

TAX GUIDES 2026 · GUIDE 01

Cyprus General Tax Guide

The complete framework for businesses, owners and international families:
the 2026 reform, income taxes, VAT, payroll, property and compliance

About this guide

This publication forms part of the **ATZ FinHub Tax Guides 2026** series, prepared for business owners, finance teams, private clients and their advisers who work with, or are considering, Cyprus. The series is organised so that each guide can be read on its own, while the cross-references point to the companion guides for deeper treatment.

Guide	Title	Focus
01	Cyprus General Tax Guide	The complete framework: reforms, rates, individuals, companies, VAT, payroll, property, compliance
02	Cyprus and EU VAT Guide	Domestic VAT, cross-border goods and services, OSS/IOSS, SME scheme, property, ViDA
03	Cyprus IP Box Guide	Qualifying assets, modified nexus, worked calculations, records and filing
04	Individuals, Self-Employed and Immigration	Personal tax, residence and non-dom, reliefs, social insurance, residence and work permits
05	Cyprus Companies Tax Guide	Corporate tax computation, incentives, groups, transfer pricing, withholding, compliance calendar
06	Global Tax Rates Guide	Headline corporate, personal and consumption taxes for 80+ jurisdictions with comparison notes

Information date

The information in this guide reflects legislation, regulations and published administrative practice reviewed to **24 September 2026**. Tax law changes frequently; proposals announced but not enacted are identified as such. Rates and thresholds should be re-checked for the actual transaction or filing date.

How to read the tables

Rates are stated as headline statutory rates unless otherwise indicated. A rate is not an eligibility decision: conditions, caps, anti-avoidance rules and documentation requirements are summarised alongside each item and must be confirmed for the specific facts. Worked examples state their assumptions and are illustrative only.

IMPORTANT NOTICE

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01

The Cyprus tax system and the 2026 reform

The 2026 tax reform is the most significant restructuring of Cyprus direct taxation since the 2002 Income Tax Law. It raises the corporation tax rate to 15%, widens the personal income tax bands, cuts the Special Contribution for Defence on dividends to 5%, abolishes stamp duty and the deemed distribution rules, and introduces new family, housing and green deductions. This chapter explains how the system fits together and summarises every 2026 change in one place.

15%

Corporation tax from 1 January 2026 (12.5% up to 2025)

€22,000

Tax-free personal income band (previously €19,500)

5%

SDC on dividends for domiciled residents (previously 17%)

0%

Stamp duty on documents executed from 1 January 2026

• How the Cyprus tax system is built

Cyprus taxes are imposed by a small number of principal statutes, each with its own charging rules, exemptions and administrative provisions. Income tax and corporation tax are both charged under the Income Tax Law 118(I)/2002; the Special Contribution for Defence (SDC) is charged under Law 117(I)/2002 on dividends and interest of Cyprus residents; capital gains tax applies under Law 52/1980 to Cyprus immovable property; VAT is charged under Law 95(I)/2000; and the collection machinery for all direct taxes is contained in the Assessment and Collection of Taxes Law 4/1978. Social insurance and General Healthcare System (GHS) contributions are levied under separate legislation administered by the Social Insurance Services and the Health Insurance Organisation respectively.

The result is that a single receipt may be subject to more than one charge, and the question "what is the tax rate" almost always has a layered answer. A Cyprus-domiciled shareholder receiving a dividend pays SDC and a GHS contribution but no income tax; a non-domiciled shareholder pays only the GHS contribution; a non-resident shareholder pays nothing in Cyprus. A landlord pays income tax and GHS on rent, but from 2026 no longer pays SDC. Understanding which layers apply to which person is the foundation of every calculation in this guide.

The principal Cyprus taxes and who pays them

Tax	Charged on	Individuals	Companies	Headline rate
Income tax	Worldwide income of residents; Cyprus-source income of non-residents	Yes (progressive bands)	Yes, as corporation tax	0% – 35% / 15%
Special Contribution for Defence	Dividends and interest (rents excluded from 2026)	Only if resident and domiciled	Resident companies (interest now under corporation tax)	5% / 17% / 3%
Capital gains tax	Gains on Cyprus immovable property and property-rich shares	Yes	Yes	20%
VAT	Supplies of goods and services, intra-EU acquisitions, imports	If in business	Yes	19% standard
Social insurance	Insurable earnings up to the annual ceiling	Employees, self-employed	As employer	8.8% / 16.6%
GHS contributions	Emoluments, pensions, business and investment income up to €180,000	Yes	As employer	2.65% – 4%
Transfer fees and 0.4% levy	Transfers and disposals of Cyprus immovable property	Yes	Yes	3% – 8% / 0.4%
Stamp duty	Documents relating to Cyprus assets or affairs	Abolished for documents executed from 1 January 2026		Nil

Estate duty was abolished for deaths on or after 1 January 2000 and immovable property tax was abolished from 1 January 2017. Neither applies in 2026. Customs and excise duties apply to imports and specified products and are summarised in Chapter 08.

● The 2026 reform: timeline and status

The reform package was debated through 2025 and enacted so that its principal provisions take effect from 1 January 2026, with a number of transitional measures running to 2031. The information in this guide reflects the enacted position as published in the 2026 editions of the leading professional tax summaries and the consolidated legislation reviewed to 24 September 2026. Where a measure is announced but not yet in force, or where the sources record that further guidance is expected, this guide says so explicitly.

Key effective dates

Date	Measure
1 January 2024	Pillar Two income inclusion rule in force for large groups; SDC on interest reduced from 30% to 17%
31 December 2024	Pillar Two undertaxed profits rule and domestic minimum top-up tax apply for financial years beginning on or after this date

Date	Measure
1 January 2026	Main reform: 15% corporation tax, new personal bands, 5% SDC on dividends, abolition of stamp duty, deemed distribution and SDC on rents, 7-year loss carry-forward, 8% crypto regime, new deductions, incorporation-based corporate residence, revised 60-day rule
30 June 2026	Deadline to apply for the paid extension of non-domiciled status for periods starting 1 January 2026
1 July 2026	Rent for Cyprus immovable property must be paid by bank transfer, card or another recognised electronic method to be deductible (not retrospective to 1 January 2026)
1 September 2026	Revised VAT definitions of "first occupation" for new buildings and the 5% residential rate (18-month systematic use test)
30 September 2026	Expiry of the temporary zero VAT rate on specified meat and fish (Κ.Δ.Π. 168/2026); last day of the Pillar Two first-period penalty and interest relief announced on 15 June 2026 (check for extension)
31 December 2026	Deemed distribution date for 2024 profits; expiry of the temporary zero VAT rate on specified essential goods; end of the innovative SME investment deduction
31 March 2027	Expiry of the temporary 5% VAT rate on domestic-use electricity tariffs (Κ.Δ.Π. 167/2026, meter readings from 1 May 2026)
31 July 2027	Return and final payment for tax year 2026 by individuals not required to prepare audited or reviewed financial statements
31 December 2027	Final ordinary deemed distribution date (for 2025 profits), subject to the shareholder conditions
31 January 2028	Return and final self-assessment payment for tax year 2026 by companies and by individuals required to prepare audited or, where eligible, reviewed financial statements
31 December 2031	End of the 17% SDC transitional rate on dividends paid out of profits earned up to 31 December 2025

• Summary of every 2026 change

The table below is designed as a checklist. Each row identifies the measure, the position up to 31 December 2025, the position from 1 January 2026 and the chapter of this guide where the detail is found. Transitional rules are flagged in the final column because they determine, for example, whether a dividend paid in 2027 bears 5% or 17% SDC.

The 2026 reform at a glance

Measure	Up to 2025	From 1 January 2026	Chapter
Individuals			
Personal income tax bands	Nil to €19,500; 35% above €60,000	Nil to €22,000; 35% above €72,000	03
60-day residence rule	Required not to be tax resident elsewhere	Condition removed; other tests unchanged	03
Foreign pension flat rate	5% above €3,420	5% above €5,000	03
Widow(er)'s pension	20% above €19,500	20% above €22,000	03
Family, housing and green deductions	Not available	Article 14B, subject to family income limits: child deductions €1,000 / €1,250 / €1,500; €2,000 housing; one combined €1,000 limit for energy-efficiency and electric vehicle expenditure. Separately, under article 9 and without an income test: €500 natural-disaster home insurance	03

Measure	Up to 2025	From 1 January 2026	Chapter
Ex-gratia and termination payments	Generally exempt	20% flat tax on amounts over €200,000; not deductible for the employer	03
Approved share option schemes	Taxed as employment income	8% flat rate subject to conditions and caps	03
Partial surrender of insurance policies	Not taxable	50% of specified amounts added to taxable income	03
Interest of individuals	Business interest subject to income tax	All interest of individuals exempt from income tax and subject to SDC	04
Crypto-asset gains	General rules	8% flat rate (mining excluded); losses ring-fenced	10
Filing obligation	Exemption decree below €19,500	All residents aged 25 – 70 must file; audited (or eligible reviewed) accounts threshold €120,000; new return and payment deadlines from tax year 2026	12
Special Contribution for Defence			
SDC on dividends (domiciled individuals)	17%	5%; 17% continues to 2031 on pre-2026 profits of Cyprus companies	04
SDC on rental income	3% on 75% of gross rent	Abolished	04
Deemed dividend distribution	70% of profits deemed distributed after two years	Abolished for profits of 2026 onwards; transitional rules continue: deemed distribution for 2024 profits on 31 December 2026 and, as the final ordinary date, for 2025 profits on 31 December 2027, subject to the shareholder conditions	04
Disguised (constructive) dividends	Not applicable	10% SDC on private use of company assets and undervalue transfers	04
Non-domicile status	17 of 20 years test only	Paid extension of up to two further 5-year periods at €250,000 each	04
Foreign dividend exemption test	Foreign tax below 6.25%	Foreign tax below 7.5%	04
Companies			
Corporation tax rate	12.5%	15%	05
Corporate residence	Management and control; from 31 December 2022 a Cyprus-incorporated company not tax resident elsewhere was also treated as resident	Cyprus-incorporated companies resident by default unless a treaty provides otherwise; management and control test retained	05
Interest income of companies	Passive interest under SDC at 17%	All interest under corporation tax at 15%	05
Tax losses	5-year carry-forward	7-year carry-forward (2019 losses available against 2026 profits)	05
Entertainment expenses	Lower of €17,086 or 1% of gross income	Lower of €30,000 or 1% of gross income	05
Listing expenses	Not deductible	Deductible up to €300,000	05

Measure	Up to 2025	From 1 January 2026	Chapter
Cultural donations	Not specifically deductible	Deductible up to €50,000	05
Payments to low-tax jurisdictions	No specific rule	Interest and royalties accrued to LTJ associates non-deductible; 5% WHT on dividends	06
Life insurance minimum tax	1.5% of gross premiums	Abolished	10
Local File thresholds	€5m financing; €1m other	€10m financing; €5m goods; €2.5m other categories	06
Property and transactions			
Stamp duty	1.5‰ – 2‰ on contracts, capped at €20,000	Abolished for documents executed from 2026	07
CGT: property-rich shares	50% value test for indirect holdings	20% value test; unregulated-market listings within scope above €50,000 a year	07
CGT lifetime exemptions	€85,430 (main residence) / €25,629 / €17,086	€150,000 of gain (main residence, subject to conditions) / €50,000 / €30,000	07
CGT loan-restructuring relief: residence value limit	€350,000	€450,000 (applies only to qualifying loan restructurings, not to ordinary sales)	07
Rent payments	Any method	From 1 July 2026 must be paid by bank transfer, card or recognised electronic method to be deductible	07
Administration			
Official interest rate	5.5% (2025)	3.5%	12
Payment of SDC on foreign dividends and interest	Six-monthly self-assessment	Payable by the return deadline for the year	04

● Who is affected and what to do first

Owner-managed companies and their shareholders

The combined burden on distributed profits falls for domiciled shareholders from 27.4% (12.5% corporation tax plus 17% SDC on the balance) to 19.25% (15% plus 5%) before GHS. Because the 17% rate persists for pre-2026 Cyprus profits until 2031, reserves must be analysed by year of origin before any distribution, and 2024 and 2025 profits remain subject to the final deemed distributions on 31 December 2026 and 2027. International groups gain a statutory rate aligned with the Pillar Two minimum, but the notional interest deduction, the IP Box and exempt income continue to reduce the GloBE effective rate, and new defensive measures against low-tax jurisdictions apply alongside the EU blacklist withholding taxes.

Individuals, employees and property owners

Every employee gains from the wider bands: chargeable income of €50,000 bears €6,900 in 2026 compared with €7,885 under the 2025 bands. The first-employment exemptions continue with their existing conditions, and non-domiciled residents keep the SDC exemption and may extend it beyond 17 years by paying a lump sum. Landlords lose the SDC charge on rents, and from 1 July 2026 rent must be paid electronically to be deductible for the payer; sellers benefit from higher lifetime CGT exemptions; buyers of shares in property-rich companies face a lower 20% value threshold; and stamp duty no longer applies to documents executed from 2026.

PLANNING POINT

Prepare a short "2026 transition file" for each client or entity: a schedule of retained profits by year, the SDC rate attaching to each layer, the deemed distribution position for 2024 and 2025, the date of any documents that would have been stamped, and the residence and domicile history of each individual shareholder. Most of the transitional questions in this guide are answered from that file.

02

Tax rates at a glance

This chapter collects the headline rates, bands, thresholds and ceilings for tax year 2026 in reference tables: personal and corporate income taxes, SDC, VAT, social insurance and GHS. Property taxes, withholding taxes and penalties are tabulated in Chapters 07, 06 and 12. Rates cannot simply be added together: the taxes use different bases, caps and timing.

• Direct taxes on individuals

Personal income tax bands for 2026

Chargeable income	Rate	Tax in band	Cumulative tax
€0 – €22,000	0%	€0	€0
€22,001 – €32,000	20%	€2,000	€2,000
€32,001 – €42,000	25%	€2,500	€4,500
€42,001 – €72,000	30%	€9,000	€13,500
Over €72,000	35%	—	€13,500 + 35% of excess

Bands applicable up to 31 December 2025: nil to €19,500; 20% to €28,000; 25% to €36,300; 30% to €60,000; 35% above €60,000 (cumulative tax at €60,000: €10,885).

Effective income tax at selected levels of chargeable income (2026 bands)

Chargeable income	€25,000	€40,000	€50,000	€72,000	€100,000	€150,000
Income tax	€600	€4,000	€6,900	€13,500	€23,300	€40,800
Effective rate	2.4%	10.0%	13.8%	18.8%	23.3%	27.2%

• Direct taxes on companies

Corporation tax and related rates

Item	2026	Note
Corporation tax	15%	All companies; 12.5% up to 2025

Item	2026	Note
IP Box rate on qualifying net IP profit	3% at full nexus	80% deduction, before other reliefs and any Pillar Two adjustment; a lower nexus fraction increases the rate; see Guide 03
Notional interest deduction	10-year bond yield + 5%	Capped at 80% of taxable profit from the new equity; not a borrowing cost for the interest limitation rule
R&D super-deduction	120%	Additional 20% on eligible R&D expenditure 2022 – 2030
Tax loss carry-forward	7 years	Five years up to 2025; group relief for current-year losses at 75%
Interest limitation (ATAD)	30% of EBITDA	Safe harbour €3m of exceeding borrowing costs; disallowed costs and unused capacity carried forward 5 years (article 11(16))
Pillar Two minimum tax	15% ETR	Groups with consolidated revenue of €750m or more
Tonnage tax (ship owners and charterers)	€36.50 – €7.30	Per 100 net tonnage units by band; ship managers per 400 units
Capital duty on incorporation	€105 + €20	€105 on authorised capital; €20 on shares issued at a premium and on each later allotment

● VAT rates and thresholds

VAT summary 2026

Item	Rate or threshold	Note
Standard rate	19%	All supplies not otherwise specified
Reduced rates	9% / 5% / 3%	Hotels, restaurants, passenger transport / food, medicines, main residence / books, waste, orthopaedic goods
Temporary 5%: domestic electricity	5%	Domestic-use tariffs (private residences, public assistance recipients, thermal storage) for meter readings 1 May 2026 – 31 March 2027 (K.Δ.Π. 167/2026); expiry 31 March 2027, check for extension
Zero rate	0%	Exports, international transport, qualifying vessels; specified essential goods to 31 December 2026; specified fresh, chilled and frozen meat, edible offal and fish 6 April – 30 September 2026 (K.Δ.Π. 168/2026); check for extension
Registration threshold (established persons)	€15,600	Taxable turnover in preceding 12 months or expected in next 30 days
Non-established persons	No threshold	Registration on the first taxable supply in Cyprus, unless the EU cross-border SME exemption applies, the customer accounts for VAT under the reverse charge, or the supply is declared through the OSS or IOSS
Intra-EU acquisitions of goods	€10,251.61	Per calendar year
EU distance sales and TBE services	€10,000	Pan-EU threshold; OSS available
Reverse-charge services received	€15,600	Per any consecutive 12-month period
Intrastat arrivals / dispatches	€380,000 / €75,000	Calendar year 2026

Item	Rate or threshold	Note
IOSS consignment limit	€150	Distance sales of imported goods

• Social insurance and GHS contributions

Contribution rates and ceilings 2026

Contribution	Employee	Employer	Self - employed	Base and ceiling
Social insurance	8.8%	8.8%	16.6%	Insurable earnings up to €68,904 a year (€5,742 monthly; €1,325 weekly)
Social cohesion fund	—	2.0%	—	Total emoluments, no ceiling
Redundancy fund	—	1.2%	—	Up to the social insurance ceiling
Human resource development fund	—	0.5%	—	Up to the social insurance ceiling
Holiday fund (unless exempt)	—	8.0%	—	Up to the social insurance ceiling
GHS on emoluments and pensions	2.65%	2.90%	4.00%	All income up to €180,000 a year in aggregate
GHS on rents, interest, dividends and other income	2.65%	—	—	Within the same €180,000 aggregate

The 8.8% and 16.6% social insurance rates apply from 1 January 2024 for five years and increase every five years thereafter, reaching 10.3% – 10.7% (employed) and 19.6% – 20.4% (self-employed) from 1 January 2039 depending on actuarial results.

NOTE

The rates in this chapter are statutory headline rates. A rate is never an eligibility decision. Every table in Chapters 03 to 12 sets out the conditions attached to the figure, and the worked examples in Chapter 13 show how the layers combine for typical situations.

03

Personal income tax

A Cyprus tax resident individual is taxed on worldwide income; a non-resident only on specified Cyprus-source income. This chapter covers the residence tests, the scope of chargeable income, the exemptions that matter most to relocating employees, the deductions and the new 2026 family, housing and green allowances, and ends with a full computation.

183 / 60

Days for the two residence tests

50%

First-employment exemption for remuneration over €55,000

1/5

Ceiling on the article 14 contribution basket

€2,000

New housing deduction per spouse or single person

• Tax residence of individuals

An individual is tax resident in Cyprus for a calendar year if he or she spends more than 183 days in Cyprus in that year. Since 1 January 2017 an alternative "60-day rule" applies to an individual who, in the relevant tax year, does not reside in any other single state for more than 183 days in aggregate, resides in Cyprus for at least 60 days, carries on a business in Cyprus and/or is employed in Cyprus and/or holds an office (such as a directorship) in a Cyprus tax resident company at any time in the year, provided this is not terminated during the year, and maintains a permanent residential property in Cyprus that is owned or rented.

Up to 31 December 2025 the 60-day rule also required that the individual was not considered tax resident by any other state. This condition is removed from 1 January 2026, so an individual who is treated as resident by another country under its domestic law can now qualify under the 60-day rule; where both states claim residence, the tie-breaker of the relevant double tax treaty decides.

