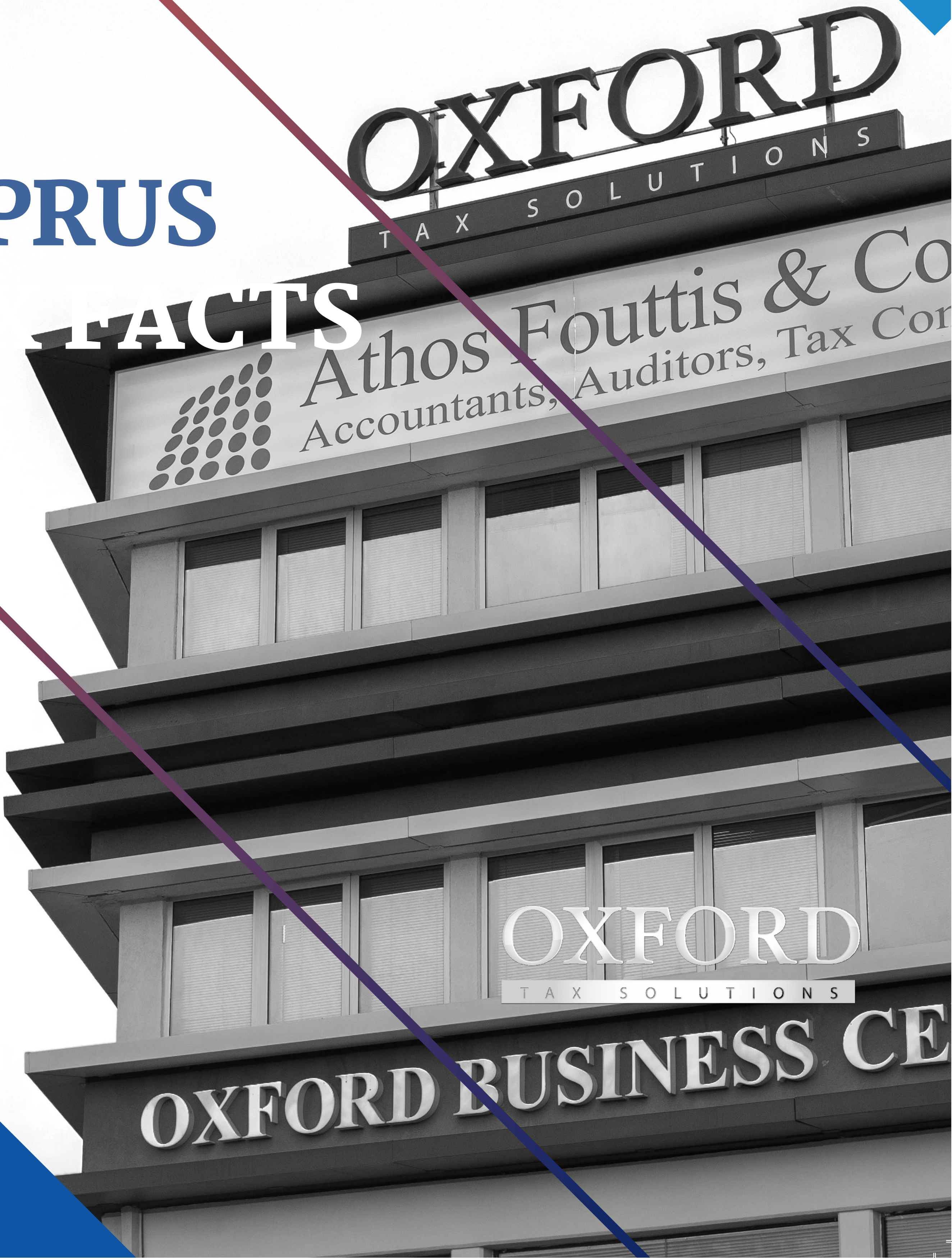
2026

CYPRUS

FACTS



CYPRUS TAX FACTS 2026

Table of Contents

3-15 Income Tax for Individuals

16-23 Corporation Tax

24-27 Special Contribution for Defence

28-29 Deemed Distribution

30-33 Shipping Companies

34-36 Intellectual Property (IP) Tax Regime

37-39 Capital Gains Tax

40-41 NID – Deduction on New Equity

42-52 Value Added Tax

53 Cyprus Trusts

54-56 Land Registry Fees and Stamp Duties

57-59 Social Insurance and Other Contributions

60-61 Registration fees / Capital Duty

62-68 Transfer Pricing and Anti-tax Avoidance Provisions

69-73 Mandatory Disclosure Rules – (DAC6/MDR/DAC7)

74-76 Maintenance of accounting books and records

77-81 Tax Calendar 2026

82-87 Cyprus Double Tax Treaties

88-90 About Oxford Management Ltd

CYPRUS TAX FACTS 2026

Income Tax for Individuals

The income on which an individual will be taxed in Cyprus, is according to whether an individual is classified as a tax resident in the Republic of Cyprus or not.

A Cyprus tax resident is taxed on all of their chargeable income arising from all sources inside and outside of the Republic. While a non-Cyprus tax resident is taxed only on the income arising from inside the Republic.

Cyprus Tax Residency and how it is determined:

Below are two guideline rules that can be used, in order to distinguish and understand when an individual qualifies as a Cyprus tax resident for a specific year:

The 183 days rule:

If an individual resides in Cyprus for more than 183 days during a tax year, then this individual can qualify as a Cyprus tax resident for that tax year;

The 60 days rule:

An individual can also qualify as a tax resident under the 60 days rule. Conditions are listed below:

1. An individual does not reside more than 183 days, either continuously or in total, of that tax year in another country.

2. An individual spends at least 60 days in Cyprus during that year;

3. An individual carries out a business and/or is working in Cyprus, and/or holds an office with a Cyprus tax resident company any time during that year, provided that employment/business/holding an office, is not terminated during the tax year;

4. The individual either owns or rents a permanent residence in Cyprus for that year;

How to calculate days spent in Cyprus:

- The day of departure is counted as a day outside of Cyprus;
- The day of arrival is counted as a day inside Cyprus;
- Arrival and departure from Cyprus on the same day is counted as a day in Cyprus;
- Departure and arrival in Cyprus on the same day is counted as a day outside of Cyprus;

As from 1 January 2026, the below income tax rates and bands apply to individuals:

Chargeable Income (€)	**Tax Rates** (%)
0 - 22,000	0
22,001 – 32,000	20
32,001 – 42,000	25
42,000 – 72,000	30
Over 72,000	35

Who has an obligation to submit a personal tax return in Cyprus?

1) All tax resident individuals that have gross income

2) All tax Residents ages between 25 to 70 - irrespective of income

Exemptions on personal income tax:

The below forms of income are exempt from personal income tax:

Type of Income	Exemption amount from income tax
Dividend income	**100% exempt** (may be subject to Special Defence Contribution)
Interest (up to 31 December 2025, interest arising from the ordinary business activities or closely related to the ordinary business activities of an individual was subject to income tax)	**100% exempt** (may be subject to Special Defence Contribution)

Remuneration on salaried services performed outside the Republic of Cyprus to a non-resident employer or a permanent establishment outside the Republic of a resident employer, for a period of more than 90 days	**100% exempt**
Remuneration for first employments exercised in Cyprus commencing after 26 July 2022, by individuals who immediately prior to the commencement of their employment in Cyprus, were not residents of Cyprus for a period of at least 3 consecutive tax years and were employed outside of Cyprus by a non-resident employer. For each individual the exemption will apply for a period of 7 years, starting from the tax year following the tax year of commencement of employment. Individuals granted the below 50% exemption will not be eligible for this exemption	**20% of the remuneration with a maximum amount of €8,550 annually**
Remuneration for "first employment" exercised in Cyprus commencing as from 01 January 2022 with annual remuneration exceeding €55,000 during the first and second year of employment by individuals who were not residents of Cyprus for a period of 15 consecutive tax years immediately prior to the year of commencement of the employment in Cyprus. For each individual the exemption will apply once in their lifetime for a period of 17 years. Subject to certain conditions, individuals whose employment commenced prior to 1 January 2022, may also be eligible to claim this exemption. The old 50% exemption may still be applicable for the remaining years up to the maximum allowable years, if the taxpayers are not eligible for the new 50% exemption. The old 50% exemption applied for 10 years commencing from the year of employment.	**50% of the remuneration**

Profits from sale of securities (See note 1)	**100% exempt**
Capital sums paid to individuals out of life insurance policies, provident fund and pension funds	**100% exempt**
Lump sums received by way of retiring gratuity, commutation of pension or compensation for death or injuries	**100% exempt**
Profits of a foreign permanent establishment – under certain conditions	**100% exempt**
Foreign exchange gains, with the exemption of FX gains that arise from trading in foreign currencies and relevant derivatives	**100% exempt**
Capital gain from the disposal of intellectual property rights	**100% exempt**
Gains arising from qualifying loan restructuring	**100% exempt**
Profits from the production of films, series and other related audio-visual programs	The lower of **35% of eligible expenditure** and **50% of the taxable income**. Restriction may be carried forward for a period of 5 years
Minds in Cyprus initiative: The exemption is available to both employees and self-employed individuals who commence employment or business activities in Cyprus on or after 1 January 2025, provided their annual employment income or business profits exceed **€30,000 To qualify for the exemption, individuals must meet the following conditions:**	**25% exemption** on their **gross annual employment income or business profits,** subject to a maximum annual exemption of **€25,000,** for a period **of seven years from the commencement of their professional activities in Cyprus.**

- Become a Cyprus tax resident.
- Have not been a Cyprus tax resident for at least seven consecutive years prior to commencing employment or self-employment in Cyprus.
- Have previously been a Cyprus tax resident before

  the required seven-year period of non-Cyprus tax residency.
- Have been employed full-time outside Cyprus by a non-Cyprus tax resident employer, meeting one of the following requirements:
- University degree holders:

  At least 36 months (3 years) of full-time employment within the 7 years preceding the commencement of employment or self-employment in Cyprus.
- Non-university degree holders:

At least 7 years of full-time employment immediately preceding the commencement of employment or self-employment in Cyprus.

Notes

1. Profit from the sale of securities is exempt from tax in Cyprus. Securities are defined as: Ordinary shares, founder shares, preference shares, options on shares, debentures, bonds, short position on titles to include futures, forwards, swaps and participation in companies. Such income will however be subject to General Healthcare Scheme (GHCS) at a rate of 2.65%.

Tax credit for foreign tax paid:

Any foreign tax that was paid on income that will be subject to income tax in Cyprus can be claimed against tax payable on this income, irrespectively of the presence of a tax treaty. Tax credit can be obtained assuming appropriate evidence and receipts of payment are provided. The tax credit can reduce Cyprus tax to zero, however it cannot create a refund.

Deductions on personal income tax:

The below forms of expenses are allowed as deductions from personal income tax:

Type of Expense	Deductions
Expenses incurred wholly and exclusively for the production of income	**100% deductible**
Subscriptions to trade unions and professional bodies	**100% deductible**
Rental Expense	**20% of the gross rental income deductible**
Interest relating to the purchase of property for rental purposes	**100% deductible**
Interest relating to the acquisition of assets that would be used in the business	**100% deductible**
Donations made to approved charities	**100% deductible**
Donations made to political parties (subject to conditions)	Up to **€50,000**

Expenditure incurred for the maintenance of a building under preservation (subject to conditions)	Up to **€1,200, €1,100** or **€700** per m2 (varies according to size of building)
Social insurance, General Health System, private medical fund, insurance contributions (maximum 2% of remuneration), pension and provident fund contributions (maximum 10% of remuneration) and life insurance premiums (maximum 7% of the insured amount)	Total deduction of the expenses referred to in the left column must **not exceed 1/5 of the chargeable income** before the deduction of these allowances
Wear and tear allowances on assets that are used for business purposes	Deductions as per **Wear & Tear** table – (See page: 22-23)
Entertainment expenses for business purposes	Entertainment expenses up to **1% of total** gross income or **€17,086** (whichever amount is lower) is allowable as a deduction
Cost for purchase of shares as of 01 January 2017 in an approved innovative business either directly or indirectly, subject to conditions (applicable up to 31 December 2026)	Restricted to **50% of the investor's taxable income** (after deductions) of the tax year in which the expenses are incurred, or **€150.000 per year** (whichever is lower). Any restricted costs can be carried forward and utilised over the following five years, subject to conditions. Investment must be held for at least three years.
Interest expenses for purchase of shares in a wholly owned subsidiary acquired after 01/01/2012	**Deductible** as long as the **subsidiary does not hold any assets** that are **not used in the business.** If the subsidiary does hold assets that are not used for business purposes, then **deduction is allowable up to the percentage of assets** that are **used for the business**
Expenditure of revenue nature for scientific research and for R&D (subject to conditions)	**100% exempt** (and for expenditure incurred in years 2022 to 2030, an additional 20%)

Tax amortisation on any expenditure of capital nature for scientific research and for R&D (subject to conditions)	The whole amount (and expenditure incurred in years 2022 to 2023, an additional 20%) allocated over the lifetime of the asset (maximum period 20 years)

As from 1 January 2026, the following additional deductions are available:

