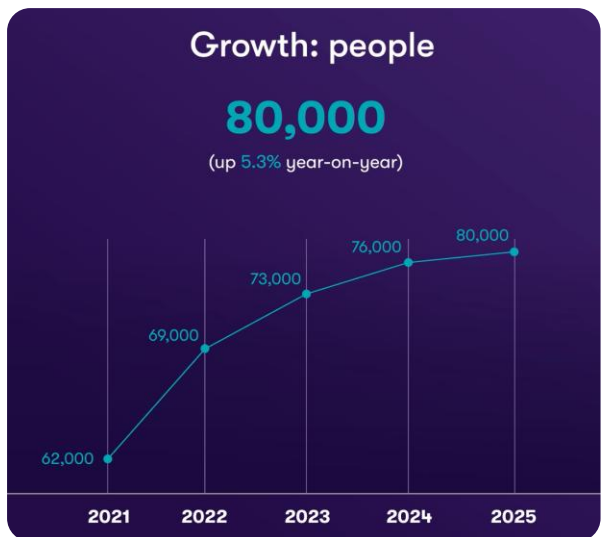
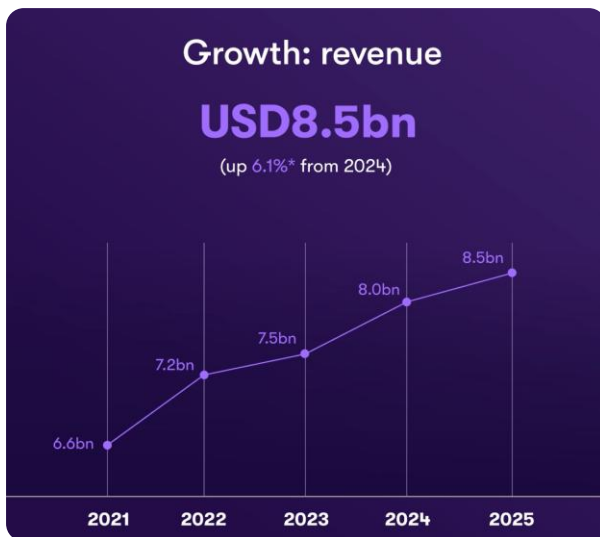
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Doing business in Cyprus

Since its accession to the European Union in 2004, the tax legislation of Cyprus complies with EU requirements and with the OECD initiative against harmful tax practices.

The significant tax advantages offered by Cyprus to international companies with a Cyprus tax-resident base include:

Double tax treaties with over 68 countries

Favorable tax regime, including corporation tax of 15%.

Nil withholding taxes on dividends and on interest payable to non-Cyprus tax residents subject to conditions

Exemption from tax in most cases on dividends received

Exemption from tax of profits from operations of permanent establishments situated abroad

Exemption from tax of profits on disposal of shares, bonds and other securities (except in the case where the company issuing the shares owns immovable property directly or indirectly that is situated in Cyprus)

Exemption from capital gains tax on gains arising from the disposal of immovable property situated abroad.

International companies which choose to have a permanent establishment in Cyprus can enjoy additional benefits such as:

Strategic geographic location

Excellent communications infrastructure

Efficient legal, accounting and banking services

Liberal foreign direct investment regime

Highly qualified, well-educated and multilingual labour force

Freedom of movement of foreign currency

One of the lowest crime rates in Europe

All the above factors combine to make Cyprus an ideal and effective location for EU inbound and outbound investments.



Personal taxation

Imposition of tax

Individuals who are Cyprus tax residents are subject to tax on their worldwide income, whether remitted to Cyprus or not. Individuals who are non-Cyprus tax residents are subject to tax only on their Cyprus-source income.

Obligation for Income Tax Declaration submission

Individuals who

- are tax residents provided they have income subject to Income Tax and/or
- have completed their 25 years of age but not 71
- are not tax residents but have income subject to income tax (i.e employment from a Cyprus company).

Tax residence

For Cyprus tax purposes, “Cyprus tax resident” means an individual who, in the year of assessment (calendar year), stays in the Republic of Cyprus for a period or periods exceeding in aggregate 183 days.

As from 1st January 2017 the “60 days rule” for tax residency has been introduced. An individual will be considered as a tax resident of Cyprus if he/she satisfies either the existing “183 days rule” or the new “60 days rule” for the tax year.

Days in and out of Cyprus are calculated as follows

- The day of departure from Cyprus is taken as a day of residence outside Cyprus
- The day of arrival in Cyprus is taken as a day of residence in Cyprus
- Arrival in and departure from Cyprus on the same day is taken as a day of residence in Cyprus
- Departure from and arrival in Cyprus the same day is taken as a day of residence outside Cyprus.

The “60 days rule” applies to individuals who in the relevant tax year

- Reside in Cyprus for at least 60 days and
- Do not stay in any other jurisdiction for a period more than 183 days
- Exercising a trading activity and/or being employed and/or holding an office in a Cyprus tax resident company in force on 31st of December
- Have other defined Cyprus ties.
- Owning or renting a residence

For company residence, see page 13.



Income tax rates for 2026

Taxable Income €	Rate %	Tax €	Cumulative taxable Income €	Cumulative Tax €
First 22.000	-	-	22.000	-
Next 10.000	20	2.000	32.000	2.000
Next 10.000	25	2.500	42.000	4.500
Next 30.000	30	9.000	72.000	13.500
Over 72.000	35			

Foreign pensions

Foreign pensions of a Cyprus resident individual which exceed the amount of €5.000 per annum are taxable at the rate of 5%. The recipient of such pension may elect, for each year of assessment, to be taxed at the normal rates.

Widow pensions

As from year 2014, widow pensions received are taxed separately (is not added to other income) at a rate of 20% for any amount that exceeds €22.000. However, the pensioner may choose to add the pension on the total income and be taxed under the normal personal income tax rates.

Funds industry

Special rules for variable remuneration which is connected to the carried interest, for individuals employed in the funds industry - on Alternative Investment Fund (AIF) and Undertakings for Collective Investments in Transferable Securities (UCITS), is taxed at flat rate of 8% with a minimum tax liability of €10.000 per annum. Employees satisfying the conditions can elect on annual basis to be taxed under this regime for a period of 10 years or follow the normal provisions for personal tax assessment.

Stock Options

Article 20(d) introduces a preferential 8% income tax rate on gains from approved employee share option / equity incentive schemes, replacing normal progressive taxation. It applies to the benefit realised (typically at exercise) by employees or directors participating in qualifying plans who are not related parties.

The regime is subject to caps:

- annual limit up to 2x remuneration and;
- a lifetime ceiling of €1m over a rolling decade.

Any excess above these thresholds is taxed at standard income tax rates (up to 35%).

Eligibility requires the scheme to meet formal approval and substance criteria set by the tax authorities. Non-qualifying schemes remain taxed as ordinary employment income under existing rules.

Ex Gratia Payment

Any ex-gratia payment made up to €200.000 is considered tax free. Any income above the threshold of €200.000 is taxed at a flat rate of 20%.



Benefit in kind

Benefit either in cash or otherwise, provided to employees and/or members of their families, is added to earnings/income and is subject to income tax. The Tax Department provided guidelines for calculation of benefits in three main categories of benefits i.e. cars/accommodation/other benefits.

Exempt Income

Type of income	Limit	Note
Profits on disposal of titles	100%	1
Remuneration from salaried services rendered outside Cyprus	100%	2
Dividend income	100%	3
Interest income	100%	4
Remuneration of individuals who, before commencing employment in Cyprus, were not Cyprus tax residents	20% of emoluments, up to a maximum of €8.550 p.a.	5,7
Remuneration of individuals who, before commencing employment in Cyprus, were not Cyprus tax residents and their income from employment is more than €55.000 per annum	50% of total emoluments	6,7
Lump sum on retirement, commutation of pension or compensation for death or personal injury	Over €200.000 / 20%	8
Capital sums received in respect of eligible life insurance policies or provident, pension and other funds	100%	
Profits from a permanent establishment abroad are exempt subject to certain conditions	100%	
Rent from preserved buildings	100%	
Taxable income arising from operations in Cyprus in the audio-visual industry	50%	9

Notes

1. "Titles" means ordinary shares, founder's shares, preference shares, options on titles, debentures, bonds, short positions on titles, futures/forwards on titles, swaps on titles, depository receipts on titles like ADRs and GDRs, claim rights on bonds and debentures (excluding the rights on interest of such products), index participations (provided that they represent titles), repurchase agreements or Repos on titles, participations in companies like Russian OOO & ZAO, American LLCs (provided that they are not transparent entities), Romanian SAs & SRLs, Bulgarian ADs and OODs and units in open-ended or close-ended collective investment schemes that have been established and registered, and function, in accordance with the provisions of specific and relevant legislation in the country of the registration. Promissory notes and bills of exchange are not included under definition of titles.
2. The employer must either be a non-Cyprus tax resident or a Cyprus tax resident with a permanent establishment abroad. For the exemption to apply, the service abroad must be for a period or periods of more than 90 days in aggregate in any one year of assessment.
3. Such dividend income is subject to Special Defence Contribution for Cyprus tax residents.
4. Any interest income for individuals is exempted from Income tax and is taxed under Special Defence Contribution at the rate of 17% and in certain cases at the reduced rate of 3%.
5. The exemption starts from the year following the year of employment and it can be applied for employment starting from 26 July 2022 onwards. The employee should have been employed for at least 3 consecutive years outside Cyprus by a non-resident employer. The maximum period for which the exemption applies is 7 years.



6. It applies from the year of employment in the Republic and can last for a maximum of 17 years. An employee is eligible for this allowance if he/she was not resident of Cyprus for a period of 15 consecutive tax years immediately prior to the commencement of the employment in Cyprus. If during employment period, the income falls below €55k then the exemption will be granted only if the commissioner is satisfied on certain conditions. Special rules apply for employment starting from 01/01/2022 to 29/06/2023.
7. In practice the tax authorities will allow only one out of the two claims (see note 5 & 6 above).
8. Based on the New Article 20 (f), any amount exceeding €200.000 is taxed at a flat rate of 20%.
9. The exemption of 50% cannot exceed the 35% of the qualifying expenses approved by the relevant authority. Any restriction on the exemption can be carried forward for utilization in the next 5 years following same principles. The previous exemption does not apply when a cash refund is claimed back based on the provisions.