Counting days for both tests

Event	Treatment
Day of arrival in Cyprus	A day in Cyprus
Day of departure from Cyprus	A day outside Cyprus
Arrival and departure on the same day	One day in Cyprus
Departure and arrival on the same day	One day outside Cyprus

CAUTION

The 60-day rule fails entirely if the Cyprus employment, business or office is terminated during the year, or if the individual spends more than 183 days in any other single state. Keep a travel log with boarding passes and passport stamps: the Tax Department will ask for it when issuing a tax residence certificate.

● Scope of chargeable income

A resident is taxed on profits from any business, profits from any office or employment including allowances, incentives for accepting a position, gratuities on retirement or termination, early retirement benefits and any other benefit under an employment agreement, pensions, dividends, interest and discounts (although these are exempt from income tax and taxed under SDC), rents, royalties and other profits from property, trade goodwill consideration, the 9% benefit in kind on loans or financial facilities granted to individuals, directors or shareholders and their spouses and relatives up to the second degree, and profit from crypto-asset transactions. A non-resident is taxed on profits of a Cyprus permanent establishment, employment exercised in Cyprus, pensions from past employment in Cyprus, rent from Cyprus property, Cyprus trade goodwill, the same 9% loan benefit, crypto gains and the gross income of non-resident professionals and public entertainers from activities in Cyprus.

The Tax Department has published detailed guidance on the valuation of benefits in kind, applicable from 1 January 2019, covering company cars, housing, travel allowances and private expenses met by the employer. Benefits provided to employees or members of their family are added to employment income and processed through payroll. Where a benefit has been taxed in the hands of the employee it is a deductible expense for the employer.

● Exemptions from income tax

Exempt income of individuals

Type of income	Exemption	Note
Interest	The whole amount	1
Dividends	The whole amount	1
Remuneration from "first employment" in Cyprus commencing from 1 January 2022 exceeding €55,000, by individuals not resident for 15 consecutive years before the employment (article 8(23A))	50% of remuneration for 17 years	2
Remuneration from first employment in Cyprus commencing after 26 July 2022 by individuals who, for at least the 3 consecutive tax years immediately before commencement, were both not Cyprus tax resident and employed outside Cyprus by a non-resident employer (article 8(21A))	20% of remuneration, maximum €8,550 a year, for 7 years starting from the tax year following commencement	3
Employment remuneration or business profits exceeding €30,000 of returning individuals commencing activity between 1 January 2025 and 31 December 2030 (article 8(21B))	25% of remuneration or profits, maximum €25,000 a year, for 7 years	4
Salaried services rendered outside Cyprus for more than 90 days in the year to a non-resident employer or a foreign PE of a resident employer	The whole amount	
Profits of a foreign permanent establishment	The whole amount, subject to conditions	5
Lump sums on retirement, commutation of pension, death or injury compensation	The whole amount	6

Type of income	Exemption	Note
Capital sums from approved provident, pension and medical funds and life insurance policies	The whole amount	
Profits from the sale of securities	The whole amount	7
Scholarships and educational endowments; emoluments of foreign diplomats and of foreign officers of educational, cultural or scientific institutions	The whole amount	
Foreign exchange gains other than from trading in currencies and derivatives	The whole amount	
Profits from film, series and audiovisual production in Cyprus	Lower of 35% of eligible expenditure and 50% of taxable income; restriction carried forward 5 years	

1. Dividends and interest of Cyprus tax resident and domiciled individuals are subject to SDC (Chapter 04). From 2026 all interest of individuals, including interest from ordinary business activities that was previously within income tax, is exempt from income tax and subject to SDC.

2. "First employment" means the individual did not exercise any salaried services in Cyprus, for a local or foreign employer, for the 15 consecutive years before starting employment in Cyprus. The exemption applies once in a lifetime for 17 years from the year of commencement. Remuneration must exceed €55,000 in the first or second year; where remuneration later falls below €55,000 the exemption may continue only where the Commissioner is satisfied that certain conditions are met. For employments commencing between 1 January 2022 and 29 June 2023, similar but not identical conditions apply, including a 10-year rather than 15-year non-residence test. Individuals whose employment commenced before 2022 may also qualify from tax year 2022 if they were not resident for 15 consecutive years before their first employment and had continuous employment in Cyprus to 2021, provided they either claimed the former article 8(23) 50% exemption, or commenced during 2016 – 2021 with remuneration above €55,000, or commenced in 2016 – 2021 below €55,000 and exceeded it within six months of 26 July 2022.

3. The 20% exemption has two cumulative conditions, both tested over the three consecutive tax years immediately before the Cyprus employment begins: the individual must not have been Cyprus tax resident, and must have been employed outside Cyprus by an employer that was not Cyprus resident. Three years of non-residence alone (for example, a period abroad without employment or with a Cyprus employer) does not qualify. The employment must also be a "first employment" in Cyprus within the statutory definition. The commencement window runs from 27 July 2022 to the end of 2027; the relief period is the seven tax years following the year of commencement (an employment starting in 2026 is relieved for 2027 – 2033). Individuals granted the 50% or 25% exemption cannot also claim the 20% exemption; only one of the three applies.

4. The 25% exemption requires that the individual is Cyprus tax resident (except possibly in the year of commencement), had remuneration or business profits exceeding €30,000 in the 12 months after commencement, was not Cyprus tax resident for the 7 tax years before commencement, was Cyprus tax resident in some earlier year, and either holds a recognised university degree and was employed full-time abroad by a non-resident employer for at least 36 months in the 84 months before commencement, or was so employed for the full 84 months. It is a lifetime exemption for the year of commencement and the following six years, provided income exceeds €30,000 in each year. It is not available to individuals granted the 50% exemption.

5. The individual may elect to tax foreign PE profits with a credit for foreign tax. The exemption is not available where the PE is in a jurisdiction on the EU list of non-cooperative jurisdictions.

6. From 2026, ex-gratia payments on retirement or termination, early retirement scheme benefits and compensation for termination not provided for in the terms of employment are taxed at a flat 20% on the amount exceeding €200,000 (article 20(f)); the payments are not deductible for the employer.

7. "Securities" include shares, bonds, debentures, founders' shares and other securities of companies or legal persons incorporated in Cyprus or abroad, and options on them. Tax Department circulars extend the term to options, short positions, futures, forwards, swaps, depositary receipts (ADRs and GDRs), rights of claim on bonds, index participations that result in securities, repos and units in open-end or close-end collective investment schemes. Promissory notes and bills of exchange are not securities.

PLANNING POINT

The three employment exemptions cannot be combined and have different clocks. The 50% exemption runs for 17 years from the year employment starts; the 20% exemption starts in the year after commencement and runs for 7 years; the 25% exemption covers the year of commencement plus six years. For a relocating executive with remuneration above €55,000, the 50% exemption is almost always the more valuable and should be claimed from the first payroll month, with the employer holding evidence of the 15-year non-residence history.

● Deductions and allowances

Business-related expenses incurred wholly and exclusively in producing income are deductible in the same way as for companies. In addition, the following personal deductions apply.

Deductions from income of individuals

Deduction	Limit
Subscriptions to trade unions and professional bodies	The whole amount
Losses of the current year and previous years (individuals preparing audited or, where eligible, reviewed accounts)	Current year and previous 7 years (5 years up to 2025)
Expenses in relation to rental income	20% of gross rents, plus interest on loans to acquire the property and wear and tear allowances
Donations to approved charities, with receipts	The whole amount
Donations or contributions to approved cultural institutions	The whole amount, up to €50,000 (from 2026)
Maintenance of a building under a Preservation Order	Up to €1,200, €1,100 or €700 per m ² depending on size (up to 120 m ² ; 121 – 1,000 m ² ; over 1,000 m ²)
Social insurance, GHS, medical fund (max 2% of income), provident and pension fund (max 10% of remuneration), life insurance premiums (max 7% of the sum insured) and permanent incapacity premiums (article 14)	Together, up to one fifth of chargeable income before these deductions
Investment in approved innovative small and medium-sized enterprises (article 9A, to 31 December 2026)	The amount invested, restricted by the applicable percentage (20%, 35% or 50% according to the characteristics of the investment), up to 50% of taxable income before this deduction and €150,000 a year; unused amounts carried forward 5 years. Confirm the current Tax Department computation before claiming
Eligible audiovisual infrastructure and equipment	20%
Scientific research and R&D expenditure of a revenue nature	The whole amount, plus 20% for expenditure in 2022 – 2030
Tax amortisation of capital R&D expenditure	The whole amount, plus 20% for 2022 – 2030, over the asset's life (maximum 20 years)
Premiums to insure a residence against natural disasters (article 9, from 2026)	Up to €500 for each spouse, partner or single person; no family income test

The new family, housing and green deductions NEW

From 1 January 2026 a set of deductions is available to individuals whose family income does not exceed defined limits. The limits depend on the number of children as at 31 December of the tax year. For a single person living without children or spouse the limit is €40,000. For a family the limit is €100,000 where there are no children or up to two children, €150,000 with three or four children and €200,000 with five or more children. Single-parent families use the same thresholds according to the number of children.

Deductions subject to the family income criteria (article 14B)

Deduction	Amount
Dependent children	To each parent: €1,000 for the first child, €1,250 for the second and €1,500 for the third and each additional child. Doubled for single-parent families and where one parent has full custody.
Main residence: interest on a performing loan for purchase or construction, or rent paid	Up to €2,000 for each spouse, common-law partner or single person
Capital expenditure to improve the energy efficiency of a main residence, technical energy-efficiency systems, renewable energy systems and electricity storage batteries, and capital expenditure on electric vehicles registered with the Department of Road Transport	One combined limit of €1,000 a year for each spouse, partner or single person, covering all of these categories together

The €1,000 green limit is a single annual ceiling for energy-efficiency and electric vehicle expenditure combined; it is not €1,000 per category. Eligible cost is measured net of government grants. Where the eligible cost exceeds the amount deducted in the year of expenditure, the excess may be carried forward and deducted in the following four years, subject to the same annual limit; the total deducted can never exceed the aggregate eligible cost. The €500 natural-disaster insurance deduction is a separate article 9 deduction outside the family income test. The doubling for single-parent families applies only to the child deductions.

CAUTION: THE ORDER OF DEDUCTIONS MATTERS

The one-fifth ceiling on the article 14 basket (social insurance, GHS, provident fund, life insurance) is computed on chargeable income before both the article 14 and the article 14B deductions. The family and housing deductions are then deducted separately. Subtracting the child allowances first, and thereby reducing the ceiling, is incorrect. For an employee with income of €30,000 after the 50% exemption and two children, the ceiling is €6,000 and the €2,250 child deduction is taken in addition.

Life insurance clawback and partial surrenders

Life insurance must be on the life of the taxpayer; a policy on the life of a spouse qualifies only if effected before 1 January 2003. Where a policy is cancelled within six years of issue, part of the premiums previously allowed is treated as income: 30% for cancellation within three years and 20% for cancellation in years four to six. From 2026, a partial surrender is also taxable. If four years have not elapsed since the policy date, 50% of the partial surrender is added to taxable income. After four years, 50% of the surrender that exceeds the cash surrender value at 31 December of the fourth year preceding the surrender is added, the surrender value being reduced by the excess of the previous three years' partial surrenders over the premiums paid in those years.

● Losses, credits and the accounts threshold

Losses of a business carried on by an individual can be set against other income of the same year and carried forward against future profits for seven years from 2026 (five years up to 2025); the seven-year rule applies retrospectively so that losses of 2019 which were not relieved by 2024 are available against 2026 profits. Losses of a sole trader or partnership converted into a company carry forward into the company. Foreign tax paid on income also taxed in Cyprus is credited against the Cyprus liability on that income whether or not a treaty exists; where a foreign PE is exempt, its losses may be set against Cyprus profits but future PE profits are then taxable up to the losses relieved.

An individual carrying on a business must prepare audited or, where eligible, reviewed financial statements where annual turnover together with any other gross income from rents, dividends, interest, royalties or trade goodwill exceeds €120,000 (€70,000 up to 2025). A review is a distinct and more limited assurance engagement, not an audit: under article 30 of the Assessment and Collection of Taxes Law a self-employed person whose gross income exceeds €120,000 but does not exceed €200,000, and whose total assets do not exceed €500,000, may submit reviewed rather than audited financial statements, the thresholds being tested over two consecutive years; above those limits an audit is required. An individual with only passive income is not required to prepare audited or reviewed accounts. The threshold determines both the filing deadline and the payment date of the final tax (Chapter 12).

● Comprehensive computation for 2026

WORKED EXAMPLE: A CYPRUS-DOMICILED EMPLOYEE WITH RENTAL AND INVESTMENT INCOME

Facts: salary €70,620 (€5,885 monthly); rent receivable €5,000; bank interest €700; dividends €600 from a Cyprus company out of 2026 profits; life insurance premiums €8,500 on a sum insured of €100,000; provident fund contribution €3,000; donations with receipts €300. Social insurance is 8.8% of the ceiling of €68,904 and GHS is 2.65% of total income of €76,920. The individual is resident and domiciled.

Computation: Cyprus-domiciled employee with rental and investment income

Computation	€	€
Salary	70,620	
Rent receivable	5,000	
Interest and dividends (exempt from income tax; SDC below)	—	
Total income		75,620
Less donations (300) and 20% of rent (1,000)		(1,300)
Net total income		74,320
Article 14 basket: life insurance restricted to 7% of €100,000 (7,000); provident fund (3,000, below 10% of salary); social insurance (6,063.55); GHS (2,038.38) = €18,101.93, restricted to one fifth of €74,320		(14,864.00)
Taxable income		59,456.00
Income tax: first €22,000 nil; next €10,000 at 20%; next €10,000 at 25%; €17,456 at 30%		9,736.80
SDC: dividends €600 at 5% (30.00); interest €700 at 17% (119.00); rent nil		149.00
Social insurance €68,904 at 8.8%		6,063.55
GHS €76,920 at 2.65%		2,038.38
Total payable		17,987.73

If the same individual has two dependent children, family income below €100,000 and pays €2,000 of interest on a main-residence mortgage, the article 14B deductions of €2,250 (children) and €2,000 (housing) reduce taxable income to €55,206 and income tax to €8,461.80, a saving of €1,275. The one-fifth ceiling is unchanged. Under the 2025 bands the same taxable income of €59,456 produced income tax of €10,722, and the dividend bore SDC at 17% rather than 5%. The article 14 basket in this example includes the GHS contribution on the interest and dividends (€34.45 of the €2,038.38) on the basis of the broad wording of article 14(1)(e); this treatment should be confirmed against current return practice before it is relied on. Because the one-fifth ceiling applies, the figures in this example are the same on either view.

04

Special Contribution for Defence

The Special Contribution for Defence (SDC) is the Cyprus tax on dividends and interest of residents. Individuals pay it only if they are both resident and domiciled in Cyprus, which is why the non-domicile regime is central to relocation planning. The 2026 reform cuts the dividend rate to 5%, abolishes SDC on rents and the deemed distribution rules, and introduces a 10% charge on disguised dividends.

5%

SDC on dividends from 2026 profits (domiciled individuals)

17%

SDC on interest of domiciled individuals and on pre-2026 dividends to 2031

17 / 20

Years of residence that create deemed Cyprus domicile

€250,000

Lump sum for each 5-year extension of non-dom status

● Who is liable

SDC is imposed on dividend income and interest income (and, up to 31 December 2025, rental income) of companies tax resident in Cyprus and of individuals who are both Cyprus tax resident and Cyprus domiciled. Non-residents are outside the charge entirely. An individual who is resident but not domiciled pays no SDC on dividends or interest from any source, Cyprus or foreign, which is the "non-dom" exemption introduced on 16 July 2015.

An individual is domiciled in Cyprus for SDC purposes if he or she has a domicile of origin in Cyprus under the Wills and Succession Law (subject to exceptions) or has been Cyprus tax resident for at least 17 of the 20 tax years immediately before the tax year of assessment. An individual who acquires a Cyprus domicile under the 17-of-20 rule keeps it until he or she has been non-resident for 20 consecutive years. Limited exceptions exist for individuals with a Cyprus domicile of origin who have established a domicile of choice abroad and have been outside Cyprus for a long period; these require a documented history and anti-avoidance provisions apply.

Paid extension of non-domiciled status NEW

From 1 January 2026 an individual with a domicile of origin outside Cyprus whose 17-year period has elapsed may elect to extend non-domiciled status for up to two further five-year periods (ten years in total). Each five-year period requires a lump-sum payment of €250,000, paid in advance, equivalent to €50,000 a year. The election is subject to the Commissioner's approval; for periods starting on 1 January 2026 the application had to be submitted by 30 June 2026.

PLANNING POINT

The €250,000 lump sum is worth paying only where expected dividends and interest over the five years exceed about €5 million at the 5% dividend rate (or about €1.5 million of interest at 17%). Before electing, model the actual mix of dividends, interest and pre-2026 Cyprus profits, and compare with restructuring investments into securities whose disposal gains are exempt from income tax in any event.

● Rates

SDC rates for 2026 compared with 2025

Income	Individuals 2026	Individuals 2025	Companies 2026	Companies 2025
Dividends from Cyprus tax resident companies	5% / 17% (1)	17%	Nil / 17% (2)	Nil (2)
Dividends from non-resident companies	5%	17%	Nil (3)	Nil (3)
Disguised dividend distribution	10% (4)	Nil	Nil	Nil
Interest from ordinary business activities ("active")	17% (5)	Nil	Nil	Nil
Other interest ("passive")	17% (5)	17%	Nil (5)	17%
Gross rental income reduced by 25%	Nil (6)	3%	Nil (6)	3%

1. From 1 January 2026 dividends received by a resident and domiciled individual are subject to 5% instead of 17%, except dividends received from Cyprus tax resident companies out of profits earned up to 31 December 2025 and received by 31 December 2031, which remain subject to 17%.

2. Dividends received by a Cyprus company from another Cyprus company are exempt, subject to anti-avoidance provisions, except that dividends received in 2026 out of profits of the years ended 31 December 2024 or 2025, and dividends received in 2027 out of 2025 profits, are subject to 17%. This exception does not apply to the extent the recipient company is directly or indirectly owned by non-residents or by resident non-domiciled individuals. Dividends paid indirectly after four years from the end of the year in which the profits arose are also subject to SDC under the "four-year rule".

3. The exemption for foreign dividends does not apply where more than 50% of the paying company's activities result directly or indirectly in investment income and the foreign tax is significantly lower than the Cyprus burden. The Tax Department interprets "significantly lower" as an effective rate below 7.5% from 2026 (6.25% previously). Where the exemption is lost the dividend bears SDC at 5% (17% up to 2025). Dividends that are deductible for the paying company are not exempt at all and are instead subject to corporation tax at 15%.

4. Disguised (constructive) dividends are introduced from 1 January 2026 for direct and indirect individual shareholders who are resident and domiciled. The charge applies to the private use of a company asset by the shareholder or a related individual (valued at the market value of the asset at the date use begins, adjusted for the percentage of private use) and to disposals by the company to a shareholder or related individual below market value (the difference). It does not apply to assets previously donated to the company by the shareholder or a related individual, where the Income Tax Law benefit-in-kind provisions apply, or to distributions on capital reduction, dissolution or liquidation.

5. The 17% rate on interest applies from 1 January 2024 (30% previously). Up to 2025, active interest was subject to income or corporation tax and passive interest to SDC. From 2026 all interest of companies is subject to corporation tax and all interest of individuals to SDC. Religious, charitable and educational institutions of a public character and companies established exclusively to promote art, science or sport pay SDC at 17% on interest. The 3% rate applies to interest from Cyprus and, from 2026, other EU member state government bonds, corporate bonds listed on a recognised exchange, and listed bonds of Cyprus and EU state organisations and local authorities; to all interest of state agencies, local authorities, general government entities, pension, provident and social insurance funds and, from 2026, the health insurance fund; and to individuals whose total income including interest does not exceed €12,000, who may claim a refund of the excess withheld.