Family	Family income thresholds (€)
No children	100,000
Up to 2 children	100,000
3 or 4 children	150,000
5 or more children	200,000
Single parent families	Same as family income thresholds as per number of children
Single persons	40,000

Allowances	Amount (€)
Deduction for each parent based on the above family income criteria. For single-parent families, and in the case of parents where one of the two parents has full custody, the amount of the deduction granted is doubled	€1.000 for the 1st child, €1.250 for the 2nd child and €1.500 for the 3rd and any additional child. For single parent families, the amount of deduction is doubled.
Interest expense paid in respect of a performing loan for the purchase or construction of a main residence situated in the Republic; or rent expense paid in respect of the use of a main residence situated in the Republic, based on the above family income criteria	Up to €2.000 for each spouse or common-law partner or single person

For total capital expenditure incurred to improve the energy efficiency of a main residence located in the Republic, based on the above family income criteria	Up to €1.000 for each spouse or common-law partner or single person
For total capital expenditure incurred for technical energy efficiency systems of the main residence, renewable energy systems, and electricity storage batteries, based on the above family income criteria	Up to €1.000 for each spouse or common-law partner or single person
For total capital expenditure incurred on electric vehicles registered with the Department of Road Transport, based on the above family income criteria	Up to €1.000 for each spouse or common-law partner or single person
Premiums paid to insure a residence against natural disasters	up to €500

Non-Allowable deductions on personal income:

Type of Expense	Non - Deductions
Expenses not incurred wholly and exclusively for the production of income	**100% Non - deductible**
Private motor vehicle expenses	**100% Non - deductible**
Any expenses that are not followed with sufficient documentation	**100% Non - deductible**
Salaries relating to services offered within the tax year on which social insurance and other contributions have not been paid for	**100% Non - deductible**

Interest payable for acquisition of a private motor vehicle, irrespective of whether it is used in the business or not. This restriction is for seven years from date of acquisition	**100% Non - deductible**

Loan provided to shareholder or director:

Any loans, cash facility or withdrawal provided from a Cyprus company to its Cyprus resident individual director or shareholder (including their spouse or any relative up to second degree), must be recognised as a monthly benefit on which an interest of 9% p.a. will be imposed. This benefit is included in the individual's income and is subject to income tax.

Widows pension:

A Cyprus tax resident individual has two options when it comes to how their widow's pension will be taxed and this can be selected annually:

1. The first €22,000 of the pension will be tax free and any amount above this threshold will be taxed at a flat rate of 20%; or

2. The pension to be taxed under the normal tax bands

Overseas pension:

Overseas pension can also be taxed under a special mode of taxation. See options below:

1. Pensions are exempt from tax up to €5,000 (€3,420 up to 31 December 2025) and any amount above that threshold is taxed at a flat rate of 5%; or

2. Be taxed under the normal individual income tax rates

Remuneration of individuals employed in the funds industry:

The variable remuneration of employees that work in an Alternative investment Fund (AIF) or a self-managed AIF or a management company for UCITS which is connected to carried interest, can either be taxed at 8% annually with a minimum tax liability of €10,000 per annum (subject to conditions) for a 10-year period, or be taxed under the normal tax bands;

Income from intellectual property rights:

Gross income from intellectual property rights, compensations etc. from sources within Cyprus, of a person who is not a tax resident and does not hold a permanent establishment in the Republic of Cyprus, is subject to withholding tax at a rate of 10% (unless tax treaty is lower);

Film royalties:

Gross income received by a non-resident for royalties from a film projection in the Republic of Cyprus is subject to withholding tax at a rate of 5% (unless tax treaty is lower);

In both cases listed above (income from intellectual property rights and film royalties), if the royalties received are from a connected company that is registered in an EU Member State, then such royalties are exempt from withholding tax. This
exemption is subject to conditions.

Profits of professionals, entertainers etc.:

Gross income, remuneration or gross receipts received by an individual that is not a resident in the Republic for any theatrical, musical or group of entertainers (including football clubs) performances in the Republic, are subject to 10% withholding tax (unless a tax treaty is lower);

Income from technical assistance:

Gross income from sources within Cyprus for technical assistance provided by a non-resident is subject to withholding tax at a rate of 10%. Such income is exempt from withholding tax if services are provided by a permanent establishment in Cyprus;

Payment of tax withheld on payments to non-residents should be made by the end of the following month to the Cyprus Tax Department. Interest and penalties will apply for any late payments made.

As from 1 January 2026, the following income are also considered as taxable income:

- Part of the amount received from a partial surrender of an insurance policy:

a. Policies under 4 years old: If four years have not elapsed since the start of the policy, 50% of the partially surrendered amount is added to your taxable income for that year

b. Policies over 4 year old: If more than four years have elapsed, 50% of the amount surrendered that exceeds the gross cash surrender value on December 31 of the fourth preceding year is added to your taxable income

- The following income are taxed at a flat rate of 20% on amounts over €200,000:

a. Ex-gratia payments in relation to retirement or termination of employment

b. Benefits granted through an early retirement scheme

c. Compensation for termination of employment when this compensation is not specifically provided for in terms of employment of the individual

- Benefits derived by employees or directors of a company in the form of share option righrs or rights for acquisition of shares are subject to a flat tax rate of 8% (subject to conditions)

- Benefit in kind of 9% on non-trading financing applies also to indirect individual shareholders and directors

Corporation Tax

A company falls under the definition of a Cyprus tax resident company if its control and management is in Cyprus. As of 2026, the Cyprus government has agreed that any company that is incorporated or registered in Cyprus will by default be treated as a Cyprus tax resident company, unless a double tax treaty provides otherwise.

For the purposes of this incorporation tax residency test, companies that have transferred their registered office to Cyprus will be considered as being incorporated in Cyprus.

A Cyprus tax resident company is taxed on its income accrued and derived from all sources both within and outside the Republic of Cyprus.

On the contrary, a non-Cyprus tax resident company will be taxed on its income accrued and derived only on its sources within the Republic of Cyprus.

Corporation tax rate

As of 1 January 2026 corporation tax rate for all companies increased to 15%

With effect 1 January 2026, gains from cryptocurrency transactions wil be subject at income tax at a flat rate of 8%. This special mode of taxation does not apply for profits on crypto assets that were acquired through crypto mining.

Exemptions from Corporation tax:

Type of Income	Exemption from Corporation tax
Dividend income	**100% exempt** – Such income may be subject to Special Contribution for Defence
Any interest income that does not arise from the ordinary business activity of the company up to year 2025. As from 1 January 2026, interest income earned by companies is always subject to corporation tax	**100% exempt**
Profits from the sale of securities (See note 1 on page 8)	**100% exempt**
Profits of a permanent establishment held outside the Republic of Cyprus (Subject to conditions and with an election to tax on the profits of the foreign permanent establishment)	**100% exempt**
Foreign exchange gains	**100% exempt** assuming gains are not from the trading of foreign currencies and other related derivatives Non - deductible
Rent received from a preserved building (subject to conditions)	**100% exempt**
Capital gain from the sale of intellectual property rights	**100% exempt**
Income from the production of films, series and all other audio-visual businesses (subject to conditions)	The lower of **35% of eligible expenditure** and **50% of taxable income.** Any restriction may be carried forward for 5 years.

All expenses used wholly and exclusively for the production of income and for business purposes are deductible in the calculation of Corporation Tax.

Such deductions include:

Type of Expenses	Deductions from Corporation tax
Interest imposed for the acquisition of assets that will be used for business purposes	**100% deductible**
Interest expenses for purchase of shares in a wholly owned subsidiary acquired after 01/01/2012	**100% deductible** as long as the **subsidiary does not hold any assets that are not used in the business.** If the subsidiary **does hold assets** that are **not used for business purposes,** then **deduction is allowable** up to percentage of assets that are used for the business As of **01 January 2019**, an interest limitation rule applies in accordance with the EU Anti-tax Avoidance Directive. The deduction **does not apply if the subsidiary is a company in a jurisdiction included** in the **EU list** of **non-cooperative** jurisdictions **on tax matters (EU "Blacklist")**
Notional Interest Deduction on new equity (See detailed analysis on page: (31-34)	Up to **80% of taxable profits** derived from new equity
Donations to approved charities (with receipts)	**100% deductible**
Employer's contributions for social insurance, General Health System, approved funds	**100% deductible**
Employer's contributions for employees' private medical fund	**1% on employees' remuneration**
Employer's contributions for employees' pension and provident funds	**10% on employees' remuneration**

Expenditure incurred for the maintenance of a building under preservation (subject to conditions)	Up to **€1,200, €1,100** or **€700** per m2 (varies according to size of building)
Royalty income and any other qualifying income resulting from qualifying intangible assets in the new Cyprus Intellectual Property (IP) box – (See page: 35-37)	**Up to 80% of the net profit** using the modified nexus approach
Entertainment expenses for business purposes	As from **1 January 2026,** lower of **€30,000 or 1%** of the gross income of the business
Wear and Tear allowances on assets held by the company and used for business purposes as per rates provided	See page 10 for a detailed list of **wear and tear rates**
Expenditure for scientific research and R&D (subject to conditions)	**100% exempt** for expenditure incurred in years **2022-2030**
Donations or contributions to certain approved institutions (applicable as from 1 January 2026)	**100% exempt** (up to €50,000)
Expenses relating to the first listing of shares on a recognised stock exchange (applicable as from 1 January 2026)	**100% exempt** (up to €300,000)
Expenditure on film infrastructure and technological equipment (subject to conditions)	**20% for small enterprises** and **10% for medium enterprises**

Below is a list of expenses that are not deductible when calculating corporation for a Cyprus tax company.

Type of Expenses	Non-Deductible from Corporation tax
All expenses that are not incurred exclusively for the production of income and for business purposes	**100% non-deductible**
Any expenditure that is not supported with sufficient credentials	**100% non-deductible**
Interest payable on the purchase of a private motor vehicle, irrespectively of whether this vehicle is used for business purposes or not	**100% non-deductible** for a period of **7 years from the purchase of the vehicle**
Any wages incurred during the year on which social insurance and other contributions were not paid on and are due	**100% non-deductible**
As from 1 January 2026, interest and royalty accrued to a company that is a tax resident in a Low Tax Jurisdiction (LTJs) is a non-tax deductible irrespective of whether the interest or royalty is paid or not. Interest and royalty expense relating indirectly to such companies located in LTJs is also restricted, subject to an anti-conduit rule	**100%**

Losses carried forward:

Tax losses incurred by a company during the year that cannot be off-set against any other income can be carried forward against future taxable profits for a period of 7 years (up to 31 December 2025 losses were carried forward for 5 years).

Group losses:

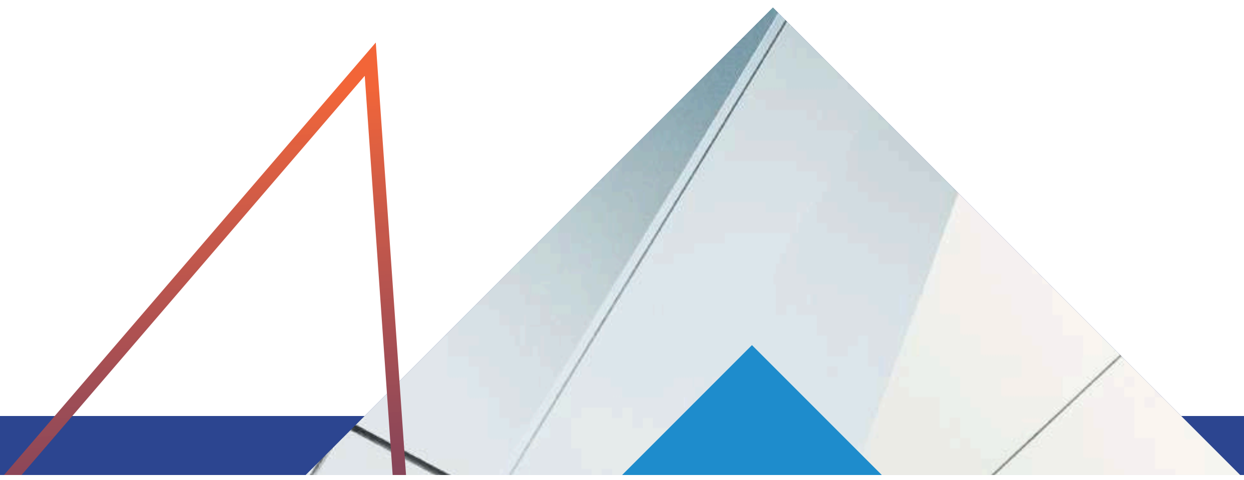
Current year loss in one company can be utilised to set-off taxable income of another group company, assuming both companies are under the same group and are tax residents for the entire tax year. Two companies are considered to be part of a group if one of the two conditions below is met:

- One Cyprus tax resident company holds directly or indirectly at least 75% of voting rights in the one Cyprus tax resident company; or,

- Both Cyprus tax resident companies are at least 75% held either directly or indirectly by a third company;

When a parent company incorporates another company during the tax year, then this company will be considered to be a member of the group for group relief purposes for that tax year.

A Cyprus tax company is entitled to the tax losses of a group company that is a tax resident in another EU country, assuming that the EU Company has exhausted all options available to utilise losses in their own country or in the country of any intermediary EU holding company.