Allowable deductions

Description	Limit	Note
Annual subscriptions to trade unions and professional associations	100%	
Donations to approved charitable institutions (with receipts)	100%	1
Expenses for letting of buildings	20% of gross rental income	
Interest of a loan used to acquire rented properties	100%	
All expenses incurred wholly and exclusively for the production of income provided that are supported by proper documentation	100%	2
Expenditure incurred for the purpose of maintaining a preserved building	Subject to restrictions	3
Life insurance premiums including partly or permanent disability	100%	4 & 5
Wages and salaries and contributions to Social Insurance Fund, Redundancy Fund, Human Resource Development Fund, Social Cohesion Fund, Pension Fund and Provident Fund	100%	5-7
Expenditure incurred for the acquisition of shares in an “innovative small/medium sized business” (applicable up to 31/12/2026)	Up to 50% of the investment - subject to restrictions with max relief €150k	8
Expenditure on film infrastructure and technological equipment	Up to 20%	
Residence insurance covering natural disasters including fire/ theft etc.,	up to €500 for each spouse	
Dependent child	€1.000 for the first €1.250 for the second €1.500 for any additional child	9 - 11
Residence deduction (rent expense or interest for the acquisition of permanent residence)	€2.000 per spouse	9 - 11
Energy efficiency upgrade of a building / purchase of electric vehicle	€1.000 per spouse	9-12



Notes

1. In case of a loss, to the extent of the donation, the loss is not carried forward.
2. Excludes interest and/or running expenses of private motor vehicles.
3. Restriction depends on the covered area of the building.

Square meters	€ per square meter
Up to 120	Up to €1.200
121 – 1.000	Up to €1.100
Over 1.000	Up to €700

4. The deduction for annual life insurance premium is restricted to 7% of the capital sum assured on death. The life insurance should be for the life of the taxpayer and not for his/her spouse unless it relates to policies effected before 1 January 2003. When a life insurance policy is cancelled within six years of its inception, there is a claw-back of premium relief as follows:

Cancellation (in year)	% of premiums allowed treated as income
1-3	30%
4-6	20%

5. The total deduction for all the above allowances (life insurance, contributions to the social insurance, general health system, provident, pension, medical or other “approved” fund) is restricted to 1/5 of an individual’s taxable income before deducting these allowances.
6. Wages and salaries for which the above-mentioned contributions have not been paid in the year, in which they were due, will not be tax deductible for the calculation of taxable income.
7. If the contributions (including any penalties and interest) are paid in full within two years from their due date, then such wages and salaries and their associated contributions will be tax deductible expense in the year that they are paid.
8. Innovative enterprise means the enterprise:
 - a) which can demonstrate, through a comprehensive study carried out by a specialist external expert that may in the near future develop new or substantially improved products, services, or processes in connection with the best products, services or processes in the market and which run the risk of technological or industrial failure or,
 - b) whose research and development costs represent at least 10% of total operating costs in at least 1 of 3 years preceding the granting of the aid or, in the case the enterprise is at the start-up stage and does not have financial history, in the audit of its current tax year, as certified by the external auditor.
9. Single Person – annual gross income less than €40.000
10. Combined household income - €100.000 families with no children or with 1-2 children
 €150.000 families with 3-4 children
 €200.000 families with 5 or more children
11. For single-parent families or in the case of parents with full custody the allowance are doubled.
12. The expense occurred can be carried forward for the next 4 years in case the actual expense (less any government grants) exceeded the allowable amount claimed in the 1st year.



Business taxation

Imposition of tax

Cyprus tax resident persons (individuals and companies) are subject to tax on their worldwide income whether remitted to Cyprus or not.

Non-Cyprus tax resident persons are subject to tax only on their Cyprus-source income.

A company is subject to tax in Cyprus if its management and control is exercised in Cyprus, irrespective of its place of registration. To achieve tax residency and substance, the Cyprus Tax Authorities take into consideration the following factors in general:

- The composition of the board of directors
- Where the board meetings take place and whether major decisions are properly taken during these meetings
- The place where the discussion and approval of the financial statements take place
- The board of directors must have control over the bank account which must be situated in cyprus
- The place where the seal of the company is authorized to be used.

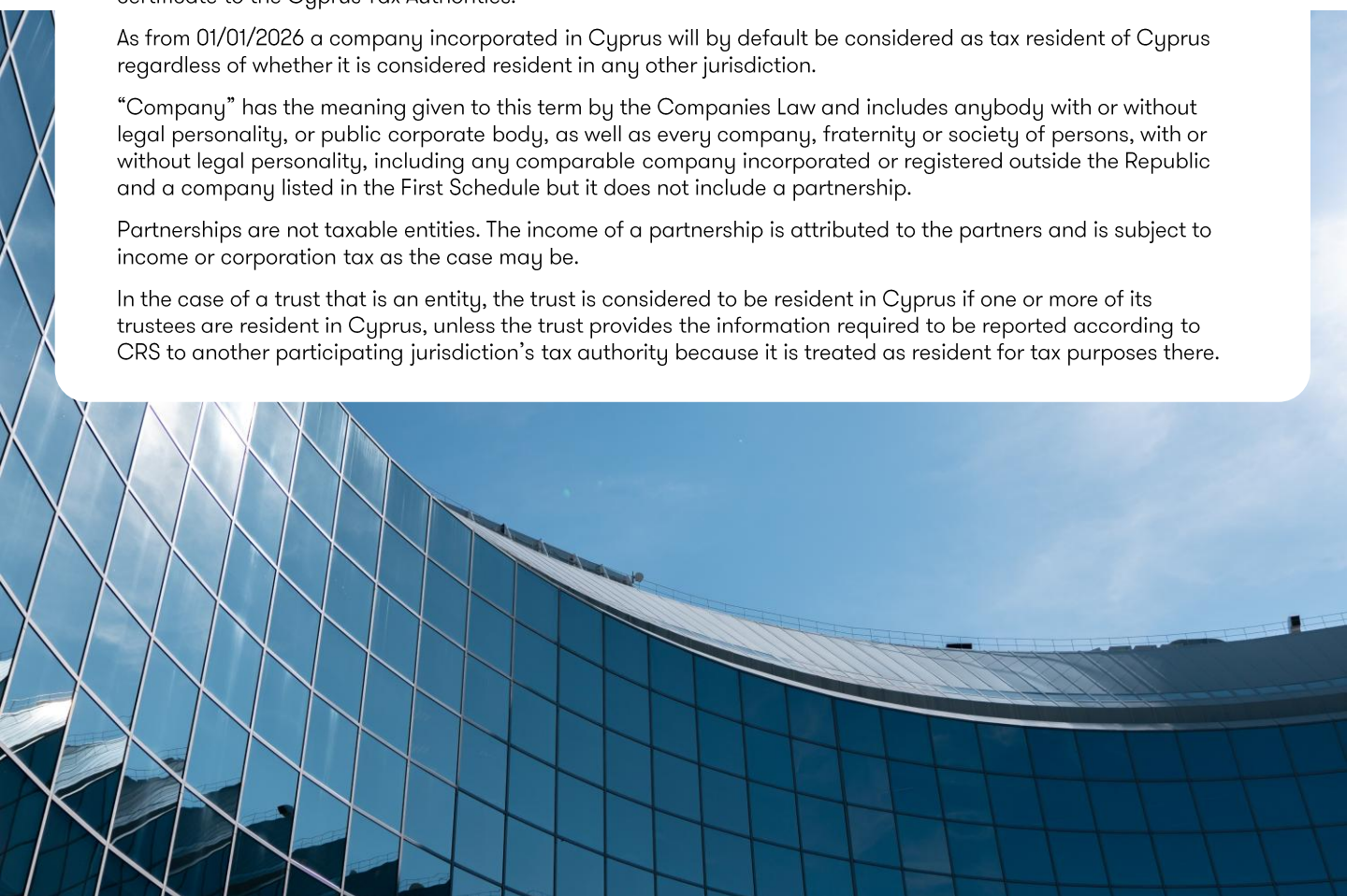
In practice, in order for a company to establish its tax residency, it should submit a request for tax residency certificate to the Cyprus Tax Authorities.

As from 01/01/2026 a company incorporated in Cyprus will by default be considered as tax resident of Cyprus regardless of whether it is considered resident in any other jurisdiction.

“Company” has the meaning given to this term by the Companies Law and includes anybody with or without legal personality, or public corporate body, as well as every company, fraternity or society of persons, with or without legal personality, including any comparable company incorporated or registered outside the Republic and a company listed in the First Schedule but it does not include a partnership.

Partnerships are not taxable entities. The income of a partnership is attributed to the partners and is subject to income or corporation tax as the case may be.

In the case of a trust that is an entity, the trust is considered to be resident in Cyprus if one or more of its trustees are resident in Cyprus, unless the trust provides the information required to be reported according to CRS to another participating jurisdiction’s tax authority because it is treated as resident for tax purposes there.





Tax registration

As of 1st July 2011

A Company is obliged to register with the tax authorities within 60 days of its registration with the Companies Registrar.

Corporation tax rate

15% of taxable income

Exempt income

Type of income	Limit	Notes
Profits on disposal of securities	100%	1
Dividend income (special regime as from 1 January 2016)	100%	2, 3, 4, 7
Interest Income	N/A	6
Profits from operations through a permanent establishment abroad	100%	7
Foreign exchange differences	100%	8
Taxable income arising from operations in Cyprus in the audio industry	50%	9

Notes

1. The definition of “titles” is stated in page 10 of the booklet.
2. Such dividend income is subject to Special Defence Contribution for Cyprus tax residents.
3. As from 1 January 2016 to comply with the Parent Subsidiary Directive provisions, dividends will only be exempt from Income tax provided that they were not tax-deductible by the paying company.
4. In case where the exemption does not apply, the income will not be considered as “dividend income” for Special Defence Contribution purposes i.e. it will only be taxable under income tax.
5. Unilateral tax credit relief - In case where the dividend income is subject to taxation in Cyprus (income tax) a tax credit relief will be provided assuming that the paying company is based in another member state. Such relief will not be made available if there is no valid commercial reason for the structure in place and its purpose is merely for tax purposes.
6. Interest received by a company is exempt from SDC but is subject to IT. In the case of eligible charitable, educational institutions or any other bodies exempt from IT, interest will be subject to SDC either at 17% or 3% (see page 39)
7. The exemption does not apply if the permanent establishment engages directly or indirectly more than 50% in activities which result in investment income AND the foreign tax burden is significantly lower than the Cyprus tax burden.
8. Any foreign exchange differences arising from transactions (either realised or unrealised) which are not triggered as a result of trading in FX, must be reversed for tax purposes. Those trading in FX can elect irrevocably for any unrealized exchange differences to be adjusted. Such election is made through a special tax form.
9. The exemption of 50% cannot exceed the 35% of the qualifying expenses approved by the relevant authority. Any restriction on the exemption can be carried forward for utilization in the next 5 years following same principles. The previous exemption does not apply when a cash refund is claimed back based on the provisions of the scheme.