6. Up to 31 December 2025, 75% of gross rents was subject to SDC at 3% in addition to income tax. From 1 January 2026 rental income is exempt from SDC. Under a 13 September 2023 circular, income from self-catering accommodation let through online platforms is treated, subject to conditions, as business income.

● Widened definition of dividend from 2026

Company dissolution

The cumulative profits of the five years before dissolution, to the extent earned in tax years up to 2025 and not distributed or deemed distributed, are treated as distributed on dissolution and subject to SDC at 17%. This does not apply to a dissolution within a qualifying reorganisation. On a voluntary winding-up the company must submit a dividend declaration and pay any SDC due on the profits of that year and the two preceding years within one month of the resolution.

Distribution of assets

On a capital reduction, dissolution or liquidation, the market value of assets distributed to a shareholder is a dividend, reduced by the capital actually paid by the shareholder and not previously reduced, any capital gains tax paid on the assets and any disguised dividend already recognised.

Capitalisation of reserves

An increase of issued capital by capitalisation of distributable reserves constitutes a dividend equal to the increase.

Capital reduction

Amounts paid to a shareholder in excess of the capital contributed are treated as a dividend. The redemption of units or shares in an open- or closed-ended collective investment scheme is not a capital reduction; from 1 January 2031 the gain realised by an individual on such a redemption (not the gross redemption proceeds) will be treated as a dividend-type receipt, subject to the statutory exceptions and reduced by any CGT on Cyprus property.

● Deemed dividend distribution: the final years

Under the deemed distribution rules a Cyprus resident company was deemed to distribute 70% of its accounting profits, as adjusted for SDC purposes and net of corporation tax, SDC, capital gains tax and unrelieved foreign taxes, two years after the end of the year in which the profits arose. Actual dividends paid in the year the profits arose and the two following years reduced the deemed amount, and 17% SDC was charged on the balance to the extent the ultimate direct or indirect shareholders were resident and domiciled individuals. Where an actual dividend was later paid, SDC applied only to the excess over the amount previously deemed distributed.

The rules are abolished for profits of tax year 2026 onwards. They apply for the last time on 31 December 2026 for 2024 accounting profits and on 31 December 2027 for 2025 accounting profits. Companies with resident domiciled shareholders should therefore expect a final deemed distribution declaration (form TD623) for each of those years.

WORKED EXAMPLE: CHOOSING THE PROFIT LAYER

A Cyprus trading company owned by a domiciled resident has retained profits of €300,000 earned in 2023 – 2025 and €120,000 earned in 2026. A dividend of €100,000 declared in 2027 out of the 2026 profits bears SDC of €5,000 (5%). The same dividend paid out of the 2025 reserves bears €17,000 (17%), subject to any reduction for amounts already deemed distributed on 31 December 2027. The 2024 profits will in any case be subject to the final deemed distribution on 31 December 2026 on 70% of the adjusted profit less dividends paid, so the board should decide before that date whether to distribute those profits actually or accept the deemed charge. GHS at 2.65% applies to actual dividends in both cases, subject to the €180,000 aggregate ceiling.

● Payment and withholding

How SDC is collected

Income	Mechanism	Due date
Cyprus-source dividends and interest	Withheld at source by the paying company or bank	End of the month following the month of payment
Foreign dividends and interest of individuals from 2026	Self-assessment	By the deadline for the income tax return of the relevant year
Foreign dividends, passive interest and rents up to 2025	Self-assessment in two six-monthly instalments	30 June and 31 December
Cyprus rents up to 2025 where the tenant was a company, partnership, the state or a local authority	Withheld by the tenant	30 June (January – June rents) and 31 December (July – December rents)
Deemed distribution for 2024 and 2025 profits	Declaration TD623 and payment by the company	31 December 2026 and 31 December 2027; declaration by 31 January following

Foreign tax paid on income subject to SDC is credited against the SDC liability whether or not a treaty exists. GHS contributions at 2.65% are collected alongside SDC on Cyprus-source dividends and interest and by self-assessment on foreign income (Chapter 09).

PENALTY

SDC and GHS withheld on Cyprus-source dividends and interest that is paid late attracts interest at 3.5% per annum from the end of the month following the month to which it relates, plus a flat 5% monetary charge on the amount due. For foreign-source income the interest runs from the day after the return deadline.

05

Corporation tax

Cyprus tax resident companies pay corporation tax at 15% from 1 January 2026 on worldwide profits, with exemptions for dividends, securities gains and foreign permanent establishments, generous capital allowances, a seven-year loss carry-forward, the notional interest deduction, an R&D super-deduction and the IP Box. This chapter sets out the computation from residence to special regimes.

15%Corporation tax rate
(12.5% up to 2025)**7 years**Loss carry-forward from
2026**80%**Cap on NID and IP Box
deductions**120%**R&D deduction for 2022
– 2030 expenditure

● Residence and scope

A company is tax resident in Cyprus if it is managed and controlled in Cyprus. Since 31 December 2022 a company incorporated in Cyprus that was not tax resident in any other state has also been treated as Cyprus resident (the incorporation backstop). From 2026 a company incorporated in Cyprus is resident by default, unless a double tax treaty provides otherwise; companies that have transferred their registered office or legal seat to Cyprus are treated as incorporated in Cyprus for this purpose. In assessing management and control the Tax Department considers the composition of the board, where board meetings are held and whether major decisions are genuinely taken there, where the financial statements are discussed and approved, whether the board controls the bank accounts and where the company seal is used. A tax residence certificate is obtained by application to the Tax Department.

A resident company is taxed on income accruing or arising from all sources in Cyprus and abroad. A non-resident company is taxed on profits of a business carried on through a permanent establishment in Cyprus and on certain other Cyprus-source income. A permanent establishment is a fixed place of business through which the business is wholly or partly carried on, including a place of management, branch, office, factory, workshop, mine, oil or gas well or quarry, and all activities relating to exploration and exploitation within Cyprus territorial waters, the contiguous zone, the exclusive economic zone and the continental shelf. Partnerships are transparent; their income is taxed in the hands of the partners. A company must register with the Tax Department within 60 days of incorporation.

● Exempt income

Income exempt from corporation tax

Type of income	Exemption
Profit from the sale of securities (see Chapter 03 for the definition)	The whole amount
Dividends, excluding dividends that are tax deductible for the paying company	The whole amount (may be subject to SDC; Chapter 04)
Interest not arising from ordinary activities, up to 2025	Exempt and subject to SDC up to 2025; from 2026 all interest is subject to corporation tax
Profits of a foreign permanent establishment	The whole amount, unless the PE is more than 50% engaged in activities producing investment income and the foreign tax burden is substantially lower than in Cyprus, or the PE is in an EU-blacklisted jurisdiction; the taxpayer may elect to be taxed with a credit
Foreign exchange differences, realised or unrealised, other than from trading in currencies and derivatives	The whole amount (losses are equally disregarded; traders may elect irrevocably to be taxed on unrealised differences)
Profits from film, series and audiovisual production	Lower of 35% of eligible expenditure and 50% of taxable income; restriction carried forward 5 years

All interest income of collective investment schemes is treated as arising from ordinary activities. Where the dividend exemption is lost because the dividend was deductible abroad, the income is not "dividend income" for SDC purposes and is taxed only under corporation tax, with a unilateral credit for tax paid by an EU paying company where there is a valid commercial reason for the structure.

● Deductible and non-deductible expenses

Expenses incurred wholly and exclusively in earning taxable income and supported by documentary evidence are deductible. The table lists the items with specific limits.

Corporate deductions with specific rules

Expense	Deduction limit
Interest on the acquisition of 100% of a subsidiary (acquisitions from 1 January 2012)	The whole amount if the subsidiary owns no assets not used in the business; otherwise restricted proportionately; no deduction if the subsidiary is in an EU-blacklisted jurisdiction; subject to the ATAD interest limitation
Notional interest deduction on new equity introduced from 1 January 2015	New equity multiplied by the 10-year government bond yield (at 31 December of the prior year) of the country where the funds are employed plus 5%; capped at 80% of the taxable profit from the assets financed, computed before the NID
Royalty, embedded and other qualifying income from qualifying intangibles (IP Box, from 1 July 2016)	80% of qualifying profit: overall IP income (gross IP income less direct expenses, including amortisation and attributable NID) multiplied by the modified nexus fraction
Tax amortisation of capital expenditure on IP	The whole amount over the useful life, maximum 20 years (including indefinite-life IP)
Scientific research and R&D expenditure (revenue and capital)	The whole amount plus 20% for expenditure in 2022 – 2030; capital items over the asset's life, maximum 20 years

Expense	Deduction limit
Donations to approved charities (with receipts)	The whole amount; a loss cannot be created or carried forward to the extent of the donation
Donations or contributions to approved cultural institutions	The whole amount up to €50,000 (from 2026); excess not carried forward
Employer contributions to social insurance, GHS and approved funds; medical fund	The whole amount
Employer contributions to provident or pension funds	Up to 10% of the employee's remuneration
Maintenance of a building under a Preservation Order	Up to €1,200 / €1,100 / €700 per m ² depending on size
Business entertainment	Lower of €30,000 or 1% of gross income (lower of €17,086 or 1% up to 2025)
Investment by an independent corporate investor in approved innovative SMEs (article 9A, from 14 February 2022 to 31 December 2026)	30% of the qualifying equity investment expenditure, where the investment is financed from the company's own funds, subject to the ceiling of 50% of taxable income before this deduction, the €150,000 annual limit and the other article 9A conditions; unused amounts carried forward 5 years. "Equity investment" describes the form of the investment in the innovative SME (shares or similar instruments), not a separate rate; the guide does not assume any deduction of the full amount invested by a company
Audiovisual infrastructure and technological equipment	20% for small and 10% for medium enterprises
Expenses of a first listing of shares on a recognised stock exchange	The whole amount up to €300,000 (from 2026)
Additional deduction for employers paying cost-of-living allowance under the permanent COLA agreement	Twice the COLA paid in the immediately preceding year, subject to conditions
Deemed expense where the Commissioner imposes deemed income on a related party under article 33	Equal to the related party's adjustment, subject to the interest restriction rules

Expenses not deductible

Expense	Treatment
Expenses of a private motor vehicle (saloon cars)	Not deductible
Interest on the acquisition of a private motor vehicle or any asset not used in the business	Not deductible for 7 years from acquisition
Interest and royalties accrued to associated companies or PEs in a low-tax jurisdiction (from 2026)	Not deductible whether or not paid, except interest on securities listed on a recognised exchange or amounts subject to Cyprus withholding tax; indirect payments restricted under an anti-conduit rule
Salaries whose social insurance, provident, pension, medical and related contributions were not paid in the year due	Deductible in the year of payment if paid within two years of the due date (or within a regulated period under the Overdue Social Insurance Law)
Rent for Cyprus immovable property not paid by bank transfer, card or another recognised electronic method (rent paid from 1 July 2026)	Not deductible
Domestic or private expenses, capital sums, improvements to immovable property, voluntary payments, taxes, sums recoverable under insurance	Not deductible

Expense	Treatment
Ex-gratia and non-contractual termination payments taxed at 20% in the recipient's hands	Not deductible

● Capital allowances

Wear and tear allowances are given as a percentage of cost on a straight-line basis from the year the asset is first used in the business. The rates for buildings apply to new buildings; second-hand buildings are amended. For additions in 2012 – 2018 an increased allowance applied (20% for plant, machinery, furniture and fittings; 7% for industrial and hotel buildings).

Annual wear and tear allowances

Asset	Rate	Asset	Rate
Plant, machinery and equipment			
Plant and machinery	10%	Furniture and fittings	10%
Industrial carpets; boreholes	10%	Livestock, machinery and tools in agriculture	15%
Agricultural and livestock machinery (excluding irrigation)	25%	Tools in general	33⅓%
Computer hardware and operating systems	20%	Application software (over €1,709)	33⅓%
Application software up to €1,709	100%	Televisions and videos	10%
Wind power generators; photovoltaic systems	10%	Air-conditioning; printing and binding machines	10%
Buildings			
Commercial buildings; flats	3%	Industrial, agricultural and hotel buildings	4%
Metallic greenhouse structures	10%	Wooden greenhouse structures	33⅓%
Vehicles and means of transport			
Commercial motor vehicles; motor cycles	20%	Excavators, tractors, bulldozers, loaders, drums for petrol companies	25%
Armoured motor vehicles	20%	Specialised railroad-laying machinery	20%
New aeroplanes and helicopters	8%	Sailing vessels	4.5%
Motor yachts; steamers, tugs and fishing boats	6%	Ship motor launches	12.5%
New cargo vessels	8%	New passenger vessels	6%
Used cargo and passenger vessels	Over useful life	Videotapes of video clubs	50%
Environmentally friendly assets (expenditure in 2023 – 2030)			
Energy-efficiency improvements to buildings (e.g. thermal insulation)	7%	Technical energy-efficiency systems, renewable energy systems, storage batteries	20%
New electric vehicles of various types	33⅓%	Electric vehicle charging stations of certain types	33⅓%

● Losses and group relief

A loss that cannot be set against other income of the same year is carried forward and set against profits of the next seven years (five years up to 2025). The extension applies retrospectively so that losses of 2019 not relieved by 2024 are available against 2026 profits. Losses are forfeited where, within any three-year period, there is a change in the ownership of the shares together with a substantial change in the nature of the business, or where ownership changes after the scale of activities has diminished or become negligible and before any substantial reactivation. Losses from a business carried on abroad may be set against other income of the same year. Losses of an exempt foreign PE may be set against Cyprus profits, with recapture when the PE later becomes profitable.

The current-year loss of one company may be surrendered to another Cyprus resident company of the same group, provided both were members for the whole year (a company incorporated by its parent during the year counts as a member for the whole year) and the claimant first uses its own brought-forward losses. Two companies are in a group if one holds at least 75% of the voting shares of the other, directly or indirectly, or both are at least 75% held by a third company. Since 2015 the interposition of a non-resident company does not break the group if it is resident in the EU or in a treaty or exchange-of-information partner, and a Cyprus company may claim the losses of an EU resident group company that has exhausted all possibilities of relief in its own state or in the state of any intermediary EU holding company, computed under Cyprus rules.

● Reorganisations

Transfers of assets and liabilities between companies within a qualifying reorganisation (mergers, demergers, partial divisions, transfers of assets, exchanges of shares and transfers of the registered office of an SE or SCE) are effected without income tax, corporation tax, capital gains tax, transfer fees, mortgage fees or the 0.4% levy, and tax losses of the transferor may be carried forward by the receiving entity. Since 2016 the Commissioner may refuse the relief where the reorganisation lacks valid commercial and economic reasons, and may impose conditions on the number of shares issued and a holding period for them of up to three years.

● Notional interest deduction

Companies and Cyprus PEs of foreign companies may claim a notional interest deduction (NID) on new equity, being paid-up share capital and share premium introduced on or after 1 January 2015 and used in the business. Amounts capitalised from revaluation reserves and equity funded by loans on which interest has been deducted do not qualify, and assets contributed in kind are valued at no more than market value. The NID equals the new equity multiplied by the reference rate: the yield of the 10-year government bond of the country in which the equity is invested at 31 December of the preceding year plus 5%, or the Cyprus bond plus 5% where that country has issued no bond. The NID cannot exceed 80% of the taxable profit before NID computed separately for each asset financed, cannot create or increase a loss, is subject to specific anti-avoidance provisions, and may be claimed in whole, in part or not at all in any year. The NID is not a borrowing cost for the ATAD interest limitation rule (Tax Department Circular 6/2023), so it neither counts towards exceeding borrowing costs nor is restricted by the 30% EBITDA limit.

● R&D super-deduction and the IP Box

Article 9(1)(d) of the Income Tax Law grants an additional 20% deduction on eligible R&D expenditure incurred by the economic owner of the resulting IP, giving a total deduction of 120%; the additional deduction on capital items is spread over the useful life of the asset (maximum 20 years). It is not available to taxpayers claiming the IP Box deduction on the same assets, and does not cover property, plant and equipment on which capital allowances are claimed.

Under the IP Box (article 9(1)(k)) 80% of qualifying profits from qualifying intangible assets is deducted. At full nexus the deduction produces Cyprus corporation tax of 3% on qualifying net IP profit, before other applicable reliefs and any Pillar Two adjustment; a lower nexus fraction increases this rate, and other deductions, losses or credits change the final liability, so 3% is not a guaranteed minimum. Qualifying assets are patents and patent equivalents, copyrighted software, utility models, plant and genetic material protections, orphan drug designations, patent extensions and other non-obvious, useful and novel intangibles certified by a designated authority where the taxpayer's IP revenue does not exceed €7.5m and group revenue does not exceed €50m on a five-year average. Marketing intangibles such as trademarks do not qualify. Qualifying profit is overall IP income (gross IP income less direct expenses, including tax amortisation and any NID attributable to the asset) multiplied by the nexus fraction (qualifying expenditure plus uplift, divided by overall expenditure); the 80% deduction is applied after that computation. R&D outsourced to related parties is not qualifying expenditure. Losses under the regime are restricted to 20% for group relief and carry-forward. Guide 03, Cyprus IP Box Guide, contains the full computation.

● Shipping, insurance and funds

Tonnage tax

The Merchant Shipping legislation, approved by the European Commission for a further ten years from 1 January 2020 (approval extended to 31 December 2029), exempts qualifying ship owners, charterers and ship managers from all direct taxes on qualifying activities and charges tonnage tax instead. It covers Cyprus, EU and EEA flag vessels and, where the fleet is at least 60% Community-flagged or other criteria are met, non-Community vessels; it is compulsory for Cyprus flag ships, optional for others and carries a ten-year minimum commitment on an "all or nothing" basis for the group. Exempt items include profits from operating or chartering qualifying ships, interest on working capital, gains on ships and ship-owning companies and dividends from these profits at all levels, together with crew salaries on Community ships. Charterers must own or bareboat charter in at least 25% (10% under conditions) of net tonnage; ship managers must keep a fully fledged Cyprus office, employ at least 51% EU/EEA onshore staff and manage at least two thirds of tonnage within the EU/EEA. Ancillary income up to 50% of core maritime income qualifies, and environmentally friendly vessels obtain reductions of up to 30%.

Annual tonnage tax rates

Net tonnage units	Owners and charterers (per 100 units)	Ship managers (per 400 units)
0 – 1,000	€36.50	€36.50
1,001 – 10,000	€31.03	€31.03
10,001 – 25,000	€20.08	€20.08
25,001 – 40,000	€12.78	€12.78
Over 40,000	€7.30	€7.30

Residual tonnage of less than 100 units is charged proportionally. Tonnage tax declarations are due by 28 February (charterers, managers and owners of foreign-flagged vessels, for the previous year) and 31 March (owners of Cyprus-flagged vessels, for the current year). Late payment attracts a 10% surcharge for each year of delay.

Insurance companies

Insurance companies are taxed like other companies. Up to 2025, where corporation tax on life insurance business was less than 1.5% of gross premiums, the difference was payable as additional corporation tax; this minimum tax is abolished from 1 January 2026. A special tax on bank deposits of 0.0375% per quarter applies to financial institutions only.

Alternative investment funds and UCITS

Funds in corporate form managed and controlled in Cyprus are resident and taxed under the general rules, each compartment separately; common funds and limited partnerships are generally transparent. Interest received by a fund is active interest taxed only at 15%, the NID is available, inbound dividends are generally exempt, and gains on disposal or redemption of units are exempt from income tax and CGT unless the fund holds Cyprus immovable property and is unlisted. No Cyprus PE arises for non-resident investors in Cyprus transparent funds or from the Cyprus management of a foreign fund; distributions to non-residents and Cyprus companies bear no withholding, while distributions to resident domiciled individuals bear SDC. Fund management services are exempt from VAT. Executives of AIF managers, UCITS management companies, internally managed funds and delegated portfolio or risk managers may elect annually to have variable remuneration connected to carried interest or performance fees taxed at a flat 8% (minimum €10,000 a year) for ten years.