Losses of a foreign permanent establishment:

Losses arising from a foreign permanent establishment during a tax year can be offset against the profits of its head office in the Republic of Cyprus. In the future event that the foreign permanent establishment has taxable profits, the profits will be taxed up to the amount of losses previously offset.

Capital Allowances Table:

Asset:	Capital Allowance %
BUILDINGS	
Hotel Buildings	4
Industrial Buildings	4
Agricultural Buildings	4
Commercial Buildings (maximum 33 years)	3
Industrial and hotel buildings acquired between 2012-2018	7
Wooden greenhouse structures	33 1/3
Metallic greenhouse structures	10
Flats	3
Technical systems for energy saving on buildings	20
Energy saving upgrades on buildings	7
PLANT AND MACHINERY	
Machinery, plant and furniture	10
Furniture and fittings	10
Furniture and fittings acquired between 2012 - 2018	20

Computer Hardware and Software	20
Application software: Up to €1,709 Over €1,709	100 33 1/3
Motor Vehicles and motorcycles – except Saloons	20
Tractors, excavators, trenches, cranes, bulldozers, fork lifts, oil barrels	25
Electric vehicles	33 1/3%
New cargo ships, new airplanes and new helicopters	8
Plant and Machinery used in agriculture	15
Televisions and videos	10
Wind power generators	10
Photovoltaic systems (the cost should include the cost of installation reduced by amount of subsidy received)	20
TOOLS	
All tools	33 1/3
INTANGIBLE ASSETS	
Intangible assets with certain exceptions	5 – 100
SHIPS	
Sailing vessels	4.5
New commercial vessels	8
New passenger vessels	6
Steamships, tug-boats, fishing ships	6
Motor yachts	6

Special Contribution for Defence

Special contribution for defence (SDC) is imposed on:

- Cyprus tax resident companies
- Cyprus tax resident and domiciled individuals

Special contribution for defence is imposed on the below sources of income.

Capital Allowances Table:

Type of Income	Special Contribution for defence			
	Individuals (1) %		Legal Entities (1) %	
	2026	2025	2026	2025
Dividend income from Cyprus tax resident companies: For dividends received up until 2031, out of profits generated up to year 2025, to domiciled individuals	17%	17%	17%/0% (see note 1)	17%
For dividends received as from 1 January 2026	5%			
Dividend income from non-Cyprus tax resident companies	5%	17%	0% (see note 2)	0% (see note 2)
Other interest income (passive)	17%	17%	0%	0%

Gross rental income reduced by 25% As from 1 January 2026, rental income is exempt from SDC	0%	3%	0%	3%
Interest income arising from the ordinary activities or closely related to the ordinary activities of the business (active) As from 1 January 2026, all interest income earned by companies is subject to income tax and all interest earned by individuals is subject to SDC	17%	0%	0%	0%
Disguised dividend distribution	10% (see note 3)	0%	0%	0%

For Cyprus sourced interest and dividends, SDC is withheld at source and paid at the end of the month, following the month in which they were paid. For foreign sourced interest and dividends, defence is payable every 6 months, on 30 June and 31 December each year.

The following sources of income are exempt from Special Contribution for defence:

- Interest income arising from the ordinary activities of the business. As from 1 January 2026, all interest income earned by companies is subject to income tax.
- Interest income received from a collective investment scheme;
- Dividends received directly or indirectly from dividends on which SDC has already been paid;
- Dividends received by a Cyprus resident company from another Cyprus resident company, subject to certain anti-avoidance provisions;

An individual who has a total annual income up to €12.000, including interest, who has received interest that is subject to SDC, has the right to request for a refund of the SDC paid in excess of 3%.

On 13 September 2023, a circular was issued pursuant of which rental income from self-catering accommodation that is rented out through various different online platforms will be treated as business income (subject to conditions). When treated as business income this income will be exempt from SDC.

Definition of domicile:

According to the provisions of the Wills and Succession Law, domicile can be obtained in two different ways:

1. Domicile by Origin – domicile given at birth, normally from the father's side
2. Domicile by Choice –an individual acquires domicile by forming a permanent residence and has the intention to reside in Cyprus permanently

The amendment has made a distinction between domiciled tax resident individuals and non-domiciled tax resident individuals.

Domiciled tax resident individuals will continue to be taxed the normal SDC tax rates as stated on page 19 on dividend, interest and rental income. Non-domiciled tax resident individuals will be fully exempt from SDC.

In accordance with the SDC law, a Cyprus Domicile individual who has received its status by origin/birth, is considered a non-domiciled if any of the below are conditions are met:

- Individual has retained a domicile of choice outside of Cyprus, provided that they were not tax residents in Cyprus for any period of at least 20 continuous years prior to the tax year in assessment;
- An individual has not been a Cyprus Tax Resident for at least 20 continuous years prior to the release of the amended SDC law;

It must be noted that when assessing whether an individual for a specific year is a domicile Cyprus tax resident or not, we need to consider the number of years this individual has been a Cyprus tax resident. If an individual has been a Cyprus tax resident for at least 17 out of the last 20 years prior to the tax year under review, then irrespectively from the individual's origin, this individual will be taxed as a Cyprus domiciled individual for SDC purposes. SDC will be payable from the 18th year of an individual's reside in Cyprus.

As from 1 January 2026, persons with domicile of origin outside Cyrus, may elect to extend their non-domiciled status for up to two additional 5-year periods (in total 10 years). This extension requires a €250,000 lump sum payment for each 5-year period, paid in advance (€50,000 per year).

Notes

1. Dividends received by a Cyprus tax resident company from other Cyprus tax resident companies are exempt, subject to anti-avoidance provisions.

2. Dividends received by a Cyprus resident company from a non-Cyprus resident company are exempt. Exemption does not apply if:

   - More than 50% of the business activities of the non-Cyprus resident company is investment income; and - Foreign tax payable on the dividend income is significantly lower than the Cyprus tax burden. The tax authorities have issued a circular clarifying that significantly lower means an effective tax rate of less than 6.25% of profit distributed.Foreign tax can be credited against SDC liability;

3. The concept of disguised dividends was introduced
   1 January 2026 for individual shareholder at the rate of 10%. It applies to Cyprus tax resident and domiciled individuals in the following cases:

   Private use of a company asset by the shareholder or an individual related to the shareholder;

   Assets disposed by the company to an individual shareholder or an individual related to the shareholde at a consideration which is below fair market value.

   The disguised dividend provisions do not apply:

   To assets previously donated to the company by the private use shareholder

   Where the Income Tax benefit in kind provisions apply;

   Where the distribution is in the context of capital reduction, dissolution or liquidation.

Deemed Distribution

A Cyprus tax resident company is deemed to distribute 70% of its accounting profits in the form of dividends, within two years following the end of the tax year in which the accounting profits were generated in. Accounting profits are net of corporation tax, SDC, capital gains tax and other foreign taxes. Any actual payments of dividends made during the two-year period are deducted from the amount of deemed dividends that need to be distributed. In the cases where actual dividend is paid after the deemed dividend distribution date, any deemed distribution will reduce the actual dividend on which SDC is payable.

SDC of 17% is paid on any deemed dividend distributions made, to the extent that the ultimate shareholders of the Cyprus tax company are Cyprus tax residents and domiciled individuals.

The Deemed dividend distribution provisions have been abolished on profits related to years 2026 onwards.

Disposals of assets to shareholders at less than market value

In the event where a Cyprus tax company disposes an asset to its Cyprus tax resident and domiciled shareholder or his/her relatives up to second degree or his/her spouse, either without consideration or at a value that is lower than the market value of the asset that was disposed, then the difference between the market value and the amount of consideration at which the asset was actually disposed at, is deemed to have been distributed to the shareholder from the company. In the case that the shareholder or his/her relative up to second degree or his/her spouse presents an asset in the form of a gift to the company, then the above provisions do not apply.

Reduction of Capital

In regard to reduction of a company's capital, any amount that was paid or due to the company's Cyprus tax resident and domiciled shareholder that is in excess of the initial paid-in equity, will be considered as dividend distributed and will be subject to SDC at 17%. The buy back or redemption of units or other ownership interests in an open-ended or closed-ended collective investment schemes is not considered a capital reductions and is not subject to SDC.

Company Dissolution

The aggregated profits of the last five years' of a Cyprus Tax Company prior to its dissolution, which have not been distributed already, will be subject to SDC at a rate of 17% on dissolution. The difference between the market value and the original acquisition price of any assets that are allocated to the company's shareholders upon dissolution or liquidation, will be subject to deemed distribution provisions. If, during dissolution, the company does not have enough profits to repay its creditors, then no profits will be available to be distributed to its shareholders. This provision does not apply to the case of dissolution under a reorganisation.

Shipping Companies

Cyprus holds an EU approved Tonnage Tax System (TTS) that was introduced back in 2010 under Merchant Shipping Law. On 16th of December 2019 the EU Commission has approved the continuation of Cyprus' tonnage tax scheme for the next ten years, up to 31 December 2029.

In most cases, companies can select to be taxed on the basis of their net tonnage instead of being taxed on their actual profits from their maritime activities. See tonnage tax rates below:

Units of Net Tonnage	Ship-owners & Charterers €TT per 100 units	Ship-managers €TT 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
> 40,000	7.30	7.30

The above tonnage tax rates are reduced by 30% to reward owners of Cyprus and Community flagged vessels which use environmentally friendly equipment. Cyprus TTS includes three main maritime activities; ship ownership, ship management and ship chartering activities. Beneficiaries can be ship owners, ship charterers or ship managers that own, charter or manage a qualifying vessel that is involved in a qualifying shipping activity.

An analysis of the three main maritime activities is seen below:

Cyprus Tonnage Tax System– Ship Ownership:

The TTS relates to any ship-owner of a qualifying vessel that carries out qualifying activities. This consists of the following:

1. Cyprus Flag Vessels

2. EU/EEA flag vessels that are owned by a Cyprus tax resident company and choose to be taxed under the TT regime (under conditions)

3. Fleet of EU/EEA and non EU/EEA vessels that are owned by a Cyprus tax resident and choose to be taxed under the TT regime (under conditions)

4. Owners of re-flagged ships

Owners of Cyprus flag vessels are automatically taxed under TTS and do not have the option to be taxed under Corporation tax. On the other hand, Cyprus tax resident ship owners of non-Cyprus flag vessels can select to be taxed under TTS regime following certain criteria.

If the ship-owner decides to follow through with the TT regime, the ship-owner must be a Cyprus tax resident and this option must continue for a minimum of 10 years unless they have a valid reason to exit.

Under TT regime, the qualifying ship owners are exempt from Income tax on the below:

- Profits from the use of a qualifying vessel
- Profits from the disposal of shares in a ship-owning company and the distribution of this profit
- Profits from the disposal of the qualifying ship
- Dividends paid out of the above referred to profits at all distribution levels
- Interest income received on funds used as working capital, or on income from shipping operations

Cyprus Tonnage Tax System – Ship Chartering

All vessels (Cyprus/ EU/ EEA/ Fleet) chartered in qualifying shipping activity (bareboat, demise time, voyage charter) can choose to follow the TT regime, assuming that the charterer is a legal person Cyprus tax resident. As with the ship-owners, the TTS has to be followed for a minimum of 10 years and the option to register for TT must be exercised for all vessels

The below types of income are tax exempt for Ship Charterers:

- Profits from the use of a qualifying vessel
- Dividends paid out of the above profits at all distributions levels
- Interest income related to the working capital/qualifying activity as well as any interest on capital that was used for investments

Cyprus Tonnage Tax System – Ship managers

A ship-manager is defined as a Cyprus tax resident legal person that offers technical/ crewing services on behalf of a qualifying vessel. The rates applicable to ship managers are 25% of the tonnage tax calculated on the net tonnage of the ship.

There are a few criteria that ship managers must match in order to have the option to be taxed under TTS. Criteria are listed below:

1. The ship manager must hold an independent office in Cyprus that employs a sufficient amount of workers, all with the appropriate experience and expertise
2. At a minimum, 51% of total onshore staff must be EU/EEA citizens
3. At a minimum 2/3 of total tonnage under management must be managed within the EU/EEA in any set fiscal year. Any excess of 1/3 will be taxed under corporation tax.

If the TT regime is elected, then similarly with ship ownership / charterers there is a minimum of 10 year duration, unless they have a valid reason to exit, such as disposal of their vessels or their activities ceased.

Tax exemptions for ship managers cover the following:

- Profits from technical/crew management
- Dividends paid out of the above referred to income, at all levels of distribution
- Interest income in relation to working capital/qualifying activity, as long as such income was used for business purposes. Interest income on capital that was used for investments is not included

All qualifying ships that belong in a group must follow TTS together. Tonnage tax is payable on 31 of March each year and is calculated by reference to the net tonnage of the qualifying ships under one's ownership, charter or management.

The Intellectual Property (IP) Tax Regime in Cyprus

Under the IP regime, 80% of qualifying profits generated from qualifying assets will be deemed to be tax deductible.

“Qualifying intangible asset” is defined as an asset which was acquired, developed or exploited by a person in furtherance of their business, (excluding intellectual property associated with marketing) and which is the result of research and development activities.