Allowable deductions

Description	Limit	Note
Employer's contributions for:		
a. Wages and salaries and contributions to Social Insurance Fund, Redundancy Fund, Human Resource Development Fund, Social Cohesion Fund.	100%	1
b. Pension Fund and Provident Fund.	10% on employee's remuneration	1
c. Medical Fund	100%	1
Donations to any approved charitable institution (with receipts)	100%	2
Expenditure incurred for the purpose of maintaining a preserved building.	Subject to restrictions	3
Business entertainment expenses	Lower of 1% of gross income, or €30.000	
Donations or contribution to Cultural Foundations	€50.000	2
Expenses incurred for the listing of the Company to any recognised Stock Exchange	€300.000	
Interest on loans to acquire assets used in a business.	100%	4
All expenses incurred wholly and exclusively for the production of income provided that are supported by appropriate documentation.	100%	5
A Notional Interest Deduction (NID) will be allowed on new equity funds introduced into a Cyprus tax resident company on or after 1/1/2015. The NID should be calculated on the basis of the 'reference interest rate' which is equal to the yield on the 10-year government bond (as at December 31 of the prior tax year) of the country where the new funds will be/are invested plus 5%.	80% of taxable profit before allowing the deduction	6
"Old" Intellectual Property (IP) regime - 80% of the net income generated from the exploitation of IP and 80% of the net profit from the disposal of such IP is not taxable. Application of this regime ceased 30/6/2016 with transitional/grandfathering rules to apply until 30/6/2021.	80%	Page 41
"New" Intellectual Property (IP) regime - nexus approach applies as from 1/7/2016.	80%	A fraction is applied based on R&D activity undertaken by the tax payer - see page 41



Description	Limit	Note
Interest expense is tax deductible if arising from loan used in acquiring direct or indirect a 100% subsidiary, provided that all subsidiary's assets are used for the production of taxable income and that the subsidiary is not listed in the blacklisted jurisdictions or non cooperative jurisdictions	100%	
Deemed Expense on balances with Related Parties.	Subject to restrictions	7
Benefit in Kind provided that has been taxed in the hands of the employees and/or their family members.	100%	
Expenditure incurred for the acquisition of shares in an "innovative small / medium sized business (applicable up to 31/12/2026)	Up to 30% of the investment subject to restrictions with max relief €150k	See page 13
Expenditure on film infrastructure and technological equipment	Up to 20%	

Notes

1. Wages and salaries for which the above-mentioned contributions have not been paid in the year in which they were due, will not be tax deductible for the calculation of taxable income. If the contributions (including any penalties and interest) are paid in full within two years from their due date, then such wages and salaries and their associated contributions will be tax deductible expense in the year that they are paid.
2. In case of a loss, any part of the loss up to the amount of the donation cannot be carried forward.
3. Depending on the covered area of the building:

Square meters	€ per square meter
Up to 120	Up to €1.200
121 – 1.000	Up to € 1.100
Over 1.000	Up to € 700

4. Interest payable for acquiring a saloon car whether used in the business or not, or any other asset that is not used in the business, is not allowable for the first seven years.
5. Excludes interest and running expenses of saloon (passenger) cars as classified under the Motor Vehicles and Traffic Regulations.
6. New equity means any equity (fully paid-up shares and share premium) introduced into the business on or after 01/01/2015. If the new funds are derived from loans on which a tax deduction for interest has been claimed, the amount of the NID is reduced by the amount of interest deduction claimed. In the event that the new funds are introduced in the form of assets in kind, their valuation for the purposes of calculating the NID cannot exceed their market value at the date of their introduction into the business. Also, no NID shall be granted if the market value of the assets is not documented to the satisfaction of the Tax Commissioner. In the case of reorganizations carried out without generating taxable profits in the transferring company, the NID is calculated as if no restructuring took place. The NID may be restricted by the Tax Commissioner if they are of the opinion that the arrangements have been put in place with the aim of benefitting from the NID, with no valid economic or commercial reason or in the case where there is an attempt to utilise the old equity as new equity through related party transactions and other arrangements.



- Section 33 of the law gives the power to the Tax Commissioner to adjust the profits or the benefits of a Cyprus tax resident person, by imposing additional “deemed income” in cases where the conditions of a transaction between related parties are not the same as those that would have been agreed and applied between unrelated parties. The amendment of the law now grants the right to the other party to account for a “deemed expense”, equal to the increase in the profit or the benefits of the party for which the commissioner imposed deemed income. The “deemed expense” will also be subject to the normal interest restriction provisions based on Section 11 of the legislation.

Anti-tax avoidance provisions

Further to the adoption of the EU Council Directive 2016/1164 of 12 July 2016, the following anti-tax avoidance provisions have been introduced in the Income Tax Law, defining rules against tax avoidance practices.

The below provisions are applicable as from 1 January 2019.

Interest limitation rule

Excess Borrowing Cost (EBC) over 30% of the Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is not allowed as tax deductible expense in calculating the taxable profit of a company.

Safe-harbour threshold

EBC up to and including €3.000.000 is tax deductible (annually, per company or Cypriot group, as the case may be).

Other specific exclusions:

- Grandfathering of loans concluded before 17 June 2016
- Long-term loans for public infrastructure projects
- Group equity escape.

Controlled Foreign Company

Subject to conditions, the non-distributable income of a CFC or of a foreign permanent establishment, arising from non-genuine arrangements, is included to the taxable income of the Cyprus tax resident company. Foreign tax paid on the income of the CFC may be credited against income tax payable in Cyprus.

General Anti-Avoidance rule (GAAR)

Cypriot tax resident companies and individuals shall ignore an arrangement or a series of arrangements which are non-genuine and having been put into place for the main purpose or one of the main purposes of obtaining a tax advantage that defeats the object or purpose of the applicable tax law. Non-genuine, are arrangements which are not put into place for valid commercial reasons which reflect economic reality.

As from 1 January 2020 the Exit Taxation rule and the Hybrid Mismatches rule also apply.

Hybrid mismatch

Occurs when there is a difference in the tax treatment of a transaction following the provisions of the laws of two or more jurisdictions. The scope of the law is to neutralise the tax effects i.e., double deduction or deduction without inclusion.

As from 1/1/2022 the provisions also apply for “Reverse hybrid mismatches” – that is when an entity is treated as transparent (not taxable) in the country of incorporation but is taxable in the country of the investor.



Exit Taxation

Applies in the following circumstances:

- A Cyprus company transfers assets to its own Permanent Establishment (PE) abroad in an EU member state or a 3rd country
- A PE in Cyprus transfers assets to its own Head- Office or another PE in an EU member state or to a 3rd country
- A Cyprus company transfers its “tax residence” to an EU member state or to a 3rd country
- A PE transfers “the business” to an EU member state or to a 3rd country.

A Cyprus company or a PE of a foreign entity in Cyprus, will be subject to tax at an amount equal to the market value of the transferred assets at the time of the exit of the assets, less their value for tax purposes in any of the above cases.

Transfer Pricing Documentation Requirements

[effective from 01 Jan 2026]

The new transfer pricing law and regulations cover all type of transactions between related parties (that meet the 50% relationship test) in excess of:

- €10.000.000 for the category of financing transactions;
- €5.000.000 for the category of sale/purchase of goods and;
- €2.500.000 for the rest categories of transactions.

Type of transactions covered:

- Financing: provision and receipt of financing
- Goods: sale and purchase
- Services: provision and receipt of services
- IP Related: sale, purchase, leasing of intangible assets
- Other: any other transaction between related parties.

Transfer Pricing Documentation

The ratification of the new TP legislation aims towards the completion of the three-tiered approach, as per the guidelines of BEPS Action 13 (CbCr , Master File, Local File). It introduces TP documentation requirements to Cyprus tax resident companies and permanent establishments to:

- Prepare a **Local File**, containing information and documentation for any intercompany transaction that the local entity is engaged with related parties (if the above thresholds are met)
- Prepare a **Master file**, containing high level information about the global business operations and TP policy of the MNE group (*applies to ultimate or surrogate parent entities of MNE groups with consolidated revenues over €750m*)
- Submit a **Summary Information Table (SIT)**, containing a summary of the transactions with related parties (no threshold applies).



Reporting Deadlines

- **Local / Master File:** upon request should be made available within 60 days (annual preparation requirement & should be prepared by the Income Tax Return deadline).
- **SIT:** Should be prepared by the Income Tax Return (ITR) deadline (i.e. 13 months from the end of the tax year under review) and submitted electronically together with the ITR.
- **CbC Report** must be filed with the Cyprus Tax Department no later than 12 months after the year-end.
- **CbCR notification** filing must be made no later than the last day of the fiscal year to which the CbC report relates to.

Transfer Pricing Simplification Measures

On 06 July 2023, the Cyprus Tax Department provided further guidance through a tax circular (6/2023), with regards to simplified documentation requirements for transactions with related parties that do not exceed the designated thresholds for the preparation of a Cyprus Local File. Moreover, the circular introduces the application of safe harbor provisions for certain types of transactions. The provisions have a retrospective effect as of 01 January 2022.

Minimum Transfer Pricing Documentation requirements

- Brief description of the functional analysis of the entity under review (i.e., main functions performed, assets used, and risks assumed);
- Company's characterization based on the functional analysis performed;
- Most appropriate TP method for the transaction under review and the rationale of its use;
- Determination of the arm's length price based on benchmarking analysis performed (based on internal or external comparables) or any other analysis in line with the OECD TP guidelines.

Safe Harbor provisions for certain type of transactions

Type of Transactions	Safe Harbor Rates
Back-to-Back financing	Minimum return of 2.5%
Loans Receivable	10-year government bond (as at 31 Dec of prior year) of the country in which the funds are lent + 3.5%
Loans Payables	10-year government bond (as at 31 Dec of prior year) of Cyprus + 1.5%
Low value-added services	Minimum 5% mark-up on associated cost



Penalties for non-compliance

- The penalties vary between €500 – €20.000 depending on each case
- Non submission of SIT within the agreed deadline - €500
- Late filing of the Local / Master file (61st – 90th day) – €5.000
- Late filing of the Local / Master file (91st – 120th day) – €10.000
- Late filing of the Local / Master file (after the 121st day) – €20.000
- A penalty of up to €10.000 and €5.000, in respect of each CbC Report and notification respectively, may be imposed on a Cypriot Constituent Entity for noncompliance. Under certain circumstances each penalty may be increased up to €20.000.

Advance Pricing Agreements (APA's)

- Determines in advance the transfer pricing price and methodology of a transaction(s) under review for a specific period of time
- The applicability of an APA is set to four (4) years timeline for the Cyprus Tax Department to finalize an APA (10 – 24 months)
- An APA can either be revised or revoked in case the contractual terms or assumptions on which the APA was based have changed.

Global Minimum Tax (Pillar 2)

On 12 December 2024 the Cyprus Parliament voted the long awaited legislation which implements the provisions of the EU Directive on global minimum tax as from 01/01/2024.

The law imposes the following:

- The Income Inclusion Rule (IIR) as of fiscal year 2024
- The Undertaxed Profits Rule (UTPR) as of fiscal year 2025
- The Cyprus Domestic Top-up-tax as of fiscal year 2025.

Mandatory Disclosure Regime (DAC6)

As of March 2021, the provisions of the EU Directive have been transposed into the Cyprus legislation.

The purpose following action 12 of BEPS, is to prevent aggressive cross-border tax planning. Targets all persons (entities or individuals) acting as “intermediaries” making Reportable Cross-Border Arrangements (RCBAs). An arrangement will be reportable if it meets at least one of the “Hallmarks”. Some of the hallmarks also require the “main benefit test” to be satisfied.