WORKED EXAMPLE: CORPORATION TAX COMPUTATION 2026

Assumptions: a Cyprus trading company with gross income of €2.5m reports an accounting profit of €400,000 for 2026. New equity of €1,000,000 was introduced in 2026 and the taxable profit of the assets it finances, before NID, is €60,000; the NID reference rate of 8.5% is illustrative. Eligible R&D revenue expenditure of €50,000 is already charged in the accounts. Losses of €30,000 from 2022 are brought forward and no group relief is claimed.

Corporation tax computation 2026

Item	€
Accounting profit before tax	400,000
Add: depreciation (60,000); entertainment in excess of the lower of €30,000 and 1% of gross income of €2.5m, i.e. €25,000 (excess 8,000); saloon car expenses (6,000)	74,000
Less: dividend income exempt (40,000); gain on sale of listed shares exempt (25,000); unrealised forex gain (5,000)	(70,000)
Less: wear and tear allowances	(48,000)
Less: notional interest deduction on €1,000,000 new equity at a reference rate of 8.5% (85,000), restricted to 80% of the taxable profit of the assets financed (assumed €60,000 before NID), i.e. €48,000	(48,000)
Less: additional 20% R&D deduction on €50,000 of eligible revenue expenditure	(10,000)
Less: losses brought forward from 2022	(30,000)
Taxable profit	268,000
Corporation tax at 15%	40,200

The NID is limited to 80% of the €60,000 profit of the assets financed (€48,000); the €37,000 of NID not deductible because of the cap is not carried forward. Had the full €60,000 been deducted, corporation tax would have been understated by €1,800. Provisional tax on the 2026 estimate is payable in two instalments on 31 July and 31 December 2026, and the balance by self-assessment with the 2026 return by 31 January 2028 (Chapter 12).

● Pillar Two global minimum tax

Cyprus transposed the EU Minimum Tax Directive (Council Directive (EU) 2022/2523) with effect from 31 December 2023: the income inclusion rule applies for financial years beginning on or after 31 December 2023, and the undertaxed profits rule and domestic minimum top-up tax (DMTT) for financial years beginning on or after 31 December 2024. The rules apply to multinational and large-scale domestic groups with consolidated revenue of €750 million or more in at least two of the four preceding fiscal years and impose a top-up tax where the jurisdictional effective tax rate is below 15%. The Cyprus DMTT allows the push-down of foreign taxes such as CFC taxes and respects all safe harbours, including the transitional CbCR and UTPR safe harbours; governmental entities, international and non-profit organisations, pension funds and ultimate-parent investment funds are excluded, and a de minimis exclusion applies below €10 million of average revenue and €1 million of average qualifying income. A GloBE Information Return and a notification are due 15 months after the year end (18 months for the first year) and a top-up tax return and payment 30 days after the GIR (30 July 2026 for the year ended 31 December 2024).

FIRST-PERIOD RELIEF: TAX DEPARTMENT ANNOUNCEMENT OF 15 JUNE 2026

For fiscal years commencing between 31 December 2023 and 31 December 2024, no administrative penalties, interest or surcharges are imposed where the first-period notifications (forms TD331 – TD334), the top-up tax information return, the income inclusion rule return (TD335) and the related top-up tax payments that fell due before 30 September 2026 are submitted and paid by 30 September 2026, subject to the conditions of the announcement. The statutory deadlines themselves are unchanged, and the relief does not extend to later fiscal years. Check the Tax Department's announcements for any extension before relying on this date.

CAUTION

A statutory rate of 15% does not mean a GloBE effective rate of 15%. The notional interest deduction, the IP Box deduction, exempt securities gains and exempt foreign PE profits all reduce covered taxes relative to GloBE income. In-scope groups with Cyprus entities should model the jurisdictional ETR before relying on the DMTT to eliminate top-up tax elsewhere.

06

Transfer pricing and international tax

Cyprus applies the arm's length principle with OECD-based documentation requirements, has transposed both EU Anti-Tax Avoidance Directives, participates in DAC6, DAC8 and country-by-country reporting, and levies defensive withholding taxes on payments to blacklisted and low-tax jurisdictions. This chapter summarises each regime with its 2026 thresholds and deadlines.

€10m / €5m / €2.5m Local File thresholds from 2026: financing / goods / other	30% EBITDA limit on exceeding borrowing costs (€3m safe harbour)	€750m Group revenue threshold for CbCR, Master File and Pillar Two	30 days DAC6 reporting window from the trigger event
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• Transfer pricing documentation

Since 1 January 2022 Cyprus tax resident persons and Cyprus PEs of non-residents that engage in domestic or cross-border transactions with related parties (connected persons under article 33(3): 25% ownership tests, relatives and control) must document that the transactions are at arm's length, in line with the OECD Transfer Pricing Guidelines and BEPS Action 13. The framework has three tiers: a Master File, a Cyprus Local File and a Summary Information Table (SIT), supplemented by minimum documentation for persons below the Local File thresholds. Article 33 of the Income Tax Law empowers the Commissioner to impose deemed income where related-party terms differ from those between independent parties, and the counterparty may claim a corresponding deemed expense.

Transfer pricing obligations and thresholds

Document	Who must prepare it	Threshold (per category, per year)	Timing
Master File	Cyprus resident ultimate or surrogate parent entities of groups within CbC reporting	Consolidated group revenue of €750 million or more	By the income tax return deadline; submitted within 60 days of request

Document	Who must prepare it	Threshold (per category, per year)	Timing
Cyprus Local File	Cyprus resident companies and Cyprus PEs with controlled transactions at or above the thresholds (actual or arm's length value)	From 2026: €10 million for financing; €5 million for goods; €2.5 million for services, IP and other categories. For 2022 – 2025: €5 million financing; €1 million other categories	By the income tax return deadline; quality review by an ICPAC practising certificate holder; submitted within 60 days of request
Summary Information Table	All taxpayers with related-party transactions	No threshold	Electronically with the income tax return
Minimum TP documentation	Persons exempt from the Local File	Any controlled transaction not documented in a Local File	Submitted within 60 days of request

The documentation file must be updated annually to reflect market fluctuations and other events, may be prepared in English (a Greek translation may be requested) and is retained under the general six-year record-keeping rules. The SIT discloses the names and tax identification codes of counterparties and values per category: goods, services, royalties and other intangibles, financing and others.

Minimum documentation and simplification measures

Persons below the Local File thresholds must maintain, for each controlled transaction, a brief functional analysis (functions, assets, risks), a characterisation of the entity, the reasoning for the most appropriate transfer pricing method and a determination of the arm's length price supported by internal or external comparables or another OECD-compliant economic analysis. Optional simplification measures (safe harbours) apply to four categories of transaction under Circular 6/2023, provided the financing category does not exceed €5 million and the services category does not exceed €1 million in aggregate and no reliable internal comparables exist. Electing taxpayers keep the first two items of minimum documentation and evidence of eligibility; the election may itself be a reportable DAC6 hallmark.

Safe harbour rates

Transaction	Safe harbour
Loans or cash advances to related parties funded by borrowings (back-to-back)	Minimum return of 2.5% after allowable expenses, before tax
Loans or cash advances to related parties funded by equity	Minimum return equal to the 10-year government bond yield of the borrower's country (at 31 December of the prior year) plus 3.5%
Loans from related parties used in the business	Cost of debt not exceeding the Cyprus 10-year government bond yield (at 31 December of the prior year) plus 1.5%
Low value-adding services received or provided	5% mark-up on the relevant costs

Advance pricing agreements

Since 2022 Cyprus residents and Cyprus PEs may request a unilateral, bilateral or multilateral advance pricing agreement covering the method, comparables, adjustments and critical assumptions for specified current or future controlled transactions. An APA is valid for up to four years, is typically concluded within 10 – 24 months and may be revised or revoked where the underlying terms or assumptions change.

PENALTY

Failure to submit the SIT on time: €500. Local or Master File submitted 61 – 90 days after request: €5,000; 91 – 120 days: €10,000; later or not at all: €20,000.

● Anti-tax avoidance rules (ATAD)

ATAD measures in the Income Tax Law

Rule	Effective	Summary
Interest limitation	1 January 2019	Exceeding borrowing costs are deductible only up to 30% of tax-adjusted EBITDA, applied at Cyprus group level (75% test). Safe harbour of €3 million per company or group; exemptions for standalone entities, financial institutions and long-term public infrastructure loans; grandfathering of loans concluded before 17 June 2016; group equity escape; disallowed exceeding borrowing costs and unused interest capacity carried forward for five years (article 11(16)). Circular 6/2023 confirms that the notional interest deduction is not a borrowing cost for this rule.
Controlled foreign companies	1 January 2019	The non-distributed income of a CFC or foreign PE arising from non-genuine arrangements whose significant people functions are performed in Cyprus is included in the Cyprus controlling company's tax base; foreign tax is credited.
General anti-abuse rule	1 January 2019	Non-genuine arrangements put in place for the main purpose, or one of the main purposes, of obtaining a tax advantage that defeats the object of the law are ignored.
Exit taxation	1 January 2020	Tax on the market value less tax value of assets when a Cyprus company transfers assets to a foreign PE, transfers its residence abroad, or a Cyprus PE transfers assets or its business abroad, where Cyprus loses the right to tax. Inbound transfers take the exit value set by the other member state unless it does not reflect market value. Not applied to assets expected to return within 12 months in connection with securities financing, collateral or prudential requirements.
Hybrid mismatches	1 January 2020 (reverse hybrids 1 January 2022)	Neutralises double deductions and deductions without inclusion from hybrid financial instruments, hybrid entities, hybrid transfers, hybrid PE mismatches, imported mismatches and dual residence; follows the ATAD II minimum standards.

● Reporting regimes: DAC6, DAC8, CbCR and public CbCR

Mandatory disclosure (DAC6)

Law 41(I)/2021, amending the Administrative Cooperation Law 205(I)/2012, transposed DAC6 with effect from 1 January 2021 and retrospective effect for arrangements from 25 June 2018. A cross-border arrangement is reportable if it bears at least one hallmark. The generic hallmarks (confidentiality, fees linked to the tax advantage, standardised documentation) and certain specific hallmarks (loss buying, converting income into capital, circular transactions, deductible payments to zero-tax or preferential regimes) apply only where the main benefit test is met; the hallmarks on payments to blacklisted or stateless recipients, double depreciation or relief, asset valuation differences, undermining reporting, obscuring beneficial

ownership and transfer pricing (unilateral safe harbours, hard-to-value intangibles, transfers reducing EBIT by more than 50%) apply without it. EU-nexus intermediaries report within 30 days of the arrangement being made available, ready for implementation or first implemented; the obligation shifts to the taxpayer where the only intermediaries are outside the EU or protected by legal professional privilege. Ministerial Decree 438/2021 and the Tax Department's FAQs of 17 March 2022 provide guidance.

DAC6 administrative fines (per entity and arrangement)

Breach	Fine
Failure to report	€10,000 – €20,000
Delay in reporting up to 90 days / more than 90 days	€1,000 – €5,000 / €5,000 – €20,000
Inaccurate, incomplete or misleading report	€1,000 – €10,000
Failure by an intermediary to notify others of a privilege exemption; delay of 10 – 90 days / more than 90 days	€10,000 – €20,000; €1,000 – €5,000 / €5,000 – €20,000
Failure to provide information within 14 days of written notice	€1,000 – €10,000
Failure to pay or continued breach	Increase up to €20,000

Fines are capped at €120,000 per person per calendar year and may be reduced by 50% under conditions (Circular 55). Penalties may be imposed within six years of the year to which the arrangement relates (twelve years for wilful default or fraud) and records must be kept for six years.

Crypto-asset reporting (DAC8) and platform reporting

From 1 January 2026 the provisions of DAC8 are transposed into Cyprus law, requiring Reporting Crypto-Asset Service Providers to collect and report information on their users' crypto-asset transactions to the Tax Department for automatic exchange with other EU member states. Digital platform operators are separately subject to the EU platform reporting rules (DAC7) for sellers of goods, services and rentals, and payment service providers report cross-border payment data quarterly under CESOP from 1 January 2024. Common Reporting Standard filings for the preceding year are due by 30 June.

Country-by-country reporting

Multinational groups with consolidated revenue exceeding €750 million in the preceding fiscal year must file a CbC report within 12 months of the year end (31 December 2026 for the year ended 31 December 2025) through the Cyprus resident ultimate parent or a Cyprus resident surrogate parent; Cyprus constituent entities of other groups have secondary or equivalent filing obligations where the parent's jurisdiction does not exchange the report. Every Cyprus constituent entity must file a notification through the Ariadne portal by the last day of the reporting fiscal year identifying the reporting entity. Penalties reach €10,000 for failure to file the report, €5,000 for failure to notify, €1,500 for inadequate records, €500 for failure to provide information and €20,000 for continued infractions.

Under the EU public CbCR rules, groups with consolidated revenue above €750 million in each of the last two years and an EU presence (Cyprus ultimate parents, Cyprus standalone undertakings with a foreign branch, medium or large Cyprus subsidiaries of non-EU groups and Cyprus branches with turnover above €8 million) must publish an income tax information report in Greek or English within 12 months of the balance sheet date, keep it available for five years and, for EU parents, use XHTML with iXBRL. The first reporting year starts on or after 22 June 2024, so calendar-year groups publish their 2025 report by 31 December 2026.

● Withholding taxes on payments to non-residents

Cyprus does not levy withholding tax on dividends, interest or royalties paid to non-residents, except royalties for rights used within Cyprus (10%, or 5% for cinematographic films), which may be reduced by treaty or eliminated under the EU Interest and Royalties Directive for associated EU companies (25% direct holding). Withholding also applies at 10% on technical services performed in Cyprus by non-residents (not through a Cyprus PE or between associated EU companies), 10% on the gross income of non-resident individuals from a profession or vocation exercised in Cyprus and of public entertainers including athletic missions, and 5% on income of non-residents without a Cyprus PE from exploration, extraction and exploitation of the continental shelf and related pipelines and installations. Tax withheld is paid by the end of the following month; late payment of film rental withholding attracts an additional 5% penalty plus interest.

Defensive withholding taxes and deduction restrictions

Payment	EU non-cooperative jurisdiction	Low-tax jurisdiction (from 2026)	Conditions
Dividends from non-quoted companies	17%	5%	Recipient (or indirect recipient, unless conditions are met) is a company; 50% association test between payer and recipient; the jurisdiction must appear on the EU list in the latest publication of both the current and the previous year; payments to individuals excluded. Where a jurisdiction is both blacklisted and low-tax, the 17% rate and the blacklist rules prevail.
Interest (excluding payments by individuals)	17%	Nil, but non-deductible	
Royalties (excluding payments by individuals)	10%	Nil, but non-deductible	

A low-tax jurisdiction is one whose nominal corporate tax rate is lower than 50% of the Cyprus rate, i.e. below 7.5%. The EU blacklist withholding taxes apply from 31 December 2022 (interest at 30% until 31 December 2023). Interest and royalties accrued to associated companies or PEs in low-tax jurisdictions are non-deductible from 2026 unless the interest relates to securities listed on a recognised exchange or the amount is subject to Cyprus withholding tax; an anti-conduit rule catches indirect payments.

PLANNING POINT

Before every dividend, interest or royalty payment to a non-resident associate, check three lists: the current and previous EU blacklist publications, the nominal corporate rate of the recipient's jurisdiction against the 7.5% test, and the treaty position for royalties used in Cyprus. Document the beneficial owner and the 50% association analysis in the payment file, since the defensive rules look through to indirect recipients.

07

Capital gains tax and immovable property

Cyprus has no general capital gains tax. The 20% charge applies only to gains on immovable property situated in Cyprus and on shares that derive value from such property. Around it sit the Land Registry transfer fees, the 0.4% levy on disposals, VAT on new buildings and building land, and the 2026 abolition of stamp duty. This chapter brings the property taxes together for buyers, sellers and landlords.

20%

Capital gains tax on Cyprus immovable property

€150,000

Lifetime exemption of gain on a qualifying main residence (overall cap)

0.4%

Levy on property disposals paid by the seller

5%

VAT on the first 130 m² of a main residence

• Scope of capital gains tax

Capital gains tax (CGT) is imposed at 20% on gains from the disposal of immovable property situated in Cyprus, including gains on shares in companies that directly own such property, where the disposal is not subject to income tax. Since 17 December 2015 shares in companies that indirectly own Cyprus immovable property are also within scope where at least 50% of the market value of the shares derived from that property; from 1 January 2026 the threshold falls to 20%, and no liabilities are taken into account in measuring the 20%. In a share disposal only the part of the gain relating to the Cyprus property is taxed, and the proceeds subject to CGT are restricted to the market value of the property held; for property companies, the sale proceeds of the shares are adjusted by deducting the fair value of other assets and adding liabilities. Disposals between related parties are measured at market value. Trading profits from disposals of shares in property-owning companies are subject to income tax rather than CGT.

"Disposal" includes sale, exchange, leasing, gifting, abandoning the use of a right, granting a right to purchase and any sums received on cancellation of a disposal. From 2026 an exchange of land with a developer for properties to be developed, or for land division, is not a disposal provided title deeds are issued and the development is completed within five years. Shares and fund units listed on a regulated market of a recognised stock exchange are excluded; from 2026 disposals of shares listed on an unregulated market are within CGT unless the disposals in the year do not exceed €50,000, and gains on such shares held and listed at 31 December 2025 remain exempt.

● Computing the gain

Only gains accruing from 1 January 1980 are taxed. The gain is the disposal proceeds less the greater of the market value at 1 January 1980 and the cost of acquisition and improvements made after that date, both adjusted for inflation to the date of disposal using the consumer price index (the index at 1 January 1980 was 67.15 on the 1986 base). Expenses related to the acquisition and disposal, such as interest on related loans, transfer fees and legal expenses, are also deducted subject to conditions. Individuals then deduct the lifetime exemptions.

Lifetime exemptions for individuals

Disposal	2026	2025
Private principal residence (exemption of gain, subject to the occupation, land area and other statutory conditions)	€150,000	€85,430
Agricultural land disposed of by a farmer	€50,000	€25,629
Any other disposal	€30,000	€17,086
Overall lifetime maximum	€150,000	€85,430

The lifetime exemptions are allowances against the gain, not against the sale price: an ordinary sale of a qualifying main residence is relieved only up to €150,000 of gain, reduced by any allowance already used, and the balance is taxed at 20%. The €450,000 value limit (€350,000 up to 2025) is not a general main residence exemption: it belongs to the separate relief in article 5(4) for transfers of a private principal residence in the course of a qualifying loan restructuring or debt-for-asset swap, which has its own conditions. An individual who has already used the old lifetime exemptions in full may claim the difference between the new and old amounts on future disposals.

● Exemptions from capital gains tax

- Land, or land with buildings, acquired at market value from unrelated parties between 16 July 2015 and 31 December 2016 (excluding exchanges, donations and foreclosures), on its later disposal.
- Transfers on death.
- Gifts between spouses, from parent to child and between relatives up to the third degree.
- Gifts to a company whose shareholders are members of the donor's family and remain so for five years; gifts by a family company to its shareholders where the property was itself received as a gift, provided the donee keeps it for at least three years.
- Gifts to approved charities, the Republic, local authorities and political parties.
- Transfers within a qualifying reorganisation and in the course of qualifying loan restructurings and debt-for-asset swaps, including (article 5(4)) transfers of a private principal residence with sale proceeds of up to €450,000 (€350,000 up to 2025), subject to conditions.
- Exchanges under the Agricultural Land (Consolidation) Laws and expropriations.
- Exchanges of property where the gain is reinvested in the new property; the untaxed gain reduces the cost of the new property so that tax is deferred.
- Exchange of land with a developer for units to be built, subject to the five-year completion condition.