Such assets are:

a. Patents as defined in the Patents Law

b. Computer Software

c. Other IP assets that are legally protected and fall under one of the following categories:

- utility models, intellectual property assets which provide protection to plants and genetic material, orphan drug designations and extensions of protections for patents;

- non obvious, useful, and novel, where the person which utilizes them in furtherance of a business does not generate annual gross revenues exceeding Euro 7,500,000 (in case of a group of companies not exceeding Euro 50,000,000), which are certified as such by an Appropriate Authority in Cyprus or abroad;

Qualifying intangible assets specifically exclude:

a. Trademarks

b. Business Names

c. Brands

d. Image Rights

e. Other intellectual property rights used for the marketing of products and/or services

Qualifying profits are calculated based on the "nexus approach". More specifically, the level of profits eligible for the 80% tax exemption will depend on the level of research and development expenditure carried out by the taxpayer to develop the qualifying asset. The qualifying profits are calculated based on the following fraction that captures this:

$$QP: OI \text{ multiplied by } \frac{(QE+UE)}{OE}$$

Whereby:

QP: Qualifying Profit

OI: Overall Income – Gross income derived from qualifying intangible assets less any direct costs incurred for generating the income. Direct costs are all costs incurred wholly and exclusively for the generation of gross incomes

QE: Qualifying Expenditure – Total of all research and development costs incurred directly related to the qualifying asset. Any R&D expenditure being outsourced to related parties should not be treated as a qualifying expenditure

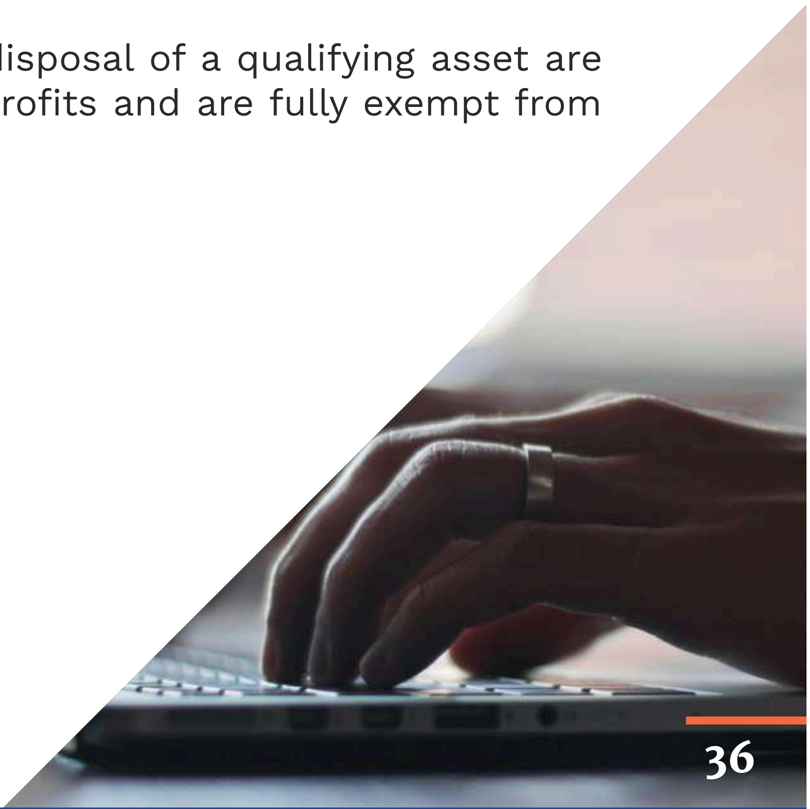
UE: Uplift Expenditure - Is added to the qualifying expenditure, which will be equal to the lower of 30% of QE or the total costs of acquiring the qualifying assets plus the cost of outsourcing to related parties any research and development

OE: Overall Expenditure – Is defined as the sum of the qualifying expenditure and the total cost of acquiring the qualifying asset plus the cost of outsourcing to related parties of any research and development costs outsourced to related parties incurred in any tax year

80% of the overall profit derived from the qualifying intangible asset is treated as deductible expense in the tax computation of the company. Capital allowances can be claimed on the cost of any qualifying intangible asset.

In the case of a resulting loss, only 20% of the loss can be surrendered to other group companies or be carried forward to subsequent years. Qualifying taxpayers that are eligible for the IP regime include Cyprus tax resident persons, permanent establishments (PEs) of non- resident person and foreign PEs that are subject to tax in Cyprus.

Capital gains arising from the disposal of a qualifying asset are not included in the qualifying profits and are fully exempt from income tax.



Capital Gains Tax

Capital Gains Tax (CGT) in Cyprus is imposed at the flat rate of 20% on the following sources of income:

1. Gains from disposal of immovable property located in Cyprus;
2. Gains from disposal of shares of companies which own immovable property situated in the Republic and that are not listed on a recognised stock exchange;
3. Gains from disposal of shares of companies, which indirectly own immovable property located in the Republic and derive a minimum of 50% of their market value from this immovable property; (20% as from 1 January 2026);

Exemptions:

There are a series of exemptions when it comes to CGT. The following disposals of immovable property are exempt from any CGT:

- Gifts between spouses, parents, children or other relatives up to third degree;
- A transfer by reason of death;
- Gift to charities, the Republic, local authority for educational purposes or to a political party;
- Expropriations;
- Transfers under a qualifying loan restricting;
- Disposal of units in an AIF or UCITs whose establishments follow Cypriot laws and are listed on a recognised stock exchange;

- Exchange provided the gain is used for the acquisition of new property. The gain derived from the exchange reduces the cost of the new property and the tax is paid when the latter is disposed
- ;Disposal of property under Compulsory Acquisition Law;
- Gifts by a family company to its shareholders, as long as the property was acquired by the company in the form of a gift. In this case, the property must be kept for a minimum of three years;
- Gifts to a company where the shareholders are members of the donor's family and shareholders remain members of the family for five years following day of transfer;
- Any disposal of shares of a company that is listed on a regulated market of a recognised recognised stock exchange. Disposals of shares listed on an unregulated stock exchange will be subject to CGT unless the disposal amount does not exceed the €50,000 per year;
- Transfer of ownership or share transfers as a result of company reorganisations;
- Exchange or disposal under the Agricultural Land (Consolidation) Laws;
- Transfer of ownership between spouses whose marriage has been dissolved by court order.

Life-time exemptions:

When determining whether a specific transaction is subject to Capital Gains Tax we must keep in mind that there are certain lifetime exemptions for individuals. Life-time exemptions will be deducted from the taxable capital gain.

Exemptions are listed below:

Individuals can deduct from the taxable capital gain the following lifetime exemptions	2026	2025
Disposal of private principle residence (subject to conditions)	150,000	85,430
Disposal of agricultural land by a farmer	50,000	25,629
Any other disposal	30,000	17,086

The above lifetime exemptions are subject to an overall lifetime maximum of €150,000 (2025 €85,430).

Calculation of CGT:

When calculating income from disposal of immovable property, the below are deducted from the proceeds received from the sale:

1. The value of the immovable property as at 01/01/1980 or cost of acquisition if date is later, adjusted for inflation up to the date of disposal. The value adjusted for inflation is calculated using the official Retail Price Index;
2. Expenses directly related to the acquisition or disposal of the immovable property e.g. transfer fees, interest costs on related loans, estate agent commissions, legal expenses etc.;
3. Any additions made after 01/01/1980 or after the acquisition date, adjusted for inflation up to the date of disposal, on the basis of the consumer price index in Cyprus;

Penalties:

Penalties and interest apply on late payment of CGT.

An administrative penalty of an amount between €100 and €200 (case by case) will be imposed for late submissions of declarations or late submissions of supporting documents when requested by the Commissioner.

Deduction on New Equity (NID)

Deduction on New Equity (Article 9B)–According to this article, all Cyprus tax resident companies and Cyprus permanent establishments of non-tax resident companies are allowed a notional interest deduction (NID) if they introduce new equity to their companies for the production of taxable income. This deduction is granted annually, for as long as the equity is used in the company.

Formula used to calculated NID:

NID = New Equity * NID Reference Interest Rate

New Equity is defined as any one of the below:

- Any paid-up share capital (ordinary, preference, redeemable, convertible) and/or share premium added after the 1st of January 2015;
- Loans payable converted into issued share capital;
- Shareholders' credit balance converted into issued share capital;
- Non-refundable capital contribution converted into issued share capital;
- Any realized reserves that existed before 01/01/2015, that were converted into issued share capital, will be qualified as new equity. Subject to conditions;

New equity can be injected into the company either in the form of cash or in kind.

All the above forms of new equity must be used to generate taxable income.

New equity does not include amounts that have been capitalized as equity and which have resulted from revaluation of movable or immovable property.

NID reference interest rate is defined as the 10 year government bond yield, (as of 31 December of the previous tax year) of the country in which the new equity has been injected, increased by 5% premium. The Cyprus Tax Department annually publishes the 10-year government bond yields for a number of countries.

The following rules apply to the calculation of the above formula:

1. NID must not exceed 80% of the company's/Permanent Establishments taxable income that was generated from the new equity. This taxable income is calculated before the application of NID;

2. NID should be calculated each year since variables such as reference rates and taxable income will be different each year;

3. This interest deduction is notional; therefore no accounting entry is accounted for and there is no effect on the company's accounting profit or loss

The NID is considered as interest expense and is subject to the limitation rules provided in Article 11(15) and certain anti-avoidance provisions.

Value Added Tax

VAT in Cyprus is imposed on the supply of goods and services in Cyprus, as well as the acquisition of goods from other EU countries and the importation of goods to Cyprus from third countries. See below table of VAT rates:

VAT Rates:	Applies to:
Standard Rate - **19%**	All goods and services in Cyprus that are not subject any of the other below rates or are not exempt
Reduced Rate – **9%**	• All restaurants and catering services • Accommodation provided by hotels and other similar establishments such as tourist lodgements • Transportation of passengers and their luggage by taxi and intercity buses • Provision of services and supplies to nursing homes, which are not an exempt transaction
Reduced Rate – **5%**	• Certain supplies of food including drinks (excluding alcoholic beverages and soft drinks) • Supply of catering services from schools • Supply of pharmaceutical products and vaccines that are used for health care and medical or veterinary use • Entry fees to amusement parks, circus, festivals, concerts, museums, sporting events, athletic centres • Supply of hairdressing services

	• Renovation and repairs to private residences after three years of first residence (subject to conditions) • Composers and artists • Acquisition and construction of residence (See pages: 51-52 for details)
Reduced rate - **3%**	• Right of entry from first performance of theatrical performances of musical and dance works of classical works • Waste collection and cleaning services • Disposal and treatment of sewage • Discharge of tanks and industrial tanks • Audiobooks for disabled persons • Delivery of books, newspapers and magazines • Wheelchairs and other vehicles intended for disabled individuals • Orthopaedic products and devices
Zero Rate – **0%**	• Ship management services • Exportation of goods • Supply, repair, maintenance and hiring of a vessels, used for navigation and carrying passengers • Supply, repair, maintenance and hiring of aircrafts used by airlines to operate for rewards usually on international routes • Transportation of passengers from Cyprus to an area outside Cyprus using a seagoing vessel or an aircraft • Supply of services to meet the needs of vessels and aircrafts • Supplies of gold to the Central Bank of Cyprus

Exempt items	• Supply of banking, financial and insurance services • Management services provided for mutual funds • Leasing of buildings used for residence • Postal services • Rents – subject to conditions • Supply of educational services – subject to conditions • Medical related services

Registration:

A company or an individual must register for VAT if they meet any of the below conditions:

- At the end of any month, value of taxable supplies in the last 12 months, has exceeded the threshold amount of €15,600 or at any given time, the taxable supplies are expected to exceed the threshold amount in the next 30 days;
- If a taxable person provides services of any value to another VAT registered person within the EU Member States;
- Is involved in the acquisition of goods from other EU Member States with a registration threshold amount of €10,250 during any calendar year;
- Is established abroad and makes distance sales of goods to Cyprus which exceed the threshold of €10,000 and does not opt to make use of the simplified One Stop Shop Scheme;
- Is established in Cyprus and offers zero rated supplies of goods or services;

- Is established in Cyprus and offers cross border sales of goods and certain services to individuals established in other EU Member States with a value that exceeds the threshold of €10,000;
- Acquires a business on a going concern basis;

Any individual or company that is not established in Cyprus and engages or expects to engage in taxable activities in Cyprus in the course of their business, are obligated to register for VAT. No threshold exists for non-established individuals engaging in taxable activities. The non-established individual may request an exemption for VAT registration purposes in Cyprus from the Tax Commissioner on the basis that they are engaged only in activities which are subject to 0% VAT.

A business may decide to register for VAT even though its taxable income is below the registration threshold or their supplies are outside the scope of VAT, in order to recover input tax paid on purchases.

VAT Returns and refunds:

Any registered person must submit their VAT return and pay the amount of VAT due to the Commissioner before or on the 10th day from the end of the month that is following the end of each VAT period. All taxable persons must submit their quarterly VAT returns online, via the Tax for All (TFA) platform. Claims for VAT refunds are also made electronically through TFA.

Refunds for excess input VAT can be claimed with interest if the refund is delayed by a period of four months from the date when the claim was made. If a VAT audit regarding the refund claim takes place, then the period of four months is extended to eight months.