New Crypto-Asset Tax Reporting Rules (DAC8)

Effective from 1 January 2026, the provisions of the EU Directive DAC8 have been transposed into the Cyprus Legislation. The law introduces mandatory tax reporting on crypto assets by Reporting Crypto-Asset Service Providers (RCASPs) and establishes an automatic exchange framework between EU countries.



Cross-border arrangements	Main benefit test
Category A: Generic hallmarks	
<ol style="list-style-type: none"> Confidentiality clause applies in respect of the arrangement Remuneration is in relation to the tax advantage Standardised documentation is used, which does not need to be substantially customised for implementation 	✓
Category B: Specific hallmarks	
<ol style="list-style-type: none"> Acquisition of a loss making company Effect of converting income into capital Arrangement involves circular transactions 	✓
Category C: Specific hallmarks related to cross border transactions	
<ol style="list-style-type: none"> Deductible cross-border payments between associated enterprises, and <ol style="list-style-type: none"> i) the tax jurisdiction of the recipient does not impose any corporate tax (or at the rate of almost zero), or c) the payment in the jurisdiction of the recipient is exempt from tax, or d) payment benefits from a preferential tax regime in the jurisdiction of the recipient 	✓
Category C: Specific hallmarks related to cross border transactions	
<ol style="list-style-type: none"> Deductible cross-border payments between associated enterprises, and <ol style="list-style-type: none"> a) the recipient is not resident in any tax jurisdiction, or b) ii) the jurisdiction of the recipient is included in a list of non-cooperative states Deduction for the same depreciation in more than one jurisdiction Relief from double taxation in respect of the same item of income or capital in more than one jurisdiction Transfer of assets with materially different valuation in the jurisdictions involved 	X
Category D: Specific hallmarks concerning automatic exchange of information and beneficial ownership	
<ol style="list-style-type: none"> Undermining reporting obligations Obscuring beneficial ownership 	X
Category E: Specific hallmarks concerning transfer pricing	
<ol style="list-style-type: none"> Involves unilateral safe harbour rules Transfer of "hard-to-value intangibles" Intragroup transfers that reduce the projected annual EBIT of the transferor by more than 50% 	X

DAC6 application / Reporting periods / Penalties

Retrospective application as from 25/06/2018.

As from 01/01/2021 intermediaries and taxpayers should report an RCBA within 30 days from the earlier of: (a) that is available for implementation (b) that is ready for implementation (c) its implementation has started. Even-though the application has started earlier, the Cyprus Tax Department provided amnesty from late filing penalties until 31/01/2022.

Penalties for non-compliance can go up to €20.000 per RCBA.



Wear and tear allowances

Description	Rate (%)	Note
Industrial, agricultural and hotel buildings	4	1,2
Commercial buildings	3	2
Plant and machinery used in agriculture	15	2
Plant & machinery	10	1,2
Loose tools	33½	2
Furniture, fixtures & fittings	10	1,2
Computer hardware and operating system	20	2
Motor vehicles (excl. saloon cars)	20	2
Excavators, tractors, bulldozers, self-propelled loaders and drums for petrol companies	25	2
Application software	33½ (100% if less than €1.709	2
Air-conditioning	10	2
Printing and binding machines	10	2
Bullet-proof commercial vehicles	20	2
Sailing/Motor yachts	4½ / 6	2
Wind turbines	10	2
Photovoltaic systems	10	2
New aeroplanes and helicopters	8	2
Energy efficiency of buildings	7%	3
Electric Motor Vehicles	33½	3

Notes

- For the following assets acquired through 2012-2018 (new/ used/additions) an increased allowance on the acquisition cost of the assets is provided as follows:
 - plant and machinery 20 %
 - furniture and fittings 20%
 - industrial buildings 7%
 - hotel buildings 7%.
- Allowances start when the asset is used in the business. For assets acquired from related companies, within this period, Art. 33 may apply.
- Allowance is extended until 2030



Losses

Tax losses incurred in any one year and which cannot be set off against other profits of the same year, can be carried forward and set off against future profits of the next seven years.

This amendment in the income tax law applies from 1/1/2026 and acts retrospectively for losses carried forward from the year 2019.

Relief in respect of group trading losses is allowed among Cyprus tax resident companies which are members of the same group (with at least 75% control) for the whole year. Only current year group trading losses can be surrendered from one company of the group to another. As from 1/1/2012 companies incorporated by their parent company within the year (with at least 75% ownership), will qualify for group relief for the whole year.

As from 1 January 2015, a company established and tax resident in any member state of the EU, can transfer losses to a group company resident in Cyprus, provided that it has exhausted all other possibilities to use the said losses in its country of tax residence. The amendment also covers companies operating in jurisdictions outside EU with which Cyprus has signed bilateral or multilateral agreements for the avoidance of double taxation or for exchange of information.

Losses of a sole trader or a partnership business converted into a limited liability company can be set off against future profits of the company.

Losses of a permanent establishment abroad can be set off against the Cyprus profits of a business whether incorporated or unincorporated. However, future profits of the permanent establishment are liable to tax, to the extent of the losses allowed (loss recapture).

Company reorganisations

Transfers of assets and liabilities between companies in the course of a reorganisation (including provisions and reserves) can be effected without any tax consequences.

The term reorganisation includes exchange of shares, transfer of commercial activities mergers and de-mergers.

As from 1 January 2016, the new law provides that the Tax Commissioner can refuse to apply the tax relief on the reorganisation provisions unless there are valid commercial and economic reasons that substantiate the reorganisation application.

The Tax Commissioner may also provide the tax exemptions conditionally in respect to the number of shares to be issued and also for the time period that the shares should be kept by the recipient, which should not exceed 3 years.



Value Added Tax (VAT)

Imposition of VAT

VAT applies to taxable supplies made by a taxable person in the furtherance of their business. It also applies to intra-community acquisitions and importation of goods as well as services received from outside Cyprus.

Registration

Registration is compulsory for businesses if at any time their taxable supplies in the preceding 12 months are in excess of €15.600. Additionally, there is an obligation to register at any time where it is expected that taxable supplies will exceed the threshold in the next 30 days.

Registration is also compulsory, irrespective of the value of the supplies, where a business provides services to a business registered for VAT purposes in another EU Member State.

Other situations where obligatory registration applies include the acquisition of goods from other EU Member States over the threshold of €10.251 during any calendar year or acquisition of a business as a going concern. Furthermore, an obligation for VAT registration arises for businesses carrying out economic activities from the receipt of services from abroad or certain domestic services for which VAT is accounted for under the reverse charge provision, subject to the registration threshold of €15.600 being exceeded at any point in the preceding 12 months.

Zero-rated supplies are part of the total taxable supplies in determining whether the threshold has been reached. If a business makes only zero-rated supplies that exceed the threshold an obligation to register for VAT arises.

Voluntary registration is available for businesses which make taxable supplies and do not yet meet the threshold of €15.600.

Taxable persons (legal entities or individuals) with no establishment in Cyprus who are engaged, or expected to be engaged, in taxable supplies in Cyprus are subject to registration regardless of threshold.

VAT returns

Registered persons are obliged to submit periodic VAT returns to the Tax Department which are due by the 10th day of the 2nd month following the end of the reference period. Any related liability must be paid within the same deadline.

VAT return submissions are made electronically via the TFA (Tax For All) online portal.

VAT rates

The VAT legislation provides for the following five VAT rates:

1. zero rate 0%
2. lower reduced rate 3%
3. lower reduced rate 5%
4. higher reduced rate 9%
5. standard rate 19%.



Zero-rated taxable supplies (0%)

The zero rate applies mainly to:

- Exports to non-EU Countries
- Certain supplies of services and ancillary services relating to qualifying sea vessels and aircrafts
- Commissions received from abroad relating directly to exports of goods outside EU Member States
- Commissions received from abroad relating directly to the importation of goods from non-EU countries where the goods are placed under customs suspension arrangements, including temporary storage, free zones, customs warehousing, etc.
- International air and sea transport
- Supply of gold to the Central Bank of Cyprus.
- Typewriters with Braille characters and certain special electronic typewriters, as well as wheeled and other vehicles for persons with disabilities.

The zero rate of VAT has been extended to cover temporarily the following products until 31/12/2026.

- Baby milk, baby diapers, adult diapers, products for feminine hygienic protection.
- Certain types of fruits and vegetables.

Lower reduced rate taxable supplies (3%)

The reduced rate of 3% was introduced on 21 July 2023 and applies to the following supplies:

- Supply of books, newspapers and magazines in hardcopy or electronic format
- Certain types of equipment and books used by disabled persons.
- Orthopedic devices and equipment as well as devices for support of the hearing impaired,
- Certain types of street sanitation and waste disposal,
- Admission to theatrical, musical, or dance performances, or classical works.

Lower reduced rate taxable supplies (5%)

The reduced rate of 5% applies mainly to:

- Supply of foodstuffs and beverages when sold as take-away or with delivery except soft-drinks and alcoholic beverages
- Construction, erection or supply of housing used as a permanent residence before first occupation (see details below)
- Supply of pharmaceutical products and vaccines that are used for health care, prevention of illnesses and as treatment for medical or veterinary purposes
- Supply of agricultural fertilizers and insecticides renovation and repair of private dwellings, excluding materials which account for more than 50% of the value of the services supplied (see details below)
- LPG Gas supplied in cylinders
- Bottled water, industrialized drinks, juice drinks (excluding carbonated drinks, alcoholic beverages, beer and wine)



- Car seats for children
- Services of writers, composers and artists, as well as the royalties received by them
- Hairdressing services
- Entry fees at sports events and fees for the use of athletic centers
- Entry fees to circus, festivals, luna parks, museums etc
- Supply of catering services by school canteens.

Higher reduced rate taxable supplies (9%)

The reduced rate of 9% applies to:

- Transport of passengers and their accompanying luggage with urban, suburban and rural taxis as well as with tour, excursive and suburban buses
- Restaurant services and other similar catering services, including alcoholic beverages, beer and wine
- Accommodation in hotels, tourist and other similar establishments including provision of holiday accommodation
- Domestic sea-transport of passengers and their accompanying luggage.

Exemptions

Goods or services exempt from VAT

These include:

- Land under certain conditions (see also relevant section below)
- Used buildings
- New buildings for which application for a building permit was made prior to 1 May 2004
- Rental of immovable property for residential purposes – except for business (excluding cases with right of purchase) (see relevant section below)
- Banking and financial services
- Insurance
- Medical and hospital services
- Education
- Sports
- Lottery tickets and gambling.

Zero-rate vs. Exemption

Businesses which provide zero-rated supplies are entitled to recover input VAT, whereas businesses which only supply exempt goods or services, with some exceptions are not entitled to recover VAT incurred on their purchases, expenses or imports.



Mechanics of VAT

- VAT is charged on taxable supplies of goods and services made (output tax) and is paid on purchases of goods and services received (input tax)
- VAT returns showing the output tax and input tax must normally be submitted quarterly if the output tax is greater than the input tax, the difference must be paid to the Tax Department by the 10th of the second month following the end of the reporting period
- If the output tax is less than the input tax, the difference is carried forward, except in specific cases when it may be refundable.