• Transfer fees and the 0.4% levy

Land Registry transfer fees payable by the acquirer

Market value	Rate	Fee in band	Cumulative fee
First €85,000	3%	€2,550	€2,550
€85,001 – €170,000	5%	€4,250	€6,800
Over €170,000	8%	—	€6,800 + 8% of excess

No transfer fees are payable where VAT applies to the purchase; where VAT does not apply the fees are reduced by 50%. Fees are assessed on the value at the date of transfer or, where a sale contract was filed earlier with the Land Registry, the value at the contract date. Free transfers: parent to child nil; between spouses and relatives up to the third degree 0.01% of the value; to trustees €50. Mortgage registration fees are 1% of the current market value. Reorganisations and qualifying debt-for-asset swaps are exempt from transfer and mortgage fees.

Transfer fees on typical purchases (no VAT, 50% reduction applied)

Property value	€100,000	€200,000	€300,000	€500,000
Fees before reduction	€3,300	€9,200	€17,200	€33,200
Fees payable	€1,650	€4,600	€8,600	€16,600

A levy of 0.4% for the Central Agency for the Equal Distribution of Burdens applies from 22 February 2021 to all disposals of immovable property within the areas controlled by the Republic, whether of a trading or capital nature, and from 18 November 2022 also to disposals of shares in companies that directly or indirectly hold such property and are not listed on a recognised exchange. On a direct disposal the levy is charged on the consideration; on a share disposal it is charged on the latest general valuation of the property by the Department of Lands and Surveys. The seller pays. Debt-for-asset swaps, qualifying reorganisations and listed shares are exempt. CGT and the levy are paid within 30 days of the disposal.

• VAT on immovable property

The VAT rules for property are summarised here because they determine whether transfer fees apply and which rate a buyer pays; Guide 02, Cyprus and EU VAT Guide, contains the full treatment.

VAT treatment of property transactions

Transaction	Treatment
Sale of a new building before first occupation (from 1 September 2026)	Subject to VAT where the planning or building permit application was filed after 1 May 2004. Under R.A.A. 103/2026 "first occupation" means the first systematic use of the building for at least 18 months, including owner-occupation, self-use or leasing; transfers of buildings with their land, sale contracts, agreements for future transfer and leases with a purchase option are all within scope. Up to 31 August 2026 the test was supply before first delivery or within five years of completion without 24 months of actual use by an unrelated person.
Sale of used buildings	Exempt (no input VAT recovery); transfer fees apply at the 50% reduced level
Sale of non-developed building land in the course of business (from 2 January 2018)	19%; land in livestock, environmental protection, archaeological and agricultural zones excluded

Transaction	Treatment
Lease of commercial property to a taxable person at least 90% engaged in taxable activities (leases from 13 November 2017)	19% unless the lessor exercises the irrevocable option not to charge VAT by filing form TD1220 within 30 days of signing the lease (from 1 April 2026); residential lettings are exempt
Long-term lease transferring the risks and rewards of ownership (from 1 January 2019)	Treated as a supply of goods at 19% or 5%
Transfer to a lender in a loan restructuring or forced sale	Reverse charge accounted for by the lender (article 11D)
Renovation and repair of private residences at least three years old	5%, excluding materials exceeding 50% of the value of the services; from 1 September 2026 the residence must also have been used for at least 18 months; additions and extensions included since 20 August 2020

The 5% rate for a primary and permanent residence

For applications under the rules in force from 16 June 2023 the reduced rate of 5% applies to the first 130 m² of a primary and permanent residence up to a value of €350,000, provided the total transaction value does not exceed €475,000 and the total buildable area does not exceed 190 m². VAT at 19% applies to the area between 130 m² and 190 m² and to value between €350,000 and €475,000; above either upper limit the whole transaction is at 19%. Individuals with disabilities obtain 5% on the first 190 m² regardless of total area. Where planning permission was obtained or applied for by 31 October 2023, the previous rules (5% on the first 200 m² of buildable area without a value limit) apply if the application is submitted within three years of the new law, i.e. by 16 June 2026, and the Commissioner may examine late applications caused by planning delays up to 31 December 2026 (R.A.A. 109/2026).

The rate is granted only after certified approval by the Tax Department. The application is filed before delivery of the residence (or within 12 months where the delay is justified) with proof of ownership, and evidence of use as the primary residence follows within six months of taking possession; residents of Cyprus, the EU and third countries are all eligible. A person who stops using the property as a primary residence within ten years must notify the Commissioner within 30 days and repay the VAT difference for the remaining years, except on death or transfer to an adult child who is a beneficiary. A false declaration is a criminal offence punishable by a fine of up to twice the VAT due, imprisonment of up to three years or both.

● Rental income, stamp duty and inheritance

Rental income of individuals is subject to income tax after a flat deduction of 20% of gross rents, interest on loans used to acquire the property and wear and tear allowances, and to GHS at 2.65%. From 2026 rents are no longer subject to SDC. From 1 July 2026 rent for Cyprus immovable property must be paid by bank transfer, debit or credit card or another recognised electronic method; otherwise the rent is not deductible for the payer. The requirement is not retrospective to rent paid between 1 January and 30 June 2026. Income from self-catering accommodation let through online platforms is business income under the Tax Department's 2023 circular.

Stamp duty is abolished for documents executed from 1 January 2026. Documents executed up to 31 December 2025 remain subject to the former rates (nil on the first €5,000, 1.5‰ from €5,001 to €170,000 and 2‰ above, capped at €20,000; €35 for contracts without a fixed sum), with exemptions for reorganisations and for assets or affairs outside Cyprus. Estate duty was abolished for deaths on or after 1 January 2000, but the executor or administrator must file a statement of assets and liabilities of the deceased with the Tax Department within six months of death, and outstanding tax must be settled before distribution. Transfers on death are exempt from CGT.

WORKED EXAMPLE: SALE OF A SECOND PROPERTY IN 2026

An individual bought an apartment in 2010 for €200,000 and sells it in 2026 for €400,000. The consumer price index adjustment on the cost is assumed to be €45,000 (the actual figure is computed from the published index at acquisition and disposal). Legal and agency costs are €8,000 and the individual has not previously used any lifetime exemption. The apartment is not the main residence.

Sale of a second property in 2026

Computation	€
Disposal proceeds	400,000
Less cost (200,000) and indexation (45,000)	(245,000)
Less disposal expenses	(8,000)
Chargeable gain	147,000
Less lifetime exemption (other disposal)	(30,000)
Taxable gain	117,000
Capital gains tax at 20%	23,400
Levy at 0.4% of €400,000 (seller)	1,600
Transfer fees (buyer): €25,200 reduced by 50% because no VAT applies	12,600

Both CGT and the levy are due within 30 days of the sale. Had the apartment been the seller's qualifying main residence, the €150,000 lifetime exemption would have been available instead of €30,000 and would have covered the whole €147,000 gain, but only if the statutory occupation, land area and other conditions were met and the allowance had not been used before; €147,000 of the €150,000 lifetime allowance would then be consumed, leaving €3,000 for future disposals. The sale price of €400,000 is irrelevant to that outcome: the €450,000 limit applies only to qualifying loan restructurings.

08

VAT and indirect taxes

VAT is charged on supplies of goods and services in Cyprus, on intra-EU acquisitions and on imports, at a standard rate of 19% with reduced rates of 9%, 5% and 3% and a zero rate. This chapter summarises the rates, registration rules, reverse charge, e-commerce schemes, refunds and penalties, together with customs and excise duties. Guide 02, Cyprus and EU VAT Guide, provides the full treatment.

19% Standard VAT rate	€15,600 Registration threshold for established businesses	10th Day of the second month after the quarter: return and payment	6 years Limit for claiming a VAT credit refund
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• Rates and exemptions

VAT rates and principal categories

Rate	Principal supplies
19%	All supplies of goods and services not taxed at another rate or exempt, including non-developed building land, new buildings before first occupation (other than qualifying main residences), commercial leases to taxable persons and professional services
9%	Restaurant and catering services including alcoholic drinks, beer and wine; hotel and holiday accommodation; passenger transport by taxi and tour, excursion and suburban buses; domestic sea passenger transport; artistic and entertainment events whose admission includes catering. The temporary 9% rate on residential electricity under tariffs 01, 02, 08 and 56 expired on 31 March 2026 and was replaced by the temporary 5% rate below
5% (temporary)	Electricity for domestic-use tariffs (private residences, recipients of public assistance and thermal storage tariffs) for meter readings from 1 May 2026 to 31 March 2027 under Κ.Δ.Π. 167/2026. Expiry: 31 March 2027 ; check for an extension before relying on the rate for later readings

Rate	Principal supplies
5%	Foodstuffs and non-alcoholic drinks (excluding soft drinks); medicines and vaccines; animal feed, fertilisers and pesticides; LPG in cylinders; bottled water and juices; children's car seats; coffins and undertakers' services; services of writers, composers and artists; hairdressing; admission to sports events, circuses, fairs, amusement parks, museums, zoos, cinemas, concerts and exhibitions without catering; school canteen catering; urban and rural bus fares; acquisition or construction of a primary residence (conditions); renovation and repair of private residences; construction and renovation of buildings used for exempt education
3%	Books, newspapers and magazines in physical or electronic form (excluding advertising and video or music publications); special lifting devices, wheelchairs and vehicles for disabled persons; orthopaedic items, surgical belts, splints and hearing aids; road cleaning, refuse collection and waste treatment other than by public bodies; sewage disposal and emptying of septic and industrial tanks; admission to the first performance of theatrical, musical and dance works of classical repertoire
0%	Exports and related services; international air and sea transport of goods; ship management and services for the direct needs of qualifying vessels and aircraft; goods placed in customs warehouses, free zones and suspension regimes; goods incorporated into drilling platforms; supply of gold to the Central Bank; Braille typewriters and vehicles for disabled persons
0% (temporary)	Specified essential goods (children's milk, women's sanitary products, children's and adults' nappies and specified basic foodstuffs such as bread, milk, eggs, baby food, coffee, sugar and fresh fruit and vegetables, as listed in the relevant regulations), extended to 31 December 2026 . Specified meat and fish : fresh, chilled and frozen meat and edible offal, and fish, as defined by the statutory categories and exclusions in K.Δ.Π. 168/2026 (products outside those categories keep their ordinary rate, normally 5% for food), from 6 April 2026 to 30 September 2026 . Both measures expire on the dates shown unless extended; check the current regulation immediately before applying the zero rate
Exempt	Letting of residential dwellings; supplies of used buildings and of buildings whose permit was applied for before 1 May 2004; most banking, financial and insurance services; hospital, medical and dental care; education; cultural and sporting services by non-profit bodies; postal services of the national provider; lottery tickets and betting; management of investment funds

A business making zero-rated supplies recovers input VAT; a business making exempt supplies cannot recover the VAT on related purchases, expenses and imports, except for financial and insurance services supplied to customers outside the EU. Input VAT is also irrecoverable on the purchase, import or hire of saloon cars (unless used for car hire, driving instruction or as taxis), on entertainment and hospitality other than for staff and directors, on goods under the second-hand scheme and on accommodation of directors and connected persons.

● Registration

Registration obligations

Situation	Threshold and timing
Persons established in Cyprus making taxable supplies (including zero-rated supplies)	Taxable turnover exceeding €15,600 in the preceding 12 months, or expected to exceed €15,600 in the next 30 days; exempt supplies and disposals of capital assets are ignored
Persons not established in Cyprus making taxable supplies in Cyprus (from 20 August 2020)	No threshold, but registration is not required where (i) the supplier uses the EU cross-border SME exemption (established in another member state, Union turnover not exceeding €100,000 and Cyprus turnover not exceeding €15,600, with an EX-number issued by the home state), (ii) the Cyprus business customer accounts for the VAT under the reverse charge, or (iii) the supplies are declared through the OSS or IOSS; exemption may also be requested where only zero-rated activities are carried on

Situation	Threshold and timing
Intra-EU acquisitions of goods	Acquisitions exceeding €10,251.61 in the calendar year, or expected to in the next 30 days
Supplies of services to VAT-registered customers in other member states	No threshold; VIES registration and monthly VIES returns required
Receipt of services from abroad or specified domestic services under the reverse charge	€15,600 in any consecutive 12-month period
Distance sales of goods and telecommunications, broadcasting and electronic services to consumers in other member states	Pan-EU threshold of €10,000; above it VAT is due in the customer's state, normally through the OSS
Voluntary registration	Available below the threshold and for businesses supplying outside Cyprus services that would be taxable if supplied in Cyprus
Intrastat	Arrivals exceeding €380,000 or dispatches exceeding €75,000 in 2026; monthly declarations by the 10th of the following month

Cyprus operates VAT grouping for entities with financial, economic and organisational links, including non-Cyprus incorporated entities with a business or fixed establishment in Cyprus; intra-group supplies are disregarded and a single return is filed by the representative member, subject to the Commissioner's approval.

● Returns, payments and refunds

VAT returns are submitted electronically through the Tax For All (TFA) portal on a quarterly basis, with payment by the 10th day of the second month following the end of the VAT period; a deadline falling on a weekend or public holiday moves to the next business day. The Commissioner may approve or require a different period. Excess input VAT is carried forward, but an immediate refund may be claimed where four months have elapsed since the credit arose, where the credit cannot be offset by the last period of the following year, or where the input VAT relates to zero-rated supplies, capital assets, supplies outside the scope of Cyprus VAT that would be taxable if made in Cyprus, or financial and insurance services to non-EU customers. Refunds are paid by bank transfer after submission of form TD2008 with an IBAN certificate, carry interest at the official rate (3.5% for 2026) from the first day of the fifth month after the application (eight months where the claim is reviewed), and are suspended where the taxpayer has not filed income tax returns (TD1, TD4 or TD7). The right to claim a refund is limited to six years from the end of the VAT period in which it arose.

● Reverse charge and e-commerce

Domestic reverse charge (VAT accounted for by the customer)

Transaction	Article	Effective
Construction, alteration, demolition, repair and maintenance services between businesses, including from non-taxable suppliers since 20 August 2020	11B	9 March 2012
Trade of scrap metal and specified goods	11C	
Transfer of immovable property and land to a lender in loan restructuring or forced transfer	11D	2 January 2018
Mobile phones, network devices, microprocessors, CPUs, gaming consoles, tablets and laptops	11E	1 October 2020

Transaction	Article	Effective
Raw and semi-processed precious metals	11F	7 October 2022

Under the EU e-commerce package in force since 1 July 2021, the former distance-selling thresholds are replaced by the single €10,000 pan-EU threshold, the One Stop Shop (OSS) covers all B2C services and intra-EU distance sales of goods, online marketplaces are deemed suppliers for certain B2C sales, the €22 import exemption is abolished, and the Import One Stop Shop (IOSS) allows VAT on imported consignments of up to €150 to be collected at the point of sale, with a postal simplification for consignments not using the IOSS. Since 1 January 2025 virtual attendance at events is taxed where the customer is established or resides. The VAT in the Digital Age (ViDA) package will amend these rules in stages from 2027.

● VAT penalties

VAT penalties

Failure	Penalty
Late registration	€85 per month of delay
Late deregistration	€85 one-off
Late submission of a VAT return	€100 per return
Late payment of VAT	10% additional tax plus interest at the official rate on the VAT and the additional tax, by complete months
Failure to apply the reverse charge (from 1 July 2021)	€200 per return, maximum €4,000 in total
Failure to keep books and records for 6 years	€341
Late VIES return / late corrective VIES return	€50 / €15 per return
Omission to submit a VIES return	Criminal offence; fine up to €850
Late Intrastat return / omission beyond 30 days	€15 per form / criminal offence with a fine up to €2,562

PLANNING POINT

Where a Cyprus company receives services from abroad (software licences, consultancy, advertising) its reverse-charge obligation arises even if it makes no taxable sales, once the €15,600 threshold is crossed. Holding and financing companies commonly overlook this and accumulate the €200-per-return penalty for failing to apply the reverse charge.

● Customs and excise duties

As part of the EU Customs Union, Cyprus applies the Union Customs Code, the Common Customs Tariff and TARIC directly. Duty depends on classification, origin (preferential origin under EU trade agreements can reduce duty to zero provided proof is retained) and customs value, normally the transaction value plus commissions other than buying commissions, transport and insurance to the EU border and royalties. Temporary admission, inward and outward processing and customs warehousing suspend or relieve duty; Authorised Economic Operator status gives access to simplified procedures across the EU; entry summary declarations are filed in ICS2 and proof of Union status through the PoUS system. Excise duties under Law 91(I)/2004 apply to energy products, alcohol and tobacco and to certain national items: unleaded petrol and

motor gas oil at €429 and €400 per 1,000 litres (temporarily €359 and €330 from 4 April to 30 June 2026), heating gas oil at €74.73 per 1,000 litres, ethyl alcohol at €956.82 per hectolitre of pure alcohol, beer at €6 per hectolitre per degree (€3 for small independent breweries), wine at nil, cigarettes at €1.10 per packet of 20 plus 34% of the retail price (minimum €2.43), fine-cut and heated tobacco at €150 per kilogram and e-cigarette liquid at €0.12 per ml. Duty becomes payable on release for consumption; suspension arrangements require a tax warehouse licence, SEED registration and EMCS documents. The Carbon Border Adjustment Mechanism entered its definitive phase on 1 January 2026 for cement, iron and steel, aluminium, fertilisers, electricity and hydrogen, and shipping companies must surrender EU ETS allowances for 70% of 2025 emissions by 30 September 2026 and 100% from 2027.

09

Payroll, social insurance and GHS

Employers withhold income tax (PAYE), social insurance and General Healthcare System contributions from salaries each month and add their own contributions to five funds. Self-employed persons pay their own contributions on assessed income. This chapter sets out the 2026 rates, ceilings and minimum bases, the GHS €180,000 aggregate cap, the payroll filing obligations and a full employer-cost example.

8.8%

Social insurance for
employee and employer
each

€68,904

Maximum insurable
earnings 2026 (€5,742 a
month)

**2.65% /
2.9%**

GHS employee /
employer

€180,000

Annual income cap for
GHS contributions

• Social insurance contributions

Social insurance rates and ceilings

Item	2026	2025	2024
Employee contribution	8.8%	8.8%	8.8%
Employer contribution	8.8%	8.8%	8.8%
Self-employed contribution	16.6%	16.6%	16.6%
Maximum insurable earnings: annual	€68,904	€66,612	€62,868
Maximum insurable earnings: monthly	€5,742	€5,551	€5,239
Maximum insurable earnings: weekly	€1,325	€1,281	€1,209

The 8.8% and 16.6% rates apply from 1 January 2024 for five years and rise every five years thereafter, reaching 10.3% – 10.7% and 19.6% – 20.4% respectively from 1 January 2039 depending on actuarial studies. For weekly-paid employees the 2026 annual ceiling is €68,900 (52 weeks at €1,325).

Other employer contributions on employees' emoluments

Fund	Rate	Base
Social cohesion fund	2.0%	Total emoluments without any ceiling
Redundancy fund	1.2%	Emoluments up to the social insurance ceiling
Human resource development (industrial training) fund	0.5%	Emoluments up to the social insurance ceiling
Central holiday fund	8.0%	Emoluments up to the ceiling, unless the employer is exempt because it operates its own acceptable holiday arrangements

Employer contributions to social insurance, GHS and the other funds are deductible for corporation tax, as are contributions to approved provident and pension funds up to 10% of the employee's remuneration and to medical funds. Salaries on which the contributions have not been paid in the year they fall due are not deductible until paid, provided payment is made within two years of the due date.