VAT refund applications cannot be submitted if a period of 6 years has passed from the end of the relevant tax period. In addition to this, VAT refunds will be suspended if the income tax return is not submitted by the submission date of the VAT refund claim.

Vies Registration:

A taxable person making intra-Community supplies of goods or providing services to VAT-registered businesses in other EU Member States that are reportable under the VIES system must register for VIES and submit electronic VIES Summary Statements

Penalties and interest

Late submission of VAT Return	**€100** penalty per VAT return
Late registration with VAT department	**€85** penalty for each month of delay
Late payment of outstanding VAT	**10%** penalty plus interest
Late submission of Intrastat forms	**€15** for each return
Late deregistration	**€85** one-off
Late submission of VIES return for supplies	**€50** for each statement. Omission to submit VIES return may lead to a criminal offence and a penalty of up to **€850**
Penalty for late submission of corrective VIES return	**€15** for each return
Failure to comply with Reverse Charge provisions as per Articles 11, 11A – 11E and 12 -	**€200** one-off penalty on each VAT return. Penalty is capped up to a limit of **€4,000**
Omission to keep books and records for 6 years	**€341**

Irrecoverable VAT Input:

Input VAT cannot be recovered in the following circumstances:

- Purchase or hire of a saloon vehicle;
- Hospitality expenses and entertainment (except those relating to employees and directors)
- Purchases used for production of exempt supplies

VAT on Immovable Property:

Leasing of immovable property: VAT at a rate of 19% is imposed on the lease of immovable property to a taxable individual that is carrying out taxable activities by at least 90%. The taxable individual does have the option to apply for the non-imposition of VAT, assuming terms and conditions are met. The option is irrevocable and ceases to apply in case of change in the ownership of the immovable property;

Pursuant to Circular 2/2025: issued by the Tax Department on 24 March 2025, and the Notification issued on 16 January 2026, a lessor entering into a lease agreement concluded after 13 November 2017 may elect to exempt the rental income from VAT. The election is irrevocable and is exercised by submitting Form TD1220. For lease agreements concluded before 1 April 2026, the election must be submitted no later than 31 March 2026. For lease agreements concluded on or after 1 April 2026, the lessor must submit Form TD1220 to the Tax Commissioner within 30 days of the date the lease agreement is signed in order to exercise the irrevocable option to exempt the rental income from VAT. Upon application by the lessor, the Tax Commissioner may approve a later submission date where appropriate.

Sale of non-developed building land: VAT at a rate of 19% is imposed on the sale of non-developed building land that is intended for the construction of one or more structures in the course of carrying out a business activity. No VAT will be imposed on the purchase or sale of land located in a livestock zone or any areas that are not intended for development (areas of environmental protection, archaeological and agricultural);

Leases of immovable property which effectively transfer the risks and rewards of ownership of immovable property: In regard to the long-term leasing of immovable property, which essentially is shifted to the lessee the risks and rewards of ownership of the property, this is considered as a supply of goods and not as a supply of services, therefore is subject to VAT at a rate of 19% (conditions apply). The imposition of VAT does not cover cases where the property is no longer considered as new and therefore not subject to VAT;

The supply of a building is subject to VAT when supplied before its first delivery and under any subsequent deliveries within a period of five years from its completion, provided that no actual use has occurred by an unrelated person for at least twenty-four months. This new provision substitures the previous provision that stated that the supply of a building was subject to VAT when supplied before its first use.

Amendment of the VAT Law on supply of buildings – effective as of 1 September 2026:

Pursuant to the new provisions of the VAT Law, the following transactions are subject to VAT:

- Transfer of buildings or parts of buildings, including the plot of land transferred together with them, and
- Transfer of possession of buildings or parts (including the land) through, a contract of sale, an agreement that explicitly provides for future transfer of the building together with the land, or a lease with an option to purchase.

  When supplied before the first occupation.

  For the purposes of the above provision, the following definitions are applicable:

- First occupation is defined as the first use of the building after its delivery or construction
- First use is defined as the use or exploitation of the building after its delivery or construction, which is carried our systematically for a period of a least 18 months.

Reduced VAT rate of 5% on renovation and repairs of private residences:

A reduced VAT rate of 5% is eligible on the renovation and repairs of all residential homes, assuming the residents have been in the home for a period that exceed 3 years. Reduced VAT rate is applicable on additions made to a private residential home as well, again assuming that three years have passed since first use as residence. In the case that the value of the materials (i.e. the physical products used such as tiles, cement, paints, bricks) used for the renovation are more than 50% of the total value of the amount charged (i.e. for products and labour), then the renovation cost will be split between standard VAT rate on the physical products and 5% on the labour. In addition the renovation and repair of old private residences (for which a period of at least three years has elapsed from the date of their first use) and which are used as the place of residence of vulnerable groups or residences that are used as the place of residence and which are located in remote areas are subject to VAT at the reduced rate of VAT of 5%.

Reduced VAT rate of 5% on acquisition/construction of residences:

The reduced rate of 5% applies on the acquisition or construction of a residence by an eligible person that will be used as the primary and permanent place of residence for the next 10 years. Eligible persons are defined as Cyprus residents, EU and Non-EU Member State residents, providing that the residence will be their primary one. A certified confirmation must be obtained from the Commissioner. On 08 June 2023 the House of Representatives passed the amending bill for the application of the reduced VAT rate of 5% on primary residence. The provisions passed become effective as of 16 June 2023. According to the new provisions, reduced VAT rate of 5% will apply only on the first 130sq meters of a primary residence, up to a value of €350,000, and as long as the total transaction value does not exceed €475,000 and total buildable area does not exceed 190 sq. meters. Any residence that exceeds 190 sq. meters of buildable area and/or has a total value of €475,000 and over will be subject to VAT at 19% on the total value. In cases where the residence is of a total value exceeding €475,000 and of more than 190sp.m. the reduced rate does not apply. In such cases, the applicable VAT rate is 19% on the whole value

- Individuals with disabilities have certain exemptions in regard to the above provisions. Individuals with disabilities can apply for a reduced VAT rate of 5% to the first 190sq meters with no limitation to the total buildable property area;

- For families with more than three children, for any additional children the total buildable area increases by 15 sq. meters (no change in thresholds of €375,000 and €475,000);

On 24 April 2026, Article 63 of the VAT Law was amended pursuant to the R.A.A. 109/2026, which provides that the Tax Commissioner may examine applications submitted under the transitional provisions up to 31 December 2026 , the examination of which was not completed in a timely manner due to delays by the Planning Authorities.

- According to the new provisions an individual can re-apply for 5% VAT for another property during the period of 10 years provided that:

1. The commissioner is notified within 30 days that property ceased to be used as primary residence;
2. Pays the amount of the difference between the amounts of the VAT which result from the application of the reduced rate and the standard VAT rate attributable to the remaining period of 10 years for which the property will not be used as the main and primary place of residence, except in case of death of the beneficiary person or in case of transfer by the beneficiary to any of his adult children, provided that the said child is a beneficiary at the time of transfer.

Application of Reverse Charge for certain domestic acquisition of goods and services

Taxable persons that acquire the following goods and services for business purposes are obligated to account for VAT based on the reverse charge provisions as per articles below:

Domestic Reverse Charge	Article of the Law	Registration Threshold
Construction services, repair of maintenance of any civil engineering project	11B	€15,600
Supply of scrap metals	11C	€15,600
Disposal of immovable property and plots from a borrower to a lender as part of the loan restructuring	11D	€15,600
Supply of certain electronic devices such as mobile phones, game consoles, tablets, laptops etc.	11E	€15,600
Supply of raw and semi-finished precious metals	11F	€15,600

For all the above transactions, the supplier must not charge the customer VAT on its invoice and include the VAT number of the customer on the invoice. The customer must also account for VAT based on reverse charge provisions.

IOSS and OSS

- Since 1 July 2021, EU VAT e-commerce package came into effect extending the Mini One Stop Shop (MOSS) into a One Stop Shop (OSS). VAT rules on cross-border B2C e-commerce activities have changed throughout the EU;
- One Stop Shop (OSS) allows online sellers to register in one EU member state for the declaration and payment of VAT on all their distance sales of goods and cross-border supply of services to their customers within the EU. Existing thresholds for distance sales of goods within the EU were abolished and a new EU-wide harmonised threshold of €10,000 is introduced;
- The Import One Stop Shop (IOSS) electronic portal, was also introduced to assist distance sales of low value goods imported (below €150) from third countries to simplify the declaration and VAT payment and not be subject to excess duties;

- The low value import exemption from VAT of goods up to €22 has been abolished. All goods imported in Cyprus are now subject to VAT;
- The supplier is responsible for the collection of VAT irrespective if there is indirect involvement in the transfer of goods;
- Extension of MOSS to all B2C services and intra-EU B2C sales of goods (subject to threshold of €10,000);
- Online marketplaces are liable to collect and pay VAT for B2C supplies of goods (when they invoice or responsibility for transfer of goods lies with them);

Cyprus Trusts

A trust can be defined as a settlement between the settlor and the trustee, in which the settlor transfers to the trustee assets, for the purpose of managing in the benefit of the beneficiaries. Parties included in a Trust are listed below:

- **The Settlor:** the creator of the trust and the contributor that initially holds the property;
- **The Trustee:** the party that is responsible for managing the trust always in the benefit of its beneficiaries;
- **The Beneficiaries:** the parties for which the trust has been set-up for, that will benefit from it and have the rights in respect to the trust property;
- **The Protector:** the individual that is appointed by the settlor to protect the trust assets and supervise the Trustee. Appointment of the protector is optional

Setting up a Cyprus International Trust can be used for the purposes of managing wealth and asset protection. A trust assists in holding property for minors, ensure that all family members meet their future needs and can also be set-up to provide pensions to employees acting as a form of incentive to the staff. Unless otherwise provided in the trust deed, a Cyprus International Trust may continue indefinitely and is not a separate legal entity.

Discretionary trusts offer a high degree of privacy and flexibility, as trustees have discretion over the timing and amount of distributions to beneficiaries, subject to the terms of the trust.

Land Registry Fees

When transferring land or buildings in Cyprus, land registry fees are paid by the transferee to the Department of Land and Surveys. Fees are based on the market value of the property.

Land registry fees are payable at the following rates:

Market Value of Property €	Rate %	Land registry fees €	Cumulative fees €
0 – 85,000	3	2,550	2,550
85,001 – 170,000	5	4,250	6,800
Over 170,000	8	-	-

Land transfer fees are reduced to 50% for purchases of property that is not subject to VAT;

Exemptions from transfer fees:

- Transfer is made under a qualifying reorganisation or loan restructuring;
- Transfers that are subject to VAT;
- Certain debt-for-asset swap arrangements may be exempted under conditions;
- Under the event of bankruptcy, liquidation, disposal of mortgaged immovable property by the lender where the sale proceeds do not exceed the amount of €350.000 per owner;

For mortgages, registration fees are 1% of the current market value;

In the cases of free transfers of property, transfer fees are calculated on the value of the property as listed below. Value refers to values as of 01 January 2013.

- From parent to children – NIL
- Between spouses and third-degree relatives – 0.01%
- To trustees - €50

Contribution to the Central Agency for the equal distribution of Burdens

A contribution of 0.4% of the sale proceeds is required to be paid from a seller that transfers immovable property located in the Republic of Cyprus. A similar contribution is also payable when transferring shares in a company that is not listed in a recognised Stock Exchange and that holds immovable property in Cyprus either directly or indirectly, assuming the buyer acquires control of the company.

With a direct disposal of immovable property, levy will be imposed on the disposal consideration, while in cases involving the disposal of company shares; levy is imposed on the latest general valuation that was carried out by the Department of Lands and Surveys.

The obligation for payment of this levy is in the hands of the seller.

Exemptions:

- Qualifying reorganisations as defined in the Income Tax Law
- Shares listed on a recognised stock exchange
- Debt for asset swaps

Immovable Property Tax:

As of 2017, immovable property tax has been abolished.

Stamp Duties:

See below a detailed table in regard to the rates of duty payable according to type of document that is executed in Cyprus:

Type of document	Rate / %
Receipts for sums over €4	7 Cents
Cheques	5 Cents
Letters of credit	€2
Letters of guarantee	€4
Bills of exchange	€1
Bills of lading	€4
General power of attorney	€6
Special power of attorney	€2
Certified copies of agreements and documents	€2
Estate administration document	€9
Will	€18
Issue of tax residency from Tax Department	€80
Contracts without fixed amount	€35
Contracts with a fixed amount:	
• The first €5,000	0%
• Between €5,001- €170,000	0.15%
• Above €170,000	0.2% (Maximum duty €20,000)

Documents relating to approved company reorganisations and or loan restructurings are exempt from Stamp Duty. Also, documents that relate to assets or business affairs that are situated outside the Republic of Cyprus are exempt from Stamp Duty as well.

Social Insurance and Other Contributions

Social insurance and other contributions to approved funds are imposed on gross emoluments on the below rates. Social insurance rates seen below apply as from 01 January 2024 and for the next five years.