Place of supply of goods

For supplies of goods, there are two basic rules:

- Where there is no dispatch or transport of the goods, the place of taxation is where the goods are located when the supply takes place.
- Where the goods are dispatched or transported, whether by the supplier, the customer or a third person, the place of taxation is where the goods are located when the dispatch or transport to the customer begins.

For Intracommunity acquisition of goods, the place of taxation is determined by where the goods are finally located after dispatch or transportation to the person acquiring them from another EU country. However, the acquisition is taxed in the EU country which issued the VAT number of the customer declaring the acquisition. If this EU country is different from the EU country where the dispatch or transport of the goods ended, this will be followed by an adjustment of the VAT paid in the EU country which issued the VAT number.

When goods are imported from non-EU countries or non-EU territories, the place of importation is determined by where the goods are at the point of entry into the EU.

Place of supply of services

For supplies of services, in principle there are two basic rules:

- For supplies of services between businesses (known as B2B supplies), the place of taxation is the place where the customer is established
- For supplies of services from a business to a private consumer (known as B2C supplies), the place of taxation is the place where the supplier is established

There are a number of exceptions to these basic rules which include land related services, electronically supplied services, telecommunications services, admission to events and others.

Admission to virtual events

Effective from 1 January 2025, virtual (online) participation will no longer be considered "admission" for the purposes of this special rule. Instead, the place of supply of such services to a business (B2B) or a consumer (B2C) is the place where the participant is established or normally resides respectively.



Refund of excess VAT

In many cases a business which has excess input VAT resulting in a refundable VAT balance can claim this amount, following an application to the Commissioner. The claim is filed electronically via TFA.

Interest is payable by the VAT Authorities where a VAT refund claim is delayed for more than four months from the date of submission of the refund application. This period is extended to 8 months where the application is to be reviewed by the Authorities. The interest applies from the 1st day of the 5th month until the date that the refund is processed. The interest rate is 3,5% (5.5% for 2025).

From 1/8/2018 refunds are made available by bank transfer. This is subject to the prior submission of form T.D.2008 accompanied by an IBAN certificate issued by the bank confirming the bank details.

Effective from 20 August 2020, the following also apply regarding VAT refunds:

- The Tax Commissioner reserves the right to suspend the payment of a VAT credit balance and applicable interest in cases where taxpayers fail to comply with the obligation to submit income tax returns [i.e. Company Income Tax Return (IR4), Self-employed Income Tax Return (IR1), Employer's Return (IR7)]. The refund is suspended until the taxpayer complies with the relevant obligations. No interest is paid to the taxpayer where the delay in refunding the VAT is due to late submission of income tax returns
- The right to request refund of a VAT credit balance is limited to six (6) years from the end of the VAT period in which the refund arose. Any VAT refund requests submitted after the six-year period are examined at the discretion of the Tax Commissioner.

Irrecoverable input tax

For certain supplies of goods and services, input VAT is irrecoverable. These include input VAT related to:

- Most exempt supplies
- Private or non-business activities
- The business activity of another business
- Purchase, import or hire of saloon cars, unless used for qualifying purposes, such as car rental and driving lessons, or as taxis
- Business entertainment expenses (unless relating to employees and directors not including ancillary expenses)
- Goods acquired in accordance with a second-hand goods scheme
- Accommodation of directors and their connected persons.

VIES

A taxable person making intra-community supplies of goods and/ or services to taxable persons in other EU Member States has an obligation to register with VIES. In addition, the taxable person has an obligation to submit monthly electronic VIES forms.

In order to register for VIES, a VAT registration with the Tax Department is firstly required.



INTRASTAT

A taxable person who acquires or dispatches goods in Cyprus from or to other EU Member States must register and submit monthly Intrastat declarations. The threshold for 2025 is €350.000 for arrivals and €75.000 for dispatches. The threshold for simplified declarations is €2.700.000 for arrivals and €5.800.000 for dispatches.

E-commerce VAT rules

New rules for business-to-consumers (B2C) transactions have been in place since 1 July 2021. The main changes relating to E-commerce rules cover the following:

- Thresholds for distance sales of goods within the EU are abolished and an EU-wide threshold of €10.000 has been introduced. Below this threshold, supplies of telecommunications, broadcasting and electronically supplied services, and distance sales of goods within the EU, are subject to VAT in the Member State where the taxable person is established
- The old regime has been extended to other B2C services, to intra-EU distance sales of goods and to certain domestic supplies of goods, thus resulting in a bigger One Stop Shop (OSS)
- Online marketplaces and electronic interfaces facilitating B2C supplies of goods are deemed in certain situations for VAT purposes to have received and supplied the goods themselves (“deemed supplier”)
- The VAT exemption on importation of small consignments of a value up to EUR 22 is abolished. All goods imported in EU/Cyprus are now subject to VAT
- A new special scheme for distance sales of goods imported from third territories or third countries of an intrinsic value not exceeding EUR 150 has been introduced referred to as the Import One Stop Shop (IOSS)
- A simplification mechanism for the collection of import VAT by postal operators has been introduced for consignments not exceeding EUR150 and for which the IOSS is not used.

Refund for expenses incurred in other Member States

Businesses may claim electronically for the refund of any VAT paid on business expenses in another Member State (state of refund). VAT may be refunded only on prescribed business expenses in respect of input tax allowable in accordance with the VAT legislation of the refunding Member State.

Standard rate VAT on the rent/lease of commercial immovable property

The lease and/or rental of immovable property to a taxable person for the purpose of the exercise of taxable business activity is subject to standard rate VAT of 19%. This does not extend to the lease and/or rental of a property which is used for residential purposes. The lessor has the right to opt-out from the imposition of VAT to the lessee but once exercised, the option is irrevocable.

The above provisions apply to new leases and/or rentals beginning at or after 13/11/2017.



Long term lease of immovable property

From 1/1/2019 the long-term lease of immovable property which substantively transfers the right to deal with the property as owner is treated as a supply of a good and if transferred prior to its first occupation is subject to 19% or 5% VAT, depending on the status of the lessee.

Standard rate VAT on supply of non-developed building land

The supply of non-developed building land from 2/1/2018 is subject to standard rate VAT of 19%. This includes the transfer of ownership, transfer of indivisible land portion or the transfer of ownership by way of a contract, agreement for sale, agreement to transfer ownership at a future date or leasing arrangement with an option to purchase.

The subject matter falling within the scope of the amendments is the transfer of undeveloped building land intended for the construction of one or more structures where the supply is in the course of carrying out a business activity. No VAT applies for the supply of land located in areas which are not intended for development i.e. in environmental protection, archaeological and agricultural areas.

Application of reverse charge on the supply of immovable property and land in the course of loan restructuring or compulsory transfer

As from 2/1/2018, the scope of the domestic reverse charge mechanism has been extended.

VAT must be accounted under the reverse charge provisions on transactions relating to transfers of new buildings or land subject to VAT during the process of loan restructuring and for compulsory transfer to the lender.

From 5 December 2019, the definition of the term 'lender' includes licensed credit and financial institutions, credit acquiring companies, including their subsidiaries, as well as a public body or any licensed company which acquired/ received from a credit institution any non-performing/overdue loans.

Construction industry – Article 11B

With effect from 9 March 2012 provisions affecting the construction industry, provide that a taxable person shall not impose VAT on services provided to another business in respect of, construction, alteration, demolition, repair or maintenance of any building or civil engineering project.

The VAT is to be accounted for by the recipient of the services, applying acquisition accounting. This involves accounting for the VAT on behalf of the supplier while simultaneously claiming the input VAT to the extent that it is recoverable. From 20 August 2020, the obligation of a taxable person to self-account for VAT by applying the reverse charge mechanism under Article 11B has been extended to cases where the supplier of the services is not a taxable person.



Sale or transfer of a new building

According to the Eight Schedule of VAT Law currently in force, the supply of a building is subject to VAT when supplied before its first delivery and under any subsequent deliveries within a period of five (5) years from its completion, provided that no actual usage was made by a non-related person for a period of at least twenty-four (24) months.

In relation to the above, the following definitions apply:

- Completion means the completion of the building so as to be able to be put in use for the purpose which is intended.
- Actual use means the use of the building on a systematic basis.
- Related person has the meaning given in paragraph 1(4) of the Fourth Schedule to the VAT Law

On 27 February 2026, the Eighth Schedule of the VAT Law (95(I)/2000) was amended pursuant to the Regulatory Administrative Act (R.A.A.) 103/2026.

Under the new provisions, effective as from 1 September 2026, the following transactions are subject to VAT:

- Transfer of buildings or parts of buildings, including the plot of land transferred with the building, and
- Transfer of possession of a building or part thereof via a contract of sale, an agreement that provides for future transfer of the building together with the land, or a lease with a purchase option.

In relation to the above, the following definitions apply:

- First occupation means the first use of the building after it has been constructed, self-use, leasing, or any other use which is carried out on a systematic basis.
- First use means the use of the building after its construction carried out systematically for a period of at least eighteen (18) months.

Domestic reverse charge

From 1 October 2020, Article 11E of the VAT Law extends the application of the reverse charge to encompass certain categories of goods. The goods which come under the scope of the aforementioned Article include mobiles phones, other devices which utilize a recognized network functioning at certain frequencies, microprocessors, central processing units, gaming consoles, tablets and laptops.

Domestic reverse charge is also applied to supplies within the construction sector (Article 11B), supply of scrap metal (Article 11C), transfer of immovable property within the scope of restructuring (Article 11D) and the supply of certain unprocessed and semi-processed precious metals (Article 11F).

The person liable to account for VAT on transactions involving these supplies is the purchaser of the goods or recipient of the services, with corresponding right for input VAT recovery subject to the relevant rules.



Imposition of the reduced rate of 5% on the acquisition and/or construction of residences for use as the primary and permanent place of residence

The reduced rate of 5% applies to the acquisition and/or construction of residences to be used by eligible persons as the primary and permanent place of residence for the next 10 years.

From 1 November 2023 changes to the scheme provide that the reduced rate applies for the first 130 square meters of the building area until the value of €350,000, on the condition that the property does not exceed 190 square meters and/or the value of €475,000.

Persons with disabilities or large families may be entitled to more generous conditions, and provisions have been introduced in transitioning to the new rules for persons who have submitted planning permit applications by 31 October 2023 and have until 16 June 2026 for submission of the application under the older, more favorable conditions.

The reduced rate of 5% applies only after obtaining a certified confirmation from the Tax Commissioner.

From 8/6/2012 the reduced rate has been extended to include residents of non-EU countries where the property will be used as the primary place of residence in the Republic.

Reduced rate of 5% on the renovation and repair of private residences

The renovation and repair of used private residences (for which a period of at least three years has elapsed from the date of their first use) is subject to VAT at the reduced rate of VAT of 5%, excluding the value of materials which constitute more than 50% of the value of the services.