Self-employed persons

Self-employed persons contribute 16.6% of their insurable income, which is subject to a minimum and a maximum depending on the profession or trade. The minimum weekly insurable earnings are set each year by category; the maximum is the general ceiling of €1,325 a week. Contributions are paid quarterly, each quarter corresponding to 13 weeks. The prescribed occupational minimum is the default base, not a floor that can only be increased: a self-employed person whose actual income is below the prescribed amount may apply to the Social Insurance Services to contribute on actual income, provided the statutory application and evidence requirements are met and the application is approved; actual profit is not substituted automatically. A person whose income exceeds the minimum may likewise contribute on actual income up to the ceiling.

Minimum weekly insurable earnings for the self-employed (5 January 2026 – 3 January 2027)

Occupational category	Weekly minimum
Persons exercising a profession (doctors, pharmacists, accountants, economists, lawyers and similar): up to 10 years	€485.67
Persons exercising a profession: over 10 years	€982.38
Wholesalers, estate agents, managers and other entrepreneurs	€982.38
Teachers and professors: up to 10 years / over 10 years	€474.63 / €949.27
Builders and persons in the building industry	€596.05
Skilled workers; secretaries, typists, cashiers, technical assistants, media associates, drivers, excavator operators, carpenters and similar	€474.63
Designers, computer users, marine engineers, agents, musicians and persons without an occupation	€485.67
Cleaners, messengers, guards and shop owners	€452.56
Butchers, bakers, confectioners and packers	€364 (rounded)
Travelling salesmen, postmen, waste collectors, miners, sailors, farmers, stock-farmers and fishermen	€331.14

● General Healthcare System contributions

GHS contributions under the General Healthcare System Law 89(I)/2001 as amended in 2017 have applied at the current (second-phase) rates since 1 March 2020. They are charged on emoluments, pensions, self-employment income and on rents, interest, dividends and other income, and are collected through payroll, by withholding on Cyprus dividends and interest, and by self-assessment on other income.

GHS contribution rates

Contributor	Applied on	Rate
Employees	Own emoluments	2.65%
Employers	Employees' emoluments	2.90%
Self-employed	Own income	4.00%
Pensioners	Pensions	2.65%
Persons holding an office (directors and public office holders)	Officers' remuneration	2.65%
The person paying an office holder's remuneration	Officers' remuneration	2.90%
Persons earning rental, interest, dividend and other income	Rents, interest, dividends and other income	2.65%
The Republic (Consolidated Fund)	Emoluments, pensions and income of the above persons	4.70%

Where the sum of a contributor's emoluments, pensions and other income exceeds €180,000 a year, contributions are payable only on €180,000. The cap is applied cumulatively in the following order: emoluments of employees, self-employed income, officers' remuneration, pensions and finally dividends, interest, rents and other income. Emoluments of seafarers who are not permanent residents and lump sums or gratuities paid to employees are exempt.

WORKED EXAMPLE: THE GHS CAP

A director receives a salary of €150,000, director's fees of €20,000 and dividends of €60,000 in 2026. GHS is due on the salary (€150,000 at 2.65% = €3,975), on the fees up to the remaining €30,000 of the cap (€20,000 at 2.65% = €530) and on only €10,000 of the dividends (€265). The €50,000 balance of dividends bears no GHS. The maximum GHS payable by an individual whose income is all charged at 2.65% is €4,770; a self-employed person with income above the cap pays up to €7,200 at 4%.

● Payroll obligations

Employer payroll compliance

Obligation	Form and deadline
Register as an employer with the Tax Department and Social Insurance Services	Before the first payroll

Obligation	Form and deadline
Obtain each employee's claim for allowances and deductions	Form TD59, at the beginning of the year or on hiring; the new 2026 deductions (children, housing, energy, insurance) are claimed on this form
Deduct PAYE and GHS from salaries and pay them with the monthly payroll return	Through the TFA portal by the end of the following month (the January 2026 return was extended to 31 March 2026)
Pay social insurance and other fund contributions	Through SISnet by the end of the following month
Submit the annual employer's return	Form TD7: the 2024 return was due by 20 April 2026 (extended) and the 2025 return by 30 September 2026 (extended)
Provide employees with annual certificates of emoluments and deductions	After the year end, to support the employees' returns
Withhold SDC and GHS on dividends and interest paid to residents	By the end of the following month, with form TD603

PENALTY

Late payment of PAYE and GHS through the monthly return attracts interest at 3.5% per annum plus 1% per completed month. Late payment of social insurance contributions attracts a penalty of 3% for each month of delay up to 27% of the amount due. Late submission of the employer's return attracts the €150 / €250 / €500 administrative penalty, and salaries whose contributions are unpaid are not deductible for the employer.

● Cross-border employment

Where an employee works in more than one EU or EEA state, or in Switzerland or the United Kingdom, the EU social security coordination rules determine which single national scheme applies, and an A1 certificate issued by the competent state evidences that coverage; contributions are then due only in that state. Posted workers and multi-state workers should obtain the certificate before the assignment starts. An A1 certificate deals only with social security: it does not determine income tax residence, the 183-day employment exemption under a treaty or immigration permission, each of which is tested separately. Remuneration for salaried services rendered outside Cyprus for more than 90 days in a year to a non-resident employer or a foreign PE of a Cyprus employer is exempt from Cyprus income tax (Chapter 03), but GHS and social insurance may still be due where Cyprus remains the competent state.

WORKED EXAMPLE: TOTAL COST OF A €60,000 SALARY IN 2026

Item	Employee	Employer
Gross salary	60,000.00	60,000.00
Social insurance 8.8% (below the €68,904 ceiling)	(5,280.00)	5,280.00
GHS 2.65% / 2.9%	(1,590.00)	1,740.00
Redundancy fund 1.2%; HRD fund 0.5%; social cohesion fund 2%	—	2,220.00
Income tax on €53,130 (€60,000 less €6,870 contributions, within the €12,000 one-fifth ceiling)	(7,839.00)	—
Net salary / total employer cost	45,291.00	69,240.00

The employee retains 75.5% of gross pay and the employer's cost is 115.4% of gross pay before any holiday fund contribution (8% of insurable earnings, €4,800, where the employer is not exempt) and before provident fund contributions.

10

Crypto-assets, investment income and other taxes

This chapter collects the rules for investment income that do not fit under a single tax: the new 8% regime for crypto-asset gains, the treatment of securities, interest and dividends across the different taxes, the taxation of trusts and Cyprus International Trusts, capital duty and registration fees, the abolished minimum tax on life insurers and the position on inheritance.

8%

Flat tax on crypto-asset gains from 2026

0%

Income tax and CGT on gains from securities

€105

Capital duty on incorporation

0%

Estate duty for deaths since 1 January 2000

• Crypto-assets NEW

From 1 January 2026 gains from transactions in crypto-assets derived by any person, individual or company, are subject to income tax at a flat rate of 8%. The regime covers the sale of crypto-assets, the gift of crypto-assets, the exchange of one crypto-asset for another and the use of a crypto-asset as a means of payment. Losses from crypto-assets may be set off only against gains from crypto-assets in the same tax year; they cannot reduce other income or be carried forward. The special mode does not apply to crypto-assets acquired through mining, which remain taxable under the normal rules, and it applies subject to conditions in the law.

Crypto-asset transactions from 2026

Event	Treatment
Sale for fiat currency	Gain (proceeds less cost) taxed at 8%
Exchange of one crypto-asset for another	Disposal of the asset given up; gain taxed at 8%; the asset received takes the value at the date of exchange as its cost
Payment for goods or services in crypto-assets	Disposal by the payer at the value of the goods or services; gain taxed at 8%
Gift of crypto-assets	Treated as a disposal; gain taxed at 8%
Mining rewards and later disposal of mined assets	Outside the 8% regime; taxed under the normal income tax or corporation tax rules
Losses	Set off only against crypto gains of the same year

Event	Treatment
Reporting by service providers (DAC8)	Reporting crypto-asset service providers report users' transactions to the Tax Department from 1 January 2026 for automatic exchange within the EU

CAUTION

Because losses are ring-fenced by year, the timing of disposals matters: a loss realised in December 2026 cannot shelter a gain realised in January 2027. Maintain a transaction ledger showing the acquisition date, cost in euro at the date of acquisition, disposal date and proceeds for every wallet and exchange account; DAC8 reports from service providers will be matched against returns.

● Securities, dividends and interest across the taxes

Investment income of a Cyprus resident: which tax applies

Income	Domiciled individual	Non-domiciled individual	Company
Gain on sale of shares, bonds and other securities	Exempt from income tax and CGT (unless the company holds Cyprus property)	Exempt	Exempt
Dividends	SDC 5% (17% on pre-2026 Cyprus profits to 2031); GHS 2.65%	GHS 2.65% only	Exempt (SDC 5% on foreign dividends failing the 50% / 7.5% test)
Interest	SDC 17% (3% on government and listed corporate bonds); GHS 2.65%	GHS 2.65% only	Corporation tax 15%
Rents	Income tax on 80% of gross rents less interest and capital allowances; GHS 2.65%	Same	Corporation tax 15%
Crypto-asset gains	8%	8%	8%
Foreign pension	5% over €5,000 or normal bands; GHS 2.65%	Same	—
Redemption of units in collective investment schemes	Exempt until 2031; from 1 January 2031 the gain on redemption (not the gross proceeds) is treated as a dividend-type receipt, subject to statutory exceptions	Exempt	Exempt

Foreign tax withheld on dividends and interest is credited against SDC or corporation tax on the same income whether or not a treaty exists, up to the Cyprus tax on that income; any excess is neither refunded nor carried forward by Cyprus. Foreign tax is not credited against GHS contributions.

● Trusts and Cyprus International Trusts

Cyprus trust law follows English equitable principles under the Trustees Law, Cap. 193. A trust is not a separate legal entity: the trustee holds legal title for the beneficiaries designated by the settlor. The International Trusts Law 69(I)/1992, substantially amended on 9 March 2012, provides a Cyprus International Trust (CIT) with enhanced asset protection where the settlor and the beneficiaries (other than charities) were not Cyprus tax resident in the calendar year before the trust was created and at least one trustee is Cyprus tax resident throughout. The settlor and beneficiaries may become resident after creation, the trust may hold Cyprus property and shares and earn Cyprus-source income, and it may continue without time limit.

For tax purposes both CITs and local Cyprus trusts are transparent. Where a beneficiary is Cyprus tax resident, the income and profits of the trust from sources inside and outside Cyprus are subject to every form of Cyprus taxation in the beneficiary's hands. Where the beneficiary is not Cyprus resident, only Cyprus-source income and profits are taxed. No CGT arises on the disposal of trust assets situated abroad. A trust that is an entity for CRS purposes is treated as Cyprus resident where one or more trustees are Cyprus resident, unless it reports to another participating jurisdiction as resident there. Transfers of property to trustees attract a Land Registry fee of €50.

PLANNING POINT

A CIT combined with a non-domiciled beneficiary can hold a foreign investment portfolio with no Cyprus tax on securities gains and no SDC on dividends and interest, leaving only GHS on distributed investment income up to the €180,000 cap. The one-year non-residence condition for the settlor and beneficiaries must be satisfied before creation, so the trust should be settled before relocation, and the arrangement must be reviewed for DAC6 hallmarks and CRS reporting.

● Capital duty and registration fees

Company registration fees and capital duty

Event	Amount
Incorporation: authorised share capital	€105 flat (€175 for a company without share capital)
Incorporation: issued share capital	Nil where shares are issued at nominal value; €20 flat where issued at a premium
Subsequent increase of authorised capital	Nil
Each subsequent allotment of shares (at nominal value or at a premium)	€20 flat
Lawyer's stamps on incorporation documents	€40 – €140 depending on authorised capital up to €2,000,000, plus €10 for each additional €2,000,000
Registration with the Tax Department	Within 60 days of incorporation; €100 penalty for late registration and for late notification of changes

● Insurance, banking and other special charges

Insurance companies pay corporation tax at 15%. Up to 2025, where the corporation tax on the taxable profit of life insurance business was less than 1.5% of gross premiums (excluding contributions to approved pension, provident or other funds administered on behalf of members), the difference was payable as additional corporation tax; this minimum tax is abolished from 1 January 2026. Financial institutions pay a

special tax on bank deposits of 0.0375% on deposits at the end of each preceding calendar quarter. The immovable property tax charged on 1 January 1980 values at rates from 6‰ to 19‰ was abolished from 1 January 2017.

Businesses that issue invoices through devices are required under Regulation 29/1997 to install a Fiscal Memory System that stores invoice data in an internal memory module available for inspection by the Tax Department, and businesses obliged to keep accounting records must update them within four months of each transaction and issue invoices within 30 days, subject to €100 penalties.

● Inheritance and succession

Estate duty was abolished for deaths on or after 1 January 2000 and Cyprus levies no inheritance or gift tax, but the executor or administrator must file a statement of the deceased's assets and liabilities with the Tax Department within six months of death and settle outstanding tax before distribution. Gifts of immovable property between spouses, parents and children and relatives up to the third degree are exempt from CGT and attract transfer fees of nil (parent to child) or 0.01%. The absence of Cyprus inheritance tax does not remove foreign estate taxes on assets or heirs abroad, and Cyprus succession law contains forced-heirship provisions, so wills, property ownership and pensions should be reviewed with legal advice.

NOTE

Where an heir inherits a Cyprus company, the SDC position of the company's retained profits passes with the shares: profits earned up to 2025 keep their 17% rate on distribution to a domiciled heir until 2031, and the deemed distribution rules continue to apply to 2024 and 2025 profits.

11

Double tax treaties and withholding tax tables

Cyprus has an extensive network of double tax treaties and, because it levies no withholding tax on outbound dividends, interest and most royalties, the treaties matter chiefly for the maximum tax the other state may withhold on payments into Cyprus. This chapter sets out the full treaty table with the conditions attached to each reduced rate, together with the domestic rules that apply where no treaty exists.

Nil

Cyprus WHT on dividends and interest paid abroad

10% / 5%

Cyprus WHT on royalties for rights used in Cyprus / film royalties

70

Treaty partners listed, including successor-state treaties

2026 / 2027

New treaties with Oman and Curaçao take effect

● How to read the table

The table combines two perspectives. The column "Cyprus WHT on royalties used in Cyprus" shows the rate Cyprus may withhold on outbound royalties for rights exercised within Cyprus after applying the treaty (Cyprus levies no withholding on outbound dividends, interest or royalties for rights used outside Cyprus, so those columns are omitted). The three "inbound" columns show the maximum rate the treaty partner may withhold on dividends, interest and royalties paid to a Cyprus resident; the partner's domestic law may impose a lower rate or none. Where two or more rates appear, the numbered note explains which applies, usually depending on the recipient's shareholding, its legal form or the nature of the royalty. Treaty relief requires that the Cyprus recipient is the beneficial owner and tax resident in Cyprus, evidenced by a tax residence certificate, and is subject to the principal purpose test introduced by the Multilateral Instrument for covered treaties. Foreign tax withheld is credited against Cyprus corporation tax or SDC on the same income.

Treaty withholding tax rates

Treaty partner	Signed or in force	Cyprus WHT: royalties used in Cyprus	Inbound dividends	Inbound interest	Inbound royalties
Andorra	11 January 2019	Nil	Nil	Nil	Nil
Armenia	19 September 2011	5	0/5 (1)	0/5 (2)	5
Austria	11 January 2013	Nil	10	Nil	Nil

Treaty partner	Signed or in force	Cyprus WHT: royalties used in Cyprus	Inbound dividends	Inbound interest	Inbound royalties
Bahrain	26 April 2016	Nil	Nil	Nil	Nil
Barbados	11 September 2017	Nil	Nil	Nil	Nil
Belarus	12 February 1999	5	5/10/15 (3)(4)	5	5
Belgium	8 December 1999	Nil	10/15 (4)	0/10 (2)(5)	Nil
Bosnia and Herzegovina (6)	8 September 1986	5/10 (a)	10	10	10
Bulgaria	3 January 2021	5/10 (a)	5/10 (7)	0/7 (2)(8)	10 (8)
Canada	3 September 1985	0/5/10 (a)(b)	15	0/15 (9)	0/10 (10)
China	5 October 1991	5/10 (a)	10	10	10
Croatia (45)	28 December 2023	5	5	0/5 (47)	5
Curaçao (49)	Effective 1 January 2027	Nil	Nil	Nil	Nil
Czech Republic	26 November 2009	0/10 (c)	0/5 (11)	Nil	0/10 (12)
Denmark	7 September 2011	Nil	0/15 (2)(11) (13)	Nil	Nil
Egypt	14 March 1995	5/10 (a)	5/10 (14)	10	10
Estonia	1 January 2014	Nil	Nil	Nil	Nil
Ethiopia	18 October 2017	5	5	0/5 (2)	5
Finland	1 January 2014	Nil	5/15 (15)	Nil	Nil
France	1 April 1983	0/5 (a)	10/15 (16)	0/10 (17)(18)	0/5 (18)
Georgia	4 January 2016	Nil	Nil	Nil	Nil
Germany	16 December 2011	Nil	5/15 (19)	Nil	Nil
Greece	16 January 1969	0/5 (a)	25	10	0/5 (18)
Guernsey	4 March 2015	Nil	Nil	Nil	Nil
Hungary	24 November 1982	Nil	5/15 (7)	0/10 (2)	Nil
Iceland	1 January 2015	5	5/10 (16)	Nil	5
India	14 December 2016	5/10 (a)	10	0/10 (20)	10 (21)
Iran	5 March 2017	5/6 (a)	5/10 (7)	0/5 (2)	6
Ireland	—	0/5 (a)	Nil	Nil	0/5 (18)
Italy	9 June 1983 (amended)	Nil	15	10	Nil
Jersey	5 March 2017	Nil	Nil	Nil	Nil
Jordan	11 April 2022	5/7 (d)	5/10 (16)	0/5 (2)	7
Kazakhstan	30 December 2019	5/10 (a)	5/15 (16)	0/10 (2)	10
Kuwait	1 January 2014	5	Nil	Nil	5

Treaty partner	Signed or in force	Cyprus WHT: royalties used in Cyprus	Inbound dividends	Inbound interest	Inbound royalties
Latvia	27 October 2016	0/5 (e)	0/10 (22)	0/10 (22)	0/5 (23)
Lebanon	14 April 2005	Nil	5	0/5 (2)	Nil
Lithuania	1 January 2015	5	0/5 (16)	Nil	5
Luxembourg	23 April 2018	Nil	0/5 (16)	Nil	Nil
Malta	11 August 1994	5/10 (a)	Nil	0/10 (2)	10
Mauritius	12 June 2000	Nil	Nil	Nil	Nil
Moldova	3 September 2008	5	5/10 (7)	5	5
Montenegro (6)	8 September 1986	5/10 (a)	10	10	10
Netherlands (45)	Effective 1 January 2024	Nil	0/15 (46)	Nil	Nil
Norway	8 July 2014	Nil	0/15 (24)	Nil	Nil
Oman (48)	Effective 1 January 2026	5/8 (a)	Nil	Nil	8
Poland	11 January 2013	5	0/5 (25)	0/5 (2)	5
Portugal	1 January 2013	5/10 (a)	10	10	10
Qatar	20 March 2009	5	Nil	Nil	5
Romania	8 November 1982	0/5 (f)	10	0/10 (2)	0/5 (26)
Russia (50)	2 April 2012 (amended)	Nil	5/15 (27)	0/5/15 (28)	Nil
San Marino	18 July 2007	Nil	Nil	Nil	Nil
Saudi Arabia	1 March 2019	5/8 (g)	0/5 (29)	Nil	5/8 (30)
Serbia (6)	8 September 1986	5/10 (a)	10	10	10
Seychelles	27 October 2006	5	Nil	Nil	5
Singapore	8 February 2001	5/10 (a)	Nil	0/7/10 (2)(31)	10
Slovak Republic (32)	30 December 1980	0/5 (f)	10	0/10 (2)	0/5 (26)
Slovenia	14 September 2011	5	5	0/5 (2)	5
South Africa	18 September 2015	Nil	5/10 (33)	Nil	Nil
Spain	28 May 2014	Nil	0/5 (34)	Nil	Nil
Sweden	14 November 1989	Nil	5/15 (7)	0/10 (2)	Nil
Switzerland	15 October 2015	Nil	0/15 (35)	Nil	Nil
Syria	22 February 1995	5/10 (a)	0/15 (36)	0/10 (9)	10/15 (37)
Thailand	4 April 2000	5/10 (h)	10	0/10/15 (38)	5/10/15 (39)
Ukraine	28 November 2019	5/10 (i)	5/10 (40)	0/5 (9)	5/10 (41)
United Arab Emirates	1 January 2014	Nil	Nil	Nil	Nil
United Kingdom	8 July 2018	Nil	0/15 (42)	Nil	Nil

Treaty partner	Signed or in force	Cyprus WHT: royalties used in Cyprus	Inbound dividends	Inbound interest	Inbound royalties
United States	31 December 1985	Nil	5/15 (43)	0/10 (44)	Nil
Azerbaijan (51)	26 August 1983	Nil	Nil	Nil	Nil
Kyrgyzstan (51)	26 August 1983	Nil	Nil	Nil	Nil
Uzbekistan (51)	26 August 1983	Nil	Nil	Nil	Nil

Dates are the signature or ratification dates as published; "effective" dates indicate the first year of application for new treaties. Non-treaty countries: Cyprus withholds nil on dividends and interest, nil on royalties for rights used outside Cyprus and 10% (5% for films) on royalties for rights used in Cyprus; payments to companies in EU non-cooperative jurisdictions bear 17% on dividends and interest and 10% on royalties, and dividends to low-tax jurisdictions bear 5% (Chapter 06).