Social Insurance contribution rates:	%
Self-employed individuals	16.6
Employee	8.8
Employer	8.8

Other contribution rates for employers	%
Redundancy fund	1.2
Industrial fund	0.5
Social cohesion fund	2
Holiday fund (If not exempt)	8

The above rates, excluding social cohesion fund that has no restrictions, are applicable on employee's gross emoluments subject to the following maximum limits for the year 2026.

	Per week €	Per month €	Per annum €
Weekly employees	1,325	-	68,900
Monthly employees	-	5,742	68,904

Contributions due by the employer must be paid by the end of the month following the month in which the contributions correspond to. Payments are made via the online portal for the payment of social insurance contributions, SISnet. Charges will be imposed for late payments.

Limits for self-employed individuals:

	Lower weekly limit €	Upper Weekly Limit €
Self-employed individuals	Depends on occupational category	1,281

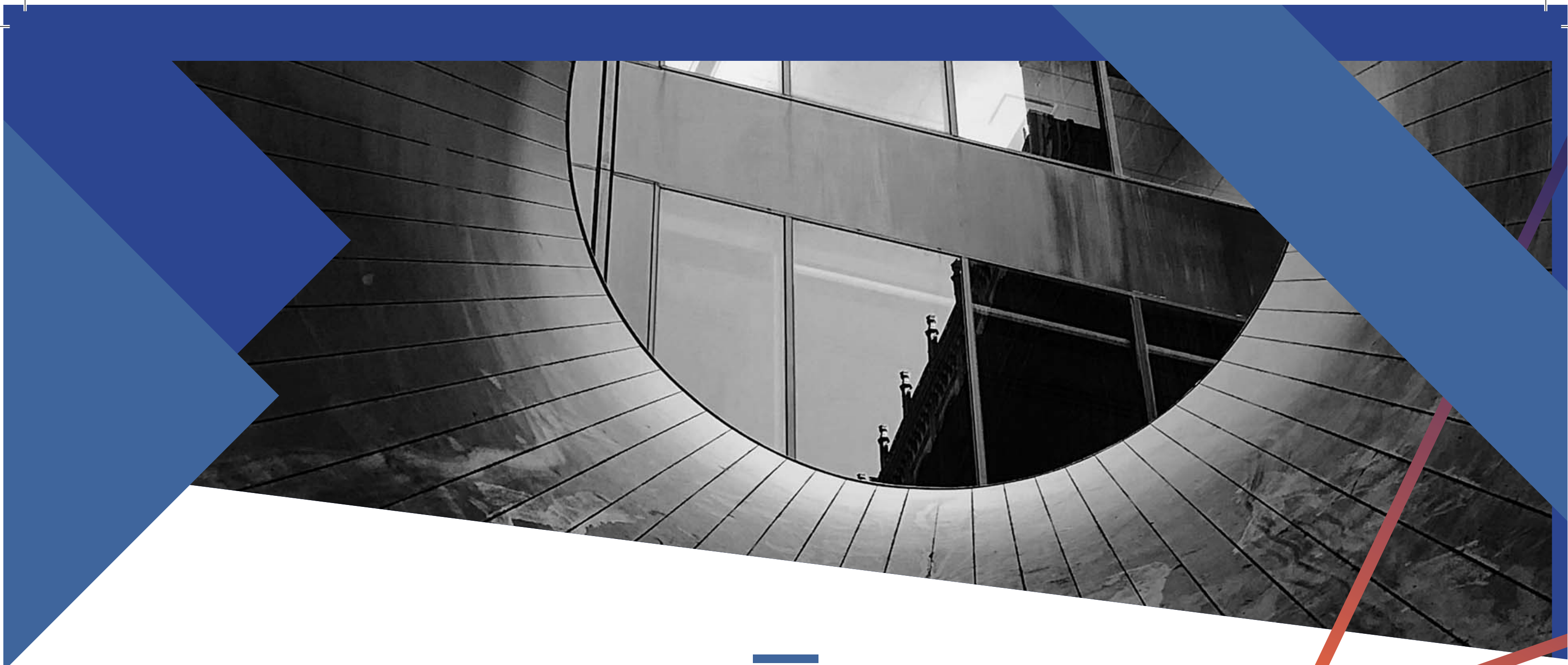
General Health System (GHS):

As of the 1st of March 2019, Cyprus introduced a general health system aiming to provide healthcare to Cyprus residents.
See below table for the current contributions:

Contributors:	Rates
Employees on their own emoluments	2.65%
Employers on their employees' emoluments	2.90%
Republic of Cyprus or Physical/Legal person responsible for the remuneration of persons holding an office	2.90%
Self-employed individuals on own income	4.00%
Pensioners	2.65%
Emoluments on individuals who hold office	2.65%
Individuals' rental, dividend, interest and other income	2.65%
Republic of Cyprus consolidated fund	4.70%

For employees, employers, self-employed and pensioners, emoluments on which GHS contributions are paid on, are capped to a maximum of €180,000 per year. Each employer is responsible for the payment of both, their own and their employee's contributions, through Social Insurance Services.

An employer or a self-employed individual that fails to pay contributions within the appropriate time frame is subject to additional charges in the range of 3% - 27% (depending on the delay period) on the amount of contributions due.



Registration fees / Capital Duty

Authorised share capital – A flat duty of €105 is payable upon incorporation.

Issued share capital – If shares are issued at a premium, a flat duty of €20 is imposed.Capital duty is not payable if shares are issued at nominal value.

- Change of company name, flat duty of €40 is imposed;
- Reduction of capital, flat duty of €80 is imposed;

Register of Beneficial Owners – Cyprus maintains an electronic Register of Beneficial Owners administered by the Registrar of Companies. This registry requires all companies that are under Companies Law, Cap.113, all partnerships and all European companies or their officers/partners to submit information in regard to their beneficial owner. Details are listed below:

- During the period 01st October to 31st December, all entities are required to verify information that is already recorded in the registry. This verification is mandatory irrespective of whether there were any changes recorded during the year or not;
- Any changes to the information recorded in the register must be updated within 45 days from the date the entity or its officers/ partners became aware of the change;
- All new registrations/incorporations must, no later than 90 days from the date of their registration/incorporation, file electronically onto the BO Register, all information in respect of each of their beneficial owners;
- In the event of non-compliance, irrespective of any individual criminal liability, the entity will be imposed with a €200 fine. In addition to this fine a daily penalty of €100 may also be imposed for non-compliance, with a maximum of €20,000. An officer of a corporate or legal entity may be exempt from the above-mentioned fines assuming they have exercised their due diligence and the violation is not due to any of their own actions, negligence of ommissions.

Transfer Pricing

On 30 June 2022, the Cyprus Parliament approved a law that introduced details regarding the document requirements on transfer pricing. Law and regulations voted are aligned with the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations.

The transfer pricing rules have applied from 1 January 2022.. Transfer pricing documentation compliance obligations include the preparation of a Master File, Cyprus Local File, Minimum Transfer Pricing documents and a Summary Information Table.

To whom do the new rules apply?

The rules apply to transactions between related parties (legal parties and individuals), to Cypriot tax resident persons and to PE of non-tax resident entities for certain transactions with related parties.

For what types of transactions:

- Sale and purchase of goods;
- Provision and receipt of services;
- IP transactions;
- Financial services;
- Other transactions

Definition of related party under updated article:

The introduction of a 25% threshold was established. According to this new threshold, a company is connected to another company if:

- The same person holds, directly or indirectly, 25% of the voting rights or share capital or has rights to at least 25% of the profits of both companies;
- If the same person and persons connected with that person holds, directly or indirectly, at least 25% of voting rights or share capital or is entitled to at least 25% share of the income of both companies;
- If a group of two or more persons hold, directly or indirectly, at least 25% of the voting rights or share capital or is entitled to at least 25% share of the income of each company and the groups either consists of the same persons or could be regarded as consisting of the same persons by treating a member of either group as replaced by a person with whom that person is connected;

A company is connected with another person if the person holds, directly or indirectly, at least 25% of voting rights or share capital or is entitled to at least 25% share of the company's income.

Main requirements of the transfer pricing framework:

A documentation file must be prepared on intragroup transactions that are performed between Cyprus resident companies and permanent establishments of foreign companies in Cyprus. The documentation file consists of the master file and the local file. The documentation file must be maintained in Cyprus for a period of 6 years and should be provided to the Income Tax authorities within 60 days from the date that a request has been received by the company. The documentation file must also be updated annually and include details regarding the impact of market fluctuations or other events on information and analyses. Details are listed below:

- Master file

Includes information such as overview of the global group business, the transfer pricing policies used, profit drivers and organisational structure. The master file should be prepared by the corresponding due date of the corporation income tax return of the respective tax year. The Master File applies to all companies that are ultimate or surrogate parent entities of multinational groups with annual consolidated turnover of over €750 million for Country-to-Country Reporting purposes. All other persons are exempt from this obligation;

- Local file

The Local File Includes financial information on specific transactions, a comparability analysis, and details regarding the selection and application of the transfer pricing method used. The local file is subject to a Quality Assurance Review by an individual that holds a practicing certificate of ICPAC or any other recognised institute of certified accountants in Cyprus. The local file must be prepared by all taxpayers that are involved in controlled transactions by the corresponding due date of the corporation income tax return. Thresholds for the preparation of the local file for the years 2022-2025 were €5M per annum in aggregate for financial transactions and €1M per annum in aggregate for each one of all other types of controlled transactions (e.g. sale/purchase of goods, provision/receipt of services, IP, royalties and others).

As of 01 January 2026, the thresholds have increased to €10M per annum in aggregate for financial transactions and €5M per annum in aggregate for each one of all other types of controlled transactions (e.g. sale/purchase of goods, provision/receipt of services, IP, royalties and others).

- Summary Information Table:

A Summary Information Table (SIT) must be prepared and submitted to the Cyprus Tax Department through the Tax for All portal, by all taxpayers that are involved in controlled transactions by the corresponding due date of the corporation income tax return for a specific tax year. The SIT has no threshold and must be prepared for each separate tax year.

This table includes details regarding intercompany transactions such as details of counterparties, figures per transaction category, the business profile, the transfer pricing method used and the respective values per transaction category. As part of the filing of the SIT, a Quality Assurance Review

Confirmation signed by a licenced adviser in Cyprus certifying the quality of the local file needs to be uploaded on the Tax for All portal during the completion of the SIT.

- Simplified Transfer Pricing:

Persons that are exempt from the obligation to prepare a Master File and a Cyprus Local File, must maintain in their files simplified transfer pricing documentation that support the arm's length nature of their related party transactions. Such documentation include a brief functional analysis, explanations for selection of the transfer pricing method used and results that are supported with appropriate benchmarking.

Penalties:

Penalty for non-submission of the table of summarised information by the deadline as stated by regulations is €500;

Transfer pricing documentation file is to be submitted to the tax authorities upon request within 60-days. If the file is submitted after the 60 day period then the below penalties are imposed:

- Submitted between days 61 – 90, penalty is €5,000
- Submitted between days 91 – 120, penalty is €10,000
- Submitted after 120 days, penalty is €20,000

Simplification Measures (safe harbour rates)

A Circular was issued by the Tax Department in relation to Simplification Measures for types of controlled transactions which values do not exceed the thresholds for the preparation of a Master file and Local File and for controlled transactions that do not have reliable internal comparable to be used to determine the arm's length price.

The Circular provides for the use of unilateral safe harbours rates for certain types of financing transactions as well as for low-adding services. The safe harbour rates are summarised in the below table:

Category:	Safe Harbour rates:
Intercompany financing transactions financed by financial means (e.g. intercompany loans, cash advances etc.)	Minimum return of 2.5% (on profit before taxes)
Intercompany financing transactions financed out of own capital/equity (e.g. share capital, share premium etc.)	Minimum return should be equal to the 10-year government bond yield of the previous year of the country in which the borrower operates, increased by 3.5%
Loans payable to related parties to the extent that these funds are used in the business	Maximum interest to be applied should not exceed the yield of the Cyprus 10-year Government bond, increased by 1.5%
Low value-adding services	5% on markup on the relevant costs

Persons that elect to apply the Simplification Measures referred to above, need to maintain appropriate documentation to support their eligibility and way of application of such measures. The Circular highlights that the use of unilateral safe harbours from persons involved in cross-border intercompany transactions triggers disclosure requirements in the context of Mandatory Disclosure Requirements (DAC6).

Advanced Pricing Agreement (APA):

Advanced pricing agreement was also introduced as from 01 January 2022 to provide the opportunity for taxpayers to apply for an APA for transactions with their related parties.

According to the APA, a taxpayer can apply to the Tax Commissionerfor pre-approval of their selected transfer pricing methodology, of their assumptions and of the pricing of specific existing cross border transactions with related parties.

The Tax Commissioner must reply with a decision within a period of 10 months from the date of submission of the APA. APA is valid for a maximum period of four years from the date of application.

The main advantage behind APA is for taxpayers to obtain some level of confidence in regard to how the law will apply to their transaction.

Anti-Tax Avoidance Provisions:

In April 2019, the Cyprus law introduced measures against tax avoidance methods that negatively affect the internal markets functioning. These measures are known as Anti-Tax Avoidance

Directives – ATAD. See below the four directives that were established:

1. Interest Limitation Rule:

This directive was introduced with an intention to prevent group companies from providing finance from their subsidiaries in low jurisdiction countries to companies that are based in high jurisdiction countries. As per this rule, any exceeding borrowing costs (EBC) will be deducted in the tax year in which incurred, only up to 30% of the taxable earnings before interest, tax, depreciation and additions (EBITDA). EBC is defined as net interest expense. Losses brought forward are not taken into account when calculating taxable earnings.