From 4 December 2015 the reduced rate of 5% on the renovation and repair of private residences is extended to apply also to residences which are not a principal and permanent place of residence. The reduced rate 5% also applies to services received which relate to the static upgrade or energy efficiency improvement of residential properties. It applies to specific types of properties which are either used by vulnerable consumers as specified by the legislation, or which are located in remote geographic areas.

From 20 August 2020, the term “renovation” for the purpose of application of the 5% reduced VAT rate has been extended to also cover additions/extensions to a private dwelling, provided that at least 3 years have passed since its first occupation.

On 27 February 2026, Fifth Schedule of the VAT Law was amended pursuant to the R.A.A. 102/2026, which revises the definition of first occupation for the purposes of applying the reduced 5% VAT rate.

In particular, as of 1 September 2026, renovation and repair services may be subject to the reduced VAT rate of 5% only where it can be demonstrated that the residence is at least three years old and has been used for at least eighteen (18) months. The satisfaction of the 18-month use requirement is now an explicit condition for applying the reduced rate.

Reduced 5% Rate on buildings used for educational activities

On December 5, 2025, the Council of Ministers of Cyprus approved a Decree to amend the Fifth Annex of the Value Added Tax Law of 2000. According to the amendment, the reduced VAT rate 5% is applied on the construction and renovation of certain public and private buildings used by educational institutions when providing exempt education services.

The amendment applies to school buildings which are used in the provision of exempt education services, excluding tutoring centers.



VAT – Interest and Penalties

Description	Interest or penalty
Late registration	€85 per month
Late submission of VAT return	€100
Late payment of VAT due on submission of VAT return	10% additional tax plus default interest on the late payment of VAT, including the 10% additional tax
Failure to apply reverse charge (in effect from 1 July 2021)	€200 each return Total penalty cannot exceed €4.000
Late submission of VIES statement	€50 per statement
Late submission of corrective VIES declaration	€15 per declaration

VAT thresholds

Description	Amount
Registration threshold for persons established in Cyprus (taxable supplies in Cyprus)	€15.600
Registration threshold for persons not established in Cyprus (taxable supplies in Cyprus)	None
Registration threshold for acquisition of goods in Cyprus from suppliers established in other Member States	€10.251,61
Registration threshold for the acquisition of services from outside Cyprus for which the recipient is liable to account for the VAT by application of a reverse-charge.	€15.600
Registration threshold for intracommunity supply of services	None
Registration threshold for distance sales of goods and certain services to non-VAT registered persons established in other EU Member States	€10.000



Tax treaties

Cyprus has a wide and expanding network of double tax treaties.

Irrespective of the provisions of these treaties, there is no withholding tax on dividends and interest paid to non-tax residents of Cyprus due to a more favourable local legislation.

As from 01/01/2024 a withholding tax is imposed on Dividend, Interest and Royalty payments at 17%, 17% and 10% respectively, on payments to a company based on countries included in the EU list of non-cooperative jurisdictions.

Cyprus has concluded double tax treaties with the countries listed below.

Received in Cyprus

EU Countries	Ratification date	Dividends %	Interest %	Royalties %
Austria	11 January 2013	10	0	0
Belgium	8 December 1999	10/15	0/10	0
Bulgaria	3 January 2021	5/10	0/7	10
Croatia	28 December 2023	5	0/5	5
Czech Republic	26 November 2009	0/5	0	0/10
Denmark	7 September 2011	0/15	0	0
Estonia	1 January 2014	0	0	0
Finland	1 January 2014	5/15	0	0
France	1 April 1983	10/15	0/10	0/5
Germany	16 December 2011	5/15	0	0
Greece	16 January 1969	25	10	0/5
Hungary	24 November 1982	5/15	0/10	0
Ireland	12 January	0	0	0/5
Italy	9 June 1983 (amendment)	15	10	0



EU Countries	Ratification date	Dividends %	Interest %	Royalties %
Latvia	27 October 2016	0/10	0/10	0/5
Lithuania	1 January 2015	0/5	0	0
Luxembourg	23 April 2018	0/5	0	0
Malta	11 August 1994	0	0/10	10
Netherlands	Pending verification	0/15	0	0
Poland	11 January 2013	0/5	0/5	5
Portugal	1 January 2013	10	10	10
Romania	8 November 1982	10	0/10	0/5
Sweden	14 November 1989	5/15	0/10	0
Slovenia	14 September 2011	5	0/5	5
Slovakia	30 December 1980	10	0/10	0/5
Spain	28 May 2014	0/5	0	0

Other Countries (non-EU)	Ratification date	Dividends %	Interest %	Royalties %
Andorra	11 January 2019	0	0	0
Armenia	19 September 2011	0/5	0/5	5
Azerbaijan	26 August 1983	0	0	0
Bahrain	26 April 2016	0	0	0
Barbados	11 September 2017	0	0	0
Belarus	12 February 1999	5/10/15	5	5
Bosnia	8 September 1986	10	10	10
Canada	3 September 1985	15	0/15	0/10
China	5 October 1991	10	10	10
Egypt	14 March 1995	5/10	10	10
Ethiopia	18 October 2017	5	5	5
Georgia	4 January 2016	0	0	0
Guernsey	4 March 2015	0	0	0
Iceland	1 January 2015	5/10	0	5
India	14 December 2016	10	0/10	10
Iran	5 March 2017	5/10	5	6



Other Countries (non-EU)	Ratification date	Dividends %	Interest %	Royalties %
Jersey	5 March 2017	0	0	0
Jordan	11 April 2022	5/10	0/5	7
Kazakhstan	30 December 2019	5/15	10	10
Kurghystan	26 August 1983	0	0	0
Kuwait	1 January 2014	0	0	5
Lebanon	14 April 2005	5	0/5	0
Mauritius	12 June 2000	0	0	0
Moldova	3 September 2008	5/10	5	5
Montenegro	8 September 1986	10	10	10
Norway	8 July 2014	0/15	0	0
Qatar	20 March 2009	0	0	0/5
Russia	2 April 2012 (amendment)	5/15	0/5/15	0
San Marino	18 July 2007	0	0	0
Saudi Arabia	1 March 2019	0/5	0	5/8
Serbia	8 September 1986	10	10	10
Seychelles	27 October 2006	0	0	5
Singapore	8 February 2001	0	0/7/10	10
South Africa	18 September 2015	5/10	0	0
Switzerland	15 October 2015	0/15	0	0
Syria	22 February 1995	0/15	0/10	10/15
Thailand	4 April 2000	10	0/10/15	5/10/15
United Arab Emirates	1 January 2014	0	0	0
United States	31 December 1985	5/15	0/10	0
Ukraine	28 November 2019	5/10	0/5	5/10
United Kingdom	8 July 2018	0/15	0	0
Uzbekistan	26 August 1983	0	0	0

Notes

1. The convention between the Republic of Cyprus and the Socialist Federal Republic of Yugoslavia is still applicable.
2. The convention between the Republic of Cyprus and the Czechoslovak Socialist Republic is still applicable.
3. The convention between the Republic of Cyprus and the Union of Soviet Socialist Republics (USSR) is still applicable. (Currently suspended due to the war between Russia and Ukraine)



Miscellaneous special modes of taxation

International trusts

Trust Law in Cyprus is based on English legal principles and the legislation in force follows the English Trustees Act of 1925. In 1992, the International Trust Law was enacted in order to facilitate the use of the basic law by non-residents. The law was amended on 9 March 2012 to become more attractive.

A Cyprus international trust is a trust which has the following characteristics:

- The settlor and beneficiaries other than charitable institutions must not be Cyprus residents during the calendar year prior to the year of creation of the trust (may become Cyprus resident at any time following its creation)
- The trustees may vest the beneficiaries' interests in movable and immovable property both in Cyprus and abroad and in shares in Cyprus companies
- The trust can have Cyprus sourced income
- A trust may continue to be valid and enforceable without time restriction.

Taxation of a trust in Cyprus

- Transparent for Cyprus tax purposes which means that the income is only assessable on Cyprus resident beneficiaries
- No capital gains tax is charged on the disposal of assets held abroad.

Shipping Companies

Based on the provisions of the Merchant Shipping Laws of 2010 – 2020, the Tonnage Tax System (TTS) covers the three main “Maritime Transport” Activities offered in international shipping today, namely ship- owning, ship-management (split into crew and/or technical management) and chartering. It also applies to fleets comprising of either EU flag or “mixed fleets” (EU & Non-EU Flag ships- subject to election criteria and conditions to be fulfilled). The TTS which has been approved by the European Commission as compatible with the guidelines on State Aid to Maritime Transport, provides and provides a stable fiscal environment for Cyprus Shipping in the long term.

Under the new TTS, no tax is imposed on:

- Profits from shipping operations
- Dividends paid directly or indirectly out of such profits or from the sale of a ship
- Interest earned on funds used as working capital or for the financing, operation or maintenance of the ship
- Profits from sale of a ship or the shares of the ship-owner company
- The salary or other related benefits from the employment of eligible seafarers.

Insurance companies

Insurance companies are taxed at the same rate of tax as all other companies. However, where the corporation tax payable on the taxable income of the life insurance business is less than 1,5% of the gross premiums, excluding the contributions in any approved pensions, provident or other fund administered by the insurance company on behalf of its members, the insurance company has to pay the difference as additional corporation tax.



Taxation of Crypto Transactions

Any profit deriving from the following transactions, in cryptocurrencies, on the sale, gift, exchange, payment via crypto is taxed at a flat rate of **8%** (applies to both legal and natural persons). Transaction of crypto arising from the mining process is exempt from this rule but is taxed under normal tax rates.

Loss relief is only allowed between transactions occurred in the same year.

Taxation of non-Cyprus tax residents

Subject to specific provisions in the relevant tax treaties between Cyprus and the country of residence of the persons concerned, the resident person who makes a payment to a non-Cyprus tax resident is obliged in the following cases to withhold and pay over to the Revenue Authorities tax as follows:

1 Entertainers and Athletes

The gross income derived by an individual from the exercise of any profession or vocation, the remuneration of public entertainers and the gross receipts of any theatrical or musical or other group of public entertainers including football clubs and other athletic missions is taxed at the rate of 10%.

2 Royalties etc.

Non-Cyprus tax resident individuals or companies who derive income from sources within Cyprus by way of royalties, premiums, compensation or other similar income are taxed at the rate of 10%. However, such income is exempt where the beneficial owner has direct minimum holding of 25% in a company of another EU member state or a permanent establishment of such a company.

3 Film rentals

The income derived by non-Cyprus tax resident individuals or companies from film rentals is taxed at 5%. However, such income is exempt where the beneficial owner has direct minimum holding of 25% in a company of another EU member state or a permanent establishment of such a company. Any such tax withheld should be paid to the Tax Department by the end of the following month, as an additional penalty of 5% will be imposed on the tax withheld in addition to any interest that may be imposed.