Notes to the outbound royalty column. (a) 5% applies to royalties for cinematographic films. (b) Canada: 0% on literary, dramatic, musical or artistic work excluding motion picture films and works on film or videotape for television. (c) Czech Republic: 10% for patents, trademarks, designs, models, plans, secret formulas or processes, computer software, industrial, commercial or scientific equipment and know-how; nil otherwise. (d) Jordan: 7% on royalties and fees for technical services; 5% on cinematographic films including films and video tape for television. (e) Latvia: nil where the payer is a Cyprus company and the beneficial owner is a Latvian company other than a partnership; 5% otherwise. (f) Romania and Slovak Republic: 5% for patents, trademarks, designs, models, plans, secret formulas or processes, industrial, commercial or scientific equipment and know-how; nil otherwise. (g) Saudi Arabia: 5% for the use of industrial, commercial or scientific equipment and for cinematographic films including films and video tape for television; 8% otherwise. (h) Thailand: 5% for copyright of literary, dramatic, musical, artistic or scientific work; 10% otherwise. (i) Ukraine: 5% for copyright of scientific work, patents, trademarks, secret formulas, processes and know-how and cinematographic films; 10% otherwise.

Notes to the inbound columns. 1. 5% where the beneficial owner has invested less than €150,000 in the paying company; nil otherwise. 2. Nil if paid to the government, central bank or a public authority of the other state. 3. 5% where the investment in the share capital of the paying company is at least €200,000; 15% where it is less. 4. Belarus: 10% and Belgium: the lower rate, for companies holding directly or indirectly at least 25% of the capital of the paying company; the higher rate otherwise. 5. Nil on interest on deposits with banking institutions. 6. Serbia, Montenegro and Bosnia and Herzegovina apply the Cyprus – Yugoslavia treaty. 7. Lower rate for companies holding directly at least 25% of the capital of the paying company; higher rate otherwise. 8. Treaty rates do not apply where the payment is made to a Cyprus entity by a Bulgarian resident owning directly or indirectly at least 25% of the Cyprus entity and the Cyprus entity pays tax in Cyprus at a rate lower than the usual rate. 9. Nil if paid to a government, central bank or public authority or for an export guarantee. 10. Nil on literary, dramatic, musical or artistic work excluding motion picture films and works on film or videotape for television. 11. Nil if received by a company (not a partnership) holding directly at least 10% of the capital of the paying company for an uninterrupted period of at least one year. 12. 10% for patents, trademarks, designs, models, plans, secret formulas or processes, computer software, industrial, commercial or scientific equipment and know-how. 13. Nil where the beneficial owner is a pension fund or similar institution established, recognised for tax purposes and controlled under the laws of the other state. 14. 5% where the beneficial owner is a company (not a partnership) holding directly at least 20% of the capital of the paying company throughout a 365-day period including the payment date; 10% otherwise. 15. 15% if received by a company controlling less than 10% of the voting power of the paying company and in all cases if received by an individual or partnership. 16. Nil or the lower rate for companies (not partnerships) holding directly at least 10% of the capital of the paying company; the higher rate otherwise. 17. Nil if paid to a government, bank or financial institution, or in connection with a sale on credit of industrial, commercial or scientific equipment or of merchandise between enterprises. 18. 5% on royalties for cinematographic films including films and video tapes for television; under the France treaty the 5% applies to cinematographic films other than films shown on television. 19. Lower rate for companies holding directly at least 10% of the capital of the paying company; higher rate otherwise. 20. Nil if paid to a government or any other institution agreed between the two states. 21. 10% also applies to payments of a technical, managerial or consulting nature. 22. Nil where the payer is a Latvian company and the beneficial owner is a Cyprus company (not a partnership); 10% otherwise, except certain governmental interest. 23. Nil where the payer is a Latvian company and the beneficial owner is a Cyprus company (not a partnership); 5% otherwise. 24. Nil where the beneficial owner is a company (not a partnership) holding directly at least 10% of the capital of the paying company, or is the government of Cyprus or Norway; 15% otherwise. 25. Nil where the recipient company (not a partnership) holds directly 10% of the capital of the paying company for an uninterrupted period of at least two years; 5% otherwise. 26. 5% for patents, trademarks, designs, models, plans, secret formulas or processes, industrial, commercial or scientific equipment and know-how. 27. 5% where the beneficial owner is an insurance undertaking or pension fund, a company whose shares are listed on a registered stock exchange with at least 15% of voting shares in free float and which holds directly at least 15% of the capital of the paying company throughout a 365-day period including the payment date, or the government or a political subdivision or local authority of the contracting state; 15% otherwise. 28. Nil where the beneficial owner is an insurance undertaking, pension fund, the government, a political subdivision, local authority, central bank or a bank, and on interest on securities listed on a recognised stock exchange (government bonds, corporate bonds, Eurobonds); 5% where the beneficial owner is a listed company with at least 15% free float holding directly at least 15% of the capital of the paying company throughout a 365-day period; 15% otherwise. 29. Nil for companies (not partnerships) holding directly or indirectly at least 25% of the capital of the paying company; 5% otherwise. 30. 5% for the use of, or the right to use, industrial, commercial or scientific equipment; 8% otherwise. 31. 7% if paid to a bank or financial institution. 32. The Cyprus – Czechoslovakia treaty applies with the Slovak

Republic. 33. Lower rate for companies holding at least 10% of the capital of the paying company; higher rate otherwise. 34. 5% if received by a company holding less than 10% of the capital of the paying company and in all cases if received by an individual or a company not limited at least partly by shares. 35. Nil where the beneficial owner is a company (not a partnership) holding directly at least 10% of the capital of the paying company for an uninterrupted period of at least one year (which may be completed after the payment), a pension fund or similar institution, or the government of Cyprus or Switzerland; 15% otherwise. 36. 15% if received by a company holding less than 25% of the capital of the paying company and in all cases if received by an individual or a company not limited at least partly by shares. 37. 10% on royalties for copyright of literary, artistic or scientific work including cinematograph films and films or tapes for television or radio; 15% on patents, trademarks, designs, models, plans, secret formulas or processes, equipment and know-how. 38. Nil if paid to the government, central bank or a public authority; 10% on interest received by a financial institution or relating to a sale on credit of equipment or merchandise; 15% otherwise. 39. 5% for copyright of literary, dramatic, musical, artistic or scientific work; 10% for industrial, commercial or scientific equipment; 15% for patents, trademarks, designs, models, plans, secret formulas or processes. 40. 5% where the beneficial owner is a company (not a partnership) holding directly at least 20% of the capital of the paying company and has invested at least €100,000 in its shares or other rights; 10% otherwise. 41. 5% on copyright of scientific work, patents, trademarks, secret formulas, processes and know-how; 10% otherwise. 42. 15% on dividends paid out of income derived directly or indirectly from immovable property by an investment vehicle that distributes most of its income annually and whose property income is exempt from tax, unless the beneficial owner is a Cyprus pension scheme; nil otherwise. 43. 15% if received by a company controlling less than 10% of the voting power of the paying company and in all cases if received by an individual; a company controlling at least 10% must also satisfy conditions on the income of the paying company to obtain 5%, otherwise 15%. 44. Nil if paid to a government, bank or financial institution, on debt obligations guaranteed by a government, or in connection with the sale of property or the performance of services. 45. The treaty is effective from 1 January 2024. 46. Nil where the beneficial owner is a company holding directly at least 5% of the capital of the paying company throughout a 365-day period including the payment date, or a recognised pension fund generally exempt from corporate income tax; 15% otherwise. 47. Nil where the interest relates to a sale on credit of industrial, commercial or scientific equipment or of merchandise between enterprises, or is paid to a bank. 48. The treaty is effective from 1 January 2026. 49. The treaty is effective from 1 January 2027. 50. On 8 August 2023 Russia suspended the main articles of 38 treaties with states it designates as unfriendly, including Cyprus; Cyprus continues to honour the treaty, so the rates shown may not be applied by Russia in practice. 51. Azerbaijan, Kyrgyzstan and Uzbekistan continue to apply the Cyprus – USSR treaty of 1982 (in force from 26 August 1983).

● Treaty-related domestic rules

Applying treaties in practice

Issue	Cyprus position
Unilateral credit	Foreign tax on income also taxed in Cyprus is credited against corporation tax, income tax or SDC on that income whether or not a treaty exists; the credit cannot exceed the Cyprus tax on the same income. The Cyprus credit limit and any refund from the source state are separate tests: a source-state refund normally arises only where tax was withheld above the domestic or treaty entitlement, so foreign tax properly levied at the treaty rate but above the Cyprus credit remains an unrecovered cost
Dual residence of companies	A Cyprus-incorporated company managed abroad is Cyprus resident from 2026 unless a treaty tie-breaker (usually place of effective management) allocates residence to the other state
EU directives	The Parent-Subsidiary Directive exempts qualifying intra-EU dividends from withholding at source, subject to anti-hybrid and anti-abuse rules; the Interest and Royalties Directive eliminates withholding between associated EU companies with a 25% direct holding; both are enacted in Cyprus law

WORKED EXAMPLE: DIVIDENDS RECEIVED FROM GERMANY

A Cyprus holding company owns 100% of a German GmbH and receives a dividend of €500,000. Under the Parent-Subsidiary Directive as implemented in Germany, no German withholding tax applies provided the anti-abuse conditions are satisfied; if the directive were unavailable, the treaty caps German withholding at 5% (note 19) because the holding exceeds 10%. In Cyprus the dividend is exempt from corporation tax and, because the GmbH is an active trading company taxed well above 7.5%, exempt from SDC. If the same dividend were paid to a Cyprus resident and domiciled individual holding the shares directly, German withholding would be 15% (€75,000) and Cyprus SDC would be 5% (€25,000) less a credit for the German tax, leaving no Cyprus SDC payable (GHS at 2.65% still applies within the €180,000 cap). The €50,000 by which the German tax exceeds the Cyprus credit is not relieved in Cyprus, and its recovery from Germany is a separate question: because 15% is the treaty rate applicable to an individual shareholder (note 19), the German tax is properly levied and no treaty refund arises, so the €50,000 is a final cost. A source-state refund is available only where tax has been withheld above the domestic or treaty entitlement, for example where the German payer withheld at the higher German domestic rate instead of the treaty rate.

12

Tax administration, returns, payments and penalties

Cyprus direct taxes are self-assessed: taxpayers estimate and pay provisional tax during the year, settle the balance the following year and file electronic returns through the Tax For All portal. This chapter sets out who must file, the 2026 tax diary, the provisional tax mechanism, interest and penalties, record retention and the routes for rulings and disputes.

31 Jul / 31 Dec

Provisional tax instalments for 2026

3.5%

Official interest rate on overdue tax from 1 January 2026

10%

Additional tax where provisional income is below 75% of final

25 – 70

Age range of residents who must file from 2026

• Who must file

From tax year 2026 an annual income tax return must be submitted by every Cyprus tax resident individual aged between 25 and 70, whether or not he or she has taxable income; by every resident individual with income subject to tax; and by every non-resident individual with Cyprus-source income subject to tax. For tax years 2020 – 2025 the Council of Ministers exempted individuals with gross income not exceeding €19,500 by annual decree. An individual carrying on a business whose turnover plus other gross income exceeds €120,000 (€70,000 up to 2025) must file audited or, where eligible, reviewed financial statements with the return (a review is permitted under article 30 where gross income does not exceed €200,000 and total assets do not exceed €500,000, tested over two years; Chapter 03). All companies file a corporation tax return (TD4) with audited financial statements, or with reviewed financial statements where the company is eligible for the review exemption under the Companies Law and not excluded from it, together with the Summary Information Table where they have related-party transactions. Employers file monthly payroll returns and the annual employer's return (TD7). Returns are filed electronically through the Tax For All (TFA) portal; companies must register with the Tax Department within 60 days of incorporation and notify changes of registered office, activities or auditors within 60 days.

• Provisional and final tax

- 01 Estimate.** By 31 July, companies, self-employed individuals preparing audited or reviewed accounts and individuals with income other than employment income submit a provisional tax return (forms TD5 and TD6) estimating the chargeable income of the current year.
- 02 First instalment.** Half of the estimated tax is paid with the return by 31 July.

- 03 Revise.** The estimate may be revised upwards or downwards at any time up to 31 December; upward revisions attract interest on the additional first instalment.
- 04 Second instalment.** The balance of the estimate is paid by 31 December.
- 05 Final payment.** From tax year 2026 the balance of the final liability is paid by self-assessment together with the return: by 31 January of the second year following the tax year for companies and for individuals required to prepare audited or, where eligible, reviewed financial statements (31 January 2028 for tax year 2026), and by 31 July of the following year for other individuals (31 July 2027 for tax year 2026). For tax year 2025 the former pattern still applies: payment by 1 August 2026 for companies and individuals with audited accounts, and with the 2025 return for other individuals.

Return and final payment deadlines: tax year 2025 compared with tax year 2026

Taxpayer	Tax year 2025	Tax year 2026 (statutory)
Companies (TD4)	Final payment 1 August 2026; return 31 March 2027 (statutory date, subject to extension by decree)	Return and final payment 31 January 2028
Individuals required to prepare audited or, where eligible, reviewed financial statements	Final payment 1 August 2026; return 31 March 2027 (subject to extension)	Return and final payment 31 January 2028
Other individuals (TD1: employees, pensioners, small traders, passive income)	Return and payment 31 July 2026, extended by decree to 31 October 2026	Return and payment 31 July 2027

The tax year 2026 dates are the permanent rule under the Assessment and Collection of Taxes Law as amended in 2025 (Law 243(I)/2025): 31 January of the second year following the tax year for audited or reviewed taxpayers, and 31 July of the following year for other individuals. The 1 August final-payment date and the 31 March return date do not apply to tax year 2026 or later years. Any administrative extension announced by the Tax Department applies to the tax year and category named in the announcement only, and an extension of a return deadline does not necessarily extend the payment date.

WORKED EXAMPLE: THE 75% TEST

A company estimates 2026 chargeable income at €100,000 and pays provisional tax of €15,000 in two instalments. Its final 2026 chargeable income is €160,000, giving tax of €24,000. Because the provisional income (€100,000) is less than 75% of the final income (€120,000), additional tax of 10% is charged on the difference of €9,000, i.e. €900, in addition to the €9,000 balance due by self-assessment with the 2026 return by 31 January 2028 and interest on any late payment. Had the company revised its estimate to €120,000 or more by 31 December 2026, no additional tax would have applied.

● 2026 tax diary

KEY DATES IN 2026

End of each month	PAYE and GHS deducted from salaries in the preceding month with the monthly payroll return; social insurance contributions; SDC and GHS withheld on dividends and interest paid to residents (form TD603); tax withheld on payments to non-residents
31 January	Declaration of deemed dividend distribution for the year ended 31 December 2023 (TD623)
28 February	Tonnage tax declaration and payment for 2025 by qualifying charterers, ship managers and owners of foreign-flagged vessels

KEY DATES IN 2026 (CONTINUED)

31 March	Monthly payroll returns for July – December 2025 and the January 2026 return (extended); tonnage tax for Cyprus-flagged vessels
20 April	Annual employer's return (TD7) for 2024 (extended deadline)
30 April	Corporation tax return (TD4) for 2023 and income tax return of individuals with audited accounts for 2023 (extended deadlines)
30 June	Application for the paid extension of non-domiciled status for periods from 1 January 2026; GHS by self-assessment on Cyprus rents for the first half-year; Common Reporting Standard submissions for 2025
31 July	Provisional tax return for 2026 and payment of the first instalment; interest return by financial institutions for the first half-year (TD602)
1 August	Payment of the 2025 final corporation tax and 2025 income tax of self-employed individuals with audited accounts (tax year 2025 only; the 2026 final payment is due with the return on 31 January 2028)
30 September	Annual employer's return (TD7) for 2025 (extended deadline)
31 October	Income tax return (TD1) for 2025 and payment of the 2025 tax by individuals not required to prepare audited or reviewed accounts (statutory date 31 July 2026, extended by decree; the 2026 return is due 31 July 2027)
30 November	Corporation tax return (TD4) and Summary Information Table for 2024; income tax return of individuals with audited accounts for 2024; preparation of the 2024 Local File and Master File

KEY DATES IN 2026 (CONTINUED)

31 December	Second and final instalment of 2026 provisional tax and last date to revise the estimate; final deemed distribution for 2024 profits; CbC notification for 2026; CbC report and public CbCR report for the year ended 31 December 2025; annual stock-taking
Within 30 days	Capital gains tax and the 0.4% levy on property disposals; DAC6 reports from the trigger event; notice of ceasing to use a 5% VAT residence
Within 60 days	Registration of a new company with the Tax Department; submission of transfer pricing files on request
10th of the second month after the quarter	VAT return and payment; Intrastat by the 10th and VIES by the 15th of the following month

The diary lists calendar-year 2026 events, most of which concern tax years 2023 – 2025; the tax year is stated in each entry. Deadlines are as published by the Tax Department at 24 September 2026 and several have been extended from the statutory dates; extensions are labelled and apply only to the tax year and category named. The statutory return deadline for the 2025 audited-accounts returns (TD4 and audited individuals) is 31 March 2027 unless extended. For tax year 2026 the new statutory dates apply: 31 January 2028 for companies and audited or reviewed individuals, and 31 July 2027 for other individuals (table above). Taxpayers should monitor Tax Department announcements for further revisions. Where a deadline falls on a weekend or public holiday it moves to the next business day.

● Interest and penalties

Official interest rate on overdue tax and refunds

Period	Rate	Period	Rate
From 1 January 2026	3.5%	2017 – 2018	3.5%
2025	5.5%	2015 – 2016	4%
2024	5%	2014	4.5%
2023	2.25%	2013	4.75%
2020 – 2022	1.75%	2011 – 2012	5%
2019	2%	2010	5.35%

Interest is calculated on completed months. The rate for 2007 – 2009 was 8% and 9% before 2007.