When a company is part of a Cyprus group, then the interest limitation rules will apply on the group as a whole, including permanent establishments in Cyprus. While if a company is not a member of a Cyprus group, then the rules will apply on the company itself.

Law states that any exceeding borrowing costs that exceed €3,000,000 per tax year are not subject to limitation.

There are exceptions in regards to the interest limitation rule. Exemptions are listed below:

- Standalone companies (companies with no associates, not members of a group, no permanent establishments);
- Financial Undertakings (banks, investment funds, pension funds etc.);

- Loans that were used to fund long-term public infrastructure projects
- To companies with exceeding borrowing costs below €3,000,000

2. Controlled Foreign Company (CFC) rule:

Income from subsidiaries or a permanent establishment, that are normally not subject or are exempt from Cyprus tax, may be taxed in Cyprus if conditions of the CFC rule are met. If conditions are met and income arises from non-genuine arrangements, then such income from low-taxed controlled foreign company is transferred to its controlled parent company. Any tax that has been paid in another country on the income from the controlled foreign company or from the permanent establishment will be credited against the tax payable in Cyprus.

3. General Anti-Abuse rule:

This rule has been imposed to ensure that when calculating tax liabilities of a company, an arrangement or a series of arrangements that have been performed that are non-genuine should be ignored. Non-genuine arrangements are defined as any arrangement that takes place that has no economic or commercial purpose.

4. Exit Taxation:

When a Cyprus tax resident company or a non-Cyprus tax resident company that holds a permanent establishment in Cyprus moves assets either from their head office to a permanent establishment in another Member State or a third country or vice versa, or moves its tax residence to another Member State or a third country, then this company will in certain cases be subject to exit taxation. If this is the case, then the company will be taxed on the market value of the transferred assets at exit time, less their value for tax purposes. In certain circumstances the taxpayer has the option to defer exit tax payment and pay it in instalments over a 5 year period.

5. Hybrid Mismatches:

Purpose of this rule is to ensure that deductions and credits only take place in one jurisdiction and there are no situations in which deductions of a payment are made in one jurisdiction without this income being taxed in the other jurisdiction.

Mandatory Disclosure Rules – (DAC6/MDR, DAC7)

On 18 March 2021, provisions of the EU Council Directive 2018/822, "DAC6", were transposed into domestic legislation. Cyprus law in regard to DAC6 is generally in line with the Directive with minor differences. The main objective is to enhance transparency in the field of direct taxation while combating tax avoidance and tax evasion within the EU.

In 2026, Cyprus further amended its legislation to implement Council Directive (EU) 2023/2226 (DAC8), which extends the EU framework for administrative cooperation in taxation to include the reporting and exchange of information on crypto-assets and certain electronic money transactions. While DAC8 does not alter the core mandatory disclosure requirements under DAC6, it further strengthens tax transparency and enhances cooperation between EU tax authorities.

Key Features of the Directive:

Under the Directive, intermediaries have the primary obligation to report arrangements to the tax authorities in the country in which they are resident. The latter will then automatically share the information with the Tax Authorities of all other member states on a quarterly basis. The Directive gives Member States the option to exempt intermediaries from the obligation to report where the reporting obligation would breach legal professional privilege (LPP). If there are no intermediaries who can report, the obligation will shift to the taxpayers.

What is a Reportable Cross- Border Arrangement (RCBA):

A RCBA refers to an arrangement, or a series of arrangements, concerning either more than one member state, or a member state and a third country. A cross-border arrangement that is considered reportable is when the arrangement meets certain criteria which may indicate that aggressive tax planning has taken place.

Intermediaries:

Under DAC6, “intermediaries” are subject to reporting.
An intermediary is any person who:

- designs, markets, organizes or makes available for implementation or manages the implementation of RCBA
- provides, directly or by means of other persons, aid, assistance or advice with respect to designing , marketing, organizing, making available for implementation or managing the implementation of RCBA

Such persons may include tax advisors, accountants, auditors, banks, lawyers, administrative services providers, or any other professionals who undertake any of the above acts. The law provides exceptions to intermediaries and taxpayers for reporting if there is sufficient evidence that the other intermediary/relevant taxpayer already reported the same information. Exemption from reporting is also provided for intermediaries covered under legal professional privilege and in the case where the reportable cross-border was arranged in-house.

Reportable Arrangements:

Under the Directive, an arrangement is reportable if the arrangement or a series of arrangements meet the definition of a cross-border arrangement or the arrangement meets at least one of the hallmarks A-E of the Directive. The hallmarks can be distinguished into two different categories; hallmarks which are subject to the main benefit test (MBT), and those which by themselves trigger a reporting obligation without being subject to the MBT.

Hallmarks and Main benefit test (MBT):

In accordance with DAC6, under the Bill, the MBT will be satisfied if it can be established that “the main benefit or one of the main benefits which a person may reasonably expect to derive from an arrangement, is obtaining a tax advantage.”

Hallmarks are categorised from A to E as follows:

- **Hallmark category “A”:** arrangements whose tax benefits are subject to confidentiality arrangements, that give rise to performance fees or mass marketed schemes;
- **Hallmark category “B”:** arrangements such as the contrived acquisition of loss-making companies, the conversion of income into capital or other forms of income, or so-called circular transactions;
- **Hallmark category “C”:** arrangements that give rise to tax deductions without a corresponding amount of taxable income, to certain double reliefs or deductions, or other mismatches;
- **Hallmark category “D”:** arrangements that have the effect of undermining the CRS or the rules on identification of beneficial ownership;
- **Hallmark category “E”:** arrangements concerning transfer pricing, transfer of hard-to-value intangibles and cross-border transfer of significant functions, risks/rewards.

Reporting deadlines:

Deadline for reporting by primary intermediaries and taxpayers are within 30 days from:

- The day after the reportable cross-border arrangement is ready for implementation
- When the first step of implementation has taken place

Deadline for reporting by secondary intermediaries is within 30 days from the day they have provided aid, advice or assistance in regards to the reportable arrangement.

Penalties for non-compliance depend on the type of infringement. Maximum amount of penalty is €20,000 per arrangement

Penalties:

Breach	Penalty (one-off fine per arrangement)
Failure to report a RCBA	**€10,000-€20,000**
Delay in reporting a RCBA	Up to 90 calendar days: **€1,000-€5,000** More than 90 calendar days: **€5,000-€20,000**
Submission of incomplete or misleading information for a RCBA	**€1,000 - €10,000**
Failure to submit information and documents for an arrangement within 14 days from date of obtaining relevant notice by the CTD's	**€1,000 - €10,000**
Failure to pay administrative fines imposed or continuation of the breach	Increase of imposed fine up to **€20,000**

DAC7 – Reporting obligation for Digital Platform Operators

DAC7 refers to reporting obligations for EU and non-EU Digital Platform Operators (DPOs) that bring together "Reportable Sellers" to buyers. DAC7 covers the intermediation services provided by DPOs and does not apply to e-shops where sellers own their services or products. DPOs can choose to register in only one Member State and the main intention is to enhance transparency and ensure fair taxation in digital economy. A reportable seller is defined as a platform user, either an entity or an individual, that carries out a relevant activity and is an EU Member State resident or rents immovable property located in an EU Member State.

Relevant activity is defined as any activity, cross-border or domestic, carried out for a consideration that is either:

- Rental of immovable property (holiday, commercial, residential) as well as other immovable property and parking spaces;
- Sale of goods (new or used, B2B, B2C);
- Rental of any method of transport;
- Personal services (time or task-based) carried out either online or offline after being facilitated via a platform;

Platforms are required to obtain and verify both identification and financial details and information from sellers. Platforms should also follow their due diligence and report information in a timely manner while ensuring that they comply with tax regulations.

Exemptions:

- Platform used for redirecting users elsewhere
- Platforms allowing users the processing of payments in relation to the relevant activity
- Platforms that allow users to list and advise their relevant activity

Entities outside the scope of DAC7 are government entities, listed entities, large hotel chains.

Deadlines:

Information must be reported by 31 January of the year following the calender year under which the seller was identified as a reportable Seller.

Maintenance of Accounting Books and Records

Individuals, companies and partnerships that receive income either from their businesses, dividends, interests, goodwill etc., are obligated to:

- Maintain accounting books and records and ensure that they are up to date. Records should be updated within a period of four months from the date that the transaction took place, otherwise a penalty of €100 per quarter will be imposed;
- Arrange preparation of financial statements that follow proper audit standards by a qualified auditor;
- Issue invoices and receipts as regulations require. Such invoices must be issued within a 30 day period from the date of transaction. In cases where invoices are not issued within the deadline, a penalty of €100 per month will be imposed;
- Ensure accounting books and records are kept for a period of at least six years

Changes to audit requirements in Cyprus for SMEs:

As of 01 January 2023 if a Cyprus company meets the below listed thresholds, then this company will be able to submit financial statements with a limited assurance review, instead of a full audit.

If a Cyprus company meets the below listed thresholds, then this company will be able to submit financial statements with a limited assurance review, instead of a full audit.

Thresholds for Companies:

- Net turnover does not exceed €300,000 (up to FY2025: €200,000). Turnover refers to all sources of income with no exceptions and;
- Total value of assets does not exceed €500,000

The above thresholds must be met for at least two consecutive years.

Thresholds for Individuals:

- Turnover exceeds €70,000 but does not exceed €200,000; and
- Total value of assets does not exceed €500,000

For individuals with a turnover that does not exceed €70,000, they are exempt from the obligation to maintain accounting books and records and preparing audited financial statements.

The same as for companies, the above thresholds for individuals must be met for at least two consecutive years.

If the above thresholds are exceeded, then a full audit must be prepared.

Exceptions:

There are a few exceptions for companies that even if they do not meet the above threshold, a full audit will need to be prepared. For the below companies, the amendments do not apply. Exemptions are listed below:

- Parent companies that are required to prepare consolidated financial statements;

- Companies regulated and supervised by the Central Bank of Cyprus, the Cyprus Securities and Exchange Commission and the Commissioner of Insurance or companies that hold a qualifying participation in such companies.

It is important to note that assurance review must be prepared by a statutory auditor or an audit firm as per Auditors Law 2017.

Tax Calendar 2026

Date	Obligation	Form
At the end of each month	Payment of PAYE deducted from employees' salaries for the previous month	TD61
	Payment of tax withheld on payments made to non-Cyprus tax residents during the previous month	TD11
	Payment of SDC (and GHS contributions if payment is made to a Cyprus tax resident individual) withheld on dividends, interest or rent paid in the previous month to Cyprus tax residents	TD603 TD602
	Electronic submission by employers of the 2026 monthly payroll (Form TD7) in the following month (with the exception of January 2026 for which the deadline was extended to 31 March 2026).	TD7
31 January	Submission of deemed distribution declaration of profits for 2023 and payment of SDC and GHS contributions	TD 603
31 March	Electronic submission by employers of the total 2024 payroll	TD7

30 April	First instalment of 2026 for payment of premium tax for life insurance companies	TD199
	Electronic submission of 2023 corporate tax returns and Summary Information Table	TD4
	Electronic submission of 2023 tax return for individuals preparing audited financial statements	TD1
30 June	Payment of SDC and GHS for the first 6 months of 2026 on rents (if not withheld at source by tenant) and on dividends/interest from sources outside of Cyprus	Through tax portal - codes 604, 612, 613
31 July	Electronic submission and payment of first instalment of 2026 provisional income tax	Through tax portal - codes 200 and 213 (self-employed individuals)
	Electronic submission of 2025 personal income tax returns by individuals and payment of tax liability	TD1
1 August	Payment of 2026 income tax through self-assessment by companies and individuals that submit audited accounts	Through tax portal - code 300
	Payment of 2025 personal income tax under the self-assessment method by self-employed individuals preparing audited financial statements	
31 August	Second instalment of 2026 for payment of premium tax for life insurance companies	TD199

30 September	Electronic submission of 2025 Employers Return	TD7
30 November	Electronic submission of the income tax return for tax year 2024 for companies which have an obligation to prepare a Summary Information Table	TD4 SIT
31 December	Submission of revised Temporary tax assessment for 2026, if necessary, and payment of second instalment of provisional tax	Through tax portal for downward or upward revision
	Payment of Special Defence Contribution and GHS for the second half of the year on rental income (if not withheld at source by tenant) and dividend/ interest income from sources outside of Cyprus	Through tax portal – Codes 604, 612, 613
	Third and final instalment of 2026 for payment of premium tax for life insurance companies	TD199
	Payment of SDC (and GHS contributions if payment is made to Cyprus tax resident individual) withheld on rent paid for the last 6 months of 2026	TD614 (payment code 614)

Administrative Penalties

The 2026 reform introduces a tiered penalty structure based on entity size (determined by the previous year's gross income). Penalties now vary depending on the nature of the violation and whether the entity's gross income exceeds €1,000,000.