4 Oil and Gas

Any gross amounts or income derived from hydrocarbon activities within the Cyprus exclusive economic zone by any person who is not a Cyprus tax resident will be subject to tax in Cyprus at the rate of 5%. Any related payments made by a non-Cyprus tax resident and borne by a Cyprus tax resident triggers an obligation for the latter party to withhold the tax for payment to the Tax Department by the end of the month following the month in which the payment is made.

5 Technical assistance

A 10% withholding tax applies on the gross income arising from sources within the Republic that is paid to any person who is not resident in the Republic.

Invoicing - Fiscal Memory Systems

On 26 November 2015 the Tax Department issued a reminder for the obligation to install a Fiscal Memory System (FMS) to certain devices which are used for the issue of invoices, pursuant to Regulation ΚΔΠ 29/1997 and its related Notifications.

For each invoice issued the FMS device works by storing the data sent to the printer and in an internal memory module, thereby safeguarding the sequence of invoices. Upon request these memory modules must be available for inspection by the Tax Department.



Special Defence contribution (SDC)

Imposition of SDC

A Special Defence Contribution (SDC) is imposed on interest and dividend income of Cyprus tax resident companies, and Cyprus tax resident individuals domiciled in Cyprus. Non-Cyprus tax resident companies and individuals are exempt from SDC.

The new term “DOMICILE” applies for SDC purposes ONLY. In order to be taxed under SDC, an individual must be both Cyprus tax resident and also to be considered as domiciled in Cyprus. The new scheme provides incentives of 0% tax on all income subject to SDC, to attract new Cyprus tax residents.

Special defence contribution rates

Type of income	Tax rate %	Note
Interest income of resident companies from sources within or outside the Republic of Cyprus	0	1
Interest income of resident individuals from sources outside the Republic of Cyprus	17	1
Interest income of resident individuals and companies from listed corporate bonds, Cyprus Government development bonds and savings certificates	3	
Interest income of approved provident funds	3	
Dividend income of Cyprus tax resident companies	Nil	3&4
Dividend income of Cyprus tax resident individuals	17/ 5	4&5

Notes

1. Eligible charitable, educational institutions or any other bodies exempt from IT, interest will be subject to SDC either at 17% or 3%
2. Individuals whose total yearly income including interest does not exceed €12,000 are entitled to a refund of 14%.
3. Dividends received from a non-Cyprus tax resident company are exempt from SDC. The exemption does not apply where the dividend paying company engages directly or indirectly more than 50% in activities which lead to investment income and the foreign tax burden is substantially lower than the Cyprus tax burden. The words “substantially lower” are not interpreted in the law but are taken to mean lower than 50% of the Cyprus corporation tax, i.e. lower than 7.50%. When the exemption does not apply, the dividend income is subject to SDC at 17%.
4. Foreign tax paid can be credited against SDC payable.
5. Any dividend paid out of profits up until 2025 will be subject to SDC at the rate of 17% , any dividend paid out of the profits 2026 onwards will be subject to SDC at the rate of 5%



Exemption from special contribution for defence

- Dividends received by a company resident in Cyprus from another company resident in Cyprus, excluding dividends paid indirectly after 4 years from the end of the year in which the distributed profits arose (refer to the next paragraph 'Dividend 4 years rule', for further information)
- Dividends received directly or indirectly from dividends on which defence contribution has already been paid (refer to page 10, note 3, for further details). To comply with the Parent Subsidiary Directive provisions dividends will only be exempt from Income Tax, provided that they were not tax-deductible by the paying Company. In the case where the exemption does not apply, then the income will not be considered as 'dividend income' for Special Defence Purposes and therefore it will be taxable under Income Tax.

Deemed dividend distribution

The said provision of the legislation is abolished for any profits occurred on or after 01 January 2026.

Dividend 4 years rule

Any amount of profit distributed as dividend, will be subject to SDC after 4 years from the year of distribution irrespective of who the shareholder is as long as it is a tax resident of Cyprus. The provisions of law apply for profits arising before and after the year 2012. If for example, dividends are received by a company resident in Cyprus from another company resident in Cyprus, after 1/1/2012 and such dividends relate to profits generated during the years up to the year 2007, and for which profits no Special Defence Contributions was made, then there is an obligation to impose SDC.

In case the actual dividend is distributed to another resident company that is not owned directly by an individual or individuals, then the Tax Commissioner will have discretionary powers to disregard the fact that the payment was made to another company if such recipient company was interposed without any valid commercial or economic reasons.

If the main purpose of interposing a company is primarily to avoid, reduce or postpone the payment of SDC, the tax authorities could consider that the dividend is deemed to be received by the individuals who directly or indirectly control the company which received the dividend and demand payment of the SDC accordingly.



Company dissolution

The profits of the last 5 years prior to the company's dissolution will be considered as distributable on dissolution and will be subject to Special Defence Contribution at 5%. Any deemed dividend distributions incurred during the period are taken into consideration. The above provision does not apply in the case of tax reorganisation.

Voluntary winding-up

Within one month from the approval of a resolution for voluntary winding-up, a company must submit a dividend declaration and pay any SDC due on the profits of that year and the two preceding years.

Transfer of assets

Transfer of a company's assets to its shareholders (or to their relatives of up to 2nd degree) at below market value will be considered a deemed dividend, equal to the difference between the amount of the consideration and the amount of the asset market value. However, if the asset was originally donated to the company, the deemed dividend distribution will not apply.

Reduction of capital and deemed dividends

When a company reduces its capital, any amounts paid to a shareholder in excess of the share capital contributed will be treated as deemed dividend to the shareholder. The redemption of a unit or share in an open-ended or close-ended CIS does not constitute a reduction of capital.

Intellectual Property (IP) regime

The "Old" regime closed as from 30/6/2016 but with transitional period of further 5 years i.e. up to 30/6/2021.

The provisions of the old regime are as follows:

- the cost of acquisition of IP is written off in the year incurred and in the following 4 years i.e. 20% amortisation on a straight-line basis
- 80% of any income generated from the exploitation of the IP is exempt from taxation. The income is calculated after deducting all direct expenses associated with the production of that income
- 80% of any profit generated from the disposal of IP is exempt from taxation. The profit is calculated after deducting all direct expenses associated with the disposal.



The definition of IP includes all intangible assets described in the Patent Rights Law, the Intellectual Property Law and the Law regarding Trademarks. It therefore includes patents, trademarks, copyrights etc. **A “New” IP regime (nexus approach) was introduced as from 1/7/2016** where a fraction is applied to the net profit based on R&D activity of the taxpayer. This means that only a proportion of royalty income, applicable only on qualifying expenses, will be taxed under the preferential tax regime. The nexus approach excludes application of the regime for marketing-related IP assets like trademarks. Amortisation is granted over the lifetime of the IP which cannot exceed 20 years.

Any losses deriving from the application of the special IP regime provisions must be restricted to 20% for Group relief purposes (to be surrendered to other companies of the group) or for carrying forward to subsequent years.

This new amendment in the Income Tax Law is applied retrospectively from 1/1/2012.

Capital Gains Tax

Companies and individuals are subject to capital gains tax at the rate of 20% on gains arising from the disposal of:

- immovable property situated in Cyprus
- shares in a company which owns immovable property situated in Cyprus (excluding shares listed on any recognised stock exchange).

As from 01/01/2026 onwards, the definition of immovable property changed to include shares of companies that directly or indirectly are related with companies who hold immovable property situated in Cyprus and at least 20% of the value of the shares derives from the market value of the such immovable property- excluding shares listed on any recognised stock exchange. No liabilities are taken into consideration in the calculation of the 20% value of the immovable property. Indexation allowance applies on the market value of the immovable property at 1 January 1980 (or on the actual cost of acquisition and on improvements to the property if acquired later).

As of 01/01/2026 the term exchange includes also the term land-for-units exchange agreement.

Lifetime tax-free capital gains

Individuals are entitled to a life-time exemption from capital gain on the following:

Disposal of private residence
(under certain conditions)

€ 150.000

Disposal of agricultural land
by a farmer

€ 50.000

Any other disposal of
immovable property

€ 30.000

Deductions based on a combination of the above are restricted to maximum amount of € 150.000

In case the previous lifetime exemptions have been fully utilized, the difference between the new and old threshold will be available for any disposal of property taxed under CGT.



Exemptions

- Disposal of immovable property acquired at market value from a non-related party during the period from 16/7/15 up to 31/12/2016
- Capital gain that arises from the disposal of immovable property in the context of loan reorganisation.
- Transfers on death
- Gifts between spouses and relatives up to 3rd degree.
- Gifts to family companies provided the shareholders continue to be members of the family for five years after the date of transfer.
- Gifts by a family company, of which all the shareholders are members of the same family, to any of its shareholders, provided that the property gifted had itself been taken by the company by the way of a gift. In case of subsequent disposal, the donee cannot use his life time exemption if he disposes of the property before the lapse of the at least three years from the date of transfer of the property to his/her name.
- Gifts to approved charitable institutions or a local authority for educational, or other charitable purpose
- Disposal of property under the compulsory acquisition law
- Gifts to the republic of Cyprus or to a political party
- Cost of acquisition if later of the property given under an exchange of property is less than the sales proceeds value of the property received, the gain reinvested in the property received is exempt
- Exchange or disposal of immovable property under the agricultural land (consolidation) laws
- Gain on disposal of shares which are listed on any recognised stock exchange
- Transfers of shares as a result of company reorganisations.

Levy on property disposals

(Central Agency of Equal Burden Distribution)

- As from 22/02/2021 a levy of 0.4% is imposed on all disposals of immovable property in Cyprus (excluding occupied areas) subject to either CGT or Income Tax
- As from 18/11/2022 the levy is imposed on all disposals of immovable property in Cyprus and on disposals of shares of a company that directly or indirectly holds immovable property in Cyprus.

Note: for direct disposal of IP the levy is calculated on the actual consideration whereas in case of shares the levy is calculated on the latest available values of the Land Registry Office.

Exemptions: Debt for Asset Swaps / Re-organisations / Listed shares in stock exchange

Estate duty

Estate Duty has been abolished for deaths on or after 1 January 2000. However, the legal representative of a deceased person is required to submit to the Tax Department a statement of assets and liabilities within six months from the date of death. All outstanding tax obligations have to be settled before the estate of the deceased can be distributed to the beneficiaries.