Administrative penalties under the Assessment and Collection of Taxes Law

Failure	Individuals	Companies with turnover or assets up to €1m	Larger companies
Failure to submit a return, declaration, notice or information, or to perform a duty, within the statutory deadline	€150	€250	€500
Failure to comply with a written request of the Commissioner within the period set (not less than 60 days), for each notice	€300	€500	€1,000
Failure to provide information or perform a duty relating to another person at the Commissioner's request	€300	€500	€1,000

Other penalties and charges

Failure	Consequence
Tax not paid by the due date	Monetary charge of 5% of the tax due; a further 5% if not settled within two months; interest at the official rate
Provisional tax instalment not paid within 30 days of the due date	Interest at the official rate plus a flat 5% penalty
Provisional chargeable income below 75% of final	Additional tax of 10% on the difference between the final and provisional tax
Late payment of PAYE and GHS through the monthly return	Interest at the official rate plus 1% per completed month
Late payment of social insurance contributions	3% per month of delay up to a maximum of 27%
Late payment of SDC and GHS withheld on dividends, interest and rents	Interest from the end of the month following the month to which it relates plus a flat 5% penalty

Failure	Consequence
Late registration with the Tax Department; late notification of changes; failure to update books within four months; failure to issue invoices within 30 days; failure to conduct annual stock-taking	€100 for each failure (books and invoices: per quarter or month)
Omission of income from a return, on conviction	Fine of up to €5,000 plus the tax due plus twice the difference between the tax properly due and the tax that would have been imposed on the basis of the return
Failure to submit a return, on conviction	Fine of up to €20 per day for as long as the failure continues, imprisonment of up to 12 months, or both
Non-compliance with guidelines of the Council of Ministers	€5,000

● Records, rulings and disputes

Businesses must keep accounting books and records, together with the returns and supporting documents, for six years after the submission of the relevant return, and must update them within four months of each transaction. Transfer pricing files and DAC6 records are kept for six years from the end of the relevant year. VAT records must be kept for six years and the right to claim a VAT credit refund lapses after six years. A stock count must be taken at each financial year end where the business holds inventory.

Taxpayers may request an advance tax ruling from the Tax Department on the application of the law to a specific transaction, and an advance pricing agreement for transfer pricing (Chapter 06). A taxpayer who disagrees with an assessment may lodge an objection with the Commissioner and, if unresolved, appeal to the Tax Tribunal or the Administrative Court; VAT disputes have followed the same route since 2017. The Commissioner may impose DAC6 penalties within six years of the relevant year (twelve for fraud), and may suspend VAT refunds while income tax returns are outstanding.

PLANNING POINT

The cheapest tax in Cyprus is the one paid on time. Interest at 3.5% is modest, but the 5% plus 5% monetary charges, the 10% provisional-tax surcharge and the €500 – €1,000 penalties for ignoring a written request are avoidable with a compliance calendar. Diarise 31 July and 31 December for the provisional estimate and review the estimate in December against management accounts.

13

Worked examples

The examples in this chapter combine the rules of the earlier chapters for the situations ATZ FinHub meets most often: an employee with and without the first-employment exemption, extracting profit from a company for different types of owner, trading as a sole trader or through a company, and relocating to Cyprus with foreign investment income. All figures are for tax year 2026, assume no other income unless stated, and are illustrative only.

• Example 1: employee earning €80,000 with and without the 50% exemption

WORKED EXAMPLE

A senior manager relocates to Cyprus in January 2026 to take up first employment at a salary of €80,000. She was not resident in Cyprus in the preceding 15 years and qualifies for the 50% exemption under article 8(23A). The comparison shows the position with and without the exemption.

Employee earning €80,000: with and without the 50% exemption

Item	With 50% exemption	Without exemption
Gross salary	80,000.00	80,000.00
Less exempt remuneration (50%)	(40,000.00)	—
Social insurance 8.8% on €68,904 (ceiling)	6,063.55	6,063.55
GHS 2.65% on €80,000	2,120.00	2,120.00
Contribution basket (8,183.55) restricted to one fifth of chargeable income	(8,000.00)	(8,183.55)
Taxable income	32,000.00	71,816.45
Income tax	2,000.00	13,444.93
Net pay after tax, social insurance and GHS	69,816.45	58,371.52
Effective income tax rate on gross salary	2.5%	16.8%

The exemption is worth €11,445 a year and runs for 17 years. With the exemption, the one-fifth ceiling bites ($€40,000 \div 5 = €8,000$), so €183.55 of contributions is not deductible. Social insurance and GHS are charged on the full salary regardless of the exemption.

● Example 2: extracting €200,000 of company profit

WORKED EXAMPLE

Assumptions: a Cyprus trading company earns accounting and taxable profit of €200,000 in 2026, pays corporation tax at 15% and distributes the whole after-tax profit in 2027; columns 1, 3 and 4 compare three types of shareholder on that profit. Column 2 is the same case one year earlier: €200,000 earned in 2025, taxed at 12.5% and distributed in 2027 to a resident domiciled shareholder out of pre-2026 reserves, which bear the transitional 17% SDC until 31 December 2031. GHS at 2.65% assumes the dividend is within the €180,000 cap and no other income; foreign taxes are ignored; figures in euro, unrounded.

Extracting €200,000 of profit: four shareholders compared

Item	Resident domiciled: 2026 profit, distributed 2027	Resident domiciled: 2025 profit, distributed 2027	Resident non- domiciled: 2026 profit	Non-resident: 2026 profit
Corporation tax (15% on 2026 profit; 12.5% on 2025 profit)	30,000.00	25,000.00	30,000.00	30,000.00
Dividend declared	170,000.00	175,000.00	170,000.00	170,000.00
SDC (5% / 17% / nil / nil)	8,500.00	29,750.00	—	—
GHS 2.65%	4,505.00	4,637.50	4,505.00	—
Net cash to the owner	156,995.00	140,612.50	165,495.00	170,000.00
Total Cyprus burden on €200,000	21.50%	29.69%	17.25%	15.00%

The non-resident owner may face tax in the state of residence, and a non-quoted company paying an associated company in an EU-blacklisted or low-tax jurisdiction must withhold 17% or 5% (Chapter 06). For the domiciled owner the reform lowers the combined burden from 29.69% to 21.50%. Where both pre-2026 and 2026 reserves exist, the SDC difference alone is 12 points of the dividend (17% against 5%), so 2026 profits go first; pre-2026 reserves keep 17% until 31 December 2031 and the deemed distribution rules for 2024 and 2025 profits.

● Example 3: sole trader or company for a €80,000 profit

WORKED EXAMPLE

A consultant expects business profit of €80,000 in 2026 (revenue €100,000 less €20,000 of expenses). As a sole trader she pays social insurance at 16.6% on assessed insurable income (assumed €60,000, between the minimum for her profession and the €68,904 ceiling) and GHS at 4% on the profit. Through a company she pays herself a salary of €30,000 and distributes the remaining profit as a dividend; she is resident and domiciled.

Sole trader compared with a company: €80,000 profit

Item	Sole trader	Company
Business level		
Profit before owner remuneration	80,000.00	80,000.00
Salary and employer contributions at 15.4% (8.8 + 2.9 + 1.2 + 0.5 + 2.0)	—	(34,620.00)

Item	Sole trader	Company
Corporation tax at 15% on €45,380	—	(6,807.00)
Dividend distributed	—	38,573.00
Owner level		
Social insurance (16.6% of €60,000 / 8.8% of €30,000)	(9,960.00)	(2,640.00)
GHS (4% of €80,000 / 2.65% of €30,000 salary and of €38,573 dividend)	(3,200.00)	(1,817.18)
Income tax (taxable €66,840 / €26,565)	(11,952.00)	(913.00)
SDC 5% on the dividend	—	(1,928.65)
Net cash to the owner	54,888.00	61,274.17

The company route leaves €6,386 more, largely because the 15% corporation tax and 5% SDC on the dividend compare favourably with the 30% marginal income tax band and the 16.6% self-employed contribution. The comparison ignores the cost of audited or, where eligible, reviewed financial statements and administration (required for every company, and for the sole trader above €120,000 of turnover and other gross income; a review is permitted up to €200,000 of income and €500,000 of assets), the lower state pension from lower insurable earnings, the working capital a company must retain, and a higher salary to obtain the 50% or 20% exemptions. In the company column the article 14 basket holds the social insurance and the GHS on the salary only; the GHS on the dividend (€1,022.18) is left out pending confirmation of the return treatment under article 14(1)(e); if deductible, taxable income falls to €25,542.82, income tax to €708.56 and the company result improves by €204.44.

● Example 4: relocating executive with foreign dividends

WORKED EXAMPLE

An executive moves to Cyprus in 2026 under the 60-day rule, holds a Cyprus directorship with a salary of €120,000 (first employment qualifying for the 50% exemption) and receives €40,000 of dividends from a foreign portfolio. He has a foreign domicile of origin and is therefore non-domiciled. The right-hand column shows the same facts for a Cyprus-domiciled individual.

Relocating executive: non-domiciled and domiciled compared

Item	Non - domiciled	Domiciled
Salary €120,000 less 50% exemption	60,000.00	60,000.00
Social insurance 8.8% on €68,904	6,063.55	6,063.55
GHS 2.65% on €160,000 of salary and dividends (within the cap)	4,240.00	4,240.00
Contributions deducted (basket within the €12,000 one-fifth ceiling)	(10,303.55)	(10,303.55)
Taxable income	49,696.45	49,696.45
Income tax	6,808.93	6,808.93
SDC on foreign dividends (nil / 5%)	—	2,000.00
Total Cyprus tax and contributions	17,112.48	19,112.48
Net income from €160,000	142,887.52	140,887.52

Foreign withholding tax on the dividends is ignored; where it applies it is creditable only against the domiciled individual's SDC (the non-domiciled individual has no SDC to credit it against). The 60-day rule conditions are in Chapter 03. The basket of €10,303.55 includes the GHS on the dividends (€1,060) under the broad wording of article 14(1)(e); this should be confirmed against current return practice. If that GHS were excluded, taxable income would rise by €1,060 and income tax by €318 in both columns.

14

Annual compliance calendar and checklists

This closing chapter converts the rules of the guide into a working calendar for a Cyprus company with employees and shareholders, followed by checklists for the recurring decisions of 2026: the transition to the reformed rules, the annual tax file and the questions to settle before a relocation. It ends with the principal legal references.

● Compliance calendar for a Cyprus company

Recurring obligations of a company with employees, by frequency

Frequency	Obligation
Monthly	
End of following month	Payroll return with PAYE and GHS; social insurance and fund contributions; SDC and GHS withheld on dividends and interest paid; withholding on payments to non-residents
10th / 15th of following month	Intrastat (where registered); VIES recapitulative statement for intra-EU supplies
Quarterly	
10th of second month after quarter	VAT return and payment through TFA; quarterly self-employed social insurance where applicable
Annually	
January	Collect TD59 deduction claims from employees; apply the new-year social insurance ceiling and any rate changes to payroll; deemed distribution declaration for the year three years earlier
By 31 January	From tax year 2026: corporation tax return (TD4) with audited or eligible reviewed financial statements and final self-assessment payment for the year before last (first occasion: 31 January 2028 for tax year 2026)
By 31 March	Tax year 2025 only: statutory deadline for the 2025 corporation tax return (31 March 2027, unless extended); tonnage tax for Cyprus-flagged vessels each year
By 30 June	CRS reporting; GHS self-assessment on first-half rents; non-domicile extension applications
By 31 July	Provisional tax return and first instalment; interest returns by financial institutions; from tax year 2026, return and final payment for the previous year by individuals (including the company's shareholders and employees) not required to prepare audited or reviewed accounts (31 July 2027 for 2026)
By 1 August	Tax year 2025 only: final 2025 tax by self-assessment on 1 August 2026; from tax year 2026 the final payment moves to the 31 January return deadline

Frequency	Obligation
By 31 December	Second provisional instalment and revision; CbC notification; CbC and public CbCR reports for the previous year; stock count; final deemed distribution dates for 2024 (2026) and 2025 (2027) profits
Return deadline	Corporation tax return with audited or eligible reviewed financial statements and Summary Information Table; Local File and Master File prepared and quality-reviewed; SDC and GHS by self-assessment on foreign dividends and interest
Event-driven	
Within 30 days	DAC6 reports; CGT and 0.4% levy on property disposals; VAT option on commercial leases (TD1220); notification of ceasing to use a 5% VAT residence
Within 60 days	Tax registration of a new company; notification of changes; transfer pricing files on request
Within one month	Dividend declaration and SDC on a voluntary winding-up
Before payment	Treaty and beneficial-ownership check on payments to non-resident associates; blacklist and low-tax jurisdiction screening

● 2026 transition checklist

- ✔ Analyse retained earnings into profits earned up to 31 December 2025 (17% SDC on distribution to domiciled shareholders until 2031) and profits from 2026 (5%).
- ✔ Diarise the final deemed distribution dates of 31 December 2026 (2024 profits) and 31 December 2027 (2025 profits) and decide whether to distribute actually before those dates.
- ✔ Reprice provisional tax for 2026 at 15% and review the 75% test in December.
- ✔ Identify interest income previously taxed under SDC that is now within corporation tax, and confirm that interest and royalties paid to associates in low-tax jurisdictions are added back.
- ✔ Re-test the Local File obligation against the new €10 million, €5 million and €2.5 million thresholds while continuing to file the Summary Information Table.
- ✔ Confirm which shareholders are domiciled, non-domiciled or non-resident, and record the 17-of-20-year count for each non-domiciled individual; consider the paid extension where the 17-year period has expired.
- ✔ Review company assets used privately by shareholders for the new 10% disguised dividend charge and the 9% benefit in kind on shareholder loans, now extended to indirect shareholders.
- ✔ Stop stamping documents executed from 1 January 2026 and confirm that all rent paid from 1 July 2026 is paid electronically.
- ✔ Diarise the new return and payment dates for tax year 2026: 31 January 2028 for the company and for audited or reviewed individuals, 31 July 2027 for other individuals; and the 30 September 2026 Pillar Two first-period relief date for in-scope groups.
- ✔ Recalculate PAYE with the new bands and collect the family, housing, energy and home-insurance deduction claims on form TD59.
- ✔ Tell family members aged 25 – 70 who have never filed that a return is now required for 2026.

• Annual tax file checklist

Individuals

- ✓ Travel log and evidence for the 183-day or 60-day test; tax residence certificate applications.
- ✓ Domicile history: domicile of origin, years of Cyprus residence in the last 20 years.
- ✓ Employment contract and evidence for the first-employment exemptions: the 15-year non-residence period (50%); the 3-year period of both non-residence and employment abroad by a non-resident employer (20%); the 7-year non-residence period and earlier Cyprus residence (25%).
- ✓ Certificates of emoluments, dividends, interest, rents and foreign tax withheld.
- ✓ Life insurance, provident fund, GHS and social insurance certificates for the one-fifth basket.
- ✓ Family income computation, children's details, mortgage interest or rent receipts, energy and EV invoices, home insurance premium.
- ✓ Crypto-asset ledger by wallet; securities dealing statements.
- ✓ Property disposals: contracts, indexation computation, lifetime exemption history, levy receipts.

Companies

- ✓ Board minutes evidencing management and control in Cyprus; tax residence certificate.
- ✓ Reconciliation of accounting profit to taxable profit: non-deductible items, exempt income, capital allowances, NID computation and bond-yield evidence, R&D and IP Box workings.
- ✓ Loss schedule by year of origin with the seven-year expiry dates.
- ✓ Reserves schedule by year, SDC rate attaching, deemed distribution computations for 2024 and 2025.
- ✓ Summary Information Table, Local File or minimum TP documentation, safe harbour elections, APA correspondence.
- ✓ Payroll reconciliation: TD7 to monthly returns, benefits in kind, exemptions claimed, contributions paid within the year.
- ✓ VAT: partial exemption workings, reverse-charge register, option-to-tax forms for leases, 5% residence approvals.
- ✓ Payments to non-residents: treaty residence certificates, beneficial-ownership confirmations, blacklist and low-tax screening, withholding remittances.

• Before relocating to Cyprus

- 01 Fix the timeline.** Determine the arrival date, the residence test to be relied on and whether split-year treatment or a treaty tie-breaker applies in the departure state.
- 02 Settle domicile.** Document the domicile of origin and confirm non-domiciled status for SDC; create any trust before the year of relocation if the settlor and beneficiaries must be non-resident in the prior year.
- 03 Structure remuneration.** Confirm eligibility for the 50%, 20% or 25% exemption against the full statutory conditions (for the 20% exemption, three years of non-residence is not enough on its own: employment abroad by a non-resident employer in those years is also required) and set the employment start date and salary accordingly; obtain an A1 certificate where social security remains abroad.
- 04 Review the investment portfolio.** Identify pre-2026 Cyprus profits, foreign withholding taxes that cannot be credited by a non-domiciled individual, and assets whose disposal is exempt in Cyprus but taxable on exit from the departure state.
- 05 Plan property.** Compare the 5% VAT residence route with a resale purchase bearing transfer fees; note the ten-year use condition and the 18-month first-occupation test from September 2026.

- 06 Register.** Obtain a tax identification number, register for GHS and social insurance, and file the first return for the year of arrival; the immigration permission is a separate workstream covered in Guide 04, Individuals, Self-Employed and Immigration.

● Legal references

- Income Tax Law 118(I)/2002, as amended, including articles 8(21A), 8(21B) and 8(23A) (employment exemptions), 9(1)(d) (R&D super-deduction), 9(1)(k) (IP Box), 11 (interest limitation and non-deductible expenses), 14 and 14B (personal deductions), 20 (special modes of taxation) and 33 (arm's length adjustments).
- Special Contribution for the Defence of the Republic Law 117(I)/2002, as amended.
- Capital Gains Tax Law 52/1980, as amended.
- Assessment and Collection of Taxes Law 4/1978, as amended, including by Law 243(I)/2025 (returns and deadlines from tax year 2026, review engagements under article 30, provisional tax, interest, penalties, transfer pricing documentation and records).
- Value Added Tax Law 95(I)/2000, as amended, with the Fifth and Eighth Schedules as amended by Regulatory Administrative Acts 102/2026, 103/2026 and 109/2026.
- Social Insurance Law 59(I)/2010, as amended; General Healthcare System Law 89(I)/2001, as amended.
- Administrative Cooperation in the Field of Taxation Law 205(I)/2012, as amended by Law 41(I)/2021 (DAC6) and subsequent amendments transposing DAC7 and DAC8; Ministerial Decree 438/2021.
- Law implementing Council Directive (EU) 2022/2523 on a global minimum level of taxation (Pillar Two), in force from 31 December 2023.
- Merchant Shipping (Fees and Taxing Provisions) Laws 2010 – 2020 (tonnage tax).
- International Trusts Law 69(I)/1992, as amended; Trustees Law, Cap. 193.
- Alternative Investment Funds Law 124(I)/2018; Open-Ended Undertakings for Collective Investment Law 78(I)/2012; Alternative Investment Fund Managers Law 56(I)/2013.
- Department of Lands and Surveys (Fees and Charges) Law, Cap. 219; Central Agency for the Equal Distribution of Burdens (Establishment) Law (0.4% levy); Excise Duties Law 91(I)/2004; Stamp Duty Law 19/1963 (abolished from 1 January 2026); Deceased Persons Estate Law.
- Tax Department circulars, including Circular 6/2023 (transfer pricing simplification), Circular 55 (DAC6 penalties), Circular 2/2025 (VAT option on leases) and the circular of 13 September 2023 (short-term rentals).



Let's talk about your next step

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