Violation	<€1M Gross Income	>€1M Gross Income
Late filing of tax return	€150	€500
Late submission of supporting documents	€150	€500
Failure to maintain records / retain documents	€300	€1,000
Failure to file employer returns (TD7)	€300	€1,000
Late payment of tax	5% penalty + additional 5% if unpaid after 2 months	5% penalty + additional 5% if unpaid after 2 months

The interest rate for late tax payments is determined by Ministerial Decree and is applied monthly on overdue tax amounts, accruing from the original due date until full payment. For **2026 the rate is 3.5%** per annum (decreased from 5.5% in 2025).

Electronic Submission of Tax Returns

From year 2026 onwards, the following physical persons must submit an annual income tax return:

- Cyprus tax resident physical persons between the age 25 – 70, regardless of whether or not they have taxable income, or
- Cyprus tax resident physical persons earning income subject to tax, or
- Non-Cyprus tax resident physical persons earning Cyprus sourced income subject to tax.

A physical person is obliged to submit audited financial statements if his/ her annual income from trade/business, rents, dividends interest, royalties or income relating to trading goodwill exceeds €70.000 up to year 2025 (as from 2026 the threshold increased to €120.000). Such physical person should pay his/ her 2025 income tax by 1 August 2026 and to submit his/ her electronic tax return for the year 2025 by 31 March 2027.

Cyprus Double Tax Treaties

Aside from certain cases where payments are made to companies in jurisdictions that are included on the EU blacklist (and, as of 1 January 2026, dividend payments to related companies located in low-tax jurisdictions), Cyprus does not levy a WHT on dividends, interests, and royalties paid to non-residents of Cyprus. Royalties on rights used within Cyprus are subject to WHT of 10% (5% in the case of cinematograph films). Such Cyprus WHT on royalties for rights used within Cyprus may be reduced or eliminated by DTTs entered into by Cyprus or by the EU Interest and Royalty Directive as transposed into the Cyprus tax legislation.

As of 31 December 2022 (with revised provisions effective from 16 April 2025), Cyprus applies WHT on certain payments to companies in jurisdictions included on the EU list of non-cooperative jurisdictions on tax matters (commonly referred to as the EU 'blacklist') as follows:

- WHT of 17% applies on payments of dividends by non-quoted companies.
- WHT of 17% applies on payments of interest (excluding payments by individuals)
- WHT of 10% applies on payments of royalties and similar type payments (excluding payments by individuals).

As of 1 January 2026, WHT of 5% should apply on payment of dividends to related companies located in low-tax jurisdictions (except quoted companies, subject to conditions).

WHT on other types of income

Cyprus levies a 10% WHT on the remuneration of non-Cyprus tax residents for technical services derived from sources in Cyprus, subject to certain conditions. No such WHT is levied if such services are performed via a PE in Cyprus or between 'associated' companies as defined by the EU Interest and Royalty Directive as enacted into the Cyprus tax legislation.

Cyprus also levies a 10% WHT on the gross income/receipts derived from the exercise in Cyprus by a non-resident individual of any profession or vocation and the remuneration of non-resident public entertainers (e.g. theatrical, musical, football clubs, other athletic missions).

Further, a 5% WHT is levied on gross income derived from within Cyprus by non-residents with no local PE for services in regards to the exploration, extraction, or exploitation of the continental shelf, as well as the establishment and use of pipelines and other installations on the ground, on the seabed, and on the surface of the sea.

WHT on other types of income

In the table below, we illustrate the applicable Cyprus WHT rates outbound for dividend, interest, and royalty payments.

Recipient	WHT (%)			
	Dividends	Interest	Royalties rights not used within Cyprus	Royalties rights not used within Cyprus
Non-treaty	0 (1)	0 (1)	0 (1)	5/10 (2)
EU non-cooperative jurisdictions	17	17	10	10
Low-tax jurisdiction	5	0	0	5/10 (2)
Treaty:	-	-	-	-
Andorra	0	0	0	0
Armenia	0	0	0	5
Austria	0	0	0	0

Bahrain	0	0	0	0
Barbados	0	0	0	0
Belarus	0	0	0	5
Belgium	0	0	0	0
Bosnia (6)	0	0	0	5/10 (3)
Bulgaria	0	0	0	5/10 (3)
Canada	0	0	0	0/5/10 (3, 4)
China, People's Republic of	0	0	0	5/10 (3)
Croatia (14)	0	0	0	5
Curacao (16)	0	0	0	0
Czech Republic	0	0	0	0/10 (10)
Denmark	0	0	0	0
Egypt	0	0	0	5/10 (3)
Estonia	0	0	0	0
Ethiopia	0	0	0	5
Finland	0	0	0	0
France	0	0	0	0/5 (3)
Georgia	0	0	0	0
Germany	0	0	0	0
Greece	0	0	0	0/5 (3)
Guernsey	0	0	0	0
Hungary	0	0	0	0
Iceland	0	0	0	5
India	0	0	0	5/10 (3)
Iran	0	0	0	5/6 (3)
Ireland, Republic of	0	0	0	0/5 (3)
Italy	0	0	0	0
Jersey	0	0	0	0
Jordan	0	0	0	5/7 (13)
Kazakhstan	0	0	0	5/10 (3)
Kuwait	0	0	0	5
Latvia	0	0	0	0/5 (11)
Lebanon	0	0	0	0

Lithuania	0	0	0	5
Luxembourg	0	0	0	0
Malta	0	0	0	5/10 (3)
Mauritius	0	0	0	0
Moldova	0	0	0	5
Montenegro (6)	0	0	0	5/10 (3)
Netherlands (14)	0	0	0	0
Norway	0	0	0	0
Oman (15)	0	0	0	5/8(3)
Poland	0	0	0	5
Portugal	0	0	0	5/10 (3)
Qatar	0	0	0	5
Romania	0	0	0	0/5 (9)
Russia	0	0	0	0
San Marino	0	0	0	0
Saudi Arabia	0	0	0	5/8 (12)
Serbia (6)	0	0	0	5/10 (3)
Seychelles	0	0	0	5
Singapore	0	0	0	5/10 (3)
Slovak Republic (8)	0	0	0	0/5 (9)
Slovenia	0	0	0	5
South Africa	0	0	0	0
Spain	0	0	0	0
Sweden	0	0	0	0
Switzerland	0	0	0	0
Syria	0	0	0	5/10 (3)
Thailand	0	0	0	5/10 (5)
Ukraine	0	0	0	5/10 (7)
United Arab Emirates	0	0	0	0
United Kingdom	0	0	0	0
United States	0	0	0	0

Notes

1. Under Cyprus legislation, there is no WHT on dividends and interest paid to non residents of Cyprus. Further, there is also no WHT on royalties paid to non-residents of Cyprus for rights not used within Cyprus. As of 1 January 2026, a WHT of 17% should apply on dividends paid to related companies located in low-tax jurisdictions (except quoted companies, subject to conditions).

2. Royalties earned on rights used within Cyprus are subject to WHT of 10% (except royalties relating to cinematographic films, where the WHT rate is 5%).

3. The WHT rate of 5% is applicable on cinematographic films.

4. 0% on literary, dramatic, musical, or artistic work (excluding motion picture films and works on film or videotape for use in connection with television).

5. 5% WHT applies for any copyright of literary, dramatic, musical, artistic, or scientific work.

6. Bosnia, Montenegro, and Serbia apply the Yugoslavia/Cyprus treaty.

7. A 5% WHT rate will be levied on payment of royalties in respect of any copyright of scientific work, any patent, trademark, secret formula, process, or information concerning industrial, commercial, or scientific experience and cinematographic films.

8. The Cyprus-Czechoslovakia treaty applies with the Slovak Republic.

9. 5% WHT rate applies for patents, trademarks, designs or models, plans, secret formulas, or processes, or any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience.

10. 10% WHT rate applies for patent, trademark, design, or model, plan, secret formula or process, computer software or industrial, commercial, or scientific equipment, or for information concerning industrial commercial, or scientific experience.

11. Nil applies if the payer is a company that is a resident in Cyprus and the beneficial owner of the income is a company (other than partnership) that is a resident in Latvia. 5% WHT rate applies for all other cases.

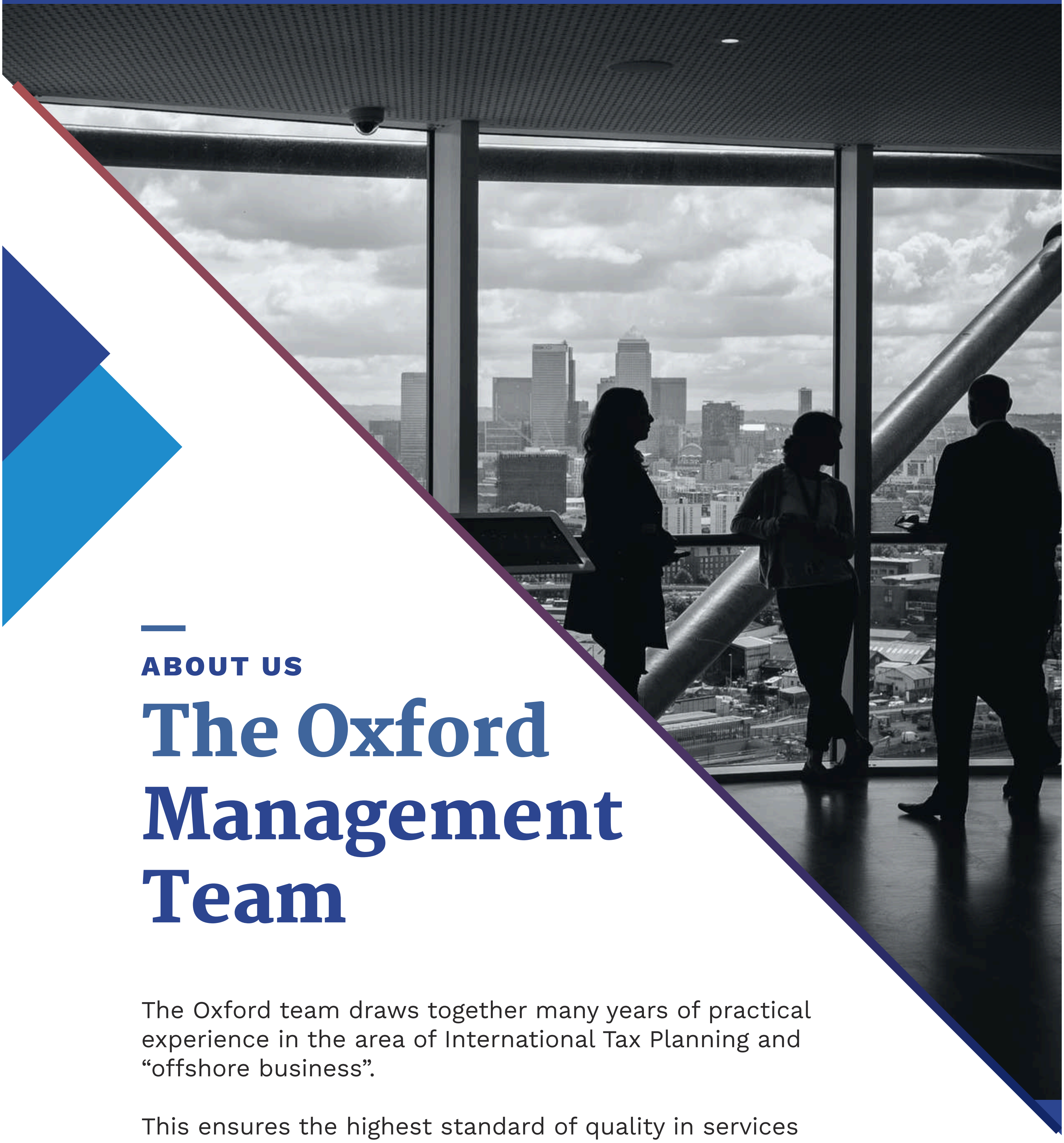
12. A WHT rate of 5% is applicable on royalties for the use of, or the right to use, industrial, commercial, or scientific equipment and on royalties for cinematographic films, including films and video tape for television. A WHT rate of 8% applies in all other cases.

13. A WHT rate of 7% is applicable on royalties and fees for technical services. A WHT rate of 5% is applicable on royalties for cinematographic films, including films and video tape for television.

14. The treaty is effective as of 1 January 2024.

15. The treaty is effective as of 1 January 2026.

16. The treaty is effective as of 1 January 2027.



ABOUT US

The Oxford Management Team

The Oxford team draws together many years of practical experience in the area of International Tax Planning and “offshore business”.

This ensures the highest standard of quality in services and professionalism.

The head of this dynamic multilingual team is Mr. Athos Fouttis, an International Tax Consultant, author of articles in international publications and regular speaker at international tax and offshore seminars.

Our offices provide the below listed services:

Corporate Tax
Planning and Structuring

Company Formation
and Licensing

Corporate
services

Management and
administration

Nominee
services

Trust and
trustee services

Re-domiciliation
services

Substance
solutions

Banking
facilities

Legal
services

Immigration
services

OXFORD
TAX SOLUTIONS

Telephone

+357 25823330

Fax

+357 25823331

Email

solutions@oxfordcy.com

Website

oxfordglobalservices.com

Address

Agias Fylaxeos & Zenonos Rossidi 2
P.O. Box 59655, 4011, Limassol Cyprus