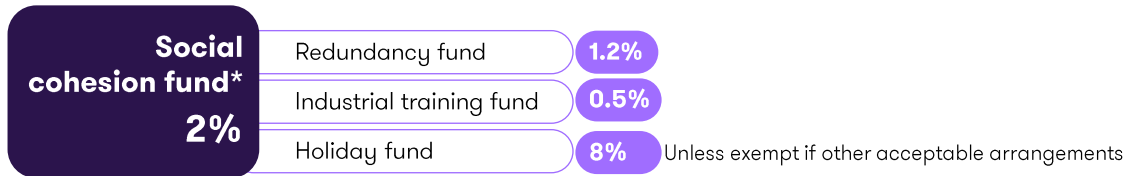


Social insurance contributions

Employer's contribution 8.8%	Maximum earnings on which contributions are payable: <ul style="list-style-type: none"> • €1.325 per week • €5.742 per month • €68.904 per annum
Employee's contribution 8.8%	
Self-employed individual 16.6%	Contributions are payable at 16.6% based on minimum weekly earnings specified for various professions as follows.
Doctors, Pharmacists and other specialists in health matters	Up to 10 yrs €485.67 Over 10 years - €982.38
Accountants, Economists, Lawyers etc.	Up to 10 yrs €485.67 Over 10 years - €982.38
Managers real estate Agents and Wholesalers	€982.38
Teachers and Professors	Up to 10 yrs €474.63 Over 10 yrs €949.27
Individuals in Construction Industry	€596.05
Farmers, Fishermen, Postmen, Miners, Salesmen, Sailors	€331.14
Shopkeepers, Cleaners, Messengers	€452.56
Technicians, Clerks, Secretaries, Carpenters	€474.63



Other contributions by employer



*Applies on the total emoluments without restriction

National Health System (as from 1/3/2019)

Contributions	First Phase	Second Phase
	01/03/2019 – 29/02/2020	01/03/2020 onwards
Employers	1,85%	2,90%
Employees / pensioners / income earners (i.e. rental income / interest / Dividends etc)	1,70%	2,65%
Self-employed individual (own profit)	2,55%	4%
Government	1,65%	4,70%

Maximum annual income on which contributions are payable €180.000. The “income” includes salary income, rental income, dividend income, interest income and other income.



Stamp duty

As of 01 January 2026, the Stamp Duty law has been abolished, any agreement signed on or after the effective date is not subject to Stamp Duties.

Exemptions

- Transactions made in the course of a company reorganization
- Transactions relating to any property situated outside the republic or to any matter or thing to be performed or done outside the Republic, irrespective of the place where it is executed.

Immovable property transfer fees

Value per plot €	Rate %
First €85.000	3,0
€85.000 - €170.000	5,0
Over €170.000	8,0

In the case of property free transfers between the following parties, the fees are calculated on the assessed value written on the title deed as at 1 January 2013 as follows:

To a spouse OR to a relative up to 3rd degree
0.01%

To a child
0%

To trustees
€50

In the case of company re-organisations, transfers of immovable property are not subject to transfer fees. No transfer fees will be payable when the immovable property to be transferred is subject to VAT. If the immovable property to be transferred is not subject to VAT, the transfer fee will be reduced by 50%.



Immovable Property Annual Tax (IPAT) (abolished as from 1/1/2017)

Up to 31/12/2016 the below rates were applicable; although a 75% discount has been applied for settlements up to 31/10/2016, 72,5% discount for settlements up to 31/12/2016:

Market value at € (January 1980)	Rate %	Amount €	Cumulative Amount €
Up to €40.000 (First €12.500 is tax free)	0.6	240	240
€40.001 - €120.000	0.8	640	880
€120.001 - €170.000	0.9	450	1.330
€170.001 - €300.000	1.1	1.430	2.760
€300.001 - €500.000	1.3	2.600	5.360
€500.001 - €800.000	1.5	4.500	9.860
€800.001 - €3.000.000	1.7	37.400	47.260
Over €3.000.000	1.9		

Exemptions from IPAT

- Public cemeteries
- Churches and other religious properties (partly exempt)
- Public hospitals
- Schools
- Immovable property owned by the republic
- Properties owned by embassies and consulates
- Properties available for common use with free access
- Properties under turkish occupation
- Properties under preservation order
- Properties used for charitable purposes owned by public entities
- Agricultural properties used by farmers/owners actually residing in the area.

Company registration fees

- Of a limited company by shares or guarantee, with share capital - €105
- Of a company without share capital - €175
- Increase of share capital - €20

Allotment of shares

Each application for allotment of shares for cash or otherwise, whether at nominal value or at a premium, is subject to a flat fee of €20.



Tax calendar

End of the following month

- Payment of PAYE deducted from employees' salaries
- Payment of social insurance contributions
- Payment of special contribution for defence deducted at source from interest or dividend paid
- Payment of special contribution for defence on interest and dividends received not deducted at source
- Submission of employer's return (TD7)

31 January

- Submission of the declaration of deemed dividend distribution that relates to tax year 2023.

30 April

- Payment by life insurance companies of first instalment of premium tax for the current year.
- Submission of company's tax return (TD4) of year 2023
- Submission of individual's tax return (TD1) with audited financial statements (turnover exceeding €70k) of year 2023
- Submission of the Summarized Information Table (SIT) for Transfer Pricing purposes

30 June

- Payment of special contribution for defence on dividend and interest income from abroad for the first six months of the year
- *Submission of personal income tax return of 2024 (TD1) by individuals who are self-employed and will not be filing annual accounts
- Payment of tax balance for previous year by individuals who do not prepare audited accounts under self-assessment method
- Common Reporting Standard data submission for the year 2024



31 July

- Submission of provisional tax declaration (forms TD5, TD6) and payment of first instalment of provisional tax.
- Submission of personal income tax return of 2025 (TD1) by individuals who are receiving salaried income or are self-employed (turnover not exceeding €70k) and will not be filing annual accounts and payment of 2025 personal income tax.

1 August

- Payment of final corporation tax for the previous year under the self-assessment method by individuals and companies preparing audited accounts.

31 August

- Payment by life insurance companies of second instalment of premium tax for 2025.

30 November

- Submission of Company's tax return (TD4) of year 2024.
- Submission of Individual tax return (TD1) of the year 2024 for individuals that have an obligation to prepare audited financial statements.
- Preparation of all TP documentation (Master File and Local File as applicable) for transactions with related parties for tax year 2024.
- Submission of Summarised Information table for 2024.

31 December

- Payment of special contribution for defence on dividend and interest income from abroad for the second half of the year
- Submission of a revised provisional tax return (if applicable) and payment of the 2nd (final) instalment of provisional tax
- Payment by life insurance companies of third instalment of premium tax
- Physical stock-take for goods.

Accounting books and records

The accounting books and records, together with the tax submission forms and documents, must be retained by companies for a period of 6 years following the submission of the relevant return .

Note: * Please see 'electronic submission' provisions below



Interest and penalties

Interest charges

Period	% Interest
1 Jan 2007 – 31 Dec 2009	8
1 Jan 2010 – 31 Dec 2010	5.35
1 Jan 2011 – 31 Dec 2012	5
1 Jan 2013 – 31 Dec 2013	4.75
1 Jan 2014 – 31 Dec 2014	4.50
1 Jan 2015 – 31 Dec 2016	4
1 Jan 2017 – 31 Dec 2018	3.5
1 Jan 2019 – 31 Dec 2019	2
1 Jan 2020 – 31 Dec 2022	1.75
1 Jan 2023 - 31 Dec 2023	2.25
1 Jan 2024 – 31 Dec 2024	5
1 Jan 2025 – 31 Dec 2025	5.5
From 1 Jan 2026	3,50



Penalties

Effective from 1.7.2011 the following penalties apply to both Companies & Individuals:

- Administrative penalty of €100 when a taxpayer refuses, fails or neglects to submit any notification or tax return or provide any information requested or does not perform any of their duties within the deadline stated in the law
- Administrative penalty of €200 when a taxpayer refuses, fails or neglects to submit any notification or tax return or provide any information requested or does not perform any of his duties within the deadline stated in the law and the commissioner has requested in writing the taxpayer to fulfil their obligations within a time period which is not less than 60 days
- Administrative penalty of €200 when a taxpayer refuses, fails or neglects to submit any notification or tax return or provide any information or does not perform any duty requested by the commissioner in writing Within a deadline given by him which is not less than 60 days
- Administrative penalty of €100 when a person refuses, fails or neglects to submit any notification or tax return or provide any information or does not perform any duty in relation to another person requested by the commissioner in writing within a deadline given by him which is not less than 60 days
- Penalty equal to 5% of the tax due will be imposed if a taxpayer does not pay the amount of tax due within the deadline stated in the law or determined in a notice issued by the commissioner
- Additional penalty of 5% of the tax due will be imposed if a taxpayer does not pay the amount of tax due within 2 months from the deadline stated in the law.

Other penalties

- Penalty equal to €100 is imposed in case of late registration with the inland revenue
- Penalty equal to €100 is imposed in case of late communication (later than 60 days) of a change to the inland revenue department e.G. Changes on legal documents etc.
- Penalty equal to €100 is imposed in case the books and records are not updated on time. This penalty is imposed on quarterly basis
- Penalty equal to €100 is imposed in case invoices are not issued on time. This penalty is imposed on monthly basis
- Penalty equal to €100 is imposed in case that no stock taking takes place at the end of the tax year
- For provisional declarations an additional tax of 10% is imposed on the difference between the tax due per the final assessment and the tax per the provisional declaration, if the provisional taxable income is less than the 75% of the taxable income as will be finally determined by the tax office
- Penalty equal to €100 is imposed when invoices are not issued within 30 days from the date of the transaction
- Penalty of €100 is imposed when there is a delay by more than 4 months in updating the books and records by the persons who are obliged to keep such records.



Penalties

Description of Breach	Penalty
Denial or omission to submit a return/statement/information or or does not perform any of their duties within the deadline stated in the law	€20 for every day
Omission of Income without reasonable justification	€5.000
Non - compliance with the guidelines issue by the Council of Ministers	€5000

Other penalties

Description of Breach	Individual	Legal Entity (Small size)*	Legal Entity (Large Size)**
Non-Submission of a return/statement/information or or does not perform any of their duties within the deadline stated in the law	€150	€250	€500
Non-Submission of a return/statement/information or or does not perform any of their duties within the deadline set by the Commissioner of Taxation	€300	€500	€1000
Non-submission of a return or information or breach of duty that relates to another person (legal or not) within the deadline set by the Commissioner of taxation	€300	€500	€1000

* Revenue or Assets ≤ €1mn | ** Revenue of Assets ≥ €1mn



Key contacts

Nicosia

Direct Tax

George Karavis

Partner, Tax

T +357 22600000 | E George.Karavis@cy.gt.com

Anna Petsa

Senior Manager, Tax

T +357 22600000 | Anna.Petsa@cy.gt.com

Antonia Iasonos

Senior Manager, Tax

T +357 22600000 | Antonia.Iasonos@cy.gt.com

Michalis Chrysostomou

Manager, Tax

T +357 22600000 | M.Chrysostomou@cy.gt.com

Christodoulos Kourtellaris

Manager, Tax

T +357 22600000 | Christodoulos.Kourterllaris@cy.gt.com

VAT

Kyriakos Fili

Partner, VAT

T +357 22600000 | Kyriakos.Fili@cy.gt.com

Constantinos Loizou

Senior Manager, VAT

T +357 22600000 | Constantinos.Loizou@cy.gt.com

Limassol

Polys Polyviou

Partner, Assurance

T +357 25248000 | Polys.Polyviou@cy.gt.com

Cleri Evagorou

Senior Manager, Tax

T +357 25248000 | Cleri.Evagorou@cy.gt.com